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Macroeconomic policy questions

External debt sustainability and development

Note by the Secretary-General

The Secretary-General has the honour to transmit to the General Assembly the report prepared by the secretariat of the United Nations Conference on Trade and Development.

* [A/80/150](#).



Report prepared by the secretariat of the United Nations Conference on Trade and Development on external debt sustainability and development

Summary

In the present report, prepared by the secretariat of the United Nations Conference on Trade and Development pursuant to General Assembly resolution [79/197](#), the core indicators of external debt sustainability in developing countries in 2024 is analysed and differences across country groups and developing regions are highlighted. For low- and lower-middle- income countries, particularly the least developed countries, the dramatic deterioration in external debt sustainability foreshadows negative development outcomes, particularly in the light of current trends in official development assistance. The report concludes with a discussion of perspectives for strengthening debt management in developing countries and United Nations policy initiatives and recommendations for addressing the debt morass in developing countries.

I. Introduction

1. Developing countries face a convergence of debt challenges in 2025. While widening debt sustainability vulnerabilities in low-income countries, least developed countries and African economies were evident in 2024, these risks may worsen across the developing world in 2025, reaching even emerging market economies that have shown resilience in the past few years.

2. Major policy shifts and escalating geopolitical tensions are undermining the multilateral trading system, tightening global financial conditions and straining official development assistance. These developments are impacting developing countries through trade and financial channels, diminishing their capacity to earn foreign exchange, generate government revenues and pursue sustainable development. Although the aggregate projected debt service on external debt of middle- and low-income developing countries is 17 per cent lower in 2025 compared with 2024,¹ at \$923 billion it remains a significant challenge to honour and refinance in the context of shrinking payment capacity in foreign and domestic currencies, rising borrowing costs and currency depreciation pressures. For several developing country groupings the share of government revenue and export earnings absorbed by debt servicing continues to rise (see sections II.A and B below).

3. The deteriorating trade landscape resulting from recent policy decisions by major economies is curbing economic growth prospects, lowering projections by around 0.5 percentage points, to between 2.3 and 2.8² per cent, since January 2025.³ The slowdown is expected to be broad-based across the developing world, undermining government revenues, potentially stalling or reversing policy rate cuts to curb currency depreciation pressures and raising domestic borrowing costs. Furthermore, falling commodity prices and a possible decline in world merchandise trade of 1.5 per cent in 2025⁴ will erode foreign exchange earnings, disproportionately affecting the poorest and smallest developing economies.⁵ The effect on inflation remains uncertain as lower commodity prices and subdued growth could compensate for those pressures.

4. Rising yields on United States Treasury securities have increased the cost of financing for developing countries engaged in global capital markets. Frontier market economies have been at the forefront, with their average bond spreads widening 3.5 times more than the average for emerging market economies.⁶ However, issuance of external sovereign bonds by these economies, which are also negatively impacted by the current developments, may also be threatened if financial conditions continue to tighten. According to estimates of the International Monetary Fund (IMF), capital outflows from emerging markets could reach between 1.6 to 1.9 per cent of gross domestic product (GDP) up to the end of 2025 after a period of tepid portfolio flows to local currency bond markets. Countries with large financing needs and interest expenses will be hit the hardest.⁷

¹ United Nations Conference on Trade and Development (UNCTAD) secretariat calculations, based on World Bank data.

² UNCTAD, *Trade and development foresights 2025: Under pressure – uncertainty reshapes global economic prospects* (UNCTAD/GDS/INF/2025/1).

³ International Monetary Fund (IMF), *World Economic Outlook: A Critical Juncture amid Policy Shifts* (Washington, D.C., April 2025); and World Bank, *Global Economic Prospects* (Washington, D.C., January 2025).

⁴ World Trade Organization, *Global Trade Outlook and Statistics* (April 2025).

⁵ UNCTAD, *Global Trade Update (April 2025): Escalating tariffs – the impact on small and vulnerable economies* (UNCTAD/DITC/INF/2025/2).

⁶ UNCTAD secretariat calculations based on data from LSEG Eikon.

⁷ IMF, *Global Financial Stability Report: Enhancing Resilience amid Uncertainty* (Washington, D.C., April 2025).

5. For poorer and more vulnerable economies that rely on international development cooperation, a projected 20 per cent contraction of official development assistance in 2025 will limit investment in development priorities⁸ and push more countries to debt distress. According to the joint Debt Sustainability Framework of IMF and the World Bank, 35 out of 68 of the countries eligible for the Poverty Reduction and Growth Trust were at high risk of or in debt distress in March 2025, almost the same as the number recorded in 2022, the historical peak (37 countries).⁹

II. Main trends in external debt sustainability of developing countries

6. The external debt stock of developing countries reached \$11.7 trillion in 2024, 2.6 per cent higher than the \$11.4 trillion of 2023. Excluding China, which accounted for 21.7 per cent of the total debt stock, the 2024 value was \$9.3 trillion, 3.1 per cent higher than in 2023. In both cases, the rates of growth have slowed significantly since the coronavirus disease (COVID-19) pandemic.

7. For developing countries, excluding China, public sector external debt sustainability (the ratio of public and publicly guaranteed debt to government revenue) worsened, increasing to 8.4 per cent in 2024 from 7 per cent in 2023. The deterioration in this indicator was widespread, but greatest for the low-income group (see figure I (right)). While the indicator of external debt sustainability (total debt service to exports) improved, decreasing to 16.3 per cent in 2024 from 17 per cent in 2023 (see figure I (left)), this was driven mostly by the performance of upper-middle-income countries, whose external debt service accounted for almost 50 per cent of the total. Costlier debt servicing, amid subdued or lower exports and government revenues in low- and lower-middle income countries, continues to crowd out investments in sustainable development.

A. Main external debt trends by income group

8. The total external debt stock of low-income developing countries reached \$240.5 billion in 2024, an increase of 3.7 per cent compared with 2023. The ratio of total external debt service to exports worsened, increasing to 24.2 per cent in 2024 from 13.1 per cent in 2023, as total debt service rose by 94 per cent, while exports grew by only 5 per cent. The deterioration was even greater for the ratio of public and publicly guaranteed external debt service to government revenue, which more than doubled to 18.1 per cent in 2024, due to a 120 per cent rise in the cost of servicing this debt, while government revenues decreased by 2.3 per cent. Lower prices of some commodities (oil, basic metals and food) and subdued economic growth harmed the capacity of these countries to generate export earnings and government revenue to service their debt.¹⁰ At the same time, a wall of principal repayments in 2024¹¹ pushed up debt service costs.

