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DEBT AND HUMAN RIGHTS: A CIVIL SOCIETY MANUAL FOR ADVOCACY

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1- Introduction

"It is worse than you think… We need an absolute pivot, because this is not business as usual…There has tended to be an optimism bias [referring to public debt projections that will most probably not happen, and instead, debt would be much higher]."

IMF Deputy Chief Gita Gopinath[1]

"3.3 billion people in the world live in countries that are spending more on servicing the debt than on education or health… So, growth and development cannot happen."

UNCTAD Secretary-General Rebecca Grynspan[2]

"Right now, we're in the biggest global debt crisis in thirty years."

Jubilee Debt Cancellation campaign[3]

Indeed, these are unprecedented times, and public debt levels cannot be addressed as "business as usual." A systemic change is necessary to address public debt conditions and their impact on human rights, as well as to achieve social and economic justice.

This manual aims to inform civil society organisations and their stakeholders in the Arab region about public debt[4], its relation to, and repercussions on, economic and social rights, as well as sustainable development, in order to advocate for change towards the fulfilment of rights and debt justice. It focuses on the relationship between public debt and human rights, encompassing human, socio-economic development, and environmental sustainability. The manual serves as a primer, starting with an introduction to concepts and presenting the public debt structure, its determinants, and relevant indicators. It also outlines the mainstream debt sustainability frameworks and alternative approaches that consider public debt from a rights-based perspective. It concludes with suggestions for initiating action to integrate human rights into all aspects of public debt. The manual employs the terms "Global South" and "developing countries" interchangeably to refer to the same group of nations.

The focus is on the Arab region, and the manual includes examples and a brief debt profile of six highly indebted middle-income Arab countries: Egypt, Iraq, Jordan, Lebanon, Morocco, and Tunisia. Most of these countries have borrowed from the International Monetary Fund (IMF) and continue to face challenges related to public debt.

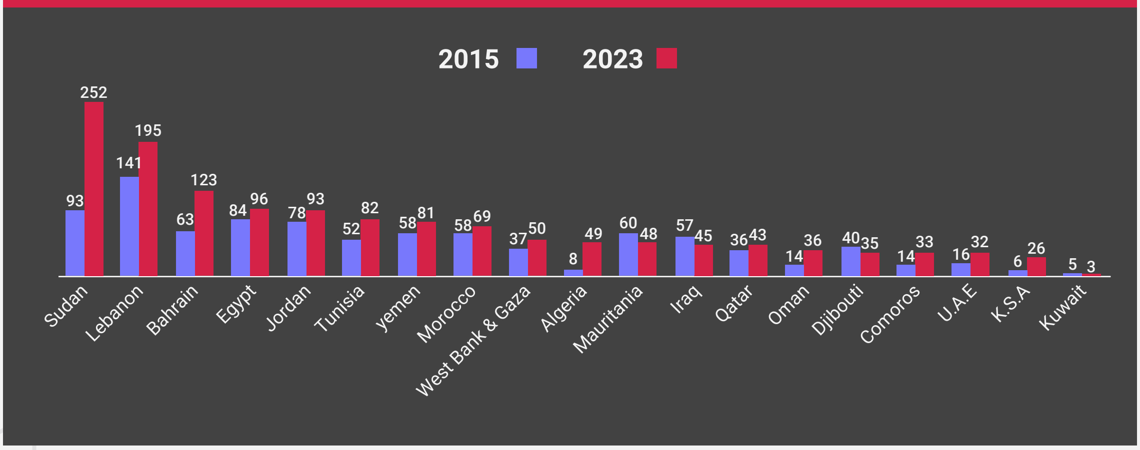
1.1 The Context

Governments' borrowing increases financial resources and can stimulate economic growth and improve public services, provided it is well-planned and utilized. In principle, it should be invested in areas that drive national development and fulfil human rights. However, many low- and middle-income countries are trapped in a harmful cycle of public debt dependency (primarily external debt). Borrowing is more expensive, and debt payments are more difficult to meet.

Global public debt has increased significantly over the last two decades, reaching incredibly high levels. The vast majority of countries in the South face a critical situation, especially in the post-COVID era[5]. The trend projections are not promising either, with more than half of this debt expected to continue climbing. By the end of 2024, the IMF was warning of an "elevated" level, reaching US$100 trillion and projected to increase in the medium term. It repeated its calls for further fiscal measures to "prioritize debt sustainability and rebuild fiscal buffers[6,7].", This issue affects not only low-income countries but also middle-income countries, and it has a global scope.

