DEBT FUELS THE CLIMATE CRISIS: HOW THE FINANCE FLOWS

ActionAid's fourth annual How the Finance Flows report

SEPTEMBER 2026

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"Nepal is paying the price of global warming even though our contribution is less than 0.1% of emissions" says ActionAid Nepal's country director Sujeeta Mathema in the aftermath of the devastating flash flood caused by a collapsing glacier in August 2026. The Nepalese government estimates that the recovery from this disaster will cost **at least USD 4.7 billion**.
CREDIT: ACTIONAID NEPAL

EXECUTIVE SUMMARY

Debt is a major, but fixable, barrier to climate action. **Action on debt could be one of the most impactful and achievable climate solutions available.**

The debt and climate crises are deeply interlinked, trapped in a toxic relationship in which countries and communities on the front lines of the climate crisis are paying the price. The global debt crisis is being felt acutely by the most climate-vulnerable countries, where climate disasters are taking place with increasing frequency and intensity.

Countries on the front lines of the climate crisis are forced to spend so much of their national budgets on sovereign debt repayments that these finance flows are driving fossil fuel expansion, preventing climate action and sustainable development, and leaving communities highly exposed to increasing climate impacts.

The Vicious Cycle between the debt and climate crises is getting worse year on year, causing rising emissions, accelerating climate disasters, stifling climate action and leading to ever deepening debt crises.

Today, available data indicates that **93.5% of the top one-third of climate-vulnerable countries are in debt crisis or at significant risk of debt distress.**[1] Public debt repayment levels in the most climate-vulnerable countries are at an all-time high and globally at least 54 countries are in debt crisis, with many more at significant risk.

1. See Annex and related budget tables for details on how this new number has been calculated for this report.

ActionAid has worked with Development Finance International (DFI) to analyse the available data on the domestic revenues, sovereign debt, national budgets and climate plans of those 65 countries (i.e. the top third) that are most vulnerable to climate change. Details of country-specific data and methodology used are in the Annex of the full report.

This new data analysis reveals the shocking extent to which sovereign debt is fuelling the climate crisis. Key findings include:

1. **Climate-vulnerable countries are being forced to spend nearly 25 times as much on repaying debt as on climate action.** Indeed, in 2026 total debt servicing on external and domestic debt in these countries is nearly four times that of spending on education, nearly seven times that of health, and nearly six times that of social protection.

2. **The most climate-vulnerable countries are using nearly two thirds (65%) of their national revenues to repay debt.** Instead of enabling climate action and providing essential public services, the bulk of tax revenue (including taxes raised from citizens on the front lines of the climate crisis) is being sent abroad to profit banks, investors, corporations, and governments, the vast majority of which are based in the Global North.

3. **Debt repayment obligations are preventing climate-vulnerable countries from implementing even their most basic climate plans.** The available data indicates that when countries' ratios are averaged out, climate-vulnerable countries are only able to budget for less than half (48.9%) of their Unconditional Nationally Determined Contribution (NDC) costs. And when this figure is calculated by taking an average of the aggregate total, only one quarter (25%) of published Unconditional NDCs have been budgeted for in climate-vulnerable countries. This newly exposed funding gap has alarming implications for the climate outlook, particularly for frontline communities.

4. **Debt cancellation in climate-vulnerable countries could fund their Unconditional NDCs six times over.** Alternatively, debt cancellation could fund all current climate, health, education and social protection spending combined, twice over. While these figures illustrate the shocking extent to which climate action is being undermined by debt, they also offer potential hope - and proof - that a world without unfair debts would be a very different place.

5. **The Global South is paying approximately 225 times more in total debt repayments than it receives in climate finance grants.** In 2026, the Global South is paying USD 8.8 trillion in debt repayments, taking up 43.5% of its budget revenues. This is the debt crisis at its worst-ever level. When it comes to climate finance, however, the most recent figures suggest that the Global North provided approximately USD 39 billion in grant-based climate finance to the Global South in 2024. The vast bulk of the money is flowing in the wrong direction. The countries that have done the least to cause the climate crisis are being forced to finance the countries that have done the most.

There are multiple intersecting and underlying global forces driving the debt crisis. These include historic and ongoing injustices, a failing global debt architecture, aggressive private creditors seeking quick profits, and rising global interest rates following Covid-19 and the wars in Ukraine, Palestine and Iran.

For many years it was widely assumed that the debt crisis in the Global South was largely disconnected from climate change issues, or simply arose as a result of financial mismanagement. But in fact, the climate and debt crises are deeply intertwined.

As global temperatures rise, floods, droughts, cyclones, heatwaves and other climate-triggered disasters are becoming more frequent, more intense and more destructive. The escalating costs of recovery and rebuilding forces many governments to take out emergency loans, often at high interest rates and with short timelines to be repaid in full. Forced to impose austerity policies in order to prioritise debt repayments, governments are obliged to cut public spending across the board, including on disaster recovery, adaptation and resilience, or transitions to greener energy and agriculture systems. This has very real consequences for hundreds of millions of people in the most climate-vulnerable communities, who are left at ever greater risk from the devastating impacts of climate disasters. And this affects all of us too, as the debt crisis blocks the urgent action needed to cool the planet.

To make matters worse, the debt crisis can even *accelerate* the climate crisis. Governments in indebted countries are under pressure to earn foreign currency to repay their loans. Many countries feel that the only realistic way to do this in the present global economy is to expand the production and export of fossil fuels and industrial agriculture commodities - the two biggest causes of the climate crisis. Governments at the first conference on Transitioning Away from Fossil Fuels, held in Santa Marta, Colombia earlier this year raised this issue as a core challenge that can handcuff countries to the fossil treadmill. Some countries even take on *more* loans to purchase the necessary fossil fuel or industrial farming infrastructure that they hope will ultimately lead to higher earnings. The deepening debt spiral leads to further budget cuts on climate action and essential public services.

To add to the absurdity, developed countries are failing to meet their obligations to provide climate finance to developing countries, as agreed under the United Nations Framework Convention on Climate Change (UNFCCC). Two-thirds of the finance they are putting forward under the label of "climate finance" is in fact in the form of loans or debt-creating finance instruments. Many of those climate finance loans are going to countries that are already chronically indebted, where existing debt is blocking climate action, and sometimes triggering further climate-damaging investments.

This is an outrageous contradiction. If we conceive of what the Global North owes the Global South as a "climate debt" – a popular and appropriate term given the history of global climate injustice – then we must ask: in what world can you credibly repay your debt to someone by giving them a loan they must then pay back to you - with interest?

The inevitable consequence of climate-vulnerable countries taking on high-interest and short-term loans after disasters is that they can then be at risk of entering debt distress. Struggling to meet their immediate debt repayment obligations and avoid the even greater economic consequences of defaulting, they are often compelled to turn to the International Monetary Fund (IMF), the "lender of last resort" for additional bailout loans, leading them deeper into debt traps. IMF lending comes with conditions attached, however. Public services must be cut, including investment in climate action and social protection support. Alongside a range of other economic measures, these cuts leave countries even more exposed to the climate crisis. In seeking a cure, the patient effectively gets sicker.

The consequences of the interconnected debt and climate crises fall disproportionately on women and young people, especially those living in poverty. Women and girls bear the brunt of climate disasters and are forced to effectively act as the shock absorbers of debt-induced austerity policies. Women may need to walk long distances to fetch water during drought and are more likely to skip meals and experience gender-based violence when families face hunger. When family finances are squeezed by climate impacts, girls are more likely to be taken out of school before their brothers, or even endure the tragedy of child marriage. Even though women may account for half of the farming population in Global South countries, they face barriers to accessing land, finance and farming support that leave them more exposed to climate impacts. And when public spending is cut, women and girls are the first to lose access to public services, the first to lose jobs in frontline public sector roles, and the first to assume the burden of unpaid care and domestic work that rises both when disasters hit and when services fail.

The combined debt and climate crises also compound the inter-generational injustice with young people losing critical opportunities at pivotal points in their lives and being forced to pay the future price of today's failures.

Examples of the toxic relationship between climate and debt are numerous:

Malawi has been forced to borrow hundreds of millions of dollars in the aftermath of successive destructive cyclones. This means that in 2026, 70% of Malawi's national annual budget will be spent on debt repayments. However, because much of this spending is itself funded by new borrowing, a staggering 129% of the country's revenue is going towards servicing debt.

Zambia is spending over 60% of its entire government budget (and 70% of its revenue) on debt repayment, but has been able to allocate just 0.32% of its total government budget expenditure to climate activities. As the region braces for an intense Super El Niño drought this year, Zambians are concerned that there has been insufficient investment in adaptation or preparedness.

In **Senegal**, where debt servicing is more than 600 times spending on climate, key government initiatives to strengthen resilience, improve food security and cut emissions through agroecology remain unfunded.

Destructive cyclones, droughts and floods have forced **Mozambique** to take on successive loans that mean the country is forced to spend 117 times more on debt repayment than on climate actions such as strengthening resilience. Repayment obligations mean the country faces relentless pressure to open up to fossil fuel extraction and export projects that have already exacerbated conflict and human rights abuses in the region, and to finance this through yet more loans.

Even though **Nigeria** is the largest fossil producer in Africa, nearly 40% of the country remains without electricity, as most of the country's crude oil is exported to repay debt obligations that currently consume half of the country's revenues.

Bangladesh is forced to spend 184 times more on debt repayment than on climate, amounting to nearly 73% of its budget (and 111% of its revenue), with the cost of the climate crisis exacerbated by fossil fuel infrastructure debts.

The good news is that there are clear and credible solutions that could break the vicious cycle between the climate and debt crises. Many of these have emerged from the Global South, from indebted countries and from climate-vulnerable countries and communities themselves. But they will need international support to deliver a breakthrough. Crucially, these proposals will depend on a coming together of progressive governments and movements who are concerned with either the climate crisis or debt crisis. Progress will depend on making broader connections with feminist movements, youth movements, public service movements and anyone concerned with sustainable development. Integrated solutions for inter-connected crises are needed.

Debt is a major – but fixable – barrier to climate action. Action on debt can free up countries' own resources, reduce the outflow of wealth from the Global South to the Global North, and allow those on the frontlines of the climate crisis to invest in the climate action that they, and the planet, so urgently need.

The recommendations below offer real hope that we can indeed break the vicious cycle.

Recommendations

1. Debt cancellation and debt relief

a. Debt cancellation for all unpayable or unjust external debts - to **ensure that no climate-vulnerable country is paying more than 10% of its national revenue on external debt repayments.** Any loans that were lent or borrowed 'irresponsibly' (relative to UNCTAD guidelines) may be considered 'odious' or unjust and should be the first to be cancelled.

b. **Have a universal agreement for automatic debt service cancellation** for *at least five years for any country* faced with a major climate-related disaster that requires urgent financing.

2. Fix the global debt architecture

a. **Support a UN Framework Convention on Sovereign Debt**. Climate justice advocates should work with debt movements and others to include this specific call at every opportunity and urge a vote at the UN General Assembly – ideally in 2027.

b. **Radically reform the present use of Debt Sustainability Analyses** and require them to include the urgent need for investment in climate responses, gender responsive public services and fulfilment of human rights and fulfilment of human rights which would accelerate sustainable development.

c. **Take legislative action in London and New York to require private creditors to join debt restructuring processes**, to participate meaningfully and to force private creditors to accept collective settlements on equal terms with other actors rather than holding out in efforts to maximise their profits.

d. **Regulate existing Credit Rating Agencies to remove conflicts of interest and bias** in order to reduce the extra borrowing costs climate-vulnerable governments have to suffer; and establish regional and public credit rating agencies or a multilateral credit rating agency.

3. Public debt and climate audits

Every country facing debt crisis should increase transparency and understanding of the interconnected impacts of debt and climate crises, and how these drive poverty and exclusion particularly for women and girls, by holding public debt and climate audits. These audits would critically examine the impacts of both external and domestic debt on the climate crisis, seeking to agree principles and actions to break the vicious cycle.

4. Scale up grant-based climate finance

Ensure that climate finance from the Global North to the Global South is public, comes in the form of grants, not loans or any other debt-creating financial instruments, and is sufficient to meet the scale of the climate crisis.

ActionAid staff, allies and activists take to the streets demanding urgent debt cancellation ahead of the fourth global summit on Financing for Development in Seville.
CREDIT: JOSIAH MBURU/ ACTIONAID

INTRODUCTION

In this report we show the deep interlinkages between the debt and climate crises, and show how action on debt can make a huge impact on climate-vulnerable countries' ability to survive and solve the climate crisis.

Part 1 unpacks the "Vicious Cycle" of debt and climate. In this, we explain and illustrate with case studies how climate impacts are escalating debt in frontline countries; and how that debt is in turn preventing necessary climate action while also boosting the fossil-fuelled emissions that leave countries more exposed to disaster and further indebtedness.

Part 2 offers a short overview of the "History and hypocrisy" around sovereign debt, explaining how many developing countries have become caught in unfair debt traps and cycles – some of which go all the way back to colonial origins. With powerful creditor countries and institutions using their leverage to exert pressure and continue exploiting, the neo-colonial power dynamics continue today. This section also outlines some of the key "Actors and Trends."

Part 3 then presents **new data** collected for this report, and an associated analysis on climate-vulnerable countries' revenues, budgets and climate plans, to show how debt traps are preventing countries from taking the climate action they urgently need to survive in the face of the climate crisis. Here we reveal that spending on climate is a tiny fraction of spending on debt, and that even though they are facing the worst of the climate emergency, **frontline countries are forced to spend the bulk of their revenues on repaying debt instead of ensuring their own survival or development.** The findings also reveal that **grant-based climate finance to Global South countries is completely dwarfed by the amounts that Global South countries are paying out in debt repayments.**

Part 4 then lays out the solutions to address the debt crisis that can make our planet and communities safer from the climate crisis. A combination of debt cancellation and fundamental overhaul of the debt architecture are flagged as urgent actions for advancing climate justice.

In the final section, **Part 5**, we set out conclusions and recommendations. Further information on methodology and data can then be found in the **Annexes**.

It is time to address the finance flows that deepen the debt and climate crises, taking action on the interlinkages between these two destructive trends.

Mobilisations in Nigeria during the Global Week of Climate Action.
CREDIT: ACTIONAID NIGERIA

SECTION 1: THE VICIOUS CYCLE: HOW DEBT IS SUPERCHARGING THE CLIMATE CRISIS

The debt crisis is a triple disaster for the climate. Countries on the front lines of the climate crisis are forced to spend so much of their national budgets on repaying debt that debt-induced finance flows are leaving communities highly exposed to climate impacts, preventing climate action and even driving fossil fuel expansion. In fact, **action on debt is a solution with huge potential benefits for the climate.**

How can this be, when the global debt crisis is widely assumed to be disconnected from climate change issues?

The debt crisis across the Global South is sometimes - wrongly - assumed to be a regrettable but simple issue of financial mismanagement and corruption within the countries concerned. Narratives around fraud, waste and abuse of public funds sometimes dominate the headlines and influence public attitudes. In fact, this naive assumption conveniently serves to disguise systemic injustices that are rigging the game, and which are intentionally designed to extract wealth from low and middle-income nations to benefit powerful creditors.

There are multiple global forces driving the present debt crisis. These include historic and ongoing injustices; a failing, out-of-date and unfair global debt architecture; aggressive private creditors seeking quick profits; the fact that Global South countries, and climate-vulnerable ones in particular, are systematically charged higher interest rates than their Global North peers; decades of unfair global trade and tax rules; as well as rising global interest rates following Covid-19, repeated and costly climate-related disasters, and the wars in Ukraine, Palestine and Iran.

It is long past time to transform the unjust and exploitative patterns of international debt. Debt traps are forcing many Global South countries to surrender staggering proportions of their national budgets to repay their debts, and to implement extreme austerity measures, coercively imposed by the International Monetary Fund (IMF) in particular, that require cutting vital spending on education, health or climate action. Communities living in poverty are disproportionately affected by the austerity policies imposed by the IMF on countries in debt crisis, with hundreds of millions of people deprived of access to health, education, public services or protection from the climate crisis. Women and girls become the main shock absorbers of this austerity – being the first to lose access to services, the first to lose frontline jobs and the first to take on the burden of unpaid care and domestic work that rises when public services fail.

Escalating public debt leads to increasing household debt, as cuts in public services mean that even low-income families are forced to pay fees to access public services or turn to private, fee-charging alternatives for essential health and education. School fees and emergency medical treatment are often financed through taking out exploitative loans, meaning that there are clear connections between sovereign debt and household debt.

In the present global economy, it is difficult for lower-income countries to escape the debt trap. Bringing debt repayments down to manageable levels can remain perpetually out of reach due to rising interest rates, currency devaluations, fluctuating commodity prices, rigged economic advice and the destructive impacts of climate change. Powerful Global North creditor nations and corporations then exert geopolitical pressure and control over indebted Global South governments, particularly through the IMF, while ruthlessly squeezing them for profit. International debt structures provide a convenient financial fig leaf for global power dynamics that continue to be colonial in all but name.

Now, (as we demonstrate below) the climate crisis is further fuelling this debt crisis, while the debt crisis in turn fuels the climate crisis. And so the vicious cycle continues, contributing to escalating emissions, vulnerability and even more debt.

The global debt crisis must therefore be recognised as one of the most significant barriers to climate action that has, until recently, remained largely outside of the climate policy spotlight.

Implicit in this crisis, however, lies a significant opportunity to truly transform the dynamics fuelling the climate crisis today.

Cancellation of international debt would not only release trillions of dollars each year for essential climate action and gender-responsive public services in climate-vulnerable countries, it would also shut down one of the major factors driving fossil fuel extraction and industrial agriculture expansion.

There are also significant opportunities to restructure the current unjust international financial architecture so that countries are not forced into austerity, and the repeated cycle of debt crises can be ended.

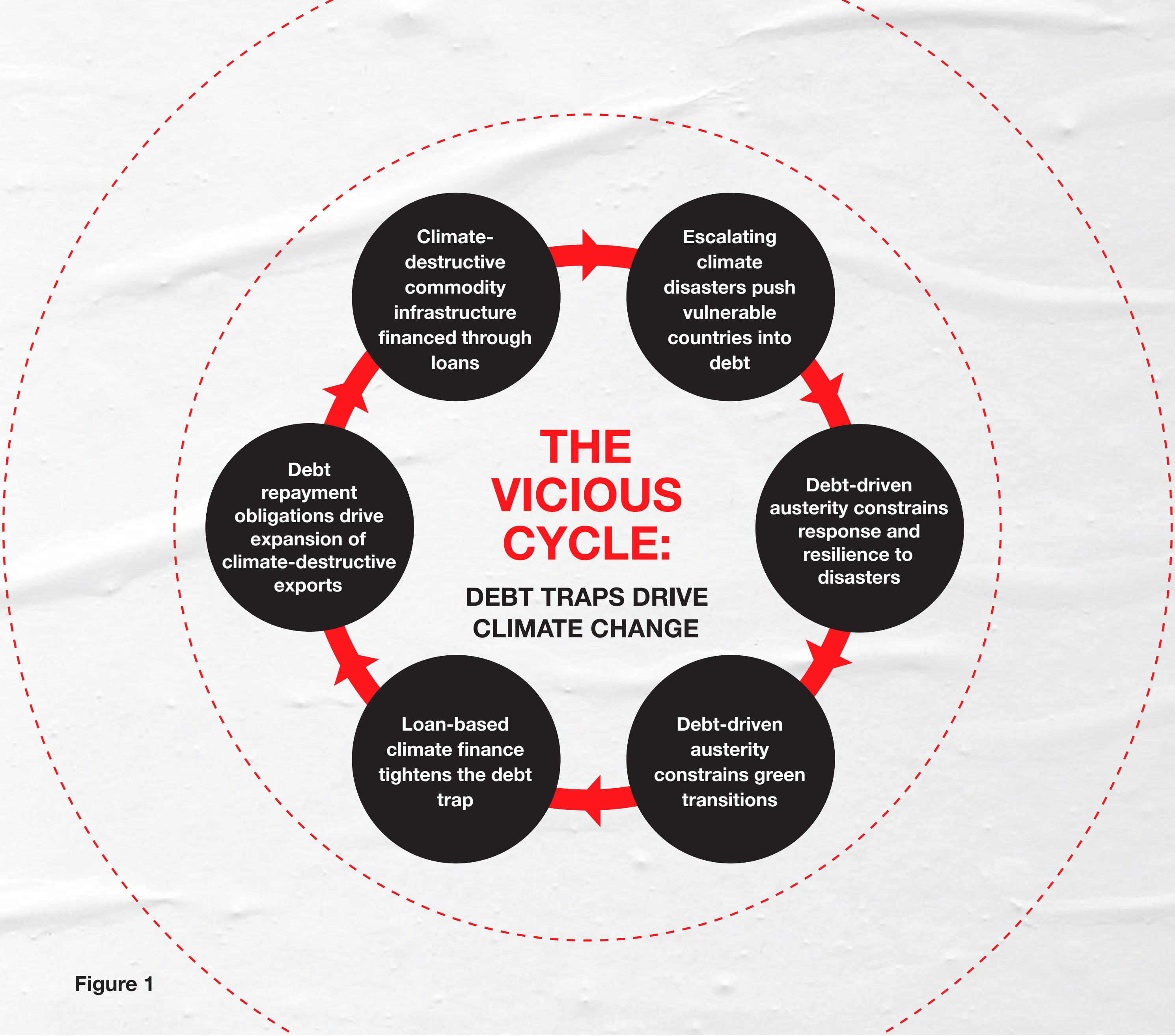


Figure 1

1.1 CLIMATE DISASTERS ARE PUSHING VULNERABLE COUNTRIES INTO DEBT

Cyclones, droughts, floods, rising sea levels, heatwaves and crop failures are costing USD 2.3 trillion each year in costs that include infrastructure rebuilding, ecosystem recovery and cascading economic impacts. Climate-vulnerable and low-income countries are being disproportionately affected by these disasters, often facing costs that amount to a significant proportion of their GDP.