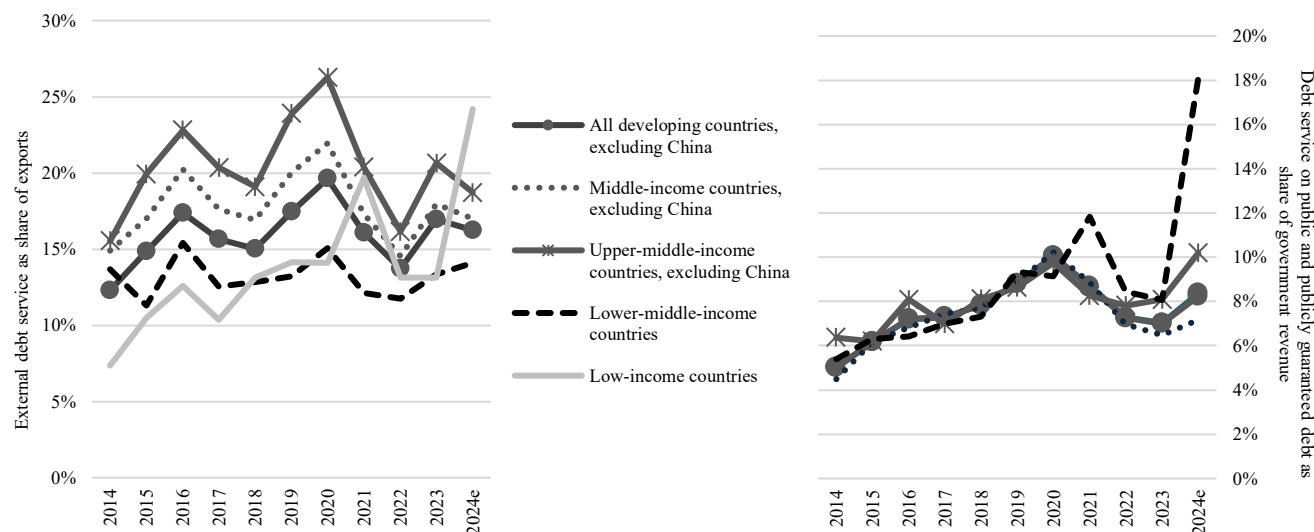
⁸ UNCTAD, *Aid at the crossroads: Trends in official development assistance* (UNCTAD/OSG/TT/INF/2025/1).

⁹ As at 31 March 2025. See <https://imf.org/external/Pubs/ft/dsa/DSAlist.pdf>.

¹⁰ World Bank, *Global Economic Prospects* (Washington, D.C., January 2025).

¹¹ IMF, *Global Financial Stability Report*.

Figure I
Trends in debt service ratios by income group, 2014–2024



Source: UNCTAD secretariat calculations based on World Bank and IMF databases and national sources.

Abbreviation: e, UNCTAD estimate.

9. The total external debt stocks of middle-income developing countries reached \$8.8 trillion in 2024, an increase of 2 per cent. Excluding China, the increase was 2.6 per cent, and external debt stocks totalled \$6.3 trillion, of which public and publicly guaranteed external debt accounted for 45 per cent. After a significant deterioration in 2023, total debt service to exports, excluding China, improved slightly to 17 per cent as exports increased by 4.8 per cent, benefiting from a better performance of the global trade in manufactured goods and services. The ratio of public and publicly guaranteed debt service to government revenue deteriorated, increasing to 8.2 per cent in 2024 from 7 per cent in 2023, because debt service outgrew government revenues (24 per cent compared with 5 per cent).

10. The deterioration of the external solvency of the public sector for lower-middle-income countries was primarily due to the wall of principal repayments that many faced in 2024. For this group, the public and publicly guaranteed debt accounted for two-thirds of long-term external debt. The service on this debt increased by 37 per cent, compared to an 8 per cent growth in government revenue, resulting in a worsening of the public sector debt sustainability indicator, from 8.1 per cent in 2023 to 10.2 per cent in 2024, the highest ratio since 2005. The external debt sustainability indicator deteriorated for the second consecutive year, reaching 14 per cent, as total debt service rose by 12 per cent – twice the rate of increase in exports.

11. Upper-middle-income developing countries, excluding China, typically spend a greater proportion of their export earnings in servicing their total debt than lower-middle-income countries due to the higher share of both short-term debt and private non-guarantee debt in the total. However, the external solvency indicator improved to 18.7 per cent in 2024 from 20.3 per cent in 2023, as debt service fell by 6 per cent while exports rose by 4 per cent. This group benefited most from the improved performance of global trade in 2024. In addition, in 2024 a relatively smaller share of debt came due for these countries compared with low and lower-middle-income countries. The ratio of public and publicly guaranteed external debt to government revenue also deteriorated, but to a lesser extent than for the other groups. It rose to

7.2 per cent compared with 6.5 per cent in 2023 due to a higher increase in the debt service than in government revenue (15 per cent compared with 4 per cent).

B. Main external debt trends: least developed countries and small island developing States

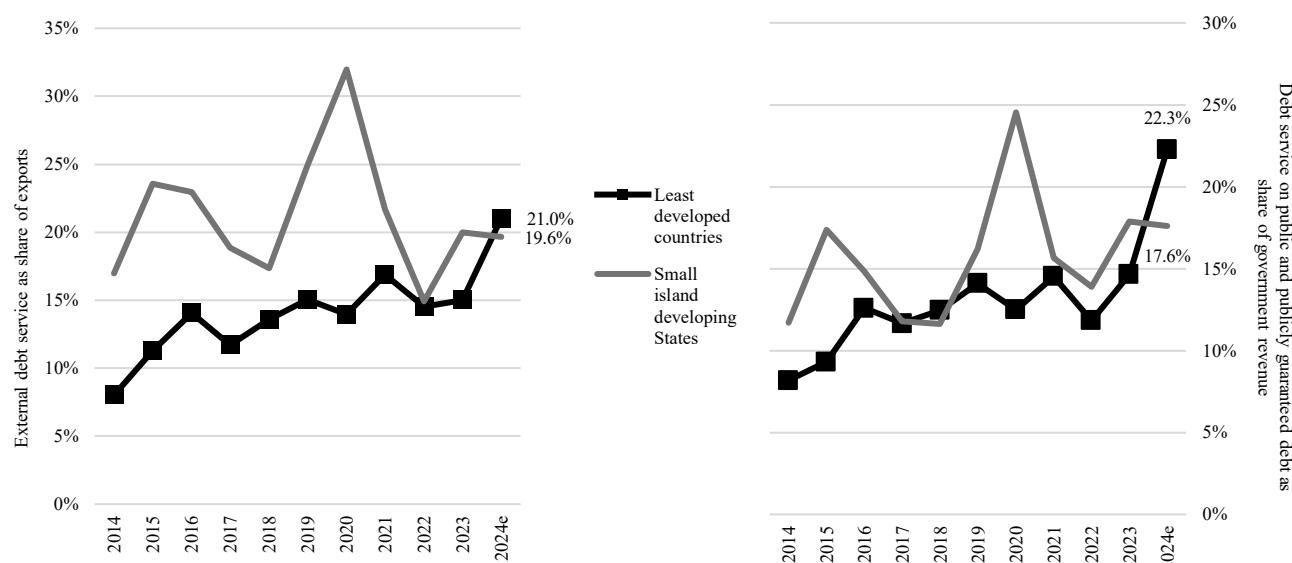
12. The economic growth of the least developed countries decelerated to 4.1 per cent in 2024 from 4.6 per cent in 2023. Conflicts and geopolitical tensions, particularly in Africa, weighed negatively, curbing government revenue,¹² which rose by only 1 per cent. This was compounded by an above average 4.4 per cent increase in external public debt, which reached \$611 billion in 2024. Additionally, public and publicly guaranteed external debt service increased by 53.6 per cent due to the surge in principal repayments in 2024 and higher debt servicing costs. Consequently, these countries spent 22.3 per cent of their government revenue on servicing their external public and publicly guaranteed debt in 2024, compared with 14.6 per cent in 2023, the highest ratio of all country groups (see figure II (right)). Export revenues rose mildly (5 per cent), as lower prices of many commodities offset the positive impact of a recovery in international tourism. These developments pushed the ratio of total debt service to exports to 21 per cent in 2024 compared with 15 per cent in 2023.

13. The total external debt of small island developing States reached \$1.2 billion in 2024, a 2.7 per cent increase. Excluding the debt of Singapore (which accounts for 84.4 per cent of the group's total debt), external debt rose less than 1 per cent, while total debt service increased by 6 per cent in 2024. These States faced a wall of principal repayments in 2023, increasing total debt service by 31.4 per cent. Public and publicly guaranteed debt service rose at a faster pace of 10 per cent, which is also significantly lower than the 31.3 per cent recorded in 2023. The recovery of international tourism after the COVID-19 pandemic continued in 2024, boosting exports, which rose by 8 per cent. Economic growth accelerated to 3.8 per cent in 2024 from 2.3 per cent in 2023,¹³ causing government revenues to climb by 11 per cent. As export earnings outgrew total external debt service payments and government revenues outgrew public and publicly guaranteed debt service, the indicators of external debt and public sector debt sustainability both improved slightly to 19.6 per cent and 17.6 per cent, respectively.

