actionaid

Who Owes Who?

External debts, climate debts and reparations in the Jubilee year

Executive summary

As we enter 2025, 54 countries are in debt crisis, forced to cut their spending on basic public services and climate action in order to pay external debts. Low- and lower-middle income countries between them have a total external debt of US$ 1.45 trillion and in 2023 alone paid US$ 138 billion just to service their debts, sacrificing people's rights and sustainable national development to satisfy their wealthy creditors. Over 75% of all low- and lower-middle income countries spend more on debt servicing than they do on health care. Indeed, in 55% of countries, spending on debt servicing is now more than double that of spending on health. This has a devastating impact on the majority of people, impacting women, young people and those on low incomes most acutely.

But the time has come to ask ***who really owes who?***[i]

It is time to broaden our understanding of debt overall. There is growing consensus that there are a series of historic, practical or moral debts that rich countries owe – whether related to climate change, colonialism, slavery, illicit financial flows or failures to meet established commitments agreed at the United Nations. When you quantify these and compare them with the contractual debts that lower income countries are forced to pay, the results are startling.

Climate Debt

In recent years a lot of work has been done to quantify and formally recognise the climate debts of rich countries. It is calculated that rich countries have achieved up to 70% of their economic growth by appropriating more than their fair share of the 'atmospheric commons'. Based on the lowest estimates in the definitive study of atmospheric appropriation by Fanning and Hickel in 2023, the climate debt that rich polluting countries are liable to pay to climate vulnerable low- and lower-middle income countries is US$ 107 trillion. This is more than 70 times greater than the total external debt of US$ 1.45 trillion that these countries collectively owe. If that climate debt was paid back by 2050 it would involve transferring over US$ 4 trillion per year specifically to low and lower-middle income countries, nearly 30 times greater than the US$ 138 billion that is paid annually by those countries in external debt servicing.

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 rich countries go largely unpaid and unenforced. A formal commitment by rich countries to pay US$ 100 billion a year in climate finances to countries in the Global South was agreed under the Paris Agreement in 2015. But not only were rich countries years late in supposedly meeting the letter of the target, but they also completely failed to meet the spirit of the agreement, as two thirds of the money was given as loans to countries that in many cases are already facing a debt crisis. This is bizarre. How can giving someone a loan count towards paying back a debt? Whilst in 2024 this climate finance target was increased at COP29 to US$ 300 billion a year, this still failed to specify that this must be in the form of grants not loans. Even conservative scientific estimates put the figure needed to address the climate crisis at over a trillion dollars a year, while climate activists demanded US$5 trillion a year in grants.

The external debts of lower income countries actively serve to accelerate the climate crisis. Debt locks countries into a negative spiral – forcing governments to shape their economies and societies to pay back their debts in foreign currencies, further harming the climate in the process. In the present global economy, the pursuit of dollars and other foreign currencies leads to more extraction of fossil fuels, more mining, more chemical-based industrial agriculture for export, more deforestation, and more environmental destruction - that wreaks untold harm on human rights. This is worse for climate-vulnerable countries as the interest rates charged on loans tend to be higher because the country is considered to be a risky place to invest. The connections between the climate crisis and debt crises amount to a vicious cycle, not least given that the private banks who are profiting from such high-interest loans, have invested over US$ 3.2 trillion in fossil fuels in the Global South since the Paris Climate agreement. This vicious cycle must be ended in 2025.

Perhaps surprisingly, the most indebted countries of all tend to be rich countries. The countries with the highest Debt-to-GDP Ratio are (in order): Japan, Lebanon, Singapore, Sudan, Greece, United States, Italy, France, Libya, UK and Canada. However, in practice, rich countries pay much lower interest rates on their debt and almost never come under duress as a result of having to make debt repayments. In contrast, **low- and lower-middle income countries, who owe a fraction of the amount owed by rich countries, are forced to sacrifice the health, education, social protection, well-being and the future prospects of their citizens, following strict IMF austerity steers** that are premised on the idea that nothing is more important than paying your debts. Women and girls are the first to suffer, losing access to public services and decent work, and taking on most of the unpaid care and domestic work that invisibly props up national economies and societies, especially when public services fail.

If prioritising paying your debts is a core principle of the IMF and creditors, it does not seem to be one that is respected when it comes to debts that are owed by rich countries in the Global North, such as the climate debt owed for atmospheric appropriation. And if we want to understand the big picture, there are other debts owed by rich countries that should be put on the table in 2025.

Other Debts and Reparations

Whilst the climate debt of rich countries has at least been recognised in the UNFCCC process, other historic debts of rich countries have not been so systematically codified or quantified. But there is no reasonable doubt that **reparations** are owed to the Caribbean, Africa and the African diaspora for the transatlantic slave trade – something that is being vigorously demanded now by Caribbean countries. Of course, reparations are about more than finance but compensation is an important part of reparative justice. Demands for reparations are likely to gather momentum in 2025 with the African Union declaring this to be the Year of Reparations. There is also increasingly talk about the need to provide wider reparations for the **colonial plunder** of resources. India, for example, was estimated to have a 24% share of global GDP in 1700, before British colonial rule, but had just a 4% share of global GDP at independence in 1947.