Most of the countries considered to be "climate vulnerable" have contributed little to the climate crisis (for example, Africa is estimated to contribute less than 4% of annual global carbon emissions). But they are exposed to its most severe impacts, with more than 90% of all extreme weather-related deaths occurring in the Global South. Meanwhile, Global North countries, that have been industrialising and accumulating wealth, while polluting and causing the climate crisis for a century or more, are providing little in the way of real support to pay for the costs of the climate destruction their greenhouse gases (GHGs) have caused.

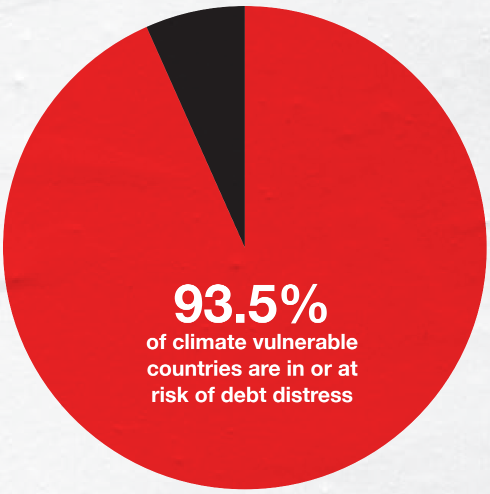
After decades of pleas to UN climate negotiations to provide Loss and Damage funding to help climate-hit countries recover in the aftermath of climate disasters, the Fund for Responding to Loss and Damage (FRLD) is now finally set up. It was meant to start disbursing funds this year but has faced delays. Current pledges to the fund amount to only USD 826 million – a miniscule fraction of the true costs of the climate crisis – and worse, only USD 456 million of these pledges has actually been received so far.

Often the costs of climate disasters exceed entire national reserves. Pakistan, for example, faced USD 30 billion of losses and damages following catastrophic floods in 2022 that displaced 7.9 million people, while the small island nation Vanuatu has been hit repeatedly by destructive and sometimes back-to-back hurricanes that cause destruction costing far more than national reserves - and sometimes more than 60% of the country's entire GDP. Tens of millions face hunger and loss of livelihoods following droughts in East Africa, Southern Africa and Brazil, whilst heatwaves and wildfires are on the rise everywhere. At the time of writing this report, climate change appears likely to have been the cause of the glacier collapse and catastrophic flood in Nepal. A strengthening El Niño now threatens to push an additional 49 million more people into acute hunger globally and turn millions into climate refugees as their homelands become inhabitable.

Such climate disasters, which are becoming increasingly frequent and destructive, force many Global South countries to take on huge loans in order to survive and rebuild. With aid declining and grant-based finance insufficient, in desperation countries take on debt from bilateral, multilateral or – increasingly – private lenders whose loans are set at high interest rates with short maturities. But paying off and escaping high debt repayments when climate disasters continue, can prove next to impossible.

Our new analysis (updated from our 2023 report) reveals that **93.5% of the countries that are most vulnerable to climate change are in, or are at significant risk of, debt crisis** (See table 5 in Annex 4). This means they are almost certainly forced to cut essential public services as well as their spending on climate adaptation and mitigation, and are at increasing risk of economic and political instability, especially when unable to pay for imported essentials such as food and fuel.

Figure 2: % of climate vulnerable countries in or at risk of debt distress



Sources: *World Bank Debt Sustainability Analysis, supplemented by Debt Justice Portal (62 climate-vulnerable countries with available data)*

CASE STORY

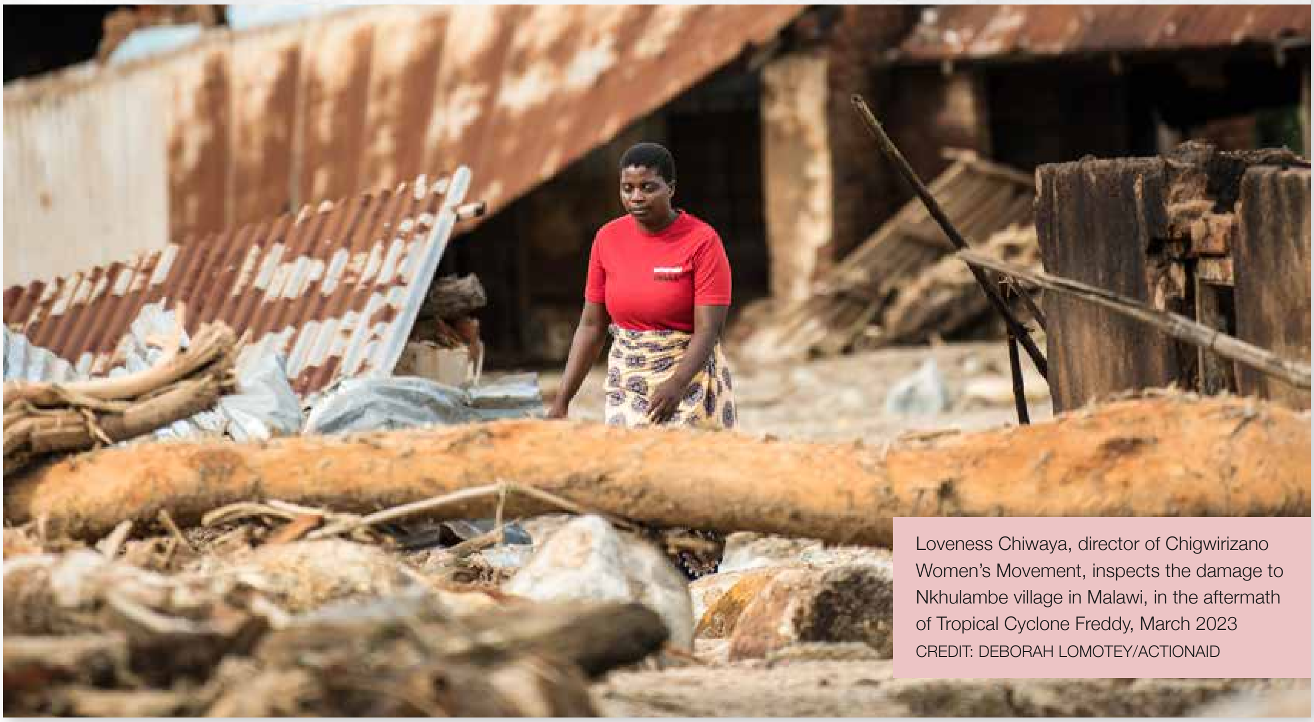
MALAWI'S CYCLONES AND THE CYCLE OF LOANS

Cyclone Idai in 2019 was not only the most devastating cyclone the Southern Africa region had ever seen until that point, requiring USD 4 billion for recovery and reconstruction efforts across Malawi, Mozambique and Zimbabwe. Tragically, Idai also signalled the start of a new and alarming climate reality of more destructive cyclones and tropical storms for the region. Idai was followed by Ana (2022), Gombe (2022), Freddy (2023), Filipo (2024) and Jude (2025). Of these, Cyclone Freddy, also known as Severe Tropical Cyclone Freddy, was exceptionally deadly, being the longest-lasting tropical cyclone ever recorded worldwide, and causing devastation across Malawi, Madagascar and Mozambique.

In Malawi, Cyclone Freddy brought the equivalent of six months of rain in just six days. More than 650,000 Malawians were displaced, and more than 2 million people affected, of which 280,000 were children. Homes, schools, health facilities, roads, bridges, power infrastructure and 117,000 hectares of cropland were damaged or swept away, with the cyclone hitting just before harvest was due. The country's deadliest cholera outbreak resulted from the flooding of water points and latrines.

The cost of recovery and reconstruction from Cyclone Freddy was assessed to come to USD 680 million. A USD 120 million loan was provided by the World Bank. This followed on from a World Bank loan of USD 70 million in the aftermath of Cyclone Idai. Malawi had already become trapped in a debt crisis since the 1980's, as a result of interest rate shocks, declining export commodity prices, droughts and the war in neighbouring Mozambique.

According to DFI's Debt Watch database, 70% of Malawi's national annual budget will be spent on debt repayments in 2026. However, because much of this spending is itself funded by new borrowing, a staggering 129% of the country's revenue is going towards debt repayments.



Loveness Chiwaya, director of Chigwirizano Women's Movement, inspects the damage to Nkhulambe village in Malawi, in the aftermath of Tropical Cyclone Freddy, March 2023
CREDIT: DEBORAH LOMOTEY/ACTIONAID

1.2 DEBT-DRIVEN AUSTERITY CONSTRAINS RESPONSE AND RESILIENCE TO CLIMATE DISASTERS

Climate-vulnerable countries are desperate to scale up adaptation and disaster risk reduction (DRR) efforts so that food production, infrastructure, economies and people have a better chance of coping with extreme weather events.

Activities to strengthen resilience and response capacity may include organising early warning systems to advise communities to evacuate before floods, or weather information systems to help farmers make informed choices about planting and harvesting so that they don't lose their crops to extreme or unexpected weather. Farmers can be trained in new agroecological techniques that improve water retention in soils or reduce crop vulnerability to pests and extreme weather. Resilient infrastructure, flood barriers, erosion control, drainage management, urban planning and passive cooling design all play an important role in reducing the devastating impacts of floods, destructive storms and heatwaves. And cyclone safety shelters, protecting water and sanitation systems, and restoring ecosystems can all help to keep communities safe. Specific interventions for gender-responsive climate resilience can ensure that support reaches those who are most profoundly affected by disasters.

Adaptation efforts are about improving people's chances of survival. More resources and effort put into adaptation means communities are better able to withstand climate impacts, meaning less resources and effort will ultimately be needed to recover from loss and damage, and livelihoods and economies will be more resilient.

But, just as the UN's new loss and damage fund is abysmally under-resourced, international funding to support adaptation in Global South countries has also been lacking. The countries that are in most urgent need of adaptation due to their climate vulnerability have received little in the way of meaningful grant-based climate finance for adaptation. Many have already been driven into debt crisis and many more are teetering on the brink of debt crisis.

This makes them subject to the coercive policy advice of the IMF, which invariably imposes austerity policies to ensure that countries can continue to pay their debts. When forced to use the bulk of their national revenue for repaying of their loans, governments under IMF advice cut spending on public services and cut the investments in resilience or disaster response efforts that they know they urgently need.

Even though the IMF has shifted its rhetoric in recent years, in practice it is still cooking with a failed recipe, making recommendations for cuts to public spending and other policies that are little changed from the 1980s. **In the face of debt crisis and austerity, it is impossible for a country to adjust its economy and society to prepare for and respond to the existential threats of the climate crisis.**

The IMF sometimes uses climate language to justify its austerity policy recommendations, for example arguing for an end to fuel subsidies. But it is difficult to see this as motivated purely by concern for the climate crisis, as cutting fossil fuel subsidies is a policy primarily designed to ensure countries have the revenue to meet their loan repayments. The impact of these cuts is often most acutely felt by women living in poverty, who face rising prices, not just for fuel but also for food. Shifts in subsidies should be carefully sequenced according to just transition principes.

In its country advice the IMF systematically fails to protect spending on climate responses from the austerity cuts it routinely recommends. As a result, communities living in poverty, particularly women, youth and marginalised community members, are left highly exposed to the effects of droughts, floods, wildfires, air pollution and other disasters. Without adaptation investment, they remain at significant risk of flood destruction, crop failure, hunger and deepening poverty caused by the climate crisis. This means that when disasters do hit, they are all the more devastating for those who are already the most excluded.

Women, who make up the majority of smallholder farmers, are amongst those who are most acutely impacted and who are least likely to receive support for adaptation. Indeed, in general, women are also the least likely to be included in decision-making on climate adaptation. To be credible, adaptation plans need to be 'gender-responsive' and 'gender inclusive'- and not just superficially 'gender-sensitive'. Unfortunately, the ignored gendered impacts of austerity compound existing gender inequalities and injustices so the condition and position of women, especially those facing intersecting disadvantage and exclusion, are often getting worse rather than better. Tragically, sovereign debt crises, compounded by climate disasters can end up driving the most vulnerable households into deeper debt themselves.

Floods in Manhica, Mozambique, January 2026. Rising waters swallowed fields and crops, ruining livelihoods almost overnight. Communities have been submerged, seeds destroyed, and access cut off as bridges collapsed under strong currents.
CREDIT: ACTIONAID MOZAMBIQUE

CASE STORY

DROUGHT AND DEBT: A DEADLY COMBINATION IN ZAMBIA

"We have not harvested any crop from our farm," said Mrs Chitungu of Simukale Village in Zambia's South Province, looking out at her field of lost maize. She and her husband lost their 10 hectares' worth of crops during the 2024 drought. With a family of 11 children and more than 20 grandchildren relying on the family's farm produce, they have still not recovered from one of the worst droughts to ever hit the country. "We can't even start a small garden or do a piece of work because there is no water entirely, and no one is hiring old people like me. What waits for us is hunger and sickness."

A long-term debt crisis had left Zambia with no budget to invest in adaptation or preparedness efforts for farmers like the Chitungu family. Declaring a national disaster, a severe shortage of funds also prevented the government from providing sufficient help to the 9 million people affected, of which 5.5 million – 26% of the population – required humanitarian assistance as the crisis continued into 2025. Drawn-out negotiations to restructure Zambia's huge debt levels finally concluded during 2024, triggering debt relief and freeing up some resources for emergency cash transfers for vulnerable households. Both the debt and climate crises have still left the country under severe economic strain, however.

Zambia is currently spending over USD 7 billion on debt repayment in 2026 - over 60% of its national budget, and 70% of its revenue. Meanwhile, less than USD 38 million has been budgeted for climate activities to address adaptation, mitigation and loss and damage this year, just 0.32% of its total government budget expenditure in 2026.

Worryingly, forecasts predict that a Super El Niño in 2026/27 will bring an even more severe drought to the region. Mrs Chitungu and her husband fear for their future, while hoping the Zambian government will provide solutions to help their family. But there has been little of the spending needed to strengthen resilience or preparedness in anticipation of the drought ahead, or for the escalating climate crisis.

Mr & Mrs Chitungu, Simukale village, Zambia.
CREDIT: ACTIONAID ZAMBIA

1.3 GREEN TRANSITIONS HELD BACK BY DEBT-DRIVEN AUSTERITY

Debt does not only hold countries back from recovering from climate disasters and investing in their own resilience. It also prevents them from transitioning to greener pathways to reduce emissions.

Climate-vulnerable countries in the Global South have far less historical responsibility than wealthier countries for causing the climate crisis. Nonetheless, securing a climate-safe future for the generations to come requires all countries to make green choices in key sectors such as energy, agriculture, transport and industry. Countries with lower historical responsibility for causing climate change should be supported to "leapfrog" over polluting development models and scale up solutions that deliver people's needs while also sustainably safeguarding the future of the planet by limiting emissions.

Mitigation solutions include renewable energy, agroecology, public and electrified transport as well as the protection and restoration of natural ecosystems. Just transition approaches that include workers, women and communities in shaping plans, and ensure that interventions protect their livelihoods, food and energy access, are essential to ensuring that those most affected by climate and economic shifts are not left behind or motivated to resist transition but are instead empowered and supported.

As is also the case for loss and damage and adaptation, grant-based climate finance provided to frontline countries for mitigation has so far been deeply inadequate and a fraction of the scale that is both essential and fair.

And, by the same token, deep levels of debt also prevent many Global South countries from using their own national revenues on climate transitions. Climate-vulnerable countries – the vast majority of whom are in or at risk of debt distress – are forced to prioritise use of their national revenues in order to repay their debts, instead of investing in climate action.

The debt crisis is preventing essential climate action including implementation of national climate action plans (known as Nationally Determined Contributions – NDCs) from taking place in the critical years when ambitious action now could give the planet a chance of averting runaway climate breakdown.

CASE STORY

SENEGAL'S AGROECOLOGICAL TRANSITION DELAYED BY NATIONAL DEBT LEVELS.

As part of its strategy to sustainably ensure food security in the face of escalating climate impacts and volatile fertiliser prices, Senegal has put agroecology at the heart of its national transformation agenda for climate and agriculture. Policy makers are responding to growing evidence and experience that agroecology is a timely solution for adaptation, mitigation and livelihood security, particularly in the face of rising fertiliser prices. The National Strategy for Agroecological Transition is jointly led by the Ministry of Agriculture, Food Sovereignty & Livestock, and the Ministry of Ecological Transition. Earlier this year the minister of the former declared that "agroecology is no longer a luxury, it has become a necessity," with the minister of the latter adding that agroecology represents "a path to the future." Agroecology is further integrated into several national agriculture and climate policies.

Escalating debt levels in Senegal have triggered a public finance crisis, however. According to DFI's Debt Watch database, debt servicing payments in 2026 will absorb 96% of the country's revenue, forcing the government to make strict budgetary choices this year. Senegal's budgets for climate, agriculture, and other public services have been strictly curtailed as a result, with Senegal's debt servicing more than 600 times the size of the country's climate budget. There is an urgent need to expand agroecology across the country to protect smallholder farmers' livelihoods and national food security in the face of the climate crisis. But the envisioned agroecological transition – including training in agroecological practices, soil regeneration initiatives, certification systems, social protection and marketing support - remains without budget.

Adji Anta Ndiaye is a member of a women's cooperative in Koussaner active in agroecology. Adji found that agroecology protected her farming livelihood in the face of climate change. She would like the government to provide more support for agroecology to farmers across Senegal.
CREDIT: ACTIONAID SENEGAL

1.4 LOAN-BASED CLIMATE FINANCE TIGHTENS THE DEBT TRAP

In order to truly support Global South countries to address their loss and damage, adaptation and mitigation needs, the wealthy and polluting countries of the Global North have a responsibility to provide grants at sufficient scale to help cover the costs of climate action. This is a foundational agreement in the UN Framework Convention on Climate Change (UNFCCC) – which identifies a named list of historic polluters, the so-called 'annex 2 countries' that have an obligation to provide finance.

However, two thirds of the finance labelled as "climate finance" by these Global North countries has been in the form of loans rather than grants. In fact, Global North countries have been found this year to be counting around USD 100 billion worth of loans in order to exaggerate the true value of annual climate finance they are providing. To add insult to injury, much of this has been on non-concessional terms - in other words, set at high interest rates. While concessional loans are of course preferable to non-concessional lending, even concessional loans can become a major burden, especially if there is a monetary crisis and external debt service is owed in a foreign currency (as it invariably is). As such, even concessional loans must be limited and targeted to contexts that will generate predictable revenues or savings that allow a country to comfortably repay its debt, such as through renewable energy infrastructure. The role of banks in delivering climate finance must always be closely scrutinised, since their primary objectives are to profit from the money they lend.

With credit rating agencies that serve the interests of big capital deeming climate-vulnerable countries to be particularly high-risk places to invest, governments in these countries face especially high interest rates and short repayment periods that further increase the repayment squeeze. Meanwhile, private creditors lending money to climate-vulnerable countries stand to generate large profits.

This is both absurd and unjust. Wealthy polluting Global North countries are most responsible for causing climate destruction, and they should be the ones paying for the damage and climate solutions to secure a safer future. Instead, loans simply create an illusion that support is being provided, and finance targets met, while still forcing developing countries to ultimately foot the bill. Worse than this, the high interest rates extracted under non-concessional loan terms means that government and private lenders are sometimes profiting greatly from these obligations. This is climate exploitation.

This dynamic risks becoming significantly worse in the years to come. In 2024, at UN COP29 climate negotiations, all countries agreed a New Collective Quantified Goal (NCQG) on climate finance of USD 300 billion a year. This target failed to specify a minimum percentage of grant provision, however. This means that the finance target is not only insufficient to meet the real need (estimated as between USD1-5 trillion a year) but is also likely to significantly increase the volumes of debt-creating finance flows to climate-vulnerable countries.

The "Baku to Belém Roadmap," an additional – but vague – initiative was also announced during COP29 and led by the governments of Azerbaijan and Brazil, with the stated ambition to find ways to scale up climate finance to USD 1.3 trillion dollars annually. On the surface this announcement appeared to be in the right ballpark, and included a reference to "grants, concessional and non-debt creating instruments." Climate justice organisations treated this announcement with caution, however. Suspicions centred on concerns that the emphasis on *quantity* of finance over *quality* could prove to be a poisoned chalice. In other words, that this might lead to the official sanctioning of loans, public-private finance partnerships, carbon markets, deregulation and pretty much everything under the sun being counted as "climate finance."

Since the COP29 finance target and the Baku to Belém Roadmap were announced, Global North countries have increased their efforts to scale up loan-based private finance as the principle financial instrument for climate action. Alongside efforts to deregulate lending and undermine safeguards for communities under the rubric of “creating enabling environments”, many are even calling for what little grant-based finance there is to be repurposed away from grants in order to “‘de-risk’ or “catalyse” more loans and debt-creating instruments. Worryingly, the UK government under its new Prime Minister Andy Burnham in July 2026 decided to finance one of its first progressive domestic policies of capping bus fares by converting future climate finance from grants into loans – which led to the accusation that the new government was ‘throwing the Global South under the bus.’

The World Bank and the Multilateral Development Banks (MDBs) are seen by Global North countries as key to delivering the NCQG goal, the Baku to Belém Roadmap and the scaling up of loan-based climate finance. While the World Bank should indeed be aligning its lending with climate-friendly objectives, this should not be confused with real climate finance, or used as a way to bulk up numbers through more expansive accounting. Normalising debt-based finance undermines the urgent need and case for public, grant-based climate finance. In any case, the World Bank recently abandoned its target to devote 45% of its lending resources to climate projects. However, it will no doubt continue to provide loans for both climate finance and fossil fuels at the same time.

Climate-vulnerable countries are additionally being encouraged to set up “green bonds” that are purchased by private investors, to release money that can be spent on climate projects. Indeed, even though the IMF recognises that there is a ‘development crisis’, the IMF refuses to even talk about a systemic debt crisis – because for them and their shareholders, there is no systemic crisis so long as there is no significant default and creditors are being paid. Labelling debt-creating instruments as “green” does not in any way reduce the risk to those taking on the debt and green bonds do not generally carry lower interest rates than conventional bonds, but they do incur additional costs for the borrower (in terms of additional reporting requirements etc.). The expectation is that the investor will make a profit on the interest paid back, on top of repayment of the original capital amount. Green bonds are therefore just as indebting as conventional loans. (See table 3 on false solutions).