¹² *World Economic Situation and Prospects 2025* (United Nations publication, 2025).

¹³ *Ibid.*

Figure II
Trends in debt service ratios of the least developed countries and small island developing States



Source: UNCTAD secretariat calculations based on World Bank and IMF databases and national sources.

Abbreviation: e, estimate.

C. Developing regions

14. In 2024, all regions except Europe and Central Asia experienced a deterioration in their public sector external debt sustainability amid higher debt servicing and lower or subdued government revenue (see figure III).

15. In sub-Saharan Africa, economic growth rose to 4 per cent in 2024. However, rising borrowing costs, reduced external financing, declining aid, weakening global demand and lower commodity prices led to subdued growth in exports and government revenue, which increased by 3.5 per cent and 1.5 per cent, respectively.¹⁴ Total external debt increased by 3 per cent to \$904.9 billion in 2024. Higher borrowing costs and significant principal repayments led to a 30 per cent rise in total external debt service and a 37 per cent increase in public and publicly guaranteed debt service in 2024. The increasing reliance on expensive private debt by the region's frontier market economies contributed to this trend. Consequently, the indicators of external debt sustainability and public sector external debt sustainability deteriorated, increasing to 21.6 per cent and 18.7 per cent, respectively, in 2024 from 17.3 per cent and 13.9 per cent in 2023.

16. Economic growth in South Asia reached 6 per cent in 2024.¹⁵ However, high debt stocks in several countries combined with low foreign exchange reserves left many countries vulnerable to financial shocks, and three countries in the region experienced debt distress.¹⁶ Total external debt stocks rose by 5 per cent to \$1 trillion in 2024, from \$961 billion in 2023. However, the ratio of total debt service to exports remained stable at 12.3 per cent because of small differences between the growth in total external debt service and exports. The indicator of public sector external debt sustainability deteriorated, increasing to 6.6 per cent from 4.8 per cent in 2023. Although

¹⁴ IMF, *Regional Economic Outlook. Sub-Saharan Africa: Recovery Interrupted* (Washington, D.C., April 2025).

¹⁵ World Bank, *South Asia Development Update: Taxing Times* (Washington, D.C., April 2025).

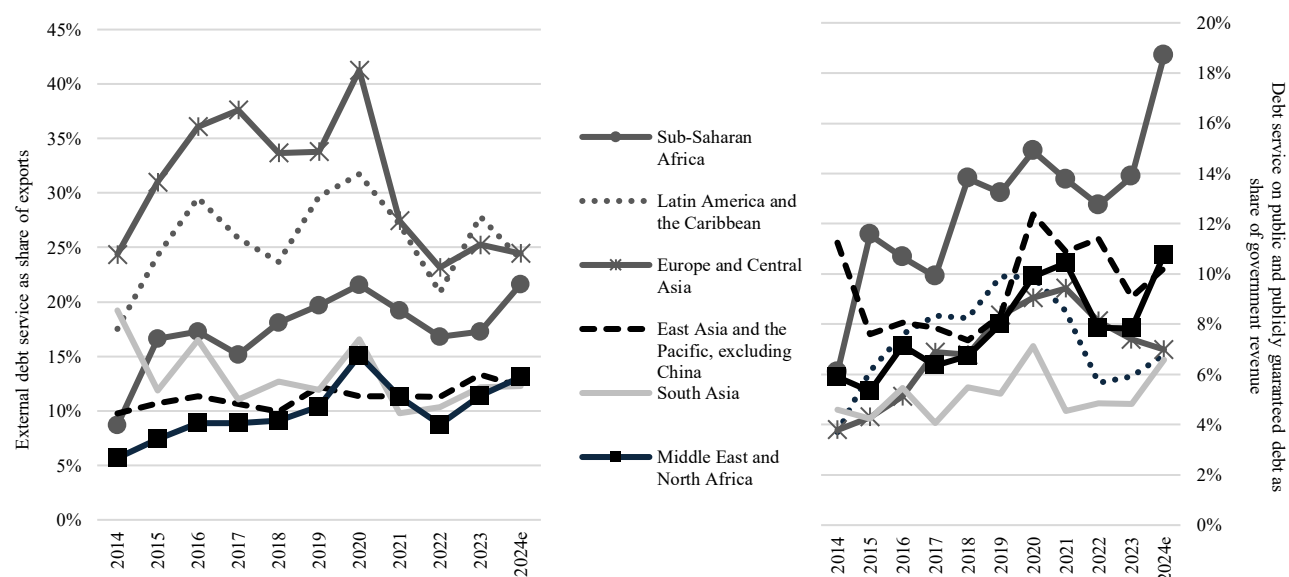
¹⁶ World Bank, *South Asia Development Update*.

government revenue performed well, increasing by 9.6 per cent, frontier market economies in this region also faced significantly higher principal repayments in 2024, which resulted in a 49 per cent rise in public and publicly guaranteed debt service.

17. The Middle East and North Africa grew at a modest rate of 1.9 percent in 2024.¹⁷ Regional averages mask divergent country-level growth trends across conflict-affected, oil-exporting and oil-importing countries.¹⁸ Despite a modest increase in external total debt, the region experienced a sharp rise in public and publicly guaranteed debt service of 35 per cent due to higher borrowing costs and significant principal repayments. A combination of higher debt servicing and a fall of almost 2 per cent in government revenue caused public sector external debt sustainability to deteriorate to 10.8 per cent in 2024, compared with 7.8 per cent in 2023. External debt sustainability also worsened to 13.1 per cent from 11.4 per cent as total debt service grew 14.8 per cent while exports decreased by 0.7 per cent.

18. Economic growth in East Asia and the Pacific moderated slightly, to 5 per cent in 2024.¹⁹ The region's external debt stocks reached \$4.7 trillion, with long-term debt accounting for 57.3 per cent of that sum. Private non-guaranteed debt continued to dominate long-term debt, comprising 63.3 per cent of the total. Excluding China (which accounted for 51 per cent of the region's total external debt), external debt sustainability improved slightly as the ratio of total debt service to exports fell to 16.3 per cent in 2024. In contrast, faced with higher borrowing costs, the ratio of public and publicly guaranteed debt service to government revenue increased to 10.2 per cent from 9.1 per cent in the same period, driven by the 18.2 per cent rise in the debt service on this debt amid subdued government revenue.

Figure III
Trends in external debt sustainability in developing regions



Source: UNCTAD secretariat calculations based on World Bank and IMF databases and national sources.

Abbreviation: e, estimate.

¹⁷ World Bank, *Middle East and North Africa Economic Update. Shifting Gears: The Private Sector as an Engine of Growth in the Middle East and North Africa* (Washington, D.C., April 2025).

¹⁸ IMF, *Regional Economic Outlook. Middle East and Central Asia: Charting a Path through the Haze* (Washington, D.C., May 2025).

¹⁹ World Bank, *East Asia and Pacific Economic Update: A Longer View* (Washington, D.C., April 2025).

19. Economic growth in Europe and Central Asia eased slightly, to 3.6 per cent in 2024.²⁰ Total external debt stocks increased by 4 per cent, reaching \$830 billion, with long-term debt making up 73 per cent of the total. Public and publicly guaranteed debt service increased by 8.3 per cent but government revenues rose more rapidly, by 14.6 per cent. There was a mild improvement in the public sector external debt sustainability indicator, from 7.4 per cent in 2023 to 7 per cent in 2024. Although it is still the highest among all the regions, the ratio of total debt service to exports fell to 24.5 per cent in 2024, driven by a 2.4 per cent rise in exports and unchanged debt service costs.