This colonial plunder of resources is not only a historical matter. It is a very real and ongoing part of the present unjust global economic structure, enabling to this day the continuing extraction of resources from the Global South to the Global North. The State of Tax Justice report in 2024 shows that multinational corporations are shifting on average US$ 1.13 trillion worth of profit into **tax havens** causing governments around the world to lose on average US$294 billion a year in direct tax revenue. A further US$145 billion in direct tax revenue is lost to offshore wealth tax evasion. More broadly, unfair global trade rules lock low-income countries into dependency on commodity exports, enabling a continuing colonial extraction of goods and profits.

A justice-based analysis would also mean that rich countries should be held to account for other international commitments, for example in relation to **development aid**. In 1970 a clear target was agreed in a United Nations resolution that *'each economically advanced country will progressively increase its official development assistance [...] and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product by the middle of the decade'.* The latest research shows just US$ 223.7 billion was mobilised in 2023 representing an average of 0.37% of the GNP of OECD DAC members. In 2023 alone an additional US$ 193 billion would have been raised if the 0.7% target was met. If this target had been met as promised by the mid-1970s – over fifty years ago – this could have provided a cumulative total of up to US$ 7 trillion in additional revenue for low and lower-middle income countries. Had this quantity of aid been provided in line with aid effectiveness principles (in particular through budget support) it is unlikely that any of these countries would have needed to borrow the money that has now left them facing a debt crisis.

What is clear is that, by almost any measure, the debts of rich countries to lower income countries are greater than the sum of the external debts of these countries.

It is crucial to appreciate the devastating effect that lower income countries servicing their external debts has on basic public services, human rights and climate adaptation. In 48 countries, with a collective population of 3.3 billion people, governments spend more on external and domestic interest payments on debt than on financing education or health. The present, unjust global financial architecture is dominated by institutions like the IMF and World Bank with colonial-era governance structures, little changed from when they were founded in 1944 (when most of today's lower-income countries were still colonies). This global architecture preserves the interests of rich nations and large corporations, continuing to enforce the paying of external, often illegitimate debts, as the top priority – whilst ignoring the bigger debts owed by rich countries themselves.

An Opportunity for Transformation

With the Pope declaring 2025 as a Jubilee Year, a year in which debts should be forgiven, debt will once again be high on the global agenda, as it was back in 2000. The Jubilee campaigns in the early 2000s, which started with faith-based organisations and rapidly spread to wider justice movements, were considered a great success, winning significant debt relief in 2005 for the most highly indebted nations. But 20 years later the global debt crisis is more severe than it was before, and it is clear that this time it is not enough to offer debt relief or even debt cancellation. **There is a need for a fundamental overhaul of the global financial architecture**, shifting the power over debt away from colonial institutions like the IMF to a more representative and inclusive UN body through agreeing a UN Framework Convention on Sovereign Debt (see Box 1).

This is one of the top demands, supported by the African Group at the UN, by the civil society collective and by many others in their submissions to the fourth UN Financing for Development Conference scheduled for June-July 2025. The hosting of this pivotal conference in Seville, the city that played a key role in Spanish colonial exploitation of the Americas, makes it an appropriate location to finally bring the colonial financial architecture to an end.

If we are to succeed in building the momentum to dramatically transform the international financial architecture, we need to consistently ask, who is benefiting from and upholding the present failing system, and ultimately, ***who owes who?***

1. An Overview of the Debt Crisis

For this report we analysed a series of data-sets - and the full data we reviewed is available in an Excel attachment. We analysed countries based on the World Bank country classifications by income level for 2024-2025 looking at all 24 low-income countries (*excluding North Korea and South Sudan for which sufficient data was not available*) and all 50 lower-middle income countries (*excluding West Bank and Gaza for which data was not available*). Analysing data from the World Bank and Debt Justice, it is clear that, of these 74 'lower income countries', **86% are at significant risk of a debt crisis:** 18 are already in debt crisis, 19 are at high risk of a debt crisis and a further 24 are at moderate risk of a debt crisis. Only 10 countries were at low or no risk, with 3 countries lacking data.

Over **70% of these lower income countries are in the top third most climate vulnerable countries in the world** – the countries that face the worst impacts of the climate crisis and are least prepared to face these. Over 90% (22 of 24) of the lowest income countries are in the top 20% of the most climate vulnerable countries. One impact of this is that they will generally be charged higher interest rates on commercials loans, as creditors, under the guidance of private credit rating agencies, regard them as higher risk.

Between them the **74 low- and lower-middle income countries have a total external debt stock amounting to just over US$ 1.45 trillion**. This sounds like a large sum but is about 5% of the US$ 26.8 trillion external debt owed just by the USA – and about 13% of the US$ 10.5 trillion owed by the UK.