Loans and bonds classed as climate finance are therefore deepening the debt crisis, undermining countries’ debt sustainability, further fuelling the vicious cycle and, ultimately, leaving them even more exposed to climate impacts. It is therefore perverse that debt-creating finance flows are often classed as “climate finance” when in fact they may end up in practice as climate-*destructive* finance flows.

Activists at COP29 climate negotiations display a 10-metre long “invoice” for climate finance owed to the Global South by the Global North countries that have caused the climate crisis. CREDIT: JESS MIDWINTER/ ACTIONAID

CASE STORY

SOUTH AFRICA: CAN DEBT BE THE BASIS FOR A “JUST” ENERGY TRANSITION?

South Africa is currently dependent on coal for its economy, employment and electricity provision. But its Just Transition Framework, produced by the Presidential Climate Commission in 2022, represents an ambitious and inclusive vision to transition away from coal. The framework aims to navigate the transition by involving workers and communities in shaping transition plans and protecting livelihoods through the creation of new and accessible opportunities. Implementation challenges, however, include a lack of funding.

In 2021 an international coalition of donor countries announced the Just Energy Transition Partnership (JETP), with the objective of advancing transitions from fossil fuels to renewable energy in selected developing countries. South Africa was named as one of the first countries to benefit from the programme. Soon, however, it became clear that the countries steering the JETP were not planning to provide much in the way of grants to deliver this vision. Almost entirely based on loans, less than 5% of the funding to South Africa was initially to be provided in grants. Reportedly, this later increased to over 8% of the USD 8.5 billion package.

This emphasis on loans has come under criticism from several directions. As climate justice organisations point out, the wealthy countries most responsible for causing the climate crisis should be providing grants rather than loans to countries like South Africa. Instead, this initiative is adding to South Africa’s already-significant debt burden. The country is projected to pay 49% of its national revenue towards debt repayment in 2026, 2.17 times the country’s spending on education, and 3.72 times the country’s spending on health. Meanwhile, the opaque deals have been criticised for their lack of transparency. And with conflicting agendas within government leaving South Africa’s energy direction somewhat unclear, some ask whether the country should be taking on loans to decarbonise while Global North countries continue to expand their own fossil fuels.

The JETP approach also needs to do far more to be true to the “just” aspect of the just energy transition. For example, the decommissioning of the Komanti power station was announced before any transition plan was put in place for its workers. Just transitions must be shaped around inclusive planning processes, safeguarding rights, providing support, and offering training and pathways to alternative livelihood opportunities. Even beyond South Africa, many worry that loan-based financing can never be the right vehicle to ensure transitions are truly just.

Community dialogue on energy transitions and mining in Mokopane organised by ActionAid South Africa. Just transitions must start with the participation of community members, so that transition plans can be shaped based on their concerns, hopes, needs and opportunities.
CREDIT: MATHANDILE PUPU/ ACTIONAID

1.5 DEBT REPAYMENT OBLIGATIONS DRIVING CLIMATE-DESTRUCTIVE EXPORTS

With debtors demanding ever greater amounts of national budgets, governments must find ways to balance the books. Budget cuts in public services and climate action will only get them so far. For those that can, raising taxes or increasing economic growth may sometimes work, though if not carefully designed as progressive taxes that target the wealthiest, tax rises may increase the burden on those that can least afford it. Moreover, existing global tax rules make it close to impossible for lower income countries to tax the wealthiest individuals and companies, especially multinational corporations.

Global North countries that borrow primarily in their own currency can find other solutions such as printing more money – a practice known as "quantitative easing" – to help pay off their sovereign loans, although this can risk triggering inflation. But for climate-vulnerable nations that are forced to repay their external debts in foreign currencies, such approaches are not an option. Until there is a stronger movement of debtor countries that can challenge the normalisation of giving loans in foreign currencies, this is unlikely to change

Many climate-vulnerable countries end up feeling they have little choice other than to expand production and export of high-value commodities, in order to earn foreign currency that is then used to repay sovereign debts. For many, expanding fossil fuel production and exports are essential components of their debt repayment strategy. For others such as Argentina, sovereign debt payments are raised through industrial agriculture production and export of soybeans, beef and other products farmed in huge monoculture plantations– much of which has driven the deforestation of critical Latin American ecosystems such as the Gran Chaco.

Debt empowers the IMF to pressure many governments in lower income countries across the full gamut of their economic policies – including taxes, subsidies, public services, privatisation, investment, trade and more – in order to make sure all loans are repaid. In recent years, the IMF has sought to present a more climate-friendly face, looking to mobilise green investment, and recommending the phaseout of fossil fuel subsidies – but there is a huge gulf between the IMF's climate rhetoric and their lending practice.

Joint research by ActionAid and the Bretton Woods Project in 2021 found that in the years following the signing of the Paris Agreement, the IMF had advised more than 100 of its debtor countries to expand their production of fossil fuels in order to repay their loans.

The tragedy is that in trying to get out from debt, climate-vulnerable countries are pressured into new investments that will cause emissions to rise, fuelling the crisis that will only increase climate harms and deepen their debt.

These examples underline that the transition away from fossil fuels is not simply an energy challenge, but also an urgent fiscal challenge. Governments at the first conference on Transitioning Away from Fossil Fuels, held in Santa Marta, Colombia earlier this year raised this issue as a core challenge that can handcuff countries to the fossil treadmill. For countries that depend on fossil fuel exports to fend off their debtors, simply replacing their energy source with renewables will not be sufficient to enable the transition away from fossil fuels. For such countries, debt cancellation and a change to the global debt architecture may be essential steps on their route out of fossil fuel era.

CASE STORY

DEBT-DRIVEN DRILLING FOR FOSSIL FUELS IN NIGERIA

Before oil drilling began ten years ago, there were fish in the rivers, crops grew well, and there was clean water to drink, says Finegirl, a 59 year old farmer, mother and grandmother from the Niger Delta. Now the rivers are polluted with oil, there are no more fish, the crops barely grow in the hard, polluted soil, and the even the rainwater she tries to collect to drink is black from fumes.

Nigeria is the largest fossil fuel producer in Africa. In spite of this, nearly 40% of the country remains without access to electricity. That is because most of the country's crude oil produced is exported to earn much-needed foreign currency to keep the country afloat economically - and in particular to pay off its extensive debt repayment obligations.

Nigeria's debt repayment obligations are projected to consume more than half of the government's revenue in 2026. With the national currency the Naira experiencing major devaluations in recent years, the country's debt makes it more dependent than ever on oil and gas as the basis of foreign earnings to avert debt distress and defaulting.

Finegirl is a farmer, mother and grandmother from the Niger Delta, where companies have been mining oil for over 10 years.
CREDIT: ETINOSA YVONNE/ ACTIONAID

1.6 CLIMATE-DESTRUCTIVE INFRASTRUCTURE FINANCED THROUGH LOANS

It may seem bizarre, but when countries are pressured to repay their loans through fossil fuel expansion they may also then be advised to take on new loans to cover the costs of infrastructure.

Of course, governments know that piling debts on top of existing debts is problematic, but they generally feel they have little alternative.

The picture gets even darker, however, when hopes for debt salvation through new loans for infrastructure are pinned on shaky advice. In some cases, the strategic investment advice given to desperate countries by powerful lenders is so poor that failure seems almost inevitable.

For decades, the World Bank has been advising debtor countries in the Global South on investment strategies that will supposedly convert 'billions to trillions' of dollars and free them from their debt burdens. Indeed, with decades of experience, involvement and influence in the economic affairs of most of the world's nations, the World Bank's expertise is often assumed to be unimpeachable. Yet the World Bank and IMF have presided over an era of repeated debt crises – and even when massive debt cancellation was agreed in 2005, this did nothing to stop the cycle. Indeed, the present debt crisis is more acute than ever.

The World Bank has not only been heavily criticised for its lending for fossil fuel expansion, but also for its climate hypocrisy for continuing such lending, while mouthing climate platitudes in its policies. Indeed, MDBs in general have proven to be more adept at *saying* the right things than *doing* the right things. The World Bank has also faced anger at the way in which some of its lending has been accompanied by poor strategic advice for fossil fuel expansion. This combination has left some countries with a bare fraction of the fossil fuel profits anticipated, and even deeper in debt than when they started.

The dependency on loans and multinational companies for developing fossil fuel infrastructure is a key component of the "resource curse" lamented in Global South countries. When fossil fuels are discovered in the Global South, they rarely lead to the promised rise in national wealth and living standards. More often, they lead to governments taking on debt for the infrastructure needed for their development and export – entering a trap from which they may struggle to get out. In the process, many countries are also coerced into giving tax incentives to large multinational corporations, often including extended tax holidays for ten or twenty years, so that the companies that extract resources rarely end up paying any tax - diminishing the capacity of the government to repay its debts in the longer term. Such patterns also erode countries' sovereignty, with multinational corporations and foreign states exerting increasing influence over them in the process.

And thus – the vicious cycle of rising emissions, climate impacts, vulnerability, more loans, fossil extraction and ever deepening debt, continues.

On top of this, the growing political momentum towards fossil fuel phaseout means that countries that are borrowing heavily to invest in fossil fuel infrastructure may end up with "stranded assets" that will never pay dividends.

CASE STORY

GASLIGHTING GHANA: FOSSIL FUELS DEEPENING DEBT

Loans and other forms of financing for fossil fuel projects from the World Bank, coupled with surprisingly bad advice and questionable oversight from the Bank's energy experts, have trapped Ghana in costly deals for floundering projects that were doomed to fail. When Ghana was unable to recoup the promised financial benefits, they accrued escalating costs and were even forced to take on more loans. This pushed Ghana from a classification of "moderate" debt to "debt distress," which lasted until June 2026.

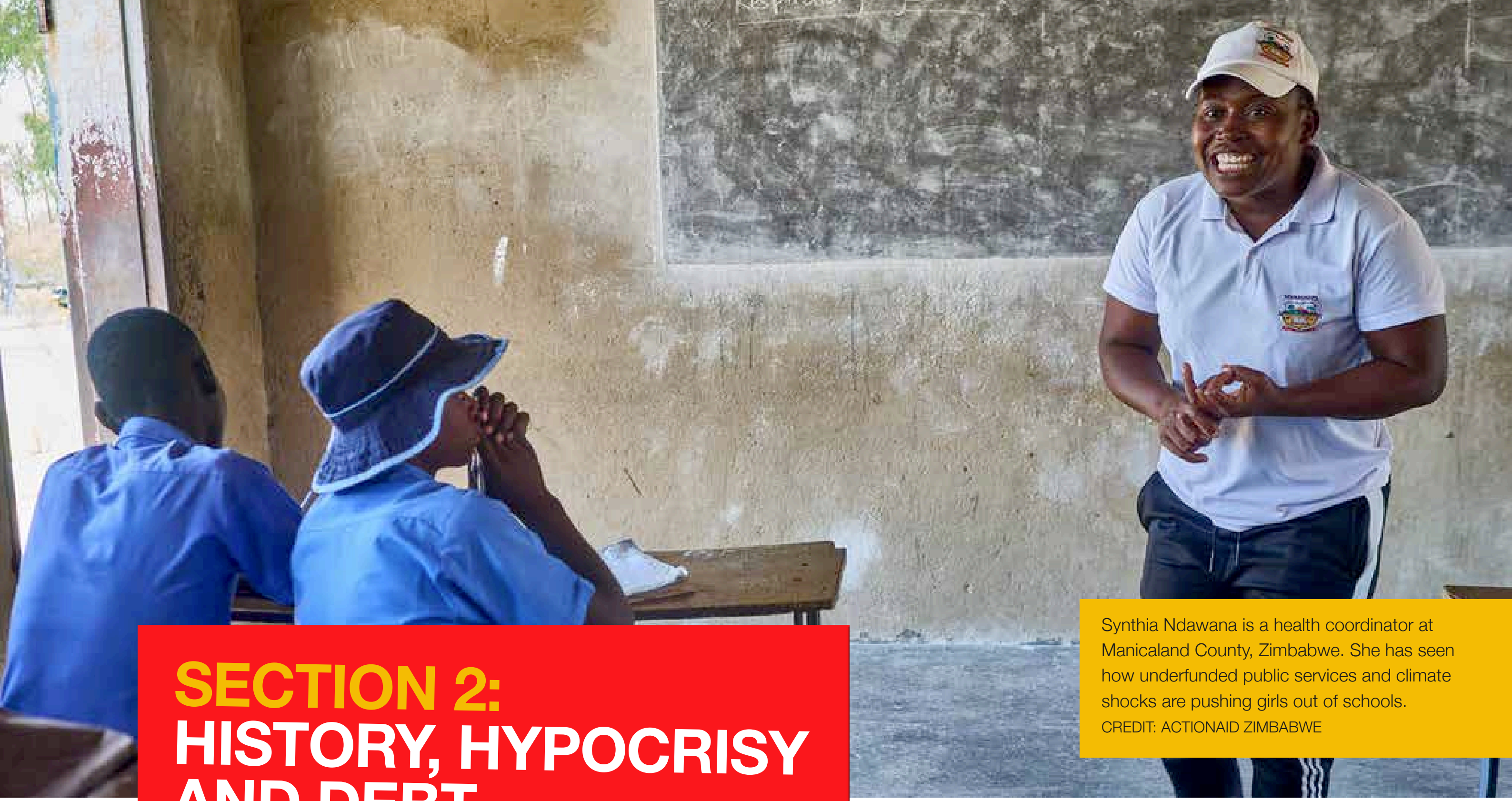
Three fossil fuel projects have left a painful legacy of unreliable electricity supplies, austerity and of course climate harm.

- **The West African Gas Pipeline (WAPG):** The World Bank provided Ghana with a USD 75 million World Bank loan to finance its share of a pipeline built in 2005 and intended to transport gas from Nigeria to Ghana. After years of delays and unreliable supply, however, the pipeline has only delivered half of the promised gas, forcing Ghana to continue to import costly liquid gas from other sources to power its thermal plants for electricity generation.
- **Jubilee Project:** The WB's private lending arm provided hundreds of millions of dollars of financing to private companies to develop Ghana's oil extraction and storage from the Jubilee offshore fields. Even though gas extraction would have been a better option than oil, gas resources were apparently ignored. From the project's start in 2010, oil production from the field was delayed and led to disappointing results. Gas from the field has been flared instead of used, leading to expensive waste, harm to local fishing grounds and of course escalating Greenhouse Gas (GHG) emissions. Ghana meanwhile had to import USD 1 billion worth of costly fuel to fill the gap for electricity generation. In order to belatedly make use of the gas from the Jubilee Project, Ghana then took on a new multi-billion loan from China to develop the necessary infrastructure.
- **Sankofa Gas:** In 2015 the WB approved over a billion dollars in financing for oil extraction in the West of the country. However poor advice from the WB underestimated the ease and cost of connecting pipelines to the power sector in the East (by 17 times!). Completing the pipelines cost Ghana USD 170 million and delayed the country's ability to use the extracted oil. Nonetheless, a purchase guarantee deal bound Ghana to purchase-or-pay USD 600 million a year, even for the year when the oil could not be transported or used. Once again Ghana was obliged to continue importing.

The World Bank has played a variety of roles as advisor, deal-breaker, lender, guarantor and enforcer in Ghana's fossil fuel projects. Each time it has failed to learn lessons, spot inherent flaws or protect Ghana from escalating costs. Instead, lending for oil and gas infrastructure has deepened fossil fuel dependency and the nation's debt distress.

The 2025 report "Gaslighting Ghana" produced by ActionAid Ghana and SOMO calls on Ghana to stop falling into fossil-fuelled debt traps, and instead bring about a just transition to renewable energy.

Together with women, young people and communities ActionAid Ghana is campaigning for a people-centered just transition from fossil fuels to renewable energy.
CREDIT: JACQUELINE PARDIKIE / ACTIONAID GHANA



Synthia Ndawana is a health coordinator at Manicaland County, Zimbabwe. She has seen how underfunded public services and climate shocks are pushing girls out of schools.
CREDIT: ACTIONAID ZIMBABWE

SECTION 2: HISTORY, HYPOCRISY AND DEBT

2.1 COLONIAL ORIGINS

The debt crisis that countries face today has deep roots, with clear origins in the colonial era. European colonisation across Africa, Asia and Latin America endured for hundreds of years, enabling the accumulation of vast wealth in Europe that was premised on the exploitative extraction of labour and resources from colonised territories. Over 80% of the world was colonised and colonial profits were fuelled by the exploitation of 13 million slaves and subsequently by generations of indentured (effectively indebted) labourers.

The economic models and international financial architecture that we see today are a direct inheritance from the colonial era. Countries across the Global South may have achieved flag independence, but extraction and exploitation continue, even without a military or colonial presence, particularly owing to sovereign debt.

Some countries were forced to pay direct compensation to their colonizers, most famously **Haiti**, which in 1825 had to pay France 150 million gold francs in order to secure their independence. Others, like **DRC**, were forced at independence to inherit the vast and illogical debts that had been accumulated by their Belgian colonial rulers during their colonial plunder. Newly independent **Zimbabwe** found its hands tied by the shocking debts of Rhodesia. More recently, the questionable debts accumulated during the apartheid era had to be repaid by the post-apartheid government in **South Africa**.

The present global financial architecture, centred on the IMF and World Bank, was established in 1944, before any of the colonised countries in Africa secured independence. Power in these institutions is centred on the rich Global North creditor nations, whose wealth was largely accumulated through colonial extraction. As countries secured their independence, there was no effort made to rebalance the global economic system and no suggestion that colonial powers should pay reparations for the slave trade or colonial plunder (indeed the only reparations paid were to slave owners not the slaves themselves). It was this global architecture that was used to maintain the status quo, ensuring that all newly independent countries were forced to pay their sovereign debts before they even thought of spending on development. And this is still enforced today.

2.2 POST-INDEPENDENCE AND STRUCTURAL ADJUSTMENT

Post-independence, many countries became pawns in the **Cold War**. Loans were given as a form of bribery to steer countries away from communist policies, often provoking or reinforcing corruption in governments. Human rights violations were ignored so long as governments were 'loyal' and remained under the Western sphere of influence. Much of the money that was supposed to go into construction or engineering projects (largely geared still to facilitate extraction and export of resources) ended up offshore or in secretive Western bank accounts. It was government budgets that had to repay the loans, however, often at the expense of investment in public services.

In the 1970s this was exacerbated by oil price rises that meant Gulf Countries had vast wealth that they recycled through US banks as petrodollars. These were lent irresponsibly, with little oversight or concern whether loans were effectively used, in particular to Latin American countries – who then faced acute debt crises when US interest rates rose. More and more countries were forced to turn to the IMF for bail out loans. The IMF then imposed loan conditions designed to enforce neoliberal policies. The IMF's package of conditions became the notorious '**Structural Adjustment Programmes**' (SAPs).

The IMF's SAPs of the 1980s systematised and globalised a specific one-size-fits-all "solution," forcing Global South economies open for multinational corporations to extract profits whilst imposing harsh austerity policies on countries that undermined their development. SAPs brought an end to the progressive policies implemented by many Global South countries after independence – which had included land reform, investment in education and other public services, the nationalisation of key sectors and subsidies to support strategic national industries. Under SAPs, indebted countries were forced to cut public spending, shrink the public sector, remove universal social protection, flexibilise the workforce, privatise public assets, eliminate subsidies and open their markets to multinational capital.

Austerity and the "Washington Consensus" of deregulation, privatization, and liberalization became the new normal for the next 40 years. Neoliberal globalisation became a way to continue to exert economic control post-colonisation, with control through debt and financial dominance replacing control through colonial or military presence.

2.3 THE DEBT ARCHITECTURE TODAY

Every country should have the right to borrow money to invest in its development. Indeed, for most countries, access to capital on reasonable terms is essential. Loans in and of themselves are not the problem, but the terms on which loans are given can make them 'toxic' or unsustainable. These terms are largely determined by the powerful private Credit Rating Agencies, all based in the US, who are far from neutral but who assess the creditworthiness of all governments. Lower-income, formerly colonised countries tend to be considered higher risk, so are given low credit ratings. Climate-vulnerable countries amongst these are considered even higher risk! This means they can only borrow money at higher interest rates, often with shorter repayment periods and worse terms compared to the countries who accumulated wealth owing to their centuries of colonial plunder.

The UN Trade and Development organisation (UNCTAD) lays this out clearly in A World of Debt. The US government can borrow money at an average interest rate of 2.8%. Asian countries are charged nearly double that (at 5.5%), Latin American countries are charged even more (7.1%), and the most punitive average interest rates are charged to governments in Sub-Saharan Africa at an astonishing 9.8%.

On paper the US has the largest debt (over USD 40 trillion) and should be in worst debt crisis. As it prints the US dollar, however – the dominant reserve currency of the world – it is never faced with excessive costs or a debt crisis. It could ignore warnings even if they came from the IMF – because it effectively has a controlling stake in the IMF, being its largest creditor with veto power over the board. Indeed, rich countries can, and often do, ignore the policy prescriptions of the IMF, while indebted lower income and climate-vulnerable countries have little choice but to toe the line as different rules are applied to them.

Today, there are at least 54 countries in debt crisis based on external debt according to Debt Justice - and many more at significant risk of debt crisis (at high or moderate risk of crisis). If we also factor in debt owed to creditors officially classed as "domestic", which is becoming increasingly important, the number of countries in crisis soars even higher. Lower-income and climate-vulnerable countries under the influence of the IMF have no choice but to pay their debts, even if it means their citizens are dying for lack of health care and their children are excluded from school for lack of spending on education. The global financial architecture, shaped in the colonial era, blames each indebted country for their indebtedness, constructing a narrative that the fault lies mostly in bad governance and corruption. The systemic causes of debt crises such as the currency hierarchy, unfair access to finance, illicit financial flows, unfair trade, Covid-19 war and now climate change leading to rises in global interest rates, are underplayed or largely ignored.