20. The economies of Latin America and the Caribbean grew at 2.4 per cent in 2024.²¹ The total external debt stocks reached \$2.8 trillion, with long-term debt accounting for 80.7 per cent of that sum and representing the largest share of all regions. Total debt service declined by 10 per cent while exports increased by 4.3 per cent, driving an improvement in external debt sustainability to a ratio of 23.9 per cent in 2024, still the second highest of all regions. Conversely, external public sector debt sustainability deteriorated to 6.8 per cent from 5.9 per cent in 2023 as increases in debt service outpaced government revenues (17.6 per cent against 2.8 per cent) due to higher borrowing costs and principal repayments.

III. Main trends in official development assistance

21. Total net official development assistance disbursements²² declined by 11.2 per cent in 2024 to \$249.2 billion, reversing four consecutive years of growth following the COVID-19 pandemic, which accelerated after the invasion of Ukraine. This contraction was primarily driven by reduced bilateral support, including lower assistance to Ukraine and levels of humanitarian aid, and declining refugee costs in donor countries. Core contributions to multilateral agencies also decreased, especially to the United Nations, the International Development Association of the World Bank and the IMF Resilience and Sustainability Trust.²³

22. In 2024, the members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) provided \$209.7 billion in net aid disbursements, 7.3 per cent less than in 2023, which represented 0.3 per cent of their combined income, less than half of the global aid target.²⁴ Likewise, aid to the least developed countries totalled only \$31.3 billion in 2023, accounting for 0.05 per cent of the combined income.²⁵

²⁰ World Bank, *Europe and Central Asia Economic Update: Accelerating Growth through Entrepreneurship, Technology Adoption, and Innovation* (Washington, D.C., 2025).

²¹ Inter-American Development Bank, *Regional Opportunities Amid Global Shifts: 2025 Latin American and Caribbean Macroeconomic Report* (Washington, D.C., 2025).

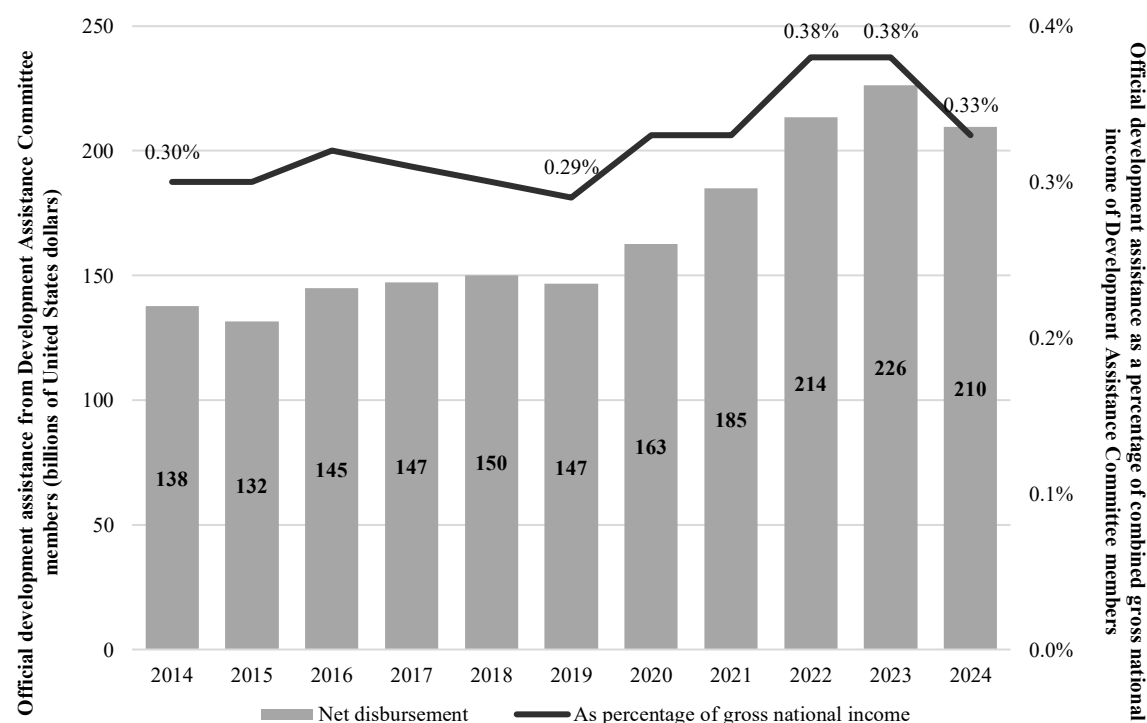
²² Net disbursements are the gross amount less any repayments of loan principal or recoveries on grants received during the same period. Only net figures are available for 2024.

²³ OECD, document DCD(2025)6.

²⁴ Target 17.2 of Sustainable Development Goal 17 calls for developed countries to allocate 0.7 per cent of their gross national income to official development assistance, with 0.15 to 0.20 per cent directed specifically to the least developed countries.

²⁵ UNCTAD secretariat calculations, based on OECD data on aid disbursements to countries and regions.

Figure IV
Trends in net official development assistance disbursements from the Development Assistance Committee



Source: United Nations Conference on Trade and Development (UNCTAD) secretariat calculations, based on OECD data on flows, by provider and annual gross national income.

23. The shifting allocation of official development assistance reflects changing global priorities and emerging challenges.²⁶ Aid to developed countries increased by 30.8 per cent in 2023, reaching a historic high of \$45.3 billion (15.7 per cent of total assistance). This followed a fourfold increase of the share allocated to developed countries in 2022, driven primarily by aid to Ukraine, while the share allocated to developing countries shrank from 74.8 per cent of the total to 58.9 per cent. While gross aid disbursements²⁷ to developing countries increased by 2.7 per cent in 2023 to \$167.5 billion, this sum is 4.7 per cent lower than the \$175.7 billion in such disbursements recorded in 2021.²⁸ An increased portion of assistance was also allocated to unspecified recipients and objectives, including refugees, infectious disease control, research institution, and administrative costs.

24. Flows to low-income countries increased by 10.3 per cent to \$52.2 billion in 2023 and made up 31.2 per cent of total development assistance. Flows to lower-middle-income developing countries decreased by 1.5 per cent to \$73.7 billion (44 per cent of the total). Meanwhile, upper-middle-income countries received a steady \$25 billion (15.3 per cent of the total). Approximately \$90 billion, or 37.3 per cent of the total, comprised unspecified allocations that are not assigned to a specific country and, consequently, cannot be assigned to income groups.

²⁶ See E/2025/8.

²⁷ Figures in subsequent paragraphs in this section also refer to gross disbursements available up to 2023.

²⁸ UNCTAD secretariat calculations based on the OECD Creditor Reporting System. Data based on the cash flow methodology was used to facilitate long-term analysis.

25. Gross aid to the least developed countries and small island developing States increased in 2023, reaching \$67.3 billion and \$6.8 billion, respectively. The share of both groups rose during the pandemic, and decreased in 2022. Multilateral organizations provided over half the assistance received by these two groups in 2023. Reductions in core funding to these institutions pose significant risks to the most vulnerable economies.