These **74 lower income countries serviced their external debt by paying a total of US$ 138 billion in 2023**. Much of this money now goes in payments to private creditors, particularly banks. Indeed, over 60% of developing country debt is owed to private creditors, with 25% owed to multilaterals and 14% to bilaterals. Amongst these creditors are huge financial actors like Blackrock, HSBC, Goldman Sachs, Legal and General, JP Morgan and UBS. These profit-driven actors can get a higher rate of return by lending to Africa where the average interest rate charged is 9.8%, compared to just 2.5% in the USA, thus turbo-charging their profits. Many of these are the same actors who contribute significantly to perpetuating the climate crisis by channelling over US$ 3.2 trillion into fossil fuel industries in the Global South since the 2015 Paris Climate Agreement. There is a strong case to be made that any loans taken to invest in further fossil fuel should be considered part of an illegitimate debt that must be cancelled.

Our data shows that over **75% of all lower income countries spend more on servicing external debt than they do on health care** – and **in 55% of countries spending on debt servicing is now *more than double* that of spending on health**. Our data also shows that over 50% of lower income countries are spending more on debt servicing than education and **90% of these countries fail to reach the recognised international benchmark of spending 20% of their national budgets on education**. In the current neoliberal economic system, it seems to be taken for granted that maintaining the shareholder dividends of rich private creditors and commercial banks is more important than the right to health or education of billions of people. This must change in 2025. People and the planet must be put before profit.

Table 1. Spending on debt servicing relative to education and health in 74 lower income countries

HEALTH		EDUCATION	
XX	**38** = Debt repayments more than double health spending	XX	**13** = Debt repayments more than double education spending
X	**14** = Debt repayments exceed health spending	X	**18** = Debt repayments exceed education spending
/	**12** = Debt and health spending about equal	/	**24** = education spending exceeds debt spending but falls short of 20% benchmark
✓	**5** = Health spending exceeds debt servicing	✓	**6** = education spending exceeds debt servicing and is over 20% benchmark
	5 = no data		**13** = insufficient data

Detailed country-by-country data available in the data tables HERE

At present, **countries in or near a debt crisis have to approach the IMF** on a one-by-one basis. The IMF is still reluctant to acknowledge the scale of the debt crisis or to recognise that systemic global forces generate and perpetuate debt crises. Thus, rather than reforming a failed global system, each country is told to reform itself by cutting public spending. The IMF continues to enforce austerity policies that are little changed from their discredited Structural Adjustment Programmes of the 1980s. Increasingly the gendered impacts of austerity are so acute that it has been strongly argued that austerity is a form of gender-based violence.

The IMF succeeds in imposing austerity as a form of punishment because each country is made to feel guilty, blamed for their own debt crisis as if it is purely the result of their profligate and irresponsible borrowing. There is no doubt that some countries have borrowed without sufficient checks and balances (e.g. full transparency and parliamentary oversight and approval of all borrowing by any State entity). But there has also been irresponsible lending (by private creditors seeking larger returns) and global market dynamics (rising interest rates, volatile currency exchange rates and falling commodity prices) which are beyond the control of individual governments.

The IMF's failure to acknowledge the debt crisis as systemic is a direct result of its powerful shareholders (rich countries) exerting their influence, fearful that the IMF declaring a crisis might trigger defaults. As such, **this is a failure of governance**. This is the consequence of an outdated institution, designed in the colonial era, setting economic governance rules that are not fit for purpose to resolve a twenty-first century crisis.

China is now also an important player, given that in lower-income countries 13% of external debt is owed to private and public lenders in China. Interestingly the Chinese government seems to be more open to recognising the scale of debt distress than the IMF and may support bolder action for sovereign debt restructuring especially where this links to action addressing the climate crisis. Whilst there are concerns about China's Debt-Trap Diplomacy, these concerns are increasingly seen as over-exaggerated. Unfortunately, China has not yet recognised the opportunities presented by a UN Framework Convention on Debt.

There is a clear need for a new collective process to renegotiate and cancel unpayable and odious debts generated by such global market dynamics - and this has to include all actors, including the private creditors who have profited so much. Even the World Bank is waking up to this, with their Chief Economist, Indermit Gill, noting in the 2024 International Debt Report *'foreign private creditors have extracted nearly US$141 billion more in debt service payments from public sector borrowers in developing economies than they disbursed in new financing.'* The G20 Common Framework is insufficient and countries negotiating with the IMF or the 'Paris Club' end up having to sacrifice the basic rights of their people in order to strike a deal. As the World Bank's Chief Economist goes on to argue, under the present system, the *'ability to repay will never be restored'* to most indebted countries and *'a twenty-first century global system is needed to ensure fair play in lending to all developing economies.'*

With 2025 declared a Jubilee year, **there is an urgent need for collective action** by the most indebted countries to break the links between debt and austerity – calling both for immediate recognition of and resolution to the debt crisis, including substantial debt cancellation, and an agreement for a fundamental change to the global architecture around debt. African nations at the UN are setting an example, building on their success in shifting oversight of global tax rules from the OECD to the UN, through a new Framework Convention on Tax Cooperation. The African group at the UN in their collective submission for the forthcoming Financing for Development Conference has called for a UN Framework Convention on Sovereign Debt that could move debt negotiations from the IMF to a representative and inclusive body at the UN. This could help to break the link between debt and austerity. But to succeed, African nations and others may need to be clear that, in the face of the climate crisis and in the absence of fundamental reform, collective debt boycotts may become inevitable.