Indeed, even though the IMF recognises that there is a 'development crisis', the IMF refuses to even talk about a systemic debt crisis – because for them and their shareholders, there is no systemic crisis so long as there is no significant default and creditors are being paid. Moreover, the IMF thrives on countries needing to come to them for bailout loans, as this expands their own power and influence. The IMF is both a creditor and a debt collector, serving its own interests and those of its main shareholders in the Global North – making it both judge and jury when it comes to debt renegotiation processes.

Despite being over 80 years old, the fundamental structure of the IMF (and World Bank) remains the same. The voting structure on the Board, based on financial quotas, still largely reflects the colonial nature of the world as it was when these institutions were founded – guaranteeing the power of the richest shareholder nations (that accumulated most of their wealth through colonial plunder). This has been a way of cementing their power. Over the decades, only tokenistic tweaks have been made to the voting structure when the pressure for reforms hits a peak - but most efforts at reform are thwarted or blocked. Today the UK and France continue to have their own Director seats on the 25-person board, but there are only 3 board members to represent the whole of Sub-Saharan Africa.

The IMF claims it has changed from the bad old days of Structural Adjustment Programmes, claiming that it is 'certainly not your grandmother's IMF'. However, ActionAid's latest research from June 2026, endorsed by 20 key organisations, shows that the IMF is still cooking with a failed recipe. The findings are clear. Across 11 very different countries, the IMF's policy advice remains largely unchanged from the bad old days of structural adjustment. Ensuring external debts are repaid remains the central concern, even if this is at the cost of lives and livelihoods. Public spending is squeezed and specific cuts are imposed on the public sector wage bill (that pays in particular for teachers and nurses). Tax reforms are modest and mostly based on regressive taxes that put most of the burden on those least able to pay. There is no analysis of the gendered impacts of the IMF's advice on austerity. The IMF is a debt enforcer that has not changed its fundamental mindset. In fact the IMF is presently doubling down on austerity with plans to front-load it as a future requirement, which some gave called a return to the dark ages of structural adjustment.

Sovereign debt has evolved as an instrument of control in the post-colonial era, a means for Global North countries to maintain an unjust global economic order, trapping lower income countries into a continuing process of extraction, exploitation and subservient dependency that is little changed from colonial times.

2.4 EXTERNAL VERSUS DOMESTIC DEBT

Most global attention has been understandably placed on external debt. This is based on the loans provided to a country by other countries, by multilateral actors or private creditors, almost always in foreign currencies (and mostly the US dollar). This rightly draws most international attention as debt crises based on external debt can be resolved through international action. External debt was the focus for the Jubilee Debt Campaign and the global debt initiatives in the 1990s and early 2000s - the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI).

In recent years, domestic debt has taken up an increasing share of the overall debt that countries owe and to understand the real squeeze on national budgets arising from debt servicing this cannot be ignored.

The distinction between external and domestic debt is not as simple as it may at first appear, however. So-called "domestic" debt can be held by non-residents of a country (significant for example in South Africa). A significant part of domestic debt is owed to local subsidiaries of major international banks – so repayments made do not necessarily stay within the country. Other parts of domestic debt may be owed to insurance companies who likewise are often internationally connected. Domestic debt is also held by private pension funds, social security funds, central banks and wealthy individuals. In the inter-connected world of finance, foreign shareholders and beneficiaries are often involved in domestic debt - meaning that domestic debt repayments made by governments may not stay in the country.

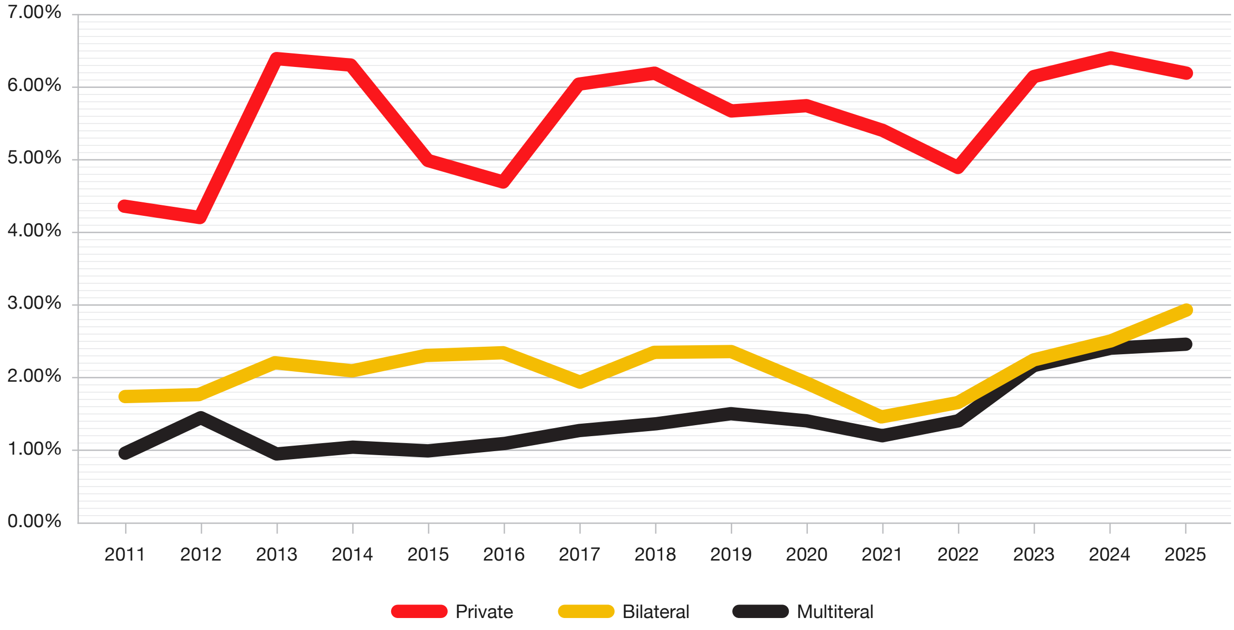
Approaches to debt restructuring and cancellation can no longer ignore the role of domestic debt and the complexities involved. The fiscal challenges and development problems faced by governments arise from the **total** debt repayments they have. The interest rates charged and repayment periods agreed are the crucial determinants of whether a debt is sustainable – alongside what currency the debt is owed in and whether payments leave the country or not. Agreeing principles on what constitutes responsible lending and borrowing may be applicable to all debt, whether external or domestic, but other solutions may indeed be different – with external debts requiring coordinated international action whilst domestic debts need a largely sovereign negotiation process.

2.5 PRIVATE CREDITORS TAKING OVER

In the past fifteen years there has been a significant development in external debt crises: the growing involvement of private creditors. In the past, most external debt of lower income countries was owed to other governments (bilateral debt) or to multilateral institutions (e.g. the IMF, World Bank or regional development banks). In part owing to frustrations with the bureaucracy and conditions attached to loans from these traditional entities, some governments have turned to the private sector, which will lend money without such burdensome conditions. Private creditors in turn are eager to market themselves vigorously to lower-income countries, because they can secure larger returns for their investors with little or no real risk. Governments, after all, can be forced to pay their debts – especially when the international financial architecture is designed to enforce that.

New research for this report reveals that today, 23% of external debt owed by climate-vulnerable countries is owed to private creditors, but 44% of all external debt servicing (the actual annual payments paid on the principal and interest) goes to these private creditors. (See Figure 10, p 48.) This discrepancy between 23% and 44% arises because private creditors are charging much higher interest rates than other lenders. The data below has been compiled for this report by Debt Justice and ActionAid, looking at 22 of the most climate-vulnerable countries for which data is available, showing private creditors are consistently charging *double* the interest rates of other lenders.

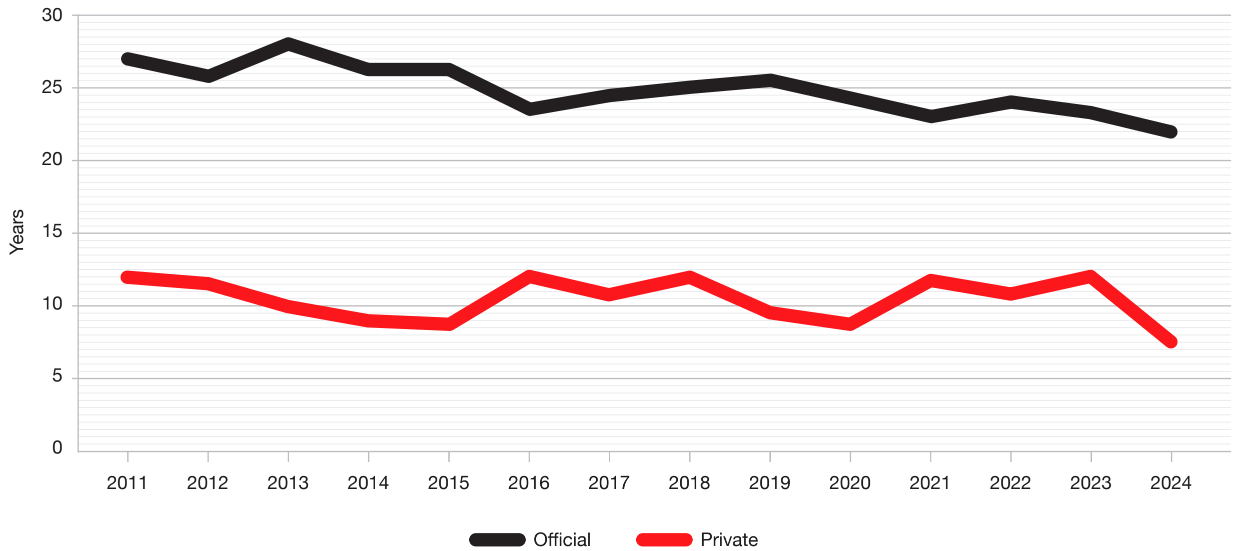
Figure 3: Average interest rate paid by creditor grouping, 22 countries, 2011-2025, mean average.



Source: *World Bank International Debt Statistics database*

A second critical factor in the rising level of sovereign debt repayments owed to private creditors is the shorter "maturity" repayment periods, in other words the time in which the principal (the amount borrowed) must be fully paid back, in addition to the interest. Whilst official donors (bilateral and multilateral) have been seeking repayment over a period of over 20 years, private creditors on average are now demanding repayment within about ten years, falling most recently to just seven years. Shorter repayment periods enable private creditors to guarantee their investors high returns over short periods of time. However, lending money at high interest rates with short maturities undoubtedly accelerates the likelihood of debt crises.

Figure 4: Mean maturity of new external loans



Source: *World Bank International Debt Statistics database*

Private creditors are now critical actors in the sovereign debt crisis of all countries, including climate-vulnerable countries. But they have been very reluctant to come to the table during debt restructuring processes, making it very hard for countries in debt crisis to resolve the crisis, even when bilateral and multilateral creditors are ready to talk. Countries thus find themselves locked into ever more acute debt crises without a clear path out – facing a global debt architecture that is failing and no longer fit for purpose.

Table 1: Global Debt Actors and Trends

What	Actors and Trends
Bilateral loans	Sovereign governments often offer loans to each other, or to State entities or agencies within other countries. Creditor countries may actively use their lending to advance their foreign policy interests, by imposing stipulations on lender countries relating to trade, commodities, goods and services, or geopolitical alignment. Bilateral debt used to make up most of the debt picture for lower-income countries in the 1990's, along with multilateral lending – at the time of the last debt crisis. The Jubilee Debt Campaign in the late 1990s/ early 2000's was able to secure large-scale debt cancellation (over USD 130 billion) from creditor countries. As a result, bilateral lending now makes up a lower share of debt compared to the past – but its presence is still significant and often problematic.
Multilateral loans	Multilateral finance is lending pooled by the International Financial Institutions (IFIs) made up from the International Monetary Fund (IMF), and the Multilateral Development Banks (MDBs) including the World Bank Group and regional MDBs such as the Asian Development Bank (ADB), the African Development Bank (AfDB)and the Inter-American Development Bank (IADB). In addition, there are now some new emerging Southern-led MDBs. Multilateral debt has been increasing relative to bilateral debt in recent years, and this creates new challenges as it is harder to restructure MDB debt than it is other forms of debt, due to the 'preferred creditor status' of MDBs. The IMF is the institution countries have to turn to when faced with debt crisis – as it offers bail out loans – whilst also acting as a global debt enforcer. Together with the World Bank it uses its lending power to coercively reshape economies and societies to ensure debts are paid. The IMF and the World Bank represent the interests of their dominant shareholders and are widely criticised as ideological and undemocratic. IMF and World Bank loans come with rigid austerity conditionalities and forceful economic policy recommendations that can include fossil fuel expansion. The IMF conducts 'debt sustainability analyses' which are widely seen as flawed as they fail to factor in human rights and development needs, let alone the need for countries to adapt to the climate crisis. Many Global North governments have been keen to see MDBs expand their role in climate finance (in part as a way of avoiding their own obligations), but MDBs have a poor track record of reaching the most climate vulnerable countries. The IFIs had also been seeking an expanded role in climate finance – at least until pressure from the US government under Trump recently led the World Bank to drop its climate finance targets. However, they continue to promote and invest in fossil fuel extraction and other climate harming interventions and the US would clearly like to see even more of this under the present administration. In the late 1990s and early 2000s MDBs played a key role in addressing the debt crisis – through engagement in the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI). However, they have been much less effective in helping to address the present debt crisis, being reluctant to accept losses.
Private finance loans	Lending from private (for-profit) actors such as private banks, equity firms, asset managers, private bond holders and specialised funds, is playing an increasing role in sovereign debt. This category of lender often lends at high interest and with short repayment (maturity) periods. Following the 2008 financial crash, interest rates fell in the West and so private lenders increasingly targeted lower-income countries where they could charge much higher interest (e.g. getting a 10% return compared to 2% if lending to rich countries). With development needs rising (especially with Covid) and aid declining, many lower income governments ended up borrowing more on international capital markets. The share of lower income sovereign debt held by private creditors has risen quickly to over 60% and much of this borrowing is at extortionate interest rates with quick demands for repayment.

China	China is now the largest single lender to Africa, and commodity-backed loans have also contributed to its position of dominance in Africa's minerals and mining sector, as well as significant concerns about human rights and environmental abuses associated with extraction. China is often wrongly accused by the West of engaging in 'debt trap diplomacy' to exert influence on Global South countries. However, China's growth as a bilateral lender is largely due to its lending at lower interest rates and with longer repayment periods compared to the private creditors that are now the dominant actors. (See section below on Narratives about China and Debt).
Credit Rating Agencies (CRAs)	There are three big private credit rating agencies (Standard and Poor, Moody's and Fitch), all based in the US, that control 92% of the market. Their analysis informs investment decisions globally by rating recipient countries' relative security or risk as debtors. The CRAs have a huge influence over market expectations and lending decisions but their criteria and decision-making lack transparency - with self-interest and prejudice sometimes distorting their analysis. It is the CRA analysis and advice that creates the situation where African countries often get charged three times more than rich countries to borrow money. Climate-vulnerable countries are seen as particularly high risk. Yet the global financial architecture effectively enforces payment of sovereign debt by lower income and climate-vulnerable countries meaning the net risks of lending to them are actually very low.
Paris Club	This club of donors was set up in 1956 as a forum for creditor nations to negotiate debt relief for debtor countries that are in crisis. Chaired by the French Treasury there are 22 rich countries as permanent members. The Paris Club helps creditor governments to get paid as much as they can by debtor nations through agreeing debt rescheduling deals. Debtor countries must show a track record of compliance with IMF recommended reforms, and have an ongoing programme with the IMF to qualify. The club takes a case-by-case negotiation process, which means there is no scope to look at the structural causes of debt crises such as unequal access to finance and fair interest rates,
G20 Common Framework	This was set up by the G20 in November 2020 as a response to Covid for low-income countries facing debt crisis. Following the Debt Service Suspension Initiative this G20 Common Framework aims to restore debt sustainability – and brings together the Paris Club and G20 creditors with support and monitoring from the IMF and World Bank. Still always based on a case-by-case, country-by-country process, it is unable to act on any wider structural issues and follows the IMF's debt sustainability analyses to define what restructuring is needed. Very few countries have engaged (just Chad, Zambia, Ethiopia, and Ghana) as there is no requirement on private creditors to engage (except on a voluntary basis). It is supposed to ensure all creditors share a fair burden (through 'comparability of treatment')- but the avoidance by private creditors makes this ineffective. Efforts to revamp (including by South Africa as host of G20 in 2025 have not been effective. A recent report by Debt Justice and Save the Children identifies 6 core reforms needed to the G20 Common Framework to make it effective.
Climate finance	Under the UNFCCC, developed countries (as listed under Annex 2 in the convention) have an obligation to provide climate finance so that developing countries can adapt to climate impacts and transition to greener pathways. However, two thirds of climate finance is presently arriving in the form of loans rather than grants, which is exacerbating the debt crisis. In 2024, campaigners at COP29 argued for a climate finance target that was fully grant-based and met the actual need of USD 1-5 trillion a year. However, the agreed target has been set at a paltry USD 300 billion per year. While developed countries remain far from meeting this target, they further claim that there is no obligation for them to provide this in grant form, which means that much, if not most of this, may end up as loans. The lack of real climate finance is a major reason for stalled action and decaying trust in climate negotiations, with developing countries increasingly reluctant to undertake further commitments that they cannot afford to implement. The debate over provision of grants vs mobilisation of loans and private finance is the most critical cross-cutting area of contention in the UNFCCC.
UN Financing for Development conference – outcomes from the 'Seville compromiso'	In July 2025 African nations, civil society and others made a powerful call for a UN Framework Convention on Sovereign Debt to be a key outcome of the fourth UN Financing for Development (FFD4) Conference in Seville. This proposal was blocked by developed countries, led by the European Union, in the consensus FFD4 outcome document. While the overall decision was disappointing and far from being enough, some positive hooks remain in the text including the creation of a Borrowers' Club, a process to set guidelines on responsible borrowing and lending, a process to address odious and predatory debt, and a commitment to a new intergovernmental process at the UN to address gaps in the debt architecture (which could open a path towards a UN Debt Convention – but not on the urgent timetable that is really needed).

BOX 1: NARRATIVES ABOUT CHINA AND DEBT

Since 2013, under the Belt and Road Initiative, China has lent large sums of money (up to around USD 50 billion a year at its peak) for infrastructure development and resource extraction, in particular. But today, China has become a debt collector, receiving more in debt repayments than it provides in new capital. In 2025, China was projected to collect USD 35 billion in debt service payments, USD 22 billion of which was from lower-income countries. The countries with the largest debts to China are Pakistan, Angola, Sri Lanka, Ethiopia, Kenya, Zambia, Bangladesh, Laos, Egypt, Nigeria, Ecuador, Cambodia, Belarus, Cote d'Ivoire, Cameroon, South Africa, Congo, Brazil, Mongolia and Argentina.

Some of this debt is linked to commodity-backed loans, where borrowing countries pledge future exports or profits from natural resources such as oil or critical minerals. As these deals lead to extraction of resources, increasing reports of human rights and environmental abuses associated with projects tied to Chinese mining companies are a serious concern.

China is not alone among major powers in the scramble for extraction of critical minerals in lower-income countries, but its long-term investment in mining and refining have given it a dominant position, not least in Africa. Indeed, the EU's Global Gateway is a response to China's Belt and Road Initiative that replaces the previous development focus on eradicating poverty in the Global South, with a strategy to scale up lending in order to bolster influence and secure access to resources such as critical minerals.

In spite of proven concerns about harmful extraction, however, other narratives about Chinese lending deserve closer scrutiny. China has often been accused, especially by those in the West, of having ulterior motives, of weaponizing debt and engaging in debt-trap diplomacy, but these claims have been credibly debunked and exposed as a myth. Closer analysis indicates that the most criticised projects were in fact triggered by borrowing countries' domestic challenges combined with financial market dynamics, rather than a coordinated strategy of ensnarement on the side of China. It is certainly too convenient to blame China on debt when other actors have greater culpability. While 12% of African debt is owed to China, the reality is that private lenders and Western banks remain the largest creditors. Indeed, African governments owe three times more debt to private lenders including Western banks, asset managers, and oil traders.

Importantly, China's significant presence as a lender in Africa is due to the fact that it generally offers much more favourable terms than private sector lenders. The average interest rate on loans from China is 2.7%, while average interest on private sector loans is over 5%. China also tends to offer longer loan repayment periods, often near 30 years, compared to private creditors who often demand repayment within 7 years. Perhaps most importantly of all, China does not impose conditions like the austerity cuts to public spending demanded by the IMF for bail out loans.

China has been very active in providing relief using its own methods, which has matched or in some cases exceeded the relief provided by Western creditors. China has also been active in various global debt initiatives, including the Debt Service Suspension Initiative during Covid and the G20 Common Framework (which has been widely critiqued). Indeed, China has consistently emphasised the importance of multilateral collaboration for addressing debt distress – but has also been frustrated by the failure of Western governments to force private creditors to come to the table and to force multilaterals to provide relief again on the scale that they did under HIPC.

Presently, private creditors are being repaid 28% more than government creditors such as China. Shockingly, private lenders stand to make USD14 billion in profit after recent debt relief deals. It seems that Western governments have favoured their private creditors in their secret "comparability of treatment" calculations, which accounts for why private creditors get repaid more than China. There is a compelling case for insisting that 'all external creditors should cancel debt in proportion to the interest rates they charged'.

Increasingly it seems that China recognises the link between debt and climate vulnerability, and sees the need for a fairer multilateral framework for governing debt. During UNFFD negotiations in 2025, China's Ambassador to the UN, Sun Lei, made an unequivocal call '*for reforming international financial architecture' and made the case to 'substantially increase the voice and representation of developing countries' while also calling for a 'joint commitment to multilateralism' and stressing 'the central role of the UN in global economic governance*'. However, China has not - yet - come out boldly to make the case for a UN Framework Convention on Debt, which would be a key part of the structural solution to these inter-connected crises.