26. Regional patterns of total aid²⁹ reveal that Europe received 21.3 of the total allocated aid (\$45.3 billion) in 2023 compared to 4.2 per cent in 2021. This negatively affected flows to Africa and Asia. The share of Africa of the total fell from a high of 46.2 per cent in 2021 to 36.2 per cent in 2023 (\$76.9 billion) and the share of Asia fell to 34.5 per cent of the global total (\$73.3 billion), down from 40 per cent. For the Americas, the decline was less notable, with the share of the total shrinking from 8.0 per cent (\$14.5 billion) in 2021 to 6.7 per cent (\$14.2 billion) in 2023. Oceania maintained a stable aid level of approximately \$3 billion, representing 1.4 per cent of the total.

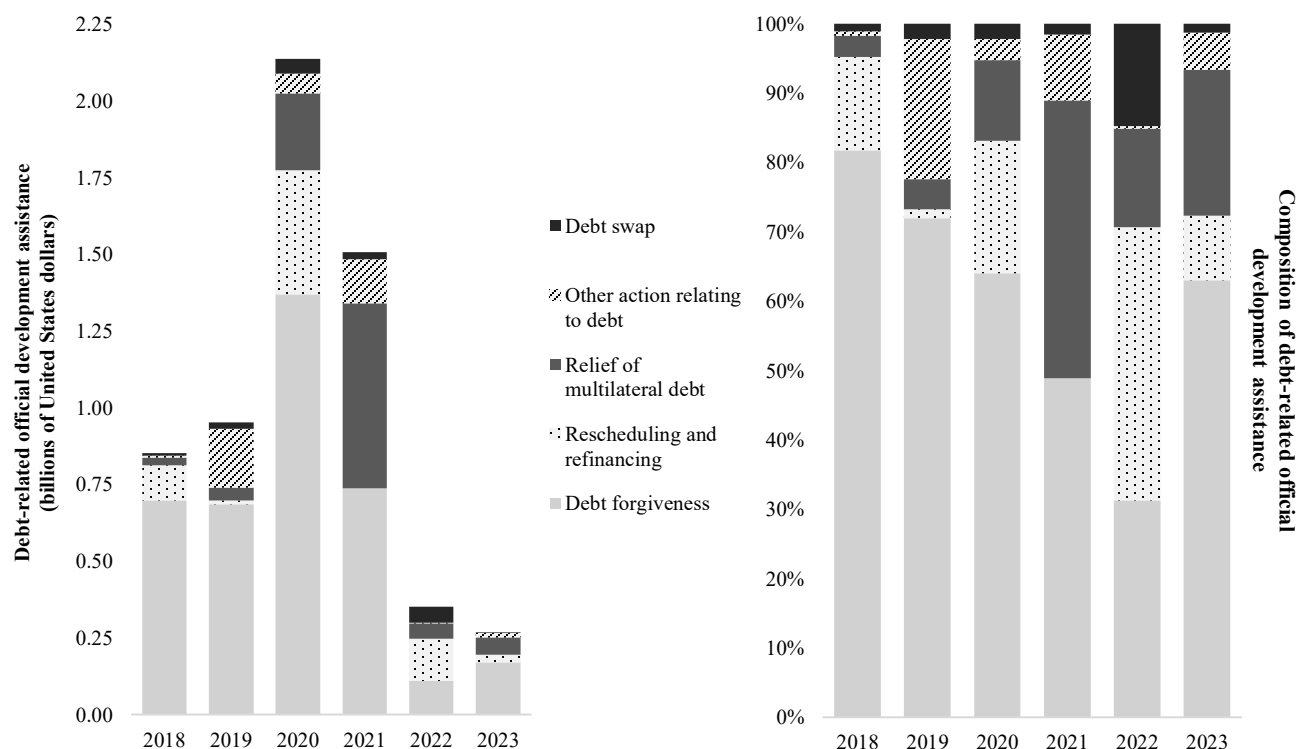
27. Regarding aid instruments, concessional loans decreased by 4.3 per cent to \$54 billion (32.3 per cent of the total), while grants increased by 7.5 per cent to \$113.2 billion in 2023, accounting for 67.7 per cent of the total,³⁰ a slightly lower proportion than the average of 70 per cent during the decade prior to the pandemic. The decline in the share of grants was more pronounced for the least developed countries and small island developing States. This share averaged, respectively, 80.2 per cent and 86.9 per cent between 2009 and 2019 and dropped to 72 per cent and 76 per cent in 2023.

28. Debt-related aid peaked during the COVID-19 pandemic due to debt relief initiatives, such as the Group of 20 (G20) Debt Service Suspension Initiative. However, debt-related aid fell to a record low of \$0.27 billion in 2023, despite deteriorating debt sustainability in developing countries (see section II). Aid for debt forgiveness, debt restructuring, rescheduling and refinancing has reduced significantly. Actions related to Development Assistance Committee countries' bilateral debt-for-development swaps have nearly disappeared.

²⁹ Countries are classified by region and development status according to Standard Country or Area Codes for Statistical Use (M49).

³⁰ Equity investments remained negligible (\$0.3 billion in 2023).

Figure V
Trends in debt-related gross official development assistance



Source: UNCTAD secretariat calculations, based on the OECD Creditor Reporting System.

29. Geopolitical challenges are straining official assistance flows. Major donor countries announced cuts to aid and the closure of some programmes for developing countries, increasing the volatility and uncertainty of aid flows, which remain a critical source of financing, especially for the poorest countries. The loss of this support could push them deeper into a debt and development crisis.

IV. Strengthening debt management: progress, challenges and perspectives

30. Changes in the size, structure and complexity of public debt in developing countries have increased the need for robust institutional and human capacity in public debt management. Effective debt management is crucial for fulfilling debt obligations and making informed financial decisions. It promotes transparency, fiscal sustainability and good governance.

31. Several developing countries have improved their ability to oversee and analyse debt portfolios, making notable progress in debt coverage, data recording and reporting. While still lagging behind higher-income peers in data quality, many low-income countries have accelerated improvement in this area and are narrowing the gap in capacity.³¹

32. Despite these gains, domestic and external debt portfolios have become increasingly complex, a challenge that is compounded by evolving instruments and

³¹ UNCTAD, *Debt Management and Financial Analysis System Programme: Annual report 2023* (UNCTAD/GDS/DMFAS/2024/1).

technologies. In response, debt management offices need to expand data coverage – particularly for non-traditional liabilities such as pension obligations, contingent liabilities and private non-guaranteed debt – which, if overlooked, can mask fiscal risks and compromise effective policymaking. At the same time, increased access to capital markets, the growth of public-private partnerships, rising subnational borrowing and the integration of climate finance require more advanced technical and institutional capacities. Countries need to invest in institutional capacity by training staff, implementing integrated debt management systems and developing forward-looking borrowing strategies.

33. Technical assistance has played a key role in strengthening debt management capacity. Over the past few years, support from multilateral institutions, including UNCTAD, IMF and the World Bank, has expanded in response to countries' evolving needs. The seventh version of the Debt Management and Financial Analysis System software,³² launched by UNCTAD in early 2025, responds to these needs by expanding debt data coverage, offering enhanced reporting functions and implementing technical updates that facilitate integration with other financial management and depository systems. It is already being implemented in the first user countries. Technical assistance of this sort supports vulnerability assessments, strengthens monitoring capacity and promotes the adoption of global best practices.

34. The international community should ensure sufficient financing for national reforms, technical assistance and capacity-building, so that comprehensive and reliable debt databases and statistical systems can be developed and maintained, thereby improving transparency and accountability. This will enable countries to more effectively assess their debt sustainability and improve debt strategies and risk management.

V. United Nations policy initiatives related to debt challenges

35. Three United Nations-led initiatives have been launched to address the debt challenges and fill the development and climate finance gap. They are, in chronological order: the Pact for the Future, adopted by Member States in September 2024; the Expert Group on Debt appointed by the Secretary-General in December 2024; and the Fourth International Conference on Financing for Development, concluded in July 2025.