There have been powerful calls for Africa to unite on debt before, not least from Burkina Faso's President Thomas Sankara speaking to the African Union in 1987. Sadly, it is no coincidence that he was assassinated a few months later. But the basis for **a debt boycott** has never been clearer than it is today. In response to the climate crisis, countries need to invest urgently in a just transition, which should include guaranteeing universal gender responsive public services. The debt payments that low- and lower middle-income countries are sending to their wealthy creditors are desperately needed to fund adaptation, mitigation, loss and damage and basic public services in their own countries. Funds for such investments in a just transition should be coming from the commitments made by rich countries in climate finance – but as we will see below, the debts of rich countries are not currently being paid!

Box 1: Understanding the call for a UN Framework Convention on Debt

The CSO FFD Mechanism calls for a UN Framework Convention on Sovereign Debt, to be negotiated and agreed by all Member States, in an equitable, inclusive, participatory, accountable and transparent manner. The Debt Convention should establish:

- *A **fair and transparent multilateral sovereign debt resolution mechanism**, in order to deliver on sufficient debt restructuring and cancellation for the borrowing countries to be able to fulfil international human rights obligations, achieve the SDGs, ensure gender equality, and implement the necessary climate actions.*
- ***Principles of responsible sovereign lending and borrowing**, promoting legislation, both in lender and borrower countries, that mandates transparent and fair governance and management of sovereign debts*
- ***A new approach to debt sustainability framework and analyses**, ensuring that the assessment is aligned with human rights, climate and sustainable development needs, including ex-post and ex-ante gender, human rights and environmental impacts assessments and audits to identify illegitimate debts.*
- ***An automatic debt service cancellation mechanism** that protects Global South countries from extreme climatic, environmental, economic, health, food and security shocks, and promotion of debt contract clauses that provide for sharing the risks of climate-related and other external shocks between lenders and borrowers.*
- ***A binding global debt registry** to promote transparency.*

2. An Overview of Climate debt

In 1992 the UN Framework Convention on Climate Change was agreed and the supreme decision making body of the convention, the Conference of the Parties (COP), was set up, holding meetings every year since 1995. From the start, a total of 24 rich countries were listed as annex 2 countries who are obligated to provide financial and technical support to developing countries, to help them reduce greenhouse gas emissions and adapt in response to climate change. Understanding of the climate debt that is owed have progressively expanded, for example with COP27 recognising the need to redress the loss and damage caused by the climate crisis. It is clear that the worst impacts of the crisis are felt in developing countries, by people living in poverty and in particular by women and girls.

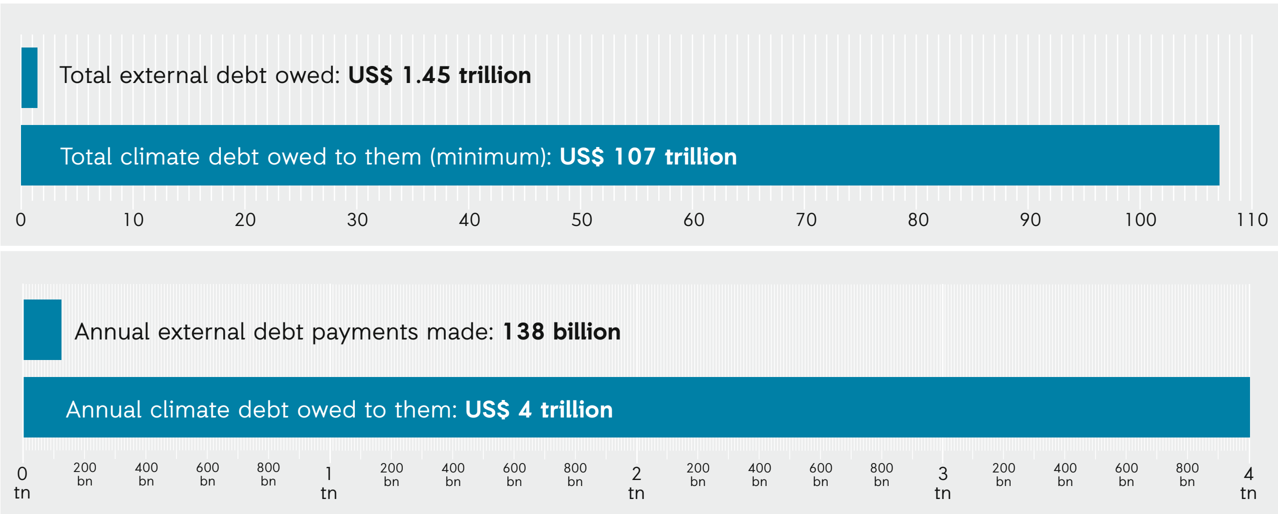
Quantifying the size of the 'climate debt' owed by the rich polluting countries listed in Annex 2 has been a subject of much analysis and debate. In 2015 at the Paris COP an initial annual target was agreed at US$ 100 billion a year – but this went largely unpaid, with two-thirds of the money given as climate finance being sent in the form of loans – which is problematic given that the most climate vulnerable countries were already struggling with debt repayments. In 2024, agreement of a New Collective Quantifiable Goal was a major focus of COP 29 in Baku. Thousands of organisations linked to the Climate Action Network and Demand Climate Justice, pointed out that the world owed US$5 trillion a year in climate finance and even conservative scientific estimates put the figure at over a trillion dollars a year. After much controversy the final agreement was to pay just US$ 300 billion a year with major uncertainties remaining on how much of this will be grant-based and even whether developing countries might be expected to contribute to this sum. It is likely that this will need to be revisited at COP30 in Brazil in November 2025 or in future COPs.