CASE STORY

ZIMBABWE LOCKED INTO FOSSIL FUELS DESPITE RENEWABLE ALTERNATIVES

Zimbabwe has made significant efforts to invest in renewable energy through the huge Kariba South hydropower plant on the Zambezi River. Designed to generate 1,050 MW, this should be enough to cover half the country's present energy needs. New investments in solar power are also planned. The hydropower plant itself been a victim of the climate crisis, however, as drought has meant that there is insufficient water to fully run the plant. The plant has only been operating at 185 MW capacity, creating a massive deficit in national energy supply. Some of this deficit is now being covered by the expanding the use of Hwange coal-fired power station. As a result, coal and oil now account for over 70% of Zimbabwe's electricity production.

Even though it is cheaper to produce electricity through hydropower (USD 1 million per MW) compared to coal (USD 2.5 million per MW), the largest loan taken out by Zimbabwe for investment in future energy production has been USD 1 billion in order to expand the coal powered facilities in Hwange. Zimbabwe is also seeking more loans to expand extraction of oil and gas and invest in a sub-regional pipeline. It seems it is still easier to borrow money for fossil fuel extraction than it is for more sustainable renewable alternatives.

A year-long drought dried up water sources and emptied the family granaries of Chipo [name changed] making daily life a struggle.
CREDIT: ACTIONAID ZIMBABWE

After a devastating cyclone hit Cabo Delgado in Mozambique, Muaziza lost her crops, her home was badly damaged, and she and her family were displaced to Nampula. ActionAid Mozambique partners with a local training organisation, where Muaziza was trained to become a chef and set up a business selling cakes and biscuits.
CREDIT: ACTIONAID MOZAMBIQUE

SECTION 3: WHAT THE DATA SHOWS: THE DEBT AND CLIMATE FINANCE FLOWS

Staggering levels of debt are preventing countries on the front lines of the climate crisis from investing in their own survival and development.

To understand the extent to which sovereign debt is stifling climate action and fuelling the climate crisis, ActionAid undertook new detailed analysis of government data from the top third of the world's countries[2] considered to be the most vulnerable to climate change.

In collaboration with Development Finance International (DFI) and drawing on their Debt Watch Database, we have analysed data for the amounts in countries' national budgets allocated to debt repayments (on both external and domestic debts), climate action and public services, as well as their intended climate spending under their Nationally Determined Contributions (NDCs).[3]

The data brings to light some shocking revelations about the financial flows that are fuelling the climate crisis.

2. Ordinarily a third of the world's countries would come to 65 countries. It is probably not a coincidence, however, that some of the countries considered to be most vulnerable to climate change also face challenges of serious conflict and/or democracy deficits, that prevent them from gathering or reporting data. 7 countries (Eritrea, Sudan, Yemen, Afghanistan, Syria, North Korea, Myanmar) do not have publicly available data on Debt or Climate spending. A further 4 did not have available data on their climate budget plans for 2026 (Djibouti, Kiribati, Marshall Islands, Vietnam). While the majority of the remaining climate-vulnerable countries have published their Nationally Determined Contributions (NDCs) and associated costs, 26 have also taken the additional step of costing out their Unconditional NDCs.
3. See Annex for more details on Methodology and Data.

Key findings

1 Climate-vulnerable countries are forced to spend in total 25 times as much on debt repayments as on climate action.

ActionAid's analysis of climate-vulnerable countries' spending on debt repayments and climate action reveals the alarming extent to which sovereign debt is preventing national action on climate change. Analysis of the world's most climate-vulnerable countries' national budget allocations found that the bulk of national revenue is being spent on debt repayments, leaving barely any money in national coffers for climate action in the countries that need it most.

54 of the 65 most climate-vulnerable countries had data available on national budget planning for mitigation, adaptation, loss and damage, and debt repayments in 2026. This data reveals that these climate-vulnerable countries are spending in total, USD 304.8 billion on debt servicing - nearly 25 times more (24.8) on repaying debt than they are on climate action.

While this number reflects the combined total debt and climate spending of the 54 countries, there are many examples of countries whose numbers are far more extreme.

Mozambique, for example, is a country with a low-lying coastline facing the Indian Ocean. In recent years it has been forced to bear the enormous costs of repeated and destructive cyclones, droughts and floods as a result of the climate crisis, some of which have devasted entire cities. With each successive disaster the country has been forced to take on yet more loans to recover because their existing debt has drained government revenues, and grant-based climate finance has not arrived on anywhere near the scale required. Now, instead of investing in urgently needed resilience and rebuilding efforts, the country is forced to spend 117 times more on debt servicing than on climate action. Public services such as health and education are also visibly affected as a result of this austerity. Even more perversely, the huge debt burden means Mozambique faces relentless pressure to open up to extraction and export of fossil gas and to finance this through yet more loans. The intended fossil fuel extraction has already led to land evictions and militarisation that have exacerbated violent conflict and human rights abuses in the region and will certainly worsen the climate crisis and the impacts faced by Mozambique.

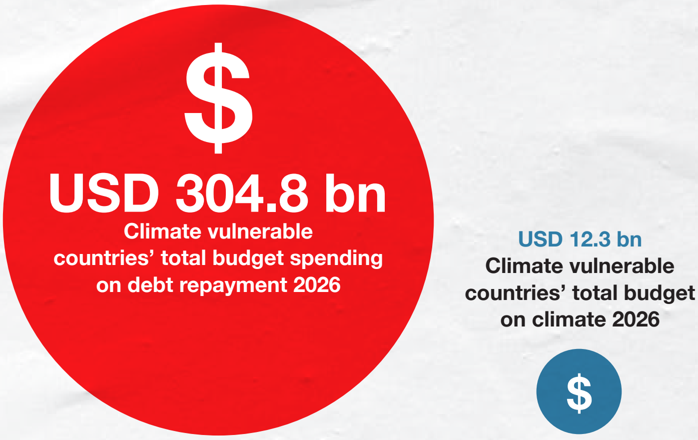
Other countries are also spending hundreds of times more on debt repayment than on climate action, including Bangladesh (184 times), The Gambia (144), Senegal (605) and Tanzania (711). In some counties, debt servicing was even found to be more than a *thousand* times that of climate spending, including in Angola (1,303), Congo (5,511), the Democratic Republic of Congo (1,096) and Somalia (1,622).

Essential public services are also left severely underfunded by debt repayment obligations. According to available data for 2026, debt servicing in climate-vulnerable countries is on average nearly four times that of spending on education (3.9), nearly seven times more than on health (6.7), and nearly six times more than on social protection (5.9). Indeed, **total debt servicing is more than twice that of all social and climate spending combined.**

Public services are critically important from a climate justice perspective, because investments in health and education are essential to enabling any country's long term sustainable development. Indeed, there is a wide range of public services that are essential for building climate resilient communities (including water, energy, transport, waste, local government, as well as health and education) and these need to be universal, affordable and publicly provided, most especially in climate-vulnerable countries.

Countries are not willingly prioritising debt repayments over climate action or basic public services. Even though they know that failing to invest in climate action, education and health leaves their populations more vulnerable and exposed, they also know that defaulting on debt risks triggering such immediate and catastrophic economic consequences for their populations that they have no option but to prioritise payments to their creditors.

Figure 5: Climate-vulnerable countries are forced to spend in total 25 times as much on debt repayments as on climate action



Sources: *DFI Debt Watch Database and countries' climate budget data (54 climate-vulnerable countries had both datasets)*

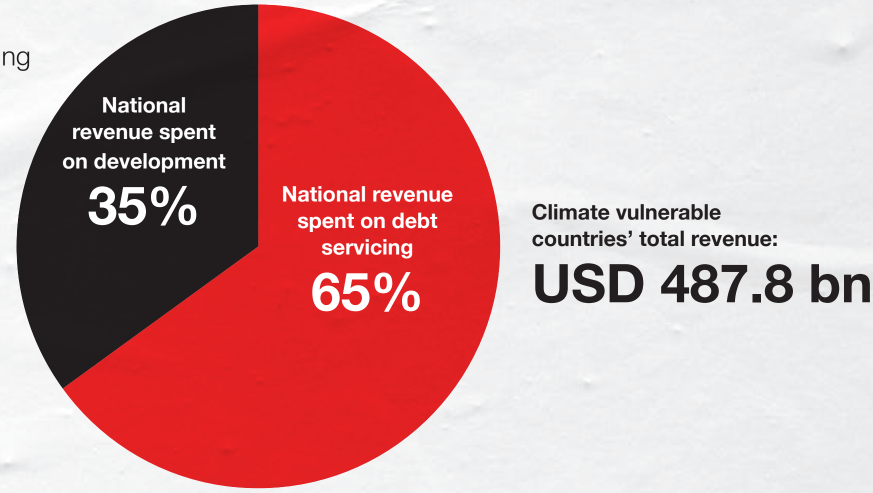
2 Climate-vulnerable countries are using nearly two thirds of their national revenues to repay debt

Most government revenues available for spending come from taxes, social security contributions, or profits generated by state-owned enterprises or investments. But in the countries hit hardest by climate change, **a total 65% of all government revenue is being swallowed up by debt repayment obligations**, leaving little budget available for the climate spending essential for their long-term survival.

As mentioned in the previous section, the debt crisis in individual countries can be even more extreme. In Angola, Congo, Mozambique, Niger and Senegal, debt service exceeds 80% of revenue. And in Bangladesh, Burundi, Guinea-Bissau, Malawi, Pakistan and Sierra Leone, debt servicing will exceed 100% of their national revenues in 2026. These numbers, which might seem impossible at first glance, are only achieved through countries taking on *yet more loans* in order to *repay previous loans* and avert defaults – desperate measures that deepen the crisis.

Instead of enabling climate action and essential public services, **the bulk of tax revenue raised from taxpayers on the front lines of the climate crisis is being sent abroad to profit banks, investors and governments, most of whom are based in the Global North**. Even much of the debt servicing paid to the so-called domestic creditors may end up leaving the country through intra-company finance flows from domestic subsidiaries to their international headquarters, or as illicit financial flows, with money ending up hidden away and accumulating wastefully in tax havens.

Figure 6: National revenue spent on sovereign debt servicing



Sources: *DFI Debt Watch Database (61 climate-vulnerable countries had data available)*

3 Debt repayment obligations are preventing climate-vulnerable countries from implementing even their most basic climate plans

ActionAid analysed the cost estimates for climate-vulnerable countries' national climate plans. These are known as Nationally Determined Contributions (NDCs). NDCs often include National Adaptation Plans (NAPs) and every country is expected to update and resubmit their NDC to the UN Framework Convention on Climate Change (UNFCCC) every 5 years.

Some – but not all - Global South countries have also disaggregated and costed out their plans into activities that they intend to pay for using their own national budgets (known as Unconditional NDCs) and activities that they will undertake if additional climate finance is forthcoming (Conditional NDCs).

Where available, Unconditional NDCs are an indicator of countries' basic climate plans. For climate-vulnerable countries, these often focus on the activities most essential for a country's survival in the face of the climate crisis, such as adapting food and water systems, strengthening flood defences and early warning systems, protecting ecosystems, or increasing renewable energy generation in order to phase out fossil fuels. While only 26 of the most climate-vulnerable countries have published Unconditional NDCs, 25 of these have data allowing us to compare these to their climate budgets. This relatively small sample nonetheless reveals a startling pattern.

Hardly any climate-vulnerable countries have been able to allocate sufficient climate budget to pay for their Unconditional NDCs. The available data indicates that when countries' ratios are averaged out, climate-vulnerable countries are budgeting for less than half (48.9%) of their Unconditional NDC costs. And when this figure is calculated by taking an average of the aggregate total, only one quarter (25%) of the 25 countries' combined Unconditional NDCs have been budgeted for.

Just four climate-vulnerable countries (Mauritania, Tonga, Benin and Burkina Faso) appear to have allocated sufficient climate budgets to cover the entirety of their Unconditional NDCs costs.

Far more common, unfortunately, is for highly indebted countries to be allocating just a few percent of the required budget to implement their Unconditional NDCs. It is clear that climate-hit countries are being forced to divert national budgets away from their intended climate plans and towards debt repayment, leaving them unable to carry out their most basic and essential climate actions.

Unfortunately, this finding also tells us that the budgets and plans included in Unconditional NDCs can no longer be relied on as a generally accurate predictor of climate action that climate-vulnerable countries will take using their own resources.

The implications of this newly-revealed funding gap are deeply alarming for the climate outlook. The fact that Conditional NDCs remain largely unfunded was already worrying, but this was also fairly common knowledge within the climate community. The pattern of unfunded Unconditional NDCs suggested here, however, indicates that global climate action faces far greater challenges than previously realised.

Frontline communities in vulnerable countries will be even more exposed to the escalating climate crisis than previously assumed, while transition plans to cut emissions are likely to stall. The global climate crisis will continue to escalate and the costs of addressing the crisis will only rise further, especially in climate-vulnerable countries. On this issue, the blame for this disastrous planetary prospect must lie squarely at the door of the debt crisis.

Table 2: Selected countries' Unconditional Nationally Determined Contributions (UNDC) costs vs budgeted spending

Country selection	Unconditional NDC costs USD	Budgeted climate spending USD	% UNDC budgeted for
Bangladesh	6,595,000,000	257,925,270	3.9%
Malawi	556,000,000	57,170,995	10.3%
Sierra Leone	60,500,000	7,467,270	12.3%
Tanzania	918,000,000	53,721,878	0.9%

Sources: *DFI Debt Watch Database and countries' published UNDCs*

4 Debt cancellation in climate-vulnerable countries could pay for Unconditional NDCs six times over - or all current climate and social spending combined, twice over.

Our new research also reveals that debt servicing in climate-vulnerable countries is six times as large (6.3) as the amount of spending needed to cover the costs of the Unconditional NDC climate plans that are still mostly unfunded. This further illustrates the shocking extent to which climate plans are being undermined by unsustainable levels of debt repayment.

But there is also the possibility for good news to be hidden with this statistic.

The figures show that if the sovereign debts of climate-vulnerable countries were cancelled, governments would finally be able to use their own resources to implement their Unconditional NDCs, as well as to invest in gender-responsive public services such as health and education, which are critical to sustainable development and lifting people out of spiralling poverty. Women and girls, who are disproportionately disadvantaged by both the climate and debt crises, should stand to benefit the most.

The full costed amounts for NDCs (including Unconditional and Conditional NDCs) represent countries' total climate spending needs.[4] The available data reveals that debt servicing in these countries is larger than their *total* NDC climate needs, indeed, 1.2 times the combined cost of their Unconditional and Conditional NDCs.

This is not to say that climate-hit countries can or should pay the full cost of climate action within their borders, or that climate action should no longer be conditional on international climate finance. As noted earlier, the principles of equity and responsibility are clear that the wealthiest polluting countries that have done the most to cause climate change must provide grant-based finance to those on the front lines of the climate crisis.

4. We note that some countries may not have been able to assess and plan for the full scale of climate need for mitigation, adaptation and loss and damage under their NDCs, and that their actual needs may in some cases be larger than those outlined in NDCs.

Our analysis also reveals that in the 51 climate-vulnerable countries that had data available on climate, health, education and social protection budgets, **spending on debt repayments is more than twice that of total current climate and social spending combined** (2.14 times).

These figures illustrate that a world without unjust debt would be a very different place – now and in the future.

Figure 7: Debt expenditure vs UNDC costs in 26 climate-vulnerable countries

Debt cancellation in climate-vulnerable countries could pay for their basic climate plans 6 times over

Sources: *DFI Debt Watch Database and countries' published Unconditional Nationally Determined Contributions (26 climate-vulnerable countries had both datasets)*

Figure 8: Debt expenditure vs combined social and climate spending in 51 climate-vulnerable countries

Debt cancellation in climate-vulnerable countries could pay for all current climate and social spending combined, twice over.

Sources: *DFI Debt Watch Database and countries' climate budget data (51 climate-vulnerable countries had both datasets)*

5 The Global South is paying 225 times more in total debt repayments than it receives in climate finance.

While the data finds that the debt crisis is severest in the most climate-vulnerable countries, it is also at its worst-ever levels across the whole of the Global South. In 2026, the Global South as a whole will be paying 43.5% of its budget revenues in public debt servicing – an amount that comes to USD 8.8 trillion.

In comparison, according to the most recent available numbers published by Oxfam, only between USD 33 billion and USD 45 billion was provided as grant-based climate finance from developed to developing countries in 2024.

If we take the midpoint of this range (USD 39 billion) this means that in real money terms, the Global South is paying approximately 225 times more in total debt repayments than it receives in climate finance. External-specific debt is at least 100 times more than climate finance received by the Global South, and a significant percentage of domestic debt repayments also end up in the Global North (see section 2.4 on External versus Domestic Debt). Put another way, grant-based climate finance flows from North to South are less than one-half of one percent (0.44%) of debt service payments, most of which move from South to North. Most of that money is likely ending up in the hands of governments, multinational companies or billionaires.

It is a gross contradiction that rich countries are not only failing to give climate finance but are supporting a global debt system that actively continues to extract finances from those countries that need it most.

The numbers show the stark extent to which **finance is flowing from the Global South to the Global North thanks to the debt crisis, while the much-talked about climate finance from the Global North is just a drop in the ocean.** The reality should be the other way round. This is a catastrophic failure of global governance. The continuing net extraction of financial resources from the Global South and the structural inequalities in the international financial architecture destroy the good-faith foundation of international climate diplomacy. National climate targets (as expressed in NDCs) are being turned into paper promises that can never be executed, while Global North creditors siphon away the revenue collected in taxes from citizens across the Global South.

This underlines the need, the moral urgency, and the clearly justifiable potential to significantly scale up grant-based climate finance.

More than this, these figures also make a powerful case for debt cancellation and the reshaping of the international debt architecture as part of our planet's path out of the climate crisis.

Figure 9: Global South finance flows: Climate vs debt

Sources: *Oxfam Climate Finance Shadow Report 2026 and DFI Debt Watch Database*

CASE STORY

DEBT CRISIS STARVES ETHIOPIA'S CLIMATE RESPONSE

Ethiopia is in debt distress. In 2026, debt servicing consumes 63% of the national revenue. The state is spending nearly four times more on servicing its debt than it does on the nation's entire combined budget for public health and education.

This massive debt burden directly starves the country's climate response, creating a highly unfair cycle. Because scarce public revenues are strictly rationed to meet rigid IMF consolidation targets and rebuild foreign exchange reserves, the state has virtually no liquid cash to self-fund its Climate-Resilient Green Economy (CRGE) strategy. Essential initiatives that rural smallholder farmers rely on to survive droughts and flash floods are frozen out of domestic grant funding. Meanwhile, Ethiopia is forced to take on new external concessional loans just to cover disaster relief, meaning that climate shocks are actively accelerating the country's debt crisis. And to make matters worse, almost 50% of the climate finance Ethiopia receives to build resilience against drought and climate shocks comes in the form of loans, compounding the debt crisis.

Climate-induced hazards are reducing Ethiopia's GDP by an estimated 4% annually primarily due to their impact on agriculture, which employs 80% of the workforce and generates 90% of the country's foreign revenue through exports. These climate impacts themselves diminish the capacity of the country to grow its economy to pay back its debts, deepening the vicious cycle.

Finding itself in a debt trap the government, as a last resort, sought to access the IMF's Extended Credit Facility. To do so, however, they were required to float the national currency, the Ethiopian Birr. This led to severe currency depreciation. The result was an instant inflation of the cost of foreign denominated debts. Effectively, in turning to the IMF for a solution, the government found itself in a worse position than ever. The result is that even more of the national budget has to be dedicated to debt servicing.

The government is desperate to find a resolution to the scale of the debt crisis but struggles to reach agreements. It is seeking to restructure its USD 1 billion Eurobond, but private creditors and bondholders have rejected its proposals.

"The drought took all our livestock and forced us to live on selling firewood" says Achura from Borana, in Ethiopia's Oromia province. CREDIT: ACTIONAID ETHIOPIA

CASE STORY

BANKS REINFORCE THE FOSSIL FUEL TRAP IN BANGLADESH

The Asian Development Bank (ADB) has been accused of having a 'fossil fueled development model' in one of the most climate-vulnerable countries on the planet. Bangladesh's NGO Forum on ADB has documented that over 80% of ADB's USD 17 billion energy investments is supporting fossil fuel plants that endanger the country's future. Only 2.5% of ADB funding has gone for solar power and nothing has been invested in wind power. Groups on the frontline, like the Coastal Livelihood and Environmental Action Network (CLEAN), have also accused ADB of blatantly ignoring environmental and social safeguards.

The NGO Forum on ADB have called for an end to all fossil fuel financing, the enforcement of environmental and human rights safeguards and a rejection of false solutions like carbon markets and greenwashing. Rayyan Hassan, the Executive Director of the NGO Forum observed, *"Fossil fuel projects are receiving the highest per-megawatt investment, while solar is being sidelined. This is not a transition—it's a trap."*

It is difficult to see how multilateral development banks can be trusted to be part of the solution when their existing practices are so problematic.

Floodwaters entered Murshida's home in Pekua, Bangladesh in the middle of the night. She and her family fled to higher ground. Once the waters receded they found their possessions, their food stores, even the walls of their home had been damaged.
CREDIT: JAHID-E-HASAN/ ACTIONAID BANGLADESH

ActionAid staff, allies and activists take to the streets demanding urgent debt cancellation ahead of the fourth global summit on Financing for Development in Seville.
CREDIT: JOSIAH MBURU/ ACTIONAID

SECTION 4: SOLUTIONS TO THE DEBT CRISIS THAT CAN HELP TO ADDRESS THE CLIMATE CRISIS

In Part 1 we laid out the vicious cycle between the climate crisis and debt crisis. In this section we lay out the solutions that can break this vicious cycle. This requires a combination of immediate action for debt cancellation and debt relief, and long-term structural change to the global financial architecture.

How interventions on debt cancellation and architecture reform can positively impact on different steps in the vicious cycle - and ultimately break this destructive cycle:

- Escalating climate crises / disasters trigger immediate debt relief – a cancellation of debt service payments for at least five years – with clauses in all future loan agreements requiring this.
- Debt Cancellation for every country spending more than 10% of its budget on external debt servicing means an end to austerity policies – so countries can invest in resilience, response and a just transition.
- Climate finance arriving as grants not loans means countries are able to continue to avoid debt traps.
- A fairer global architecture on debt – with a UN Debt Convention – means debtor countries have a voice alongside creditors with binding principles agreed on responsible lending and borrowing.