36. The Pact for the Future includes four commitments (actions 49–52) that are particularly relevant to debt and development finance. Various United Nations entities and agencies, including UNCTAD, the Department of Economic and Social Affairs, and the United Nations Development Programme, have been tasked with engaging with relevant stakeholders and monitoring progress in relation to these commitments.

37. Action 49 of the Pact for the Future is aimed at enhancing access to financing for the Sustainable Development Goals at more affordable terms from all sources and to unlock private sector investment, including through adequate and regular replenishment of the International Development Association by existing and new donors and a scaling-up of financial, policy and technical support from multilateral development banks. Action 50 constitutes a commitment to accelerate the reform of the international financial architecture so that countries can borrow sustainably to invest in their long-term development. It calls for a strengthened multilateral response to address unsustainable debt burdens and vulnerabilities in developing countries. Action 51 is aimed at strengthening the capacity of the international financial architecture to provide more effective and equitable support to developing countries

³² See <https://unctad.org/dmfas/DMFAS7>.

during systemic shocks and making the financial system more stable by, among other things, encouraging the voluntary rechanneling of unused special drawing rights to developing countries and exploring expedited issuances during crises. Action 52 calls for reforms of the international financial architecture to address climate change challenges by, among other things, calling on multilateral development banks to provide additional finance for climate mitigation and adaptation, and on international financial institutions and other stakeholders to improve the assessment and management of climate-related risks.

38. The Expert Group on Debt appointed by the Secretary-General in December 2024 was required to identify actionable policy solutions to help developing countries break free from the debt morass that threatens economic stability, social progress and sustainable development. The Expert Group differs from previous United Nations debt initiatives owing to the urgency of the issues at hand, and in terms of its unique panel composition and its focus on both actionable solutions and broader development goals. The Expert Group elicited and interrogated the views of a wide range of stakeholders through direct engagement and other forums. UNCTAD served as the technical secretariat of the Expert Group, while other United Nations agencies provided advice and access to their networks.

39. To support the activities of the Expert Group on Debt, the UNCTAD secretariat developed a logical framework that identified more than 130 activities linked to nearly 50 policy options to address the debt morass. To select priorities, the Group considered their political feasibility, the speed with which they can be implemented, the likely scale of their impact and the key dependencies among policy options.

40. The report of the Expert Group on Debt was launched on 27 June 2025, just before the Fourth International Conference on Financing for Development, and includes 11 policy priorities that fall into three categories: (a) reforms to the multilateral system; (b) policies and strategies that depend on cooperation between developing countries; and (c) national-level measures.³³ The Expert Group's recommendations were welcomed by Member States, as they largely aligned with those set out in the Sevilla Commitment (see below), especially the proposal to establish a borrowers' forum to share knowledge and experiences, provide advice and enhance the effectiveness of developing countries' representation and voice in international forums.

41. The outcome document of the Fourth International Conference on Financing for Development, the Sevilla Commitment,³⁴ has many intersections with the Pact for the Future and the work of the Expert Group on Debt. Section E of the Sevilla Commitment, entitled "Debt and debt sustainability", offers bold recommendations to set up a development-oriented debt architecture. Recommendations include creating a borrower platform (to be launched on the Sevilla Platform for Action³⁵); scaling up official lending in local currencies; lowering the cost of borrowing; setting a consolidated set of voluntary guiding principles on responsible sovereign borrowing and lending; creating a global central debt data registry; and initiating an intergovernmental process at the United Nations to close gaps in the debt architecture.

³³ *Confronting the debt crisis: 11 action to unlock sustainable financing, Report of the UN Secretary-General's Expert Group on Debt* (United Nations publication, 2025).

³⁴ [A/CONF.227/2025/L.1](#).

³⁵ See <https://financing.desa.un.org/ffd4/sevilla-platform-action>.

VI. Policy recommendations

42. The current geopolitical and macroeconomic environment complicates management of the external debt of developing countries and exacerbates the growing debt and development crisis.

43. As the Expert Group on Debt stresses, in order for developing countries to achieve sustainable development with external debt sustainability it is crucial to lower the cost of new finance, increase the scale of new long-term finance provided, cut the costs of existing debt and, where necessary, reduce the existing debt. To achieve these outcomes, the Expert Group recommends three types of complementary initiatives: multilateral measures; cooperation between developing countries; and national measures. The Expert Group recommendations are outlined below.

44. At the multilateral level, several reforms are necessary to establish a development-centred global financial system that contributes to achieving the outcomes set out above, including:

(a) **Scaling-up affordable financing by multilateral and regional development banks, including through mechanisms to credibly crowd-in private capital.** This requires boosting concessional finance and grants and lowering the cost and reducing the procyclicality of non-concessional finance. Increasing the share of local currency loans is also critical since currency risk is a key driver of the high cost of capital facing developing countries. Implementing the recommendations of the G20 Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks, regularly reissuing and rechannelling special drawing rights, replenishing the World Bank's international development assistance and other relevant funds through donations and adopting eligibility criteria that go beyond income level, such as the United Nations multidimensional vulnerability index, are necessary reforms to achieve this;

(b) **Enhancing the global financial safety net to make it more effective, accessible, and predictable for developing countries.** This includes enhancing liquidity support through replenishing the IMF Catastrophe Containment and Relief Trust and other relevant funds (e.g. through donations or gold sales) and facilitating World Bank loan buy-backs; further reducing IMF surcharges for countries in debt distress or at high risk of it; reducing the cost of IMF non-concessional credit lines; abolishing the tiered interest rates on the IMF Resilience and Sustainability Trust; and revising the IMF quota limits under the IMF seventeenth general review of quotas;

(c) **Addressing the shortcomings of the Common Framework for Debt Treatments, which is currently the leading sovereign debt restructuring mechanism.** This requires extending eligibility to all middle-income countries facing solvency challenges, implementing an automatic debt service standstill during negotiations, introducing parallel negotiations with creditor committees, increasing the efficiency and speed of the restructuring process, adopting clear criteria for comparability of treatment, collective action clauses and tools to incentivise private creditor participation, and consistently and even-handedly applying the IMF policy on lending into arrears;

(d) **Adopting debt sustainability analyses that put the achievement of sustainable development at their centre and consider balance of payments positions as the dominant economic constraint on growth and development in most developing countries.** This requires numerous changes to the current IMF-World Bank debt sustainability frameworks, including recognizing the impact of climate shocks and development and climate investment needs, and their effects on public sector assets.

45. Country-level actions that require coordination, technical assistance and capacity-building include: technical assistance and capacity-building for debt management offices and treasuries by international institutions such as the UNCTAD Debt Management Financial Analysis System and the Commonwealth Secretariat Meridian system; technical assistance to support investment pipeline development; development of low-cost foreign-currency guarantees and other hedging and currency conversion mechanisms; a debt-for-development swap platform that provides information and technical assistance that guides usage; and a borrower's forum supported by a permanent and adequately resourced secretariat.

46. At the national level, countries should: enhance the quality of investment project pipelines or country platforms; reduce debt-swap transaction costs through scale and standardization and align the associated key performance indicators with national development strategies; improve the profile of existing debt through changing currency denomination, lowering its cost and increasing its maturity; enhancing their communication strategy with investors and credit rating agencies; and market investment opportunities to non-traditional bilateral lenders.