The most systematic study about the size of the climate debt that rich polluting countries are liable to pay was undertaken by Fanning and Hickel in 2023. This focuses on the idea of compensation for 'atmospheric appropriation' – the extent to which rich countries have overshot their fair share of the global carbon budget.

A crucial part of the argument for compensation is that Fanning and Hickel estimate that 70% of cross-national variability in cumulative GDP per capita can be explained solely by differences in cumulative emissions with respect to fair shares of the global carbon budget. In other words, **rich countries have 'enriched themselves through appropriating more than their fair shares of the atmospheric commons'.** The calculations of compensation are projected liabilities through to 2050, based on IPCC carbon prices and a scenario where global warming is limited to 1.5°C and net zero is achieved in 2050. Three different starting point dates are used for looking at emissions – 1850, 1960 and 1992. Under the mid-range starting date of 1960, a total of US$ 192 trillion would be owed.

We have looked at this data from the viewpoint of how much would be owed to low- and lower-middle income countries. In the mid-range scenario, starting from 1960, counting the harmful impact of emissions, that would be a total of US$ 146 trillion. Even if we were to start calculating the impact of emissions only from as late as 1992(the date of the UN climate convention), **US$ 107 trillion is owed in total to low and lower-middle income countries. That is more than 70 times greater than the total external debt of US$ 1.45 trillion that these countries collectively owe and are forced to pay**. If the climate debt of rich polluting countries was paid back by 2050 (which seems reasonable given the urgency of climate action) it would involve transferring US$ 4 trillion per year to low-and lower-middle income countries (*about $5 trillion if you consider all developing countries*), far greater than the US$ 107 billion that these countries are forced to pay annually. We are not suggesting here that this is a perfect calculation,[ii] but it gives an important indication of the relative scale of the climate debt of rich countries compared with the contractual external debts of lower-income countries.

Figure 1. What is owed versus what is oweing in all low and lower-middle income countries



The challenge of course is enforceability. But low- and lower-middle income countries have the agency, if they **stand together and act collectively**. Individual countries or leaders would be far too exposed if they stood up alone (as Sankara found) but working together, for example as the Africa Group at the UN, bolder collective positions can be taken. Key to the case would be the urgency of taking action NOW. In the face of the climate crisis, lower-income countries cannot delay investing in a just transition. Given the delays and disappointments in climate finance, their only option for securing funds quickly to do this is to stop making external debt payments.

If there are concerns about joining an overt collective debt boycott, lower-income countries could simply argue that their debt payments should still be paid – but they should be paid by those who can easily afford to do so. **The bill for all outstanding external debt repayments of lower income countries could be (at least notionally) passed to the rich polluting countries** - who are liable to pay them through climate finance. Covering or cancelling all external debts of lower income countries (and other climate vulnerable countries) would of course only be a small part of rich countries delivering on the much bigger climate debt that they are liable to pay (which far exceeds the US$ 300 billion agreed in Baku).