If countries can break out of the debt trap, they will have the fiscal and policy space to make their own sovereign decisions. Rather than being under continued pressure to serve the extractive global economy by expanding fossil fuels and industrial agriculture for export, countries could choose to invest in abundant renewable energy sources and agroecology. Governments could move away from imposing austerity and properly invest in gender-responsive public health, education and social protection systems that are the most reliable path for long-term development and fulfilment of human rights. They could invest in supporting just transitions for those workers and communities most profoundly affected by the climate crisis. The debt crisis makes it impossible for many countries to pursue these paths at this time.

Even with debt cancellation and a change to the global debt architecture, it is nonetheless possible that some governments will follow different paths, still seeking to maximise the extraction of fossil fuels and being swayed by powerful lobbies to continue an investment in export-oriented industrial agriculture. That will lead to new challenges for citizens and civil society movements to put pressure on their governments to follow more sustainable paths. But at least that becomes part of the democratic process, part of the accountability of governments to their own people. This contrasts with the present reality where unaccountable institutions and an undemocratic global architecture, shaped in the colonial era, perpetuate an unjust global system – which effectively undermines national democracy because whoever gets elected is forced by global institutions to follow the same policy prescriptions. In the present context, the vicious cycle between the debt and climate crises is deepening. We must urgently do something to break this cycle and build a more virtuous and sustainable alternative.

4.1 DEBT CANCELLATION AND RELIEF

Any country that spends over ten to fifteen percent of its national budget on debt servicing comes under pressure to cut other areas of essential spending – whether on climate responses, health, education or gender equality - leading inevitably to breaches of human rights obligations. The latest research from Debt Justice shows that countries spending over 15% of their budgets on external debt servicing cut spending on public services by an average of 5%. In contrast, countries spending under 10% on external debt servicing were able to increase public spending by 20% between 2023 and 2025.

Whilst the IMF refuses to commit to a specific percentage point, it is equally concerned with ensuring debt is sustainable as this is critical to avoid any defaults – and its frameworks reference a range of 14-23%. While the IMF range is an indicator of unsustainable levels of debt, it is important to note that this framework is not used to force private creditors to the table, or to address systemic issues and help countries achieve sustainable development. Rather, this range serves as a trigger for the IMF to engage with countries to ensure debt repayment, usually by enforcing even harsher austerity measures in exchange for modest debt relief or restructuring – and even more bailout loans.

How can any country spend the '*maximum of available resources on progressively realising human rights*' (as agreed in the UN International Covenant on Economic, Social and Cultural Rights and other international human rights conventions) when debt servicing is taking away such a large percentage of the budget to deliver on this? Development Finance International in Debt Service Watch 2025 argue for a commitment to ensure that any Low-Income country spending over 10% of its national budget on debt servicing (and any Middle-Income Country spending over 15%) should be at the front of the queue for debt cancellation or ambitious debt relief. The Jubilee Report: A Blueprint for Tackling the Debt and Development Crises in 2025, also recommended action when countries spend over 10% of their budgets on external debt repayments. Building on these reference points and on the evidence and analysis in this report, it makes sense to ensure that **the level at which debt repayments should trigger urgent external debt cancellation should be fixed at 10% for the most climate vulnerable countries -** given the urgent additional need for them to invest in climate responses.

This is not an outlandish proposal. Taking action when external debt repayments exceeded 10% of national budgets was broadly the understanding at the end of the 1990s and early 2000s with the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), where substantial and predictable reductions in debt service were associated with sustained increases in government spending, for example on education. The aim was explicitly to reduce debt servicing to 'sustainable levels'. Current debt restructuring frameworks lack this clear ambition and prioritise creditor coordination, short term liquidity and market access over creating real fiscal space. Any gains in fiscal space are absorbed by continued and unsustainably high debt repayments or macroeconomic stabilisation efforts rather than leading to higher investment in gender responsive public services or climate action.

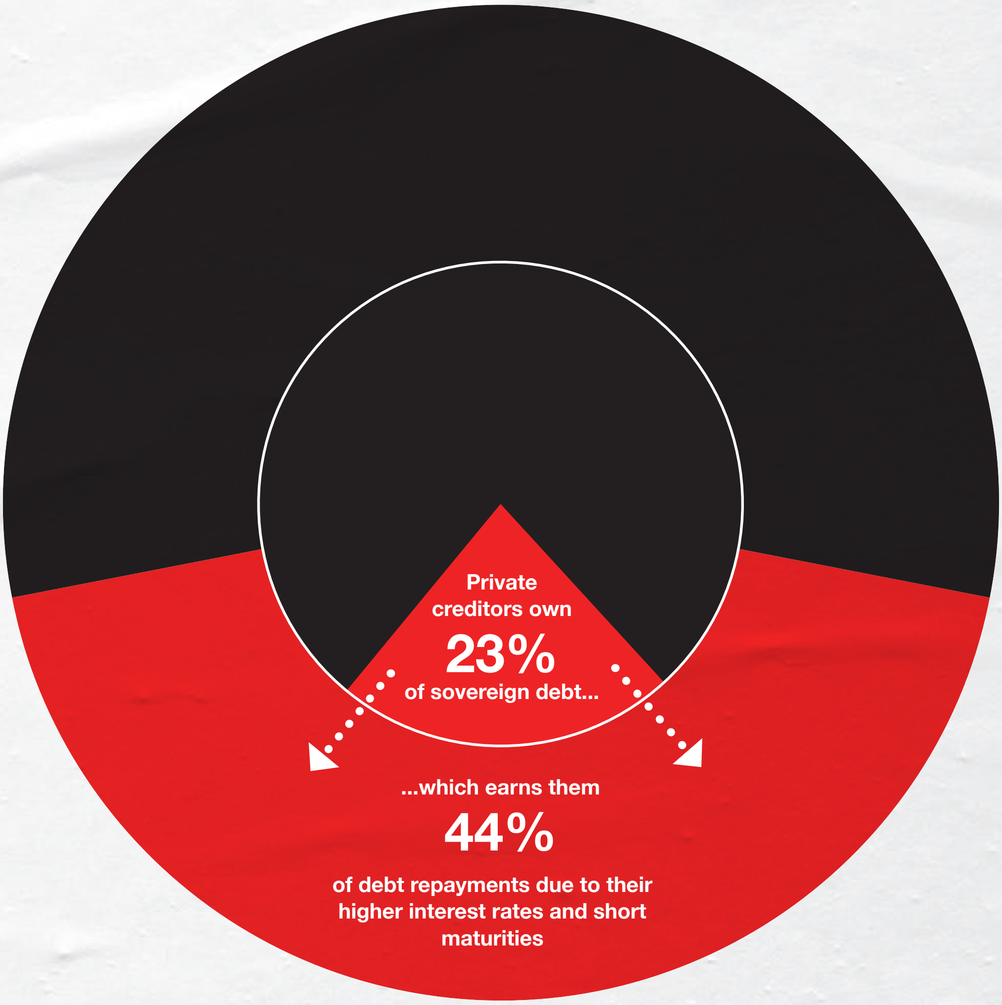
Clearly, the most sustainable source of financing for climate action will come from domestic budgets, and it is clear from the data in this report that cancelling unsustainable and unjust debts will be the single most effective means for most countries to be able to harness their own resources for urgently needed climate action.

In the present forms of Debt Sustainability Analysis (DSA) used and promoted by the IMF, there is no space for analysis of whether countries are able to respond to climate disasters or deliver essential public services and uphold human rights. This means present debt analyses inevitably underestimate the scale of the need for debt relief and end up providing too little, too late. There is not even a consideration, let alone analysis, of the desperate shortages of teachers and health workers that are undermining public education and health systems in most countries. A debt can be considered "sustainable" even if millions of children are out of school and people are dying of preventable diseases on a large scale for lack of basic public health investments. Presently, a debt can be declared sustainable even if a country has no ability to deliver on the minimum of what its government declared internationally as an unconditional commitment to climate action. At the very least this should be changed, to require **all DSAs to ensure that countries can deliver fully on their Unconditional NDCs, and that key benchmarks for spending on education and health are fully achieved, thereby accelerating sustainable development.**

Another critical step is to ensure that there is an **automatic debt service cancellation** after any serious climate-related disaster in a country. This forms part of the African Union's Common African Position On Debt that was agreed in Lome in 2025. There are many precedents for this, not least how banks allowed payment pauses during Covid where incomes and thus the ability to pay were affected by lockdown. But this cannot be dependent on goodwill or individual initiatives. This should be globally agreed and apply to all sovereign debt from all creditors and should not even be dependent on agreeing specific contractual clauses in each case (such as ad hoc debt pauses - see table below). When millions of people are suffering from floods, whether in Pakistan or Mozambique, it is outrageous that governments are still expected to continue their debt repayments whilst being forced to plead for declining humanitarian aid or seek new emergency loans (often at ever higher interest rates with shorter repayment periods precisely because of their climate vulnerability and the urgency of their need). In a time of national crisis, governments need to be able to harness all the resources that are available to them – and do so quickly. No government should be forced to repay wealthy creditors whilst their people die.

Legislative action must also be taken to put pressure on private creditors who have been slow to come to the table in sovereign debt negotiations. Private creditors are by a large margin the worst actors in sovereign debt crises today, charging exorbitant interest rates and demanding rapid repayments. As noted earlier, just 23% of total debts are owed to private creditors (31% to bilaterals and 46% to multilaterals), but 44% of all debt repayments go to these private creditors – because of the high interest rates they charge. As a result of the significant profits private creditors are making, they have shown little interest in participating in debt relief processes. This could change through proposed legislative action in the UK and in New York, compelling all private creditors to participate in sovereign debt relief processes. The UK has a particularly significant role, as 90% of bond contracts are governed by UK law. This is now a key demand of the debt justice movements in the UK, has been supported by the UK Parliament's International Development Select Committee and this should be a priority focus when the UK hosts the G20 in 2027. The importance of this for advancing responses to the climate crisis should add urgency to the demand for action.

Figure 10: Private creditors' earnings from sovereign debt



Source: *World Bank International Debt Statistics database*

BOX 2: WHAT ABOUT CLIMATE REPARATIONS?

The connections between colonisation and the climate crisis are becoming clearer. Fanning and Hickel found that up to 70% of the economic growth achieved by rich countries in the Global North can be attributed to their appropriation of an unfair share of the 'atmospheric commons'. Put simply, economic growth in the colonial era and subsequent decades, was achieved at the cost of polluting the planet. The impact of that pollution is felt most acutely today in lower income, former-colonised countries.

Remarkable work has been done by Hickel and Fanning to quantify this 'atmospheric appropriation' - to determine the level of climate finance reparations owed and who owes them. We drew on this data for our 2025 briefing Who Owes Who? showing that rich polluting countries owe lower income countries climate reparations of over USD 4 trillion every year. **It is the shocking imbalance of global power that enables the external debts of lower income countries to be brutally enforced whilst the 'climate debts' of Global North countries go unpaid and unenforced.**

Since the UNFCCC framework began in 1992, there has been a recognition that rich polluting countries should provide finance for countries affected by the climate crisis. In addition to the Green Climate Fund (GCF), the Global Environment Facility (GEF) and Adaptation Fund (AF), a new Fund for Responding to Loss and Damage (FRLD) became operational in 2026. This has sometimes been framed as a form of reparations. In 2024, the COP29 negotiations on climate finance increased the target from USD 100 billion a year to at least USD 300 billion every year (not including loss and damage). This fell far short of the USD 1-5 trillion demanded by civil society movements based on the Hickel and Fanning calculations. Just as problematic, however, was rich countries' insistence that climate finance could be in the form of loans. This effort to repay a historical climate debt owed by the Global North to the Global South, with the provision of more loans, is absurd.

Of course, reparations are not just about money. The clue is in the name. Reparations must consider "repair" in a holistic sense. The UN definition of reparations, which was consolidated into a definitive legal framework in 2005 frames reparations as requiring: Restitution; Compensation; Rehabilitation; Satisfaction; and Guarantee of non-repetition.

Outside of the climate context, there is growing momentum for reparations for further historical injustices, which recognise the racialised history of global colonial exploitation, and seek to create systemic approaches to repair harm and prevent it from happening again.

In the Caribbean, the CARICOM Ten Point Plan for Reparatory Justice related to the Transatlantic Slave Trade includes a full formal apology, repatriation for those who want it, an indigenous people's development programme, support for cultural institutions and knowledge generation, psychological rehabilitation, action on public health and education, and technology transfer. Interestingly, the final, tenth demand from CARICOM is for debt cancellation: 'This debt cycle properly belongs to the imperial governments who have made no sustained attempt to deal with debilitating colonial legacies. **Support for the payment of domestic debt and cancellation of international debt are necessary reparatory actions.'**

On the 25th March 2026 a landmark UN Resolution, put forward by the government of Ghana, called for reparations for the Transatlantic Slave Trade. For more than 400 years, millions of Africans were stolen, shackled, shipped and sold, representing 'the gravest crime against humanity' which created 'racialized regimes of labour, property and capital' that endure to this day. This UN resolution was overwhelmingly supported (only three countries voted against – USA, Israel and Argentina).

One of the key moments in Africa that helped to lead to the UN Resolution was the Accra Proclamation on Reparations in November 2023, where clear demands were made on the need for action on debt and for fundamental reform of the global financial architecture. This proclamation also made connections between colonisation and the climate crisis, calling for the creation of mechanisms to address loss and damage.

It is clear that debt cancellation is increasingly recognised as a critical element of reparations for both climate and historical injustices. But we urgently need to move from recognition to global action.

4.2 CHANGING THE ARCHITECTURE: A UN FRAMEWORK CONVENTION ON SOVEREIGN DEBT

Margaret Thatcher famously said ‘*there is no alternative*’ – a saying that has become so widely quoted that it has become an acronym (TINA). This convenient or myopic pessimism is used to maintain the status quo. You have to balance your books. You cannot spend more than you earn. There is no alternative to austerity. But others have argued ‘*there are plenty of alternatives*’ (generating the more exciting counter-acronym of TAPAS).

One of the most exciting proposals for an alternative global financial architecture has focused on creating a UN Framework Convention on Sovereign Debt - which could also be transformative for the climate crisis. The proposal for a UN Debt Convention has generated huge interest and was supported by the African Union and by the Alliance of Small Island States (AOSIS) as a central demand during the 4th International Conference on Financing for Development (FFD4) held in Seville in 2025. However, this was blocked from making it into the final outcome document by European countries who were not willing to let go of their power over the existing debt architecture.

For those in the tax justice movement, this resonates worryingly with what happened at the third UN Financing for Development conference in Addis in 2015. The tax movement’s central demand in Addis had been for a UN Tax Convention, but this was blocked by Global North countries, and the compensation offered was the OECD committing to a more inclusive process to discuss global tax rules. Years were wasted by Global North countries whilst Global South countries and tax campaigners tried to engage in a supposedly inclusive process around ‘base erosion and profit shifting’ – but there was no real shift in power. It was not until 2022 that African nations, frustrated by the OECD, took the idea of a UN Tax Convention to the floor of the UN General Assembly and won the vote to develop a UN Framework Convention on International Tax Cooperation. Negotiations on the details of this are now at an advanced stage and the convention should be finalised in 2027. This convention could be transformative, enabling countries to collect more tax revenues from the wealthiest individuals and companies so they can finance public services and take action on the climate crisis. But unless similar action is taken on debt, most of the additional tax revenues will disappear in debt repayments.

It is to be hoped that the case for fundamental reform of the global debt architecture can follow a similar but more accelerated path to that taken on global tax rules. Rather than wasting years in distracting processes where the real power is not shifted, African nations and their supporters could and should take the case for a UN Framework Convention on Debt to a vote at UNGA as soon as 2027. It would be transformative both for debt justice and climate justice if such a convention was developed based on principles of transparency, accountability, human rights and equal representation – enabling debtor countries and civil society to have a meaningful role in decision making rather than having an architecture that simply serves the interests of creditors. It is time for climate justice advocates everywhere to put agreement of a UN Debt Convention at the top of their demands for advancing climate justice.

There are **ten proposed elements in a UN Debt Convention and each of these could also be significant also for climate justice:**

i. **A multilateral sovereign debt resolution mechanism – under the UN.** This would mean that all creditors can be forced to come to the table and all debtors also have a voice (in contrast to the creditor-controlled IMF). This would create a representative space where the structural causes of debt crises could be addressed. It would create space for human rights, public services and climate justice specifically to be factored into debt restructuring processes. This would help countries break the vicious cycle and enable greater investment in resilience and just transition.

ii. **Binding principles on responsible lending and borrowing.** This would build on and give real weight to the present guiding principles developed by UNCTAD and ensure compliance. Predatory lending, for example for fossil fuel extraction (which may lead to 'stranded assets') could be outlawed – as could any lending that requires countries to expand fossil fuel production to meet loan repayments. Effective legislation on public debt management by all countries could be advanced and enforced, to reduce the likelihood of future debt crises. The experience of Zambia as well as recommendations from the Southern African Development Community (SADC) Parliamentary Forum's Model Law on Public Financial Management provide useful inspiration.

iii. **Automatic debt service cancellation / debt restructuring after catastrophic external shocks.** This would be particularly valuable for climate-vulnerable countries who are often forced at present to continue debt repayments even after a major climate-induced disasters (for example after the floods experienced by Pakistan and Mozambique) and who are forced to borrow money to respond to those disasters, often on appalling terms, with high interest and short repayment periods.

iv. **Debt pause clauses in all loan contracts:** linked to the above, this would be required to be included in all loan contracts (i.e. not just ad hoc), automatically and immediately allowing payments to be paused following climate or other major shocks (including pandemics, commodity price collapses, or cost of living rises owing to wars in other countries). This would mean governments have immediate liquidity to respond to crises, including climate related emergencies. Agreeing fair and realistic triggers is crucial.

v. **Global debt registry.** This would be a fully transparent global registry, independent from creditors and borrowers, that includes all debt and all types of lenders, including private and commercial lenders or bondholders. Debts not included in the registry would not be enforceable by any courts. This would enhance global transparency and data analysis and prevent hidden loans that might have climate-damaging effects. Being part of a UN convention would mean that such a registry could require participation from all public and private creditors.

vi. **New approach to debt sustainability.** This would replace the IMF's one-sided debt sustainability framework and analysis, ensuring a comprehensive analysis that factors in human rights, public services, gender, climate, and development considerations. This would include ex-ante and ex-post environmental and human rights impact assessments to ensure countries can deliver on essential development and a just transition. Presently debt sustainability analyses rarely factor in any consideration of the climate crisis.

vii. **Domestic legislation on debt management.** Borrowing and lender countries, should consult citizens and civil society to develop and pass national legislation to ensure democratic and transparent lending and contracting, governance, and management of debt, in compliance with the binding principles outlined above. This would involve transparent parliamentary processes relating to all sovereign loans including from all state-owned enterprises - limiting the power of fossil fuel and corporate lobbyists.

viii. **Debt audits.** Borrowing countries should undertake comprehensive and transparent debt audits to examine past borrowing and build evidence for suspension, repudiation or cancellation of illegitimate, unsustainable or toxic debts (including those related to fossils fuels, industrial agriculture and related infrastructure). Debt audits could also analyse and expose false solutions like debt swaps, catastrophe bonds and disaster insurance schemes. Involving diverse climate-affected communities in such debt audits could be transformative. All creditors should be required to assess and act on the results of official national debt audits.

ix. **Domestic legislation on private lenders in creditor countries (especially the US and the UK).** This would be designed to require all creditors, including private lenders, to take part in debt cancellation and restructuring processes. At present, private creditors whose loans are often on the worst terms (high interest, short repayment periods), often refuse to engage in, or even block, debt restructuring deals. Most private creditors are subject to the law in London or New York - but all other creditor countries should be encouraged to implement similar laws. This would help to end the most reckless and damaging lending which often seeks quick and unethical profits (including through fossil fuel related lending) and accelerate debt resolution processes.

x. **Regulation of the financial system.** This would include regulating and supervising credit rating agencies (or creating a public credit rating agency) and the whole asset management industry. Having a fairer analysis of risk, detached from colonial and racist worldviews, would enable climate-vulnerable countries to take out loans at more sustainable rates.

Climate justice advocates should work with debt movements and others to include the call for a UN Framework Convention on Sovereign Debt at every opportunity and at every level from national to regional to global spaces. Particular focus should be placed on supporting African nations, Small Island States and others UN member states to **take this to a vote at the UN General Assembly – ideally in 2027**. Many of the other recommendations in this report could find themselves addressed by or consolidated into such a convention. It is clear that presently the US and Europe will try to oppose this – as they did at the UN Financing for Development Conference in 2025 - so action is urgently needed in the Global North to identify allies and expose efforts to block progress, dilute or delay plans. However, a majority vote at UNGA can initiate the process to develop such a convention and this can be won even with opposition from the Global North. The case for a UN Debt Convention is massively enhanced by deepening our collective understanding of what this would mean for efforts to address the climate crisis.

4.3 PUBLIC DEBT AND CLIMATE AUDITS

Undertaking integrated debt and climate audits in every climate-vulnerable country that is in or at significant risk of a debt crisis could be transformative. These should involve a broad range of government ministries as well as civil society organisations, social movements, unions, women's rights organisations, youth platforms, affected communities and relevant stakeholders so that there is full transparency about the scale of the debt crisis and how debt both accelerates and undermines responses to the climate crisis. The aims of such audits should be to increase transparency and understanding of the interconnected impacts of debt and climate crises and how these drive poverty and exclusion, impacting women and girls most acutely. Crucially these public audits need to take a comprehensive view of debt, including external and domestic debt – unpacking the different categories of debt and analysing them against the guiding principles on both responsible lending and borrowing. These audits should seek to find integrated solutions both to inform government action nationally and influence government positions in international processes / negotiations. An emblematic example of a public debt audit from which learning can be drawn is that from Ecuador in 2008 – even though the links with climate were not such a focus in that case.