Annex I

External debt of developing countries

(Billions of United States dollars)

	2009–2024 average	2021	2022	2023	2024 ^a
All developing countries^b					
Total external debt stocks ^c	8 479.60	11 384.65	11 234.12	11 443.17	11 738.21
Long-term external debt	5 940.40	7 969.32	7 858.85	7 978.84	8 182.37
Share of public and publicly guaranteed debt	49.4%	50.7%	50.8%	51.1%	50.9%
Share of private non-guaranteed debt	50.6%	49.3%	49.2%	48.9%	49.1%
Short-term external debt	2 337.68	2 982.25	2 964.61	3 055.14	3 139.02
Total external debt service	1 037.89	1 387.32	1 525.64	1 696.33	1 649.31
Debt service on public and publicly guaranteed external debt	259.97	353.00	364.27	356.45	451.40
Debt indicators (percentage)^d					
Total debt service/exports ^e	12.3	13.8	13.0	15.1	13.9
Debt service on public and publicly guaranteed external debt/government revenue	3.8	4.3	4.2	3.9	4.8
All developing countries, excluding China^b					
Total external debt stocks ^c	6 758.01	8 660.30	8 786.07	9 022.96	9 304.29
Long-term external debt	5 253.63	6 741.87	6 724.18	6 894.61	7 089.24
Share of public and publicly guaranteed debt	50.9%	52.9%	52.4%	52.4%	51.8%
Share of private non-guaranteed debt	49.1%	47.1%	47.6%	47.6%	48.2%
Short-term external debt	1 322.48	1 536.03	1 699.42	1 767.74	1 842.17
Total external debt service	840.62	1 050.02	1 096.94	1 310.85	1 322.19
Debt service on public and publicly guaranteed external debt	229.92	302.64	291.41	302.28	378.55
Debt indicators (percentage)^d					
Total debt service/exports ^e	14.4	16.1	13.7	17.0	16.3
Debt service on public and publicly guaranteed external debt/government revenue	6.7	8.7	7.3	7.0	8.4
Sub-Saharan Africa					
Total external debt stocks ^c	623.84	839.82	856.57	879.24	904.90
Long-term external debt	493.82	662.55	667.89	687.66	715.89
Share of public and publicly guaranteed debt	69.2%	72.6%	72.8%	73.5%	72.9%
Share of private non-guaranteed debt	30.8%	27.4%	27.2%	26.5%	27.1%
Short-term external debt	95.35	107.86	119.78	119.70	114.61
Total external debt service	58.18	86.05	87.82	84.23	109.72
Debt service on public and publicly guaranteed external debt	30.64	43.82	45.10	46.42	63.47
Debt indicators (percentage)^d					
Total debt service/exports ^e	13.6	19.2	16.8	17.3	21.6
Debt service on public and publicly guaranteed external debt/government revenue	10.2	13.8	12.8	13.9	18.7

	2009–2024 average	2021	2022	2023	2024 ^a
Latin America and the Caribbean					
Total external debt stocks ^c	2 148.51	2 610.45	2 634.53	2 710.61	2 756.90
Long-term external debt	1 774.15	2 125.82	2 129.08	2 183.65	2 224.71
Share of public and publicly guaranteed debt	50.7%	53.5%	53.2%	53.3%	52.9%
Share of private non-guaranteed debt	49.3%	46.5%	46.8%	46.7%	47.1%
Short-term external debt	316.97	360.14	378.36	404.60	411.89
Total external debt service	291.65	375.42	342.61	460.40	414.05
Debt service on public and publicly guaranteed external debt	93.46	114.94	92.45	105.90	124.57
Debt indicators (percentage)^d					
Total debt service/exports ^e	22.8	27.1	20.8	27.9	23.9
Debt service on public and publicly guaranteed external debt/government revenue	6.3	8.5	5.7	5.9	6.8
Europe and Central Asia					
Total external debt stocks ^c	641.41	710.70	744.19	797.93	830.04
Long-term external debt	497.95	556.22	548.85	573.45	604.49
Share of public and publicly guaranteed debt	36.4%	41.3%	42.2%	42.4%	42.0%
Share of private non-guaranteed debt	63.6%	58.7%	57.8%	57.6%	58.0%
Short-term external debt	135.19	138.91	180.52	209.79	212.12
Total external debt service	114.33	118.08	129.21	140.57	140.31
Debt service on public and publicly guaranteed external debt	21.50	30.16	29.62	34.02	36.85
Debt indicators (percentage)^d					
Total debt service/exports ^e	29.2	27.5	23.2	25.2	24.5
Debt service on public and publicly guaranteed external debt/government revenue	5.8	9.4	8.1	7.4	7.0
East Asia and the Pacific					
Total external debt stocks ^c	3 315.11	4 874.58	4 651.57	4 643.86	4 741.45
Long-term external debt	1 829.53	2 820.62	2 726.40	2 695.03	2 716.18
Share of public and publicly guaranteed debt	35.7%	34.7%	34.6%	35.6%	36.7%
Share of private non-guaranteed debt	64.3%	65.3%	65.4%	64.4%	63.3%
Short-term external debt	1 450.32	1 971.75	1 847.01	1 869.99	1 933.17
Total external debt service	382.04	578.86	707.41	700.40	637.77
Debt service on public and publicly guaranteed external debt	64.95	98.95	128.78	100.57	126.55
Debt indicators (percentage)^d					
Total debt service/exports ^e	8.7	10.2	11.4	11.9	10.0
Debt service on public and publicly guaranteed external debt/government revenue	1.7	1.9	2.5	1.9	2.4
East Asia and the Pacific, excluding China					
Total external debt stocks ^c	1 593.07	2 150.23	2 203.52	2 223.65	2 300.22
Long-term external debt	1 142.94	1 593.17	1 591.73	1 610.80	1 625.88
Share of public and publicly guaranteed debt	34.3%	31.7%	30.1%	30.5%	31.1%
Share of private non-guaranteed debt	65.7%	68.3%	69.9%	69.5%	68.9%
Short-term external debt	434.21	525.52	581.82	582.58	621.71
Total external debt service	184.99	241.56	278.72	314.91	314.16
Debt service on public and publicly guaranteed external debt	34.98	48.59	55.92	46.40	54.86

	2009–2024 average	2021	2022	2023	2024 ^a
Debt indicators (percentage)^d					
Total debt service/exports ^e	10.4	11.3	11.3	13.3	12.2
Debt service on public and publicly guaranteed external debt/government revenue	9.0	10.9	11.4	9.1	10.2
South Asia					
Total external debt stocks ^c	694.72	912.80	918.69	961.45	1 009.14
Long-term external debt	552.17	719.36	713.06	761.35	796.81
Share of public and publicly guaranteed debt	56.4%	58.1%	58.7%	57.9%	57.4%
Share of private non-guaranteed debt	43.6%	41.9%	41.3%	42.1%	42.6%
Short-term external debt	118.91	151.70	164.93	157.62	168.73
Total external debt service	71.76	76.06	93.69	109.74	116.63
Debt service on public and publicly guaranteed external debt	27.95	34.04	37.85	40.74	61.07
Debt indicators (percentage)^d					
Total debt service/exports ^e	11.6	9.8	10.4	12.2	12.3
Debt service on public and publicly guaranteed external debt/government revenue	4.8	4.5	4.8	4.8	6.6
Middle East and North Africa					
Total external debt stocks ^c	1 056.00	1 436.30	1 428.55	1 450.08	1 495.78
Long-term external debt	792.77	1 084.76	1 073.57	1 077.70	1 124.29
Share of public and publicly guaranteed debt	69.3%	73.2%	72.3%	71.1%	67.1%
Share of private non-guaranteed debt	30.7%	26.8%	27.7%	28.9%	32.9%
Short-term external debt	220.95	251.89	274.00	293.44	298.50
Total external debt service	119.93	152.85	164.89	201.00	230.83
Debt service on public and publicly guaranteed external debt	21.46	31.09	30.48	28.79	38.89
Debt indicators (percentage)^d					
Total debt service/exports ^e	8.8	11.3	8.8	11.4	13.1
Debt service on public and publicly guaranteed external debt/government revenue	7.2	10.4	7.9	7.8	10.8
Least developed countries					
Total external debt stocks ^c	385.03	550.39	559.30	585.49	611.17
Long-term external debt	327.16	456.36	464.52	491.00	514.69
Share of public and publicly guaranteed debt	75.3%	74.0%	74.0%	73.9%	74.3%
Share of private non-guaranteed debt	24.7%	26.0%	26.0%	26.1%	25.7%
Short-term external debt	36.28	52.28	53.22	49.55	49.46
Total external debt service	28.13	44.83	46.53	46.05	67.17
Debt service on public and publicly guaranteed external debt	18.12	25.75	24.13	28.02	43.03
Debt indicators (percentage)^d					
Total debt service/exports ^e	12.2	16.9	14.5	15.0	21.0
Debt service on public and publicly guaranteed external debt/government revenue	11.3	14.5	11.8	14.6	22.3
Small island developing States^f					
Total external debt stocks ^c	770.80	1 087.24	1 155.39	1 159.92	1 191.54
Long-term external debt	537.33	790.56	824.03	833.76	851.11
Share of public and publicly guaranteed debt	13.3%	12.0%	12.1%	12.6%	12.8%
Share of private non-guaranteed debt	86.7%	88.0%	87.9%	87.4%	87.2%

