

UNCTAD WORLD OF DEBT REPORT : REPORT AND INDICIES

NEWS: Global public debt reached a record high of \$102 trillion in 2024. Although public debt in developing countries accounted for less than one third of the total – \$31 trillion – it has grown twice as fast as in developed economies since 2010.

WHAT'S IN THE NEWS?

Global public debt reached a record \$102 trillion in 2024, with developing countries facing a disproportionate burden due to high interest rates, rising servicing costs, and limited access to concessional finance.

UNCTAD's 2025 report urges urgent reform of the global debt system to ensure equitable access to liquidity, better debt restructuring, and development-friendly financing.

Global Public Debt: A Crisis Deepening

- In 2024, global public debt reached an all-time high of **\$102 trillion**, signifying unsustainable fiscal pressures across economies.
- Despite developing countries accounting for **less than one-third** of this total (around **\$31 trillion**), their **rate of debt accumulation has been twice that of developed economies** since 2010.

Definitions and Classifications of Public Debt

- **Public Debt** refers to the total liabilities the government owes to internal or external creditors. It includes borrowings meant for financing development and fiscal deficits.
- It is repaid through government revenues, primarily from the **Consolidated Fund of India** in the Indian context.

Types of Public Debt:

- **Internal Debt:** Borrowings from within the country, including:
 - Commercial banks
 - Insurance companies
 - Financial institutions
 - General public (via bonds, treasury bills)
- **External Debt:** Loans or financial assistance from:
 - International financial institutions (World Bank, ADB)
 - Bilateral arrangements with foreign governments
 - Sovereign bonds issued in international markets

Regional Distribution of Debt

- There exists **wide disparity in debt burden across regions**:
 - **Asia and Oceania** hold **24%** of global public debt.
 - **Latin America and the Caribbean** account for **5%**.
 - **Africa** bears only **2%** but suffers high repayment costs and financial vulnerability.
- This reflects unequal access to low-cost financing and differences in borrowing capacity and creditworthiness.

Debt Servicing Burden on Developing Countries

- **High External Debt Servicing Costs**:
 - Around **50% of developing countries** spent at least **6.5% of their export earnings** just to repay external debt.
 - Since 2020, borrowing costs for developing countries have been **2–4 times higher than that of the US**, worsening debt sustainability.
- **Negative Net Resource Transfers**:
 - In 2023, developing countries experienced a **net outflow of \$25 billion**.
 - This means they **paid more in debt repayments** than they received as new loans or aid—a phenomenon termed *negative net transfer*.

Impact on Social Spending and Development

- **Budgetary Pressures**:
 - **61 developing countries** spent **10% or more of their government revenues on interest payments alone**.
 - This diverts fiscal space away from crucial sectors like **health, education, social protection, and climate adaptation**.
- Rising interest payments are outpacing increases in spending on **human development and public infrastructure**, leading to inequality and fragility.

UNCTAD's Roadmap: A Call for Equitable Debt Reform

1. Inclusive Global Financial Governance

- Enhance **developing countries' representation** in decision-making bodies like the IMF and World Bank.
- Reform **debt sustainability analysis (DSA)** tools to better account for climate vulnerability and development needs.

2. Improved Crisis Liquidity Mechanisms

- **Expand Special Drawing Rights (SDRs)** allocation to low-income countries.
- **Suspend IMF surcharges** on crisis loans that penalize countries for prolonged borrowing.
- **Decouple emergency financing from IMF quotas** to allow more rapid and equitable access.

3. Reformed Debt Resolution Framework

- **Strengthen the G20 Common Framework** for debt restructuring:
 - Close eligibility loopholes
 - Ensure timely action by creditors
 - Mandate **private creditor participation**
 - Introduce **automatic debt suspension clauses** during shocks

4. Concessional Finance and Technical Support

- Fulfill existing **Official Development Assistance (ODA)** commitments.
- Expand the role of **multilateral development banks** in concessional financing.
- Encourage **local currency financing** to reduce forex volatility risks.
- Institutionalize **debt pause mechanisms** during pandemics or climate disasters.

About UNCTAD (United Nations Conference on Trade and Development)

- **Established:** 1964 by the UN General Assembly
- **Location:** Geneva, Switzerland
- **Functions:**
 1. Promote integration of developing nations into the global economy
 2. Facilitate trade, investment, technology access, and development finance
- **Governance:** Reports to both the **UN General Assembly** and **ECOSOC**
- **Key Reports:**
 1. *World Investment Report*
 2. *Commodities and Development Report*
 3. *Trade and Development Report*
 4. *World of Debt Report*

Conclusion

The 2025 UNCTAD report underscores a growing debt crisis that disproportionately affects developing countries. Without structural reforms to global financial governance, debt risks could undermine sustainable development, erode fiscal autonomy, and trap nations in cycles of repayment and underdevelopment.

Source: <https://unctad.org/publication/world-of-debt>