4.4 GRANT-BASED CLIMATE FINANCE

Climate-vulnerable countries should receive climate finance in the form of grants, not loans. This core understanding was agreed from the start of the UNFCCC in 1992. A total of 24 rich polluter countries in the Global North were listed as annex 2 countries obligated to provide financial and technical support to developing countries to help them reduce greenhouse gas emissions and adapt in response to climate change. This understanding of the obligation to provide climate finance owed by rich polluting countries has been progressively expanding, for example with COP27 recognising the need for climate finance to also address loss and damage caused by the climate crisis. The recent advisory opinion on climate change from the International Court of Justice has also firmly underlined that climate finance is both a legal requirement and a moral obligation. This is not charity but justice.

Trillions of dollars could be mobilised annually for climate action through progressive tax measures. Up to USD 2.15 trillion could be raised each year by expanding tax-to-GDP ratios in the wealthy polluting annex 2 countries, with progressive measures that target the wealthiest, and climate-sensitive tax reforms. Coordinated global action to introduce windfall taxes, wealth taxes, financial transaction taxes and a range of carbon and climate damages taxes, as well as taxes on aviation and shipping could also raise trillions. And climate-vulnerable countries, which are often constrained from levying sufficient taxes on international corporations by unfair rules imposed by the OECD, could finally expand their own tax-to-GDP ratios to raise sufficient domestic revenue, if global tax rules are decided multilaterally through a new UN Framework Convention on International Tax Cooperation, rather than by the OECD setting the rules in its own interests. Fair action on tax could prove to be a gamechanger for climate finance, and the planet's chances of survival. But this needs to be matched by similar action on debt.

The suggestion that climate finance should take the form of loans perversely places the greatest burden on those whom climate finance is supposed to help. Loans are likely to make things worse rather than better for those who are most acutely affected by climate change as they will be the first to lose when loan repayments contribute to deepening austerity. Developing countries must therefore significantly scale-up provision of grant-based finance for loss and damage, adaptation and mitigation, to the order of trillions annually, in order to meet the scale of need. The less finance that is provided now, the more the climate crisis will ultimately end up costing - to all countries.

Of course, in some cases climate-vulnerable countries may choose to supplement these grants by taking on new loans. Access to capital markets will always be important as part of the portfolio of options for governments. Any loans must be taken out on reasonable and sustainable terms, however, with full transparency, and in line with the UNCTAD guidelines on responsible lending and borrowing. Reforms to the global architecture are essential to achieving this.

Financial flows from private and multilateral banks must of course be directed away from climate destruction and towards activities that make our world safer. Article 2.1c of the Paris Agreement aims to "make financial flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development." But actions to make bank financing greener should not be mixed up with, or weaken, the original requirement of the UNFCCC to provide climate finance to developing countries that have done the least to cause climate change and are hardest hit. Otherwise, worthwhile efforts to green harmful finance flows could undermine climate action overall. There needs to be, therefore, a clear firewall between greening lending, and providing climate finance.

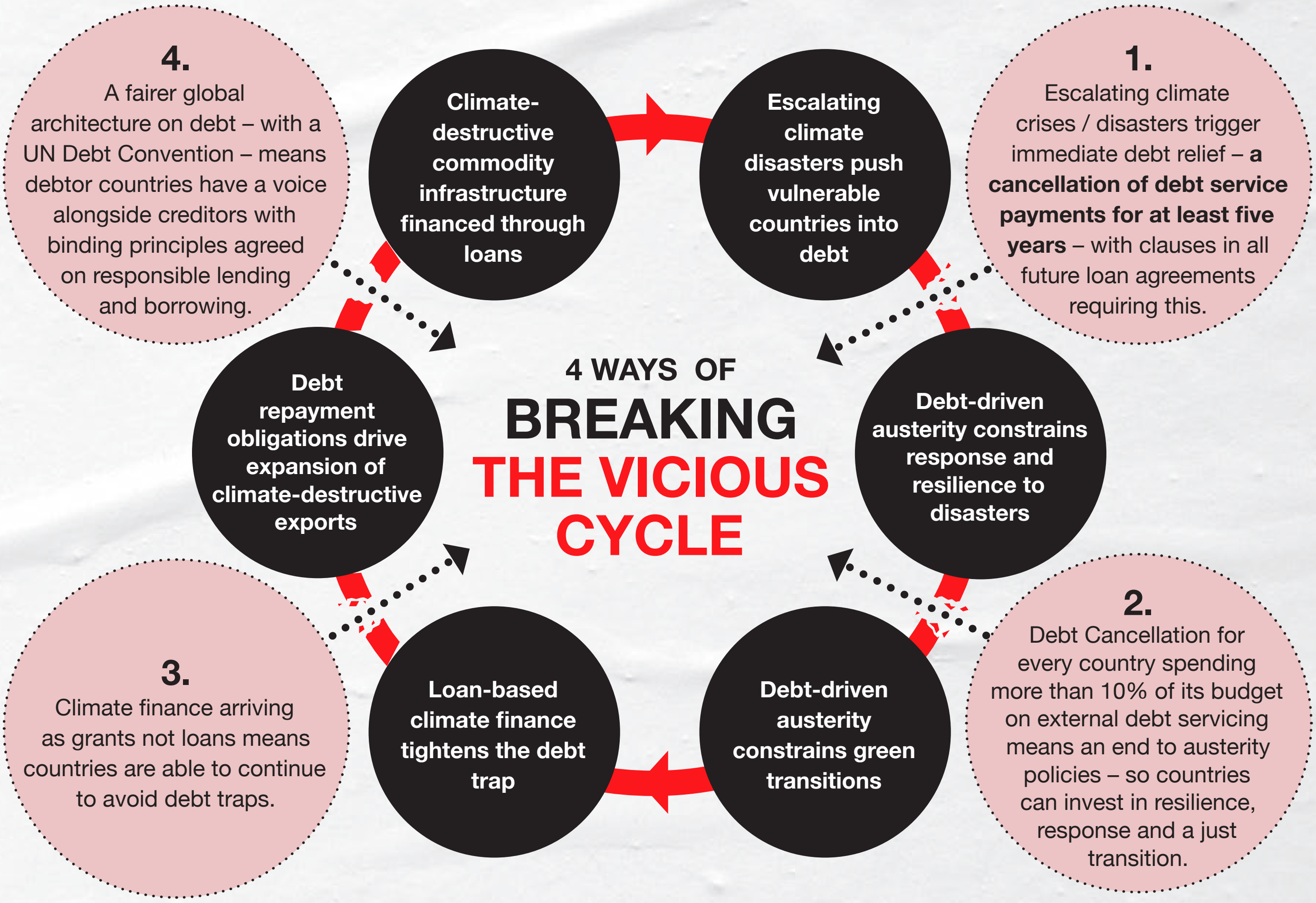
The blurring of lines around finance flows and investments relating to climate, however, has created space for a range of 'innovative finance' solutions that are heavily marketed to climate-vulnerable countries and pushed as a substitute for real and public, grant-based climate finance. As such, whilst we advance the case for the fundamental reforms needed to provide solutions to the vicious cycle between the debt and climate crises, we also need to call out the plethora of false solutions that are being put forward. These include debt-for-climate swaps, green bonds, debt pause clauses that are ad-hoc instead of standard, blended finance, and expanded roles for development banks. Most of these false solutions are being put forward by powerful actors in the Global North, and they serve as a distraction from the real solutions outlined above. In most cases, these false solutions allow external actors to retain power and control, and continue wealth extraction, further undermining sovereign decision-making in climate-vulnerable countries. In many cases, these so-called solutions fail to recognise the scale of the debt crisis and its impact on the climate crisis – and some would actively exacerbate the debt crisis. Some of the specific challenges with each of these are outlined in Table 3 below.

Table 3: False solutions to the debt crisis

Debt swaps, including debt-for-climate swaps and debt-for-nature swaps	With debt swaps, part of a government's external debt is cancelled in exchange for commitments to spend resources on climate or nature. Presented as a win-win, the World Bank hosts a debt swaps hub. Debt swaps, however, do not significantly reduce debt in practice (on average just 3%). Debt swaps give power to the creditor to set conditions, undermining sovereignty. They are slow to set up and can be costly in fees to banks and intermediaries. There is no guarantee that funds released will be spent as agreed, or that other funds that would have been spent on climate responses will not be displaced (meaning there is no overall increase in spending on climate responses). In any case, if a country is struggling to pay its debt, it is not clear how it will manage to invest in the things agreed in the debt swap.	**Further reading:** Debt-for-nature swaps Debt swaps- false finance EC High Level Expert Group final recommendations Debt swaps in Zimbabwe and Gabon
Green bonds, including environmental or climate bonds	Bonds are similar to loans in that they are also a form of debt. They allow governments to raise money, for example for infrastructure, by structuring the debt as purchasable products for investors, based on a promise of regular interest repayments. "Green bonds" are used by governments to mobilise capital for "green" purposes, and are heavily promoted by the World Bank, IMF and the EU. Just as with loans, however, green bonds can exacerbate a country's debt burden. They are denominated in foreign currencies and tend to have commercial interest rates. Public funds are often used to de-risk them for private investors. Green bonds are also frequently opaque and unregulated, and only bound by voluntary standards. Green bonds can also facilitate continued extraction of resources from the Global South. While it is recognised that there is untapped potential for National Development Banks – particularly in middle-income countries - to play a more pro-active role on climate finance than they presently do, they are not a panacea for all countries. Even though they may be intended to unlock more sustainable investment (such as renewable energy infrastructure), these are still based on loans. They can deepen debt in already-indebted countries. They should therefore only be considered where conditions are appropriate, the financial risk is minimal, and safeguards are strong.	Green Bonds -false solution
Ad-hoc debt pause clauses	Debt pause clauses are contractual agreements in loan or bond contracts that allow governments to postpone their debt repayments in the aftermath of climate change impacts or other emergencies. These clauses defer payments on interest, principal or both, usually for up to 2 years. In practice, however, this approach is more of a distraction than a real solution. Debt pauses are currently only granted in an ad-hoc manner in case-by-case situations and are often short term. Whilst some creditors will accept their inclusion, many will not. There is a problematic lack of standardisation in parametric triggers. This means that countries may suffer major disasters but find that the conditions and parameters in which their debt pauses are triggered are too specific, narrow or unclear, to allow them to qualify. A lack of transparency around trigger definitions also makes it difficult for civil society to hold creditors and borrowers to account. This approach can only offer a systemic solution if all actors are *required* to include such clauses, with clear standards. Indeed, this could happen under a UN Framework Convention on Sovereign Debt. The other key limitation of debt pauses is that debt repayments are only suspended for a short period and have to be repaid still, often with additional interest. Creditors do not lose anything and may in fact price in the cost of potential pauses by increasing the interest rates they charge. Cancellation of debt payments for up to five years would be much more effective. In practice very few of these ad hoc debt pauses are used and so this is a very partial solution at best.	Problems with Debt Pause Clauses

Blended finance	The blending of public and private finance is promoted by several governments and financial actors as a solution to leverage more funding for climate action. This is done by using public money to "de-risk" investment, to attract private investors to climate projects, or encourage banks to provide climate loans. Public funds act as a guarantee, securing private profits by transferring risk onto public budgets. This approach is being used to justify the problematic substitution of grants with loans in climate finance accounting and conveniently obfuscating rich countries' failure to provide sufficient grant-based finance. Worse, it is increasingly diverting much-needed grant-based finance from climate action, in order to finance the de-risking guarantees for private actors. Blended finance projects have been found to lack transparency and accountability. Indeed, Global South governments end up with 'contingent liabilities' (which they have to pay in X or Y situations) meaning their debt burden increases. In practice, however, private finance has not been mobilised – and even the World Bank's chief economist now says that the 'billions to trillions' agenda has failed (see Indermit Gil foreword to International Debt Report 2024).	Blended finance and private sector instruments Blended finance and the illusion of development

Figure 11: Breaking the vicious cycle



"When the rains changed, we changed too," says Christiane a farmer in Ituri province in the Democratic Republic of the Congo. Climate change has affected rainfall patterns and her harvests. Through testing agroecological techniques, she and her local community have found strategies to secure their harvests and livelihoods in the face of climate change.
CREDIT: ACTIONAID DRC

SECTION 5: CONCLUSIONS AND RECOMMENDATIONS

The climate crisis is escalating. Typhoons, cyclones, floods, drought, extreme heat and wildfires are more intense than ever. A "Super El Niño" is likely in the months ahead, and this will increase climate-related disasters and hunger levels globally. The scale of the debt crisis, already the most acute ever, continues to grow. This report has shown that the links between the climate crisis and debt crisis have never been clearer, more harmful and more urgent to address. The escalating costs of climate disasters are pushing vulnerable countries to take on loans that leave them deep in debt to multilateral, bilateral and private lenders. The austerity required in order to prioritise debt repayment, largely dictated by the IMF, undermines governments' budgets and capacity to build resilience, support green transitions or even respond properly when further disasters hit.

Countries on the front lines of the climate crisis urgently need the climate finance that was promised to them, and in the form of grants - not as loans that will further exacerbate their debt crises. Perversely, the pressure to repay debts can compel countries to invest in fossil fuels and industrial agriculture in order to generate foreign currency earnings. Pressure to earn foreign currency to repay debt may force governments into difficult choices that they know will accelerate the climate crisis and harm them further, instead of cutting emissions, strengthening resilience and improving energy access through renewables and agroecology.

Absurdly, some countries even find themselves trapped into borrowing more money to invest in fossil-fuel-related infrastructure and facilities for export of industrial agriculture products, even though these will accelerate both their debt crisis and the climate crisis.

This vicious cycle can and must be broken.

Original research for this report has revealed that:

1. The most climate-vulnerable countries are forced to spend in total 25 times as much on debt repayments as on climate action;
2. The most climate-vulnerable countries are using nearly two-thirds of their national revenues to repay debt;
3. Debt repayment obligations are preventing climate-vulnerable countries from implementing even their most basic climate plans;
4. Debt cancellation in climate-vulnerable countries could pay for Unconditional NDCs more than six times over, and all current climate and social spending more than twice over; and
5. The Global South is paying approximately 225 times more in total debt repayments than it receives in climate finance.

But if there is a simple, message that can be summarised in a sentence it is this: **The climate crisis compels us to call for a massive process of debt cancellation for climate-vulnerable countries in particular and a change to the global financial architecture to break the vicious cycle between the debt and climate crises.**

The recommendations below speak to this central message.

1 Debt cancellation and debt relief

a. **Cancel debts for any climate-vulnerable country spending more than 10% of national budget on external debt servicing** and establish mandatory rules for debt renegotiation and restructuring whenever debt burdens become unsustainable. Any loan that was lent or borrowed irresponsibly (based on the UNCTAD principles) should be the first to be cancelled (and this could apply to external or domestic debt). To meet the scale of the external debt crisis today, we need to see a scale of ambition on cancelling debts that exceeds the Multilateral Debt Relief Initiative of 2005 and the Highly Indebted Poor Countries Initiative that preceded it. The qualifying criteria for accessing debt cancellation and relief need to be simplified with a specific commitment to include any climate-vulnerable country that is spending over ten percent of its budget on debt servicing – the point at which debt servicing starts to seriously impact on public spending.

b. **Have a universal agreement for automatic debt service cancellation for at least five years** for any country faced with a major climate-related disaster that requires urgent financing. This cannot be left to ad hoc processes or negotiation of terms in each and every loan contract. It needs a clear global agreement that is universally applied and which compels private creditors to agree.

2 Fix the global debt architecture

a. **Support a UN Framework Convention on Sovereign Debt.** Climate justice advocates should work with debt movements and others to include this specific call at every opportunity and at every level from national to regional to global spaces. Particular focus should be placed on supporting African nations, Small Island States and others UN member states to take this to a vote at the UN General Assembly – ideally in 2027.

b. **Radically reform the present use of Debt Sustainability Analyses** (DSAs) and require them to include the urgent need for investment in climate responses, gender responsive public services and fulfilment of human rights. These critical investments cannot be afterthoughts and must be at the heart of any truly sustainable Debt Sustainability Analysis.

c. **Take legislative action in London and New York to require private creditors to join debt restructuring processes**, to participate meaningfully and to force private creditors to accept collective settlements on equal terms with other actors rather than holding out in efforts to maximise their profits.

d. **Regulate existing Credit Rating Agencies to remove conflicts of interest and bia**s, and establish regional or public credit rating agencies, or a multilateral credit rating agency.

3 Public debt and climate audits

Every country facing debt crisis should increase transparency and understanding of the interconnected impacts of debt and climate crises and how these drive poverty and exclusion, impacting women and girls most acutely, by holding public debt and climate audits. These public audits with inter-Ministerial involvement, wide citizen participation and media engagement, should seek to unpack both domestic and external debt and the various ways they interact in a vicious circle with the climate crisis. The aim would be to find integrated solutions both to inform government action nationally and influence government positions in international processes / negotiations.

4 Scale up grant-based climate finance

Climate finance must be in the form of grants, not loans, and be sufficient to meet the scale of the climate crisis. The COP29 agreement to mobilise USD 300 billion a year already falls short of what is truly owed by rich countries. But at the very least this inadequate sum must be delivered in the form of grants. This requires a significant shift, given that most present climate finance is coming in the form of loans. Given the scale of present investments in militaries or in subsidising fossil fuel extraction, and the potential for progressive taxation measures to raise trillions, it is clear that the money can be found. This needs to be understood not as charity from rich countries but as justice-based reparations. While lending finance flows should indeed stop the financing of climate destruction, and be aligned with green objectives, there needs to be a clear firewall between greening banks' activities and providing climate finance to countries on the front lines of the climate crisis. Harmful finance flows need to be fixed, and climate finance obligations must be fulfilled – but these distinct agendas should not be combined, confused, or traded off against each other. Governments and international actors, under pressure to act, may be tempted to pursue simple and illusory actions rather than taking the serious systemic steps that will genuinely deliver change. False solutions are often heavily marketed by those in power. Ultimately, they most serve to protect and preserve existing vested interests. Alongside active pursuit of real action to shift power and resources, civil society and governments must be ready to call out these false solutions.

This is a bold agenda. It is one that seeks to shift and transform power. It is an agenda that should put women and the most excluded people and countries at the centre. But it is an agenda that can be delivered by the coming together of a diverse range of movements and progressive governments.

Many of our recommendations resonate with the African Union's Common African Position On Debt and with the positions taken by the Alliance of Small Island State (AOSIS). The Borrowers' Platform that was agreed as a key outcome from the UN Financing for Development conference provides an organising space that could build towards collective action by indebted countries to demand systemic solutions to the debt crisis. BRICS are keen to improve South-South coordination around long term climate finance and should get behind urgent progress on a UN Debt Convention as a central part of the wider reform of global economic governance that they advocate (though unfortunately the latest BRICS summit outcomes in September 2026 were largely silent on debt and failed to connect debt and climate). There are also powerful global debt movements, increasingly led from the Global South. The convening of these by the Asian Peoples' Movement on Debt and Development (APMDD), in Manila in January 2026, agreed that a priority going forward was to make stronger strategic links with climate movements. Equally there is a powerful climate justice movement – for example, with over 2,500 organisations united in the Climate Action Network (CAN) which have made debt cancellation and a UN Debt Convention priority demands. There is even a dedicated global working group now focused on Debt and Climate.

This provides a backbone for connecting everyone who is passionate about debt justice or climate justice. But there are so many other inter-connections too. Movements and organisations representing women, who are so often those most profoundly affected by the climate and debt crises, should also be in the forefront of driving action to redress those injustices. Youth movements have a critical role in articulating the outrageous inter-generational injustices involved in both the climate and debt crisis and putting forward their own justice-based alternatives. Anyone who is concerned with education, health or other public services, anyone serious about sustainable development or biodiversity, anyone involved in trade union movements and anyone challenging racism or exclusion should also see themselves in the interconnected struggle for climate and debt justice.

There are some who argue that there is a crisis in multilateralism and that we put too much hope into the potential of the UN to offer solutions. But the real crisis of multilateralism is the absence of a truly fair multilateral order - and the opportunities presented by this historical moment are immense. We can work together towards building a much fairer multilateral and financial order, which is not premised on former colonial powers, wealthy countries and billionaires organising things to serve their interests. The IMF and the World Bank are no longer fit for purpose. But the UN, even if presently stretched for resources, still has the legitimacy and credibility to act boldly for climate justice and debt justice. Realistic solutions have been put on the table – not least a UN Framework Convention on Sovereign Debt to match the upcoming UN Framework Convention on International Tax Cooperation. Now is the time for collective action from Global South governments and their allies. The critical challenge now is to build and sustain momentum to ensure that these solutions are advanced and delivered in practice. This is not a luxury. It is an existential necessity if humanity is to survive and thrive.

ANNEXES

Annex 1. Glossary and Acronyms
Annex 2. Methodology
Annex 3. Table with calculations
Annex 4. Summary tables with key country data

1. GLOSSARY AND ACRONYMS

ADB – Asian Development Bank

AfDB – African Development Bank

Agroecology – sustainable farming practices that work with nature and avoid chemical inputs

Annex 2 countries – Countries listed in the UNFCCC with an obligation to provide climate finance

AOSIS – the Alliance of Small Island States

APMDD – Asian Peoples' Movement on Debt and Development

BRICS – Brazil, Russia, India, China and South Africa – an intergovernmental organisation that is attracting an expanding group of other 'emerging countries'

CARICOM – Caribbean Community and Common Market

Climate finance – money owed by annex 2 countries based on their historic responsibility for pollution of the atmosphere

Climate-vulnerable countries – those countries considered to most at risk from the climate crisis as analysed by Notre Dame rankings based on multiple criteria, including exposure to climate change, sensitivity of the population to impacts, and adaptive capacity

COP – the Conference of Parties – an annual global meeting to follow up the UNFCCC - last held in Brazil in 2025 (COP30) and to be held in Turkey in 2026 (COP31) and Ethiopia in 2027 (COP32)

CRA – Credit Rating Agency

Debt Distress – World Bank term for when a country has unsustainable debts

Debt Justice – a generic term for fairness in debt policies (also the name of an organisation that contributed to this report)

Debt repayments – the annual or regular repayments owed on a loan, usually made up of a combination of interest and a share of the principal).