	2009–2024 average	2021	2022	2023	2024 ^a
Short-term external debt	228.38	288.20	323.41	318.39	329.00
Total external debt service	80.86	117.03	132.17	163.46	159.82
Debt service on public and publicly guaranteed external debt	5.04	5.95	6.19	8.81	9.40
Debt indicators (percentage)^d					
Total debt service/exports ^e	11.0	13.4	12.7	16.6	15.2
Debt service on public and publicly guaranteed external debt/government revenue	15.0	15.7	13.9	17.9	17.1
Middle-income countries^g					
Total external debt stocks ^c	6 453.9	8 620.4	8 426.6	8 596.1	8 759.6
Long-term external debt	4 440.8	5 868.2	5 736.5	5 830.5	5 958.5
Share of public and publicly guaranteed debt	52.4%	54.1%	54.8%	55.6%	55.7%
Share of private non-guaranteed debt	47.6%	45.9%	45.2%	44.4%	44.3%
Short-term external debt	1 849.6	2 399.0	2 343.3	2 421.0	2 458.8
Total external debt service	834.6	1 117.1	1 215.6	1 336.4	1 286.8
Debt service on public and publicly guaranteed external debt	255.5	345.7	358.4	350.7	439.3
Debt indicators (percentage)					
Total debt service/exports ^e	12.7	13.9	13.3	15.2	13.8
Debt service on public and publicly guaranteed external debt/government revenue	3.8	4.2	4.2	3.9	4.7
Upper-middle-income countries^g					
Total external debt stocks ^c	4 898.2	6 501.0	6 256.2	6 338.5	6 426.7
Long-term external debt	3 197.2	4 202.2	4 064.7	4 063.6	4 123.9
Share of public and publicly guaranteed debt	47.6%	49.1%	49.7%	50.7%	51.2%
Share of private non-guaranteed debt	52.4%	50.9%	50.3%	49.3%	48.8%
Short-term external debt	1 600.6	2 071.6	1 966.8	2 054.3	2 083.5
Total external debt service	669.6	913.8	983.5	1 076.5	994.6
Debt service on public and publicly guaranteed external debt	178.3	242.8	253.4	239.1	284.9
Debt indicators (percentage)^d					
Total debt service/exports ^e	12.9	14.3	13.7	15.7	13.7
Debt service on public and publicly guaranteed external debt/government revenue	3.1	3.5	3.5	3.1	3.7
Lower-middle-income countries^g					
Total external debt stocks ^c	1 555.7	2 119.4	2 170.4	2 257.6	2 333.9
Long-term external debt	1 243.6	1 666.0	1 671.8	1 767.0	1 834.6
Share of public and publicly guaranteed debt	64.7%	66.7%	67.1%	66.8%	66.0%
Share of private non-guaranteed debt	35.3%	33.3%	32.9%	33.2%	34.0%
Short-term external debt	249.0	327.4	376.5	366.7	375.6
Total external debt service	165.0	203.3	232.1	259.8	290.9
Debt service on public and publicly guaranteed external debt	77.1	102.9	105.0	111.7	152.4
Debt indicators (percentage)^d					
Total debt service/exports ^e	11.9	12.1	11.8	13.3	14.1
Debt service on public and publicly guaranteed external debt/government revenue	7.5	8.3	7.8	8.1	10.2

	2009–2024 average	2021	2022	2023	2024 ^a
Low-income countries^g					
Total external debt stocks ^c	163.9	223.1	223.5	232.0	240.5
Long-term external debt	140.6	186.4	188.9	198.2	204.6
Share of public and publicly guaranteed debt	69.5%	66.2%	64.6%	65.6%	65.7%
Share of private non-guaranteed debt	30.5%	33.8%	35.4%	34.4%	34.3%
Short-term external debt	11.6	14.0	12.2	10.5	12.3
Total external debt service	8.6	16.2	12.9	13.1	25.4
Debt service on public and publicly guaranteed external debt	4.4	7.2	5.8	5.6	12.4
Debt indicators (percentage)^d					
Total debt service/exports ^e	11.7	19.7	13.1	13.1	24.2
Debt service on public and publicly guaranteed external debt/government revenue	7.5	11.8	8.4	8.1	18.1

Source: United Nations Conference on Trade and Development (UNCTAD) secretariat calculations based on World Bank, International Monetary Fund (IMF) databases and national sources.

^a Figures for 2024 are UNCTAD secretariat estimates.

^b Developing countries are defined in line with UNCTAD statistics country classifications.

^c Total external debt stocks include long-term external debt, short-term external debt and IMF credit.

^d Data series used for ratio calculations have been adjusted according to data availability.

^e Exports comprise exports of goods and services.

^f Small island developing States are defined in line with the classifications of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

^g Income groups are classified in line with the 2024 World Bank income classifications.

Annex II

Official development assistance

(Billions of United States dollars)

	<i>Aid by recipient</i>				
	<i>2009–2019 average</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Developed countries	4.99	7.16	7.71	34.58	45.25
Developing countries	128.25	171.60	175.73	163.22	167.55
Unspecified recipients	34.72	44.87	51.67	79.07	75.65
Aid by region^a					
Africa	57.81	81.37	84.76	78.85	76.94
Americas	11.89	14.55	14.46	15.91	14.23
Asia	56.46	72.46	72.75	65.42	73.36
Europe	4.99	7.16	7.71	34.58	45.25
Oceania	2.09	3.21	3.77	3.04	3.03
Aid by developing country income groups					
Low-income countries	37.04	54.95	54.33	47.33	52.22
Low- and middle-income countries	57.09	74.45	77.66	74.83	73.72
Upper-middle-income countries	22.81	26.75	25.51	25.18	25.58
Subregional, regional and unspecified recipients	10.35	171.60	175.73	163.22	167.55
Aid to least developed countries and small island developing States					
Least developed countries	49.53	68.91	66.95	62.60	67.28
Small island developing States	5.64	7.24	7.53	6.19	6.79
Aid by instrument					
Grants	89.61	106.14	118.73	105.38	113.24
Concessional loans	37.43	63.95	55.25	56.42	53.98
Equity investments	1.21	1.52	1.75	1.42	0.33
Least developed countries, grants	39.58	46.40	49.48	45.37	48.41
Small island developing States, grants	4.91	4.89	5.30	4.48	5.16

Source: United Nations Conference on Trade and Development secretariat calculations, based on the Organisation for Economic Co-operation and Development Creditor Reporting System.

^a Regions are classified according to the Standard Country or Area Codes for Statistical Use (M49).