Table 2. External debt and climate debt (all figures in US$)*

World Bank country classifications by income level for 2024-2025	Debt Status (World Bank)	Total External Debt (World Bank) Total LICs/ LMIC are **liable to pay**	Climate debt - low range (Fanning and Hickel 2023) Total LIC/ LMICs are **entitled to receive**	Climate debt -middle range (Fanning and Hickel 2023) Total LICs/ LMICs are **entitled to receive**	Annual payments on External Debt (Debt data portal) Total LICs/ LMICs are **liable to pay**	Annual climate debt owed - low range (Fanning and Hickel 2023) Total LICs/ LMICs are **entitled to receive**
LOW-INCOME COUNTRIES (24) *(excluding North Korea and South Sudan for lack of data)*	5 in debt crisis 8 at high risk 10 moderate risk 1 no data	152 billion	17 trillion	23 trillion	7 billion	677 billion
LOWER-MIDDLE INCOME COUNTRIES (50) *(excluding West Bank and Gaza for lack of data)*	13 debt crisis 11 at high risk 14 moderate risk 7 low risk 3 no risk 2 no data	1.3 trillion	90 trillion	123 trillion	131 billion	3.3 trillion
TOTAL LIC + LMIC =74		1.45 trillion	107 trillion	146 trillion	138 billion per year	4 trillion per year

**Detailed tables with figures for each country and additional data available in separate Excel file*

3. An overview of other debts of rich countries

Whilst the climate debt of rich countries has been recognised in the UNFCCC process, other historic debts of rich countries have not been so systematically codified. But if we want to get a full overview of ***who owes who*** it is important at least to recognise the case for the following debts:

3.1 Reparations for Slavery and Colonisation

Calculating the compensation owed for the incalculable suffering of the transatlantic slave trade is complex, with multiple issues around who is owed the money and who should pay. Below is a short summary of some of the key developments relating to reparations for slavery, which are clearly gathering momentum rather than going away.

In 1999, the African World Reparations and Repatriation Truth Commission called for the West to pay US$ 777 trillion within five years. In September 2001, the United Nations sponsored the World Conference against Racism, Racial Discrimination, Xenophobia and Intolerance in Durban which called in broad terms for remedies, reparation and compensation. The 2009 Durban Review Conference was more explicit in a resolution stating that the West owed reparations to Africa due to the "racism, racial discrimination, xenophobia, and related intolerance" that the Atlantic slave trade caused.

Reparations are now being vigorously demanded by Caribbean countries - with such demands likely to gather momentum in 2025 with the African Union declaring this to be the Year of Reparations. This year is framed around justice for Africans and peoples of African descent through reparations and there are already powerful statements emerging such as the Accra Proclamation on Reparations in November 2023, where connections are being made to the need to overhaul the IMF and World Bank. A Global Reparation Fund was also established at this conference in Ghana.

There are of course also broader questions about the case for reparations for the **colonial plunder** of resources. India, for example, was estimated to have a 24% share of global GDP in 1700, before British colonial rule, but had just a 4% share of global GDP at independence in 1947. The extent to which colonial rule involved a drain of wealth has been recognised for over a century, with Oxfam recently estimating US$ 64.82 trillion was extracted from India in the colonial era, with over half of that wealth extracted by the UK's richest 10%.

Unsurprisingly there is widespread opposition in rich countries to the idea of paying any reparations for slavery or colonisation – but equally it is clear that these demands are not going away as people are living the consequences of colonialism and slavery every day. Any honest discussion of who owes who and any serious commitment to decolonisation must include '*recognising, making visible and addressing the legacies that colonialism, empire, racism and patriarchy continue to have across the world*.' At the very least this should lead to both a cancellation of the external debts that are undermining development today and a transformation of the global architecture around debt that continues to provide disproportionate power to former colonial powers in the voting structures of the IMF and World Bank.

3.2 Illicit financial flows

This colonial plunder of resources is not only historical. It is a very real and ongoing part of the present unjust global economic structure that perpetuates the extraction of resources and wealth from lower-income countries. A 2022 study estimated that rich countries drained over US$ 242 trillion (in 2010 prices) from impoverished countries between 1990 and 2005 - in a continuing process of imperialist appropriation of resources and labour.

The State of Tax Justice report in 2024 shows that multinational corporations are shifting on average US$ 1.13 trillion worth of profit into tax havens each year, causing governments around the world to lose a total of US$ 294 billion a year in direct tax revenue. A further US$ 145 billion in direct tax revenue is lost from offshore wealth tax evasion. There are many other illicit financial flows that further reinforce global injustices, including gender injustices.

Money is accumulating and laying idle in tax havens, most of which are based in or directly linked to former colonial powers, in particular the UK through its web of crown dependencies. It is estimated that between US $21 and US$ 32 trillion of financial assets are now sitting in offshore tax havens. This is revenue that is urgently needed to invest in gender responsive public services and a just transition to the climate crisis in every country. A justice-based redistribution of some of this idle money would be transformative!

One of the reasons for the success of tax havens over recent decades has been the ineffectiveness of global tax rules and regulations, with particular challenges in ensuring that the largest multinationals and richest individuals pay fair taxes. For the last 60 years global tax rules have been developed and supposedly enforced by the OECD – the club of rich countries. Thankfully, this is close to coming to an end with agreements being reached to develop a UN Framework Convention on International Tax Cooperation. This has been demanded by the Africa Group at the UN who have won a series of UN General Assembly votes despite active efforts to block this by rich countries. Over time this fundamental shift in the way tax rules are developed and enforced could help to bring the world of tax havens to an end – though this will not be an easy fight.