Debt trap – when countries cannot escape being in debt, usually due to high interest rates and short maturities, and thus must take out new loans to juggle paying old loans. In such situations, economic choices are determined by the need to repay debts

Developed / developing countries – UN term for Global North / Global South countries. This term is problematic as it assumes a linear path of development

DFI – Development Finance International, hosts of the Debt Watch database and contributors of data and analysis for this report

Domestic debt – money borrowed by a government from institutions or entities in their own country, usually in national currency

DRR – Disaster Risk Reduction

DSA — Debt Sustainability Analysis – conducted by the IMF and World Bank and considered to have serious limitations

El Niño – a natural cyclical global weather pattern that can bring extreme weather and exacerbate the effects of climate change

EURODAD — European Network on Debt and Development

External debt – loans taken out by a government from actors outside the country, with payments usually due in foreign currencies

FfD4 — Fourth United Nations International Conference on Financing for Development, which took place in Seville in 2025

FRLD – Fund for Responding to Loss and Damage under the UNFCCC

G20 – the 20 most powerful or rich countries who meet annually and are responsible for the G20 Common Framework (see Table 1, page 33)

GDP — Gross Domestic Product

GHG — Greenhouse Gases

Global South / North – political term for less-industrialised countries, many of which were colonised and had wealth extracted, and more-industrialised countries that may have been responsible for colonisation and extraction of wealth.

HIPC – the **Heavily Indebted Poor Countries Initiative** – initiated by the World Bank and IMF in 1996

ICJ – International Court of Justice

Illicit financial flows – the illegal or barely legal flow of money across borders, often to avoid paying tax

IMF — International Monetary Fund

Industrial agriculture – large scale production of single mono-crops / products usually destined for export that tend to depend on chemical inputs.

Jubilee campaign – the hugely successful debt campaign that started in the late 1990s and secured significant levels of debt cancellation

Just Transition – approaches to ensure that climate action is fair and just, by including workers and communities in planning, and taking measures to protect livelihoods and rights through transitions

LATINDAD – Latin American and Caribbean Network on Social, Economic and Climate Justice

Loss and damage – losses and damages caused by climate change impacts.

Low income / Lower income countries – World Bank definition in which 'lower' includes all low and lower-middle income countries, largely determined by GDP

Maturities – the period of time by when both the principal and interest of a loan must be fully repaid.

MDBs – Multilateral Development Banks, which include the World Bank and regional development banks

MDRI – the Multilateral Debt Relief Initiative which was approved by the G8 in 2005

NAPs – National Adaptation Plans

NCQG – New Collective Quantifiable Goal on climate finance, agreed at COP29 climate negotiations in 2024

NDCs – Nationally Determined Contributions - National climate plans submitted to the UNFCCC, in which the costs of Unconditional NDCs are theoretically to be paid for by the host government, and Conditional NDCs depend on external climate finance contributions

ODA – Official Development Assistance

OECD — Organisation for Economic Cooperation and Development – club of rich nations

Official creditors – short-hand for bilateral and multilateral creditors, in contrast to private or commercial creditors

Paris Club – The club of donors set up in 1956 as a forum for creditor nations to negotiate debt relief for individual debtor countries on a case-by-case basis

Principal – the total amount originally taken out in a loan, counted separately from interest payments

Private creditors – those who lend money that are not governments or multilateral institutions - usually commercial banks, mostly based in the Global North

SAPs – Structural Adjustment Programmes – the IMF policy prescriptions centred on austerity that have been widely discredited since the 1980s but have not changed much in practice.

SDG — Sustainable Development Goals

Sovereign debt – the debts owed by a government

Stranded Assets – costly investments that may lose their value, for example fossil fuel infrastructure that may no longer be in use due to better alternatives or climate regulations

UN – United Nations

UNGA – the United Nations General Assembly

UNCTAD – The UN Conference on Trade and Development

UNFCCC – United Nations Framework Convention on Climate Change

USD – United States Dollar

Vicious cycle – a self-sustaining negative feedback loop where one crisis causes or exacerbates another, which then goes on to make the original problem worse. This cycle may continue exponentially until an intervention is made to break the cycle

WB – the **World Bank**

2. METHODOLOGY

ActionAid worked with Development Finance International (DFI) to identify and calculate data on the relationship between debt service, climate spending and social spending in the most climate-vulnerable countries and a number of additional countries.

a. Countries in scope

In order to analyse the extent to which sovereign debt levels are affecting spending on climate action and other public services in climate-vulnerable countries, the "top" third of climate-vulnerable countries were identified using the Notre Dame Global Adaptation Initiative rankings of most climate-ready and climate-vulnerable nations. Those at the bottom of the ranking are most climate-vulnerable. As explained by the Notre Dame Initiative:

The Vulnerability Ranking measures a country's exposure, sensitivity and capacity to adapt to the negative effects of climate change. ND-GAIN measures overall vulnerability by considering six life-supporting sectors – food, water, health, ecosystem service, human habitat, and infrastructure.

- ***EXPOSURE:*** *Degree to which a system is exposed to significant climate change from a biophysical perspective. It is a component of vulnerability independent of socio economic context. Exposure indicators are projected impacts for the coming decades and are therefore invariant overtime in ND-GAIN.*
- ***SENSITIVITY:*** *Extent to which a country is dependent upon a sector negatively affected by climate hazard, or the proportion of the population susceptible to a climate change hazard. A country's sensitivity can vary over time.*
- ***ADAPTIVE CAPACITY:*** *Availability of social resources for sector-specific adaptation. In some cases, these capacities reflect sustainable adaptation solutions. In other cases, they reflect capacities to put newer, more sustainable adaptations into place. Adaptive capacity also varies over time.*

Ordinarily a third of the 195 UN nations would come to 65 countries. It is probably not a coincidence, however, that some of the countries considered to be most vulnerable to climate change also face challenges of serious conflict and/or democracy deficits, that prevent them from gathering or reporting data.

7 countries (Eritrea, Sudan, Yemen, Afghanistan, Syria, North Korea, Myanmar) do not have publicly available data on Debt or Climate spending. A further 4 did not have available data on their climate budget plans for 2026 (Djibouti, Kiribati, Marshall Islands, Vietnam). While the majority of the remaining climate-vulnerable countries have published their Nationally Determined Contributions (NDCs) and associated costs, 26 have also taken the additional step of costing out their Unconditional NDCs. 3 countries (Syrian Arab Republic, Korea PDR and Nauru) did not have available Debt Sustainability Analysis from the World Bank).

b. Data sources for debt service, social spending and revenue

The sources for the debt service, social spending and revenue data in the report have already been scoped and worked on by DFI. Multiple sources have been quality-controlled for their accuracy, comprehensiveness and timeliness during the last decade for DFI's Debt Watch database, Government Spending Watch database and Commitment to Reducing Inequality Index.

DFI compiles all debt and macroeconomic data for the Debt Watch database from the IMF World Economic Outlook (debt stock, revenue, expenditure and GDP) and IMF country (including loan programme and Article 4) documents (debt service).

DFI compiles sector spending data 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.

All macroeconomic data are from the IMF *World Economic Outlook* database, to ensure comparability across countries and credibility. In a limited number of countries (currently 3) where IMF data do not exist reflecting data uncertainty or conflict, DFI temporarily replace IMF with national data.

In all cases, data are for 2026, to be as timely as possible. Obviously, these data are budgeted amounts, not final actual spending numbers, but debt service spending almost always closely matches (or exceeds) budgeted amounts. (Climate spending also usually matches, but is sometimes less than the budgeted amount.)

These data are comparable across countries and credible globally. Detailed data can be provided upon request to mail@dfi.org.uk and data summaries are available online at www.development-finance.org

c. Climate spending data

The scoping exercise looked at three types of documents: Budget documents, Nationally Determined Contributions (NDC) reports and National Adaptation Plans (NAPs).

Countries' climate specific budgets were identified in the climate-vulnerable countries that publish this data, using the Classification of the Functions of Government (COFOG) system agreed by the UN, or other supplementary approaches such as climate tagging, SDG classification, detailed programmatic spending, or ministry classification.

While most countries have delivered updated NDCs to the UNFCCC, a number do not contain costing/needs estimates. Of these countries [26 out of the 65 most climate-vulnerable] have disaggregated their costing into Unconditional (i.e. that the country has theoretically committed to finance itself) and Conditional (that can be implemented if additional funding such as climate finance is forthcoming) NDC needs.

We have also used NAP data limited to adaptation spending in the case of 3 countries whose NAPS contain costing numbers which are not superseded by NDC data.

d. Interpretation of the climate spending data

The three different types of source documents need to be interpreted differently.

Budgeted spending represents the amounts governments are able to allocate in budgets and are spending now. Comparing these with debt service gives a clear idea of the tiny amount of actual spending, and the degree to which many governments are barely able to allocate any climate spending from their own revenues, partly due to high debt service burdens.

Unconditional NDC data should *theoretically* be seen as firm commitments by governments to spend. However, these can be - and clearly are being - undermined by fiscal austerity/high debt service issues or possibly delays in disbursing climate finance, preventing such spending from being budgeted. Comparing Unconditional NDCs with debt service therefore gives a very good idea of how much debt is crowding out climate spending.

There is no universally accepted methodology for NDC costing needs. Overall NDC or NAP spending needs (if not disaggregated into conditional and unconditional amounts) should be seen as overall aspirational costed spending needs, and compared with debt service data mainly for their relative scale (eg they can give an idea of whether cancelling all debt service would allow countries to fulfil their climate financing needs).

More detailed information on the Methodology for this report can be found at the following link:
https://actionaid.org/publications/2026/debt-fuels-climate-crisis

3. TABLE WITH CALCULATIONS

To calculate various statistics regarding climate vulnerable countries' respective climate, debt and social spending, we reviewed data from the top third most climate-vulnerable countries. As explained above, not all countries have published the required datasets.

Each calculation is based on data only from the countries that had the required datasets available for comparison. The number of countries eligible and included in each calculation is indicated in brackets.

Table 4: Calculations

Budget USD aggregate totals (number of countries with both available datasets)	Budget or cost USD aggregate totals (number of countries with both available datasets)	Ratio of aggregate totals
Debt (54)	**Climate budget (54)**	**Debt/ Climate**
304,801,611,910	12,290,100,841	24.8005786
Climate vulnerable countries are spending in total 25 times more on debt repayment than on climate		
Debt Service (61)	**Revenue (61)**	**Debt service/ Revenue**
317,619,558,120	487,786,930,391	0.651144051
65% of climate vulnerable countries' revenues are going to debt repayment		
Climate budget (25)	**UNDCs (25)**	**Climate budget/ UNDCs**
5,546,756,710	22,368,782,782	0.247968643
Less than 25% of climate vulnerable countries' Unconditional NDCs are budgeted for		
Climate budget (46)	**NDCs (46)**	**Climate budget / NDCs**
12,078,236,079	238,222,290,960	0.050701536
5% of climate vulnerable countries' total NDCs are budgeted for		
Debt (26)	**UNDCs (26)**	**Debt/ UNDCs**
142,324,403,936	22,572,354,782	6.305252833
Debt relief in climate vulnerable countries could pay for their Unconditional NDCs 6 times over		
Debt (48)	**NDCs (48)**	**Debt/ Total NDCs**
297,302,352,697	244,244,830,960	1.217230889
Debt relief in climate vulnerable countries could pay for total NDCs 1.2 times		
Debt (58)	**Health (58)**	**Debt/ Health (58)**
317,619,558,120	47,150,165,509	6.736340259
Spending on debt in climate vulnerable countries is nearly 7 times that of health spending		

Debt (58)	Education (58)	Debt/ Education (58)
317,619,558,120	82,268,276,969	3.860778052
Spending on debt in climate vulnerable countries is nearly 4 times that of education spending		
Debt (58)	**Social protection (58)**	**Debt/ Social protection (58)**
317,619,558,120	53,867,603,659	5.896300124
Spending on debt in climate vulnerable countries is nearly 6 times that of social protection		

Climate budget (51)	Education budget (51)	
12,290,100,841	65,627,240,672	
Health budget (51)	**Social protection (51)**	
35,734,940,787	28,473,873,902	
Debt (51)	**Total climate, health, education and social protection spending combined (51)**	**Debt / Total climate and soc spending**
304,801,611,910	142,126,156,203	2.144584924

Spending on debt in climate vulnerable countries is more than twice that of current climate and social spending combined

Data sources: *DFI Debt Watch Database; Countries' published national climate budgets; Countries' published Nationally Determined Contributions (NDCs) and Unconditional NDCs; Oxfam Climate Finance Shadow Report (2026)*

4. SUMMARY TABLES WITH KEY COUNTRY DATA

Table 5: Debt service and government spending in the top-third most climate-vulnerable countries

Country- listed in order of most climate vulnerable based on Notre Dame ranking 2026	Risk of debt crisis	Total Revenue USD	Debt Service (in USD equivalent)	Unconditional NDC Climate Spending Needs (in USD)	Debt Service/ Unconditional NDC Spending Needs	Budgeted Climate Spending (in USD)	Debt Service/ Budgeted Climate Spending	Debt Service as a % of Revenue	Debt Service/ Education	Debt Service/ Health
Mauritania	Moderate risk	3,357,604,158	914,093,505	242,740,000	3.77	352,592,500	2.59	27.22	1.16	3.73
Chad	High risk	3,136,972,586	1,814,160,778			4,786,631	379.01	57.83	3.14	4.62
Somalia	Moderate risk	470,000,000	17,860,000			11,009	1,622.33	3.80	0.19	0.56
Eritrea	Crisis			93,587,657						
Sudan	Distress									
Yemen	High risk									
Guinea-Bissau	High risk	328,657,964	585,339,834			2,725,301	214.78	178.10	13.45	23.91
Solomon Islands	Moderate risk	512,148,633	66,658,114			743,494	89.66	13.02	0.32	0.47
Micronesia	Moderate risk	169,100,000	6,493,440			3,645,746	1.78	3.84	0.11	0.10
Afghanistan	High risk									
Burundi	High risk	1,072,009,775	1,133,302,658	167,310,500	6.77	7,101,506	159.59	105.72	6.14	21.87
Rwanda	Moderate risk	3,039,590,943	1,170,857,459	605,900,000	1.93	516,474,576	2.27	38.52	2.46	4.49
Sierra Leone	High risk	919,624,210	1,598,652,791	60,500,000	26.42	7,467,270	214.09	173.84	9.04	20.39
Djibouti	Distress	884,990,068	154,375,231	203,572,000	0.76			17.44	1.09	2.65
Tonga	High risk	182,920,000	30,677,520	7,250,000	4.23	13,151,350	2.33	16.77	0.64	0.74
Central African Republic	High risk	355,964,768	225,786,579	215,027,954	1.05	166,287	1,357.82	63.43	2.56	3.65
Niger	High risk	2,560,943,918	2,051,414,576	344,360,000	5.96	37,001,497	55.44	80.10	3.39	11.06
Mali	Moderate risk	6,164,306,039	2,906,398,619			73,525,604	39.53	47.15	2.36	7.07
Benin	Moderate risk	4,282,711,841	1,609,520,977	522,125,900	3.08	1,754,933,922	0.92	37.58	1.55	4.77
Liberia	High risk	922,000,000	279,654,479			13,246,179	21.11	30.33	2.91	3.87
Tuvalu	High risk	50,962,766	522,573			9,870,832	0.05	1.03	0.05	0.04
Congo, Dem. Rep.	Moderate risk	16,863,157,621	6,165,696,653	97,360,000	63.33	5,627,526	1,095.63	36.56	2.55	3.05
Malawi	Distress	2,518,100,077	3,248,765,888	556,000,000	5.84	57,170,995	56.83	129.02	4.48	8.94
The Gambia	High risk	426,638,759	646,510,292			4,502,753	143.58	151.54	6.90	9.27
Madagascar	Moderate risk	2,545,747,668	1,365,687,551			42,296,502	32.29	53.65	2.32	7.69
Congo, Rep.	Distress risk	4,100,961,298	3,765,188,763	150,914,000	24.95	683,123	5,511.73	91.81	5.85	8.35
Papua New Guinea	High risk	5,838,942,336	4,189,024,059			35,044,643	119.53	71.74	3.97	6.12
Vanuatu	High risk	274,072,203	37,523,190			4,955,173	7.57	13.69	0.27	0.83
Timor-Leste	High risk	795,000,000	28,090,000			51,843,400	0.54	3.53	0.16	0.29
Bangladesh	Moderate risk	42,552,073,461	47,471,303,286	6,595,000,000	7.20	257,925,270	184.05	111.56	4.82	11.61
Samoa	Moderate risk	340,951,743	34,290,004			14,268,403	2.40	10.06	0.78	0.61
Uganda	Moderate risk	9,858,670,361	6,748,914,808	400,000,000	16.87	230,034,937	29.34	68.46	6.41	7.04
Haiti	High risk	1,906,134,396	146,164,008			55,504,807	2.63	7.67	0.37	1.14
Maldives	High risk	2,416,911,276	2,661,994,560			18,707,224	142.30	110.14	7.58	4.86
Senegal	Moderate risk	10,319,971,789	9,883,615,845	478,369,450	20.66	16,324,356	605.45	95.77	3.75	17.21
Angola	Crisis	21,909,848,245	17,825,418,000	4,918,060,000	3.62	13,671,024	1,303.88	81.36	10.05	11.00

Bhutan	Moderate risk	880,134,584	655,987,348			79,940,189	8.21	74.53	2.12	4.59
Kiribati	High risk	238,908,612	2,397,117					1.00	0.03	0.03
Sao Tome and Principe	Distress	166,276,408	29,252,099			29,699,078	0.98	17.59	0.87	1.18
Pakistan	Crisis	71,854,281,407	92,965,361,211			4,875,122,302	19.07	129.38	10.99	25.98
Burkina Faso	Moderate risk	6,166,281,061	3,957,658,913	991,382,748	3.99	1,298,618,564	3.05	64.18	2.54	5.00
Syrian Arab Republic										
Korea PDR										
Mozambique	High	5,837,417,414	5,754,963,893			49,226,917	116.91	98.59	4.07	7.62
Namibia	Moderate	4,884,894,515	3,736,152,000	150,700,000	24.79	33,608,382	111.17	76.48	2.64	5.32
Zimbabwe	Distress	9,256,491,015	1,832,785,221			67,164,179	27.29	19.80	1.03	1.97
Togo	Moderate	2,040,570,311	1,483,306,669			241,908,842	6.13	72.69	3.74	8.15
Ethiopia	Distress	13,000,693,577	8,154,685,046	2,340,000,000	3.48	56,771,856	143.64	62.73	3.75	6.38
Lesotho	Moderate	1,672,995,496	146,182,369			53,721,878	2.72	8.74	0.99	0.82
Tanzania	Moderate	15,249,905,117	5,854,874,286	918,000,000	6.38	8,233,045	711.14	38.39	2.43	5.79
Nepal	Low risk	10,212,247,880	3,134,213,598	1,082,400,000	2.90	834,480,519	3.76	30.69	2.40	4.46
Nauru		200,847,059	1,584,000			362,578	4.37	0.79	0.10	0.05
Marshall Islands	Moderate risk	100,800,000	6,789,861					6.74	0.21	0.12
Vietnam	Low risk	93,326,082,000	12,654,384,000					13.56	0.77	1.13
Zambia	High risk	10,261,287,320	7,187,079,929			37,563,428	191.33	70.04	4.63	5.85
Comoros	High risk	197,552,061	34,686,550			947,236	36.62	17.56	0.54	0.98
Nigeria	Crisis	35,874,112,063	20,000,345,000			49,834,987	401.33	55.75	7.13	4.10
Fiji	Moderate risk	1,763,746,148	450,992,000			4,848,170	93.02	25.57	1.18	1.73
Cote d'Ivoire	Low risk	18,676,334,571	11,261,807,552	1,062,210,800	10.60	20,929,245	538.09	60.30	2.52	6.49
Myanmar	Low risk									
Antigua & Barbuda	Crisis	464,480,509	293,355,000	13,790,000	21.27	4,120,408	71.20	63.16	5.75	4.49
Botswana	Moderate risk	5,298,866,208	1,582,173,000	428,571,429	3.69	9,692,906	163.23	29.86	1.35	2.55
Belize	Crisis	877,627,192	351,900,000	20,810,000	16.91	9,975,644	35.28	40.10	2.25	3.76
Eswatini	Moderate risk	1,646,969,487	733,572,000			6,407,265	114.49	44.54	2.14	3.82
Kenya	High risk	26,559,439,474	16,569,113,417			910,919,380	18.19	62.39	2.98	8.23

(Sources: *Notre Dame Global Adaptation Initiative, World Bank Debt Sustainability Analysis, Debt Justice Portal, DFI Debt Watch database, countries' published NDCs and countries' published climate budget data. Cells in red indicates data not available.)*

Table 6: debt service and government spending in other selected countries

Country	Risk of debt crisis	Total Revenue USD	Debt Service (in USD equivalent)	Unconditional NDC Climate Spending Needs (in USD)	Debt Service/ Unconditional NDC Spending Needs	Budgeted Climate Spending (in USD)	Debt Service/ Budgeted Climate Spending	Debt Service as a % of Revenue	Debt Service/ Education	Debt Service/ Health
Brazil		1,072,816,184,000	437,561,392,000			9,618,454,176	45.49	40.79	3.05	8.12
Ghana	Moderate risk	19,592,931,006	18,378,869,031			46,088,548	398.77	93.80	7.35	13.06
India		838,944,582,000	573,140,358,000			8,204,982,402	69.85	68.32	5.49	13.03
South Africa		130,074,162,059	63,644,009,000			292,679,222	217.45	48.93	2.17	3.72

(Sources: *World Bank Debt Sustainability Analysis, Debt Justice Portal, DFI Debt Watch database, countries' published NDCs and countries' published climate budget data. Cells in red indicates data not available.)*

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