In 2025 we have the opportunity to do the same for debt as is being done for tax – to shift the power away from colonial institutions like the IMF to a UN body that is representative and democratic – creating a UN Framework Convention on Sovereign Debt – that could and should be a key outcome of the 2025 UN Financing for Development Summit in Seville. This is a central demand from both civil society groups and African nations.

3.3 Failures to deliver on aid promises

In 1970 a clear target was agreed in a United Nations resolution that *'each economically advanced country will progressively increase its official development assistance [...] and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product by the middle of the decade'.*

The latest research shows just US$ 223.7 billion was mobilised in 2023 representing an average of 0.37% of the GNP of OECD DAC members. If the 0.7% target was met, an additional US$ 193 billion would have been raised in 2023 alone. If this target had been met as promised by the mid-1970s – over fifty years ago – this would have cumulatively provided **up to US$ 7.2 trillion in additional revenue for low and lower-middle income countries**. If this quantity of aid had been delivered in the form of budget support, it is unlikely that any of these countries would have needed to borrow the money that has now left them in debt.

Many other promises have been made around increasing 'aid effectiveness' - prioritising aid to the countries that are most in need and ensuring that aid genuinely supports national development strategies - not the agenda and interests of donors. But today billions of dollars of supposed aid are staying in donor countries, with only 15% of aid earmarked specifically for low-income countries and 32% clearly marked for lower-middle income countries. Shockingly, despite lots of progressive rhetoric, less than 1% of aid is earmarked for women's rights organisations and movements.

The collective submission of the Civil Society Mechanism to the 2025 Financing for Development Conference calls for a new UN Convention on International Development Cooperation based on moving aid from '*the perspective of charity to one of justice and reparations, recognizing and addressing historical injustices*'. It also recommends treating the US$ 7.2 trillion in unmet aid commitments as an '***unpaid ODA debt***'.

3.4 Unfair interest rates and surcharges

Another key injustice in the global economy that warrants a closer look is that lower income countries end up paying higher interest rates on any loan they take out compared to rich countries. There is a clear and extreme geographic split. Germany can routinely borrow money and get charged just 0.8% interest because it is deemed a safe investment. Countries in Asia end up being charged almost seven times more at 5.3%, whilst countries in Latin America are charged over eight times more at 6.8%, and Africa fares worst at an average interest of 9.8% - over twelve times greater than Germany.

In theory this difference is defined entirely by the risk associated with investing in different countries and is determined by the market. But the market takes a very strong steer from the three dominant credit rating agencies (Standard and Poor, Moody's and Fitch) who rank every country on a score (broadly from AAA to CCC). Rich countries (and the IMF itself) get good ratings and so can secure loans at lower interest. Lower income countries are given poor ratings and have to agree to pay higher interest to attract investment. Climate vulnerable countries are typically deemed to be the highest risk.

These rating agencies have immense power and many of their judgments that inflate risk premiums for lower income countries are based on prejudice or conflicts of interest in protecting the present unjust system. In reality, the IMF and World Bank effectively enforce the payment of debts by lower income countries, so the risk is really not as high as it is deemed to be. Defaults are very rare. But higher interest rates undoubtedly accelerate debt crises in lower income countries. There are growing demands for regulation of these credit rating agencies and the creation of a public credit rating agency.

Even supposedly concessional loans from the IMF and World Bank are not as generous as they seem to be as they always have to be paid back in dollars – so if there is any monetary crisis in a country, with the national currency collapsing against the dollar, repayments can rapidly become very expensive in real terms. This situation is exacerbated by the IMF's bizarre use of surcharges which add 2% to the interest rates charged on IMF loans where countries have borrowed over 187% of their quota (affecting ten of the lower-middle income countries that we studied). The Center for Economic and Policy Research in 2021, noted the contradiction: *"Surcharges increase the debt burden for crisis-ridden countries, even as the IMF's own debt sustainability analyses demonstrate that a lower debt burden is necessary to ensure a higher probability of timely repayment and sustainable financing."* In an Open Letter, current and former UN Independent Human Rights Experts along with CSOs pointed out that surcharges violate international human rights law, as, *"Discrimination against States - not treating them equally without a legitimate reason - is not permissible under international law"*.

Calculations could be made to determine the amount that the IMF has unreasonably charged in surcharges - and to determine the extent to which the higher interest rates that lower income countries are routinely charged on loans are unjustly set under the biased influence of private credit rating agencies – but that is not the focus here. Rather it is important to flag the fundamental injustice that is involved when the debts of lower income countries are inflated unjustly but brutally enforced, whilst the debts of rich countries go systematically unenforced.

Understanding the big picture of '***who owes who***' can help us galvanise action from citizens and from governments in 2025 to drive fundamental reforms to end the worst of these injustices.

4. Conclusions

A big picture overview of ***who owes who*** reveals a deep level of injustice and inequality that should spark mobilisation and action for change in the Jubilee Year of 2025. We have a once-in-a-generation opportunity to transform the international financial architecture with the 4th UN Financing for Development Conference in Seville in June-July 2025. **We can and must win an agreement for a UN Framework Convention on Sovereign Debt** and many other fundamental reforms as outlined by organisations involved in the Civil Society Financing for Development Mechanism.

It is of course important to note that we are living in volatile times, in particular with unpredictability arising from the re-election of President Trump. His early actions have challenged long established norms and disrupted the funding of both government institutions (including USAID) and multilateral agencies (including the World Health Organisation). It is less clear how an emboldened President Trump will engage with the IMF and World Bank; pulling out is certainly being floated by some. Nevertheless, President Trump's enthusiastic use of tariffs to defend US interests is in stark contrast to loan conditions imposed by the IMF strongly supported by the US Treasury in the past on other countries. These very public contradictions are likely to trigger reactions from governments in lower income countries who have been forced for decades to remove tariffs and open up their economies.

There are clear risks to multilateralism in the years ahead – but rather than working to defend failing institutional structures we need to work together to reform and transform multilateral spaces, making them more democratic and representative. This is exactly the time to move away from archaic, colonial institutions and ways of working, to rebuild legitimacy through a fairer international architecture and rules-based order. In some ways the timing is perfect for rallying behind a UN Framework Convention on Debt.

Of course, we accept that there is no guarantee that cancelling debts and overhauling the global architecture will lead to increased spending on health and education or improved responses to the climate crisis. Action is needed to better challenge corruption and hold governments to account everywhere. But in the absence of fundamental change, even governments who want to do the right thing are held back for lack of resources. The IMF continues to drive cuts and freezes to public sector wage bills, preventing countries from investing in teachers, doctors, nurses and other essential frontline public service workers. Citizens cannot succeed in demanding more accountable spending by their governments when global structures and market dynamics strip even democratic governments of meaningful choices.

To succeed in shifting the dial, we need to Join the Dots, connecting the struggles for economic justice, climate justice, women's rights and feminist alternatives. We need to start from a collective outrage at the reality of ***who owes who***.

Lower income countries can very legitimately argue that '***we won't pay if you don't pay***' because the real debts of rich countries are greater than the external debts owed by lower income countries.

Civil society movements can equally demand that their governments stand up for debt justice in regional and global negotiations, arguing '***we shouldn't pay them if they don't pay us***'.

In some respects, the failure to agree a more credible climate finance goal at COP29 represents an opportunity. There is an existential climate emergency! Lower income countries can powerfully and collectively argue that they need to **invest in a just transition for climate action now**. The urgency of the climate crisis is such that investments in adaptation, mitigation and addressing loss and damage cannot be delayed. Countries have an obligation to both their citizens and to the planet to shift their economies and societies – and they need to use all resources at their disposal now to achieve this. That should include collectively declaring that **investments in a just transition will be given a higher priority than directly paying their external debts**. Quite reasonably they could argue that they will only service their external debts when the climate finance that is owed to them finally arrives in full, in the form of grants, not loans.

To shift entrenched colonial power structures, we need to be vocal, and we need to be united. Both civil society movements and governments need to build a stronger collective voice. In civil society, single issue campaigns will not win the fundamental changes that are required. Let us mobilise together in every country across movements working on tax, debt, austerity, public services, climate justice, human rights and women's rights. And let us connect movements across countries to secure an end to the colonial financial architecture that is accelerating the climate crisis and perpetuating injustice and inequality. **Understanding who really owes who offers a powerful framing for transformative action**.

5. Key Recommendations

In the face of the climate crisis, governments in lower income countries need to prioritise urgent investments in public services and a just transition over meeting external debt payments. The outstanding debts of these countries should be covered by rich countries as part payment of their climate debt and other reparations.

All governments should recognise the failure of the present colonial debt architecture and support a UN Framework Convention on Sovereign Debt (in line with the principles and elements in Box 1) as a clear outcome of the Financing for Development conference, to be followed up through the UN General Assembly. Wider architecture reform should also be supported, including a UN Framework Convention on Development Cooperation and following through to deliver a strong UN Framework Convention on Tax.

In this Jubilee year, civil society movements and organisations working on economic justice, climate justice, public services, human rights and women's rights should unite to call for both debt cancellation and fundamental structural reform to the colonial architecture that perpetuates debt crises.

i. We acknowledge the important historic work of ODG who had a campaign on Who Owes Who in 2005 https://odg.cat/en/about-odg/
ii. One of the criticisms of Fanning and Hickel's work is that their calculations include projections of the climate debt that rich countries will be continuing to accumulate up until 2050 (i.e. not just want they owe now but what they potentially will owe allowing for projections over the next 25 years). Even if these future projections were not included the climate debt of rich countries would still vastly exceed the external debts of lower income countries.

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