The public debt of the Arab region has surged exponentially over the past decade, with Arab middle-income countries bearing the brunt of the burden. The public debt of Algeria, Egypt, Jordan, Lebanon, Morocco, and Tunisia nearly reached $700 billion in 2022, equivalent to half of the region's total debt. Comoros, Djibouti, Somalia, and Sudan face a debt crisis threat[8]. The borrowing of Arab countries is following the same global pattern: an increasing reliance on external debt from private creditors. The share of the latter out of total external debt increased from less than a third to more than two-fifths between 2010 and 2022, while debt from bilateral creditors (other countries) and official aid declined[9]. The situation worsened after the COVID-19 pandemic, as economic growth also slowed down, and external debt repayment consumed a larger share of exports and government revenues.

Figure 1: Gross debt (general government) to Gross Domestic Product (GDP)



1.2 Public Debt and the Economy

Public debt refers to the debt a state owes to its creditors. It is the public sector's liabilities. The terms "public debt," "sovereign debt," "government," and "national debt" are often used interchangeably to refer to state debt, although they have nuanced distinctions. Public debt is the broadest concept, encompassing all levels of government, and its definition and measurement can vary according to the context and reference.

Sovereign debt often refers to the debt of the central government and sometimes includes the debt of the central bank. This term is commonly used in international finance discussions, particularly when examining the international creditworthiness aspects of central government borrowing. The term "national debt" is more widely used in domestic discussions and emphasizes the central government's obligations.

The main mechanisms connecting public debt to the economy include:

- **Interest Rates:** Central bank policies influence borrowing costs and economic activity through debt servicing.

- **Exchange Rates:** Changes in currency values resulting from these policies affect trade and the composition of public debt, which is denominated in both local and foreign currencies.

- **Trade and Investment Flows:** Domestic and international investments, as well as trade patterns, create financing needs that impact overall borrowing and the real economy.

Public debt affects all economic sectors:

- **Government Sector:** Borrows funds for spending and manages debt based on fiscal policy.

- **Monetary Sector:** The Central Bank holds government bonds and influences public debt through interest rates.

- **Financial Sector:** Major holder of government securities that determines bond demand and borrowing costs.

- **Real Sector:** Involves the production of goods and services, benefiting from public spending on infrastructure and resource allocation.

- **External Sector:** Foreign investment in government debt provides financing, while shifts in the exchange rate affect the burden of external debt.

Public debt interactions with economic sectors shape income distribution, employment, the cost of living, and access to essential services. The negative impact on socioeconomic conditions and rights is most visible as a result of:

1. The trade-off between government social spending and debt servicing:

Highly indebted nations' public spending becomes restricted, squeezing out expenditures that drive social and economic development and climate change action. Debt repayment is prioritized over essential social spending. Debt sustainability is considered purely from a macroeconomic perspective, focusing on growth and fiscal balance, and based on assessing financial indicators. Little attention is paid to how this impacts households, especially the most vulnerable, and how people secure their livelihoods, including how they eat, work, and maintain their health, as well as how their future is affected. People's economic and social rights are sidelined.

2. Conditionality and neoliberal policies[10]:

When a country's public debt reaches critical levels, governments often implement policies to prioritize financial and monetary stability and ensure debt repayment. Governments respond to creditors' needs to access additional financing, such as loans, conditional on implementing specific reforms. These reforms are typical of neoliberal practices and policies that gained prominence since the eighties, but failed to improve people's well-being[11]. They aim to subject the economy to market forces and liberalize employment and labour. They often are in contradiction with human rights and reinforce inequalities[12].

3. Interaction between public debt and key macroeconomic variables like inflation, exchange rate, and total (aggregate) demand that drives economic growth:

These economic variables are closely interconnected and are influenced by borrowing conditions, particularly in foreign currencies. Their effect on people's livelihoods is most evident when their interaction raises the cost of living, for example, as a result of a currency devaluation (as in the case of Egypt) or in shaping the structure of the economy and influencing job creation and the drivers of productivity for long-term economic development.

2- Public Debt[13] Analysis

Public debt includes loans and securities governed by contractual terms between the state and creditors. Analysing these terms and other components of public debt (Figure 2), using indicators, and applying a political economy lens helps reveal underlying risks and broader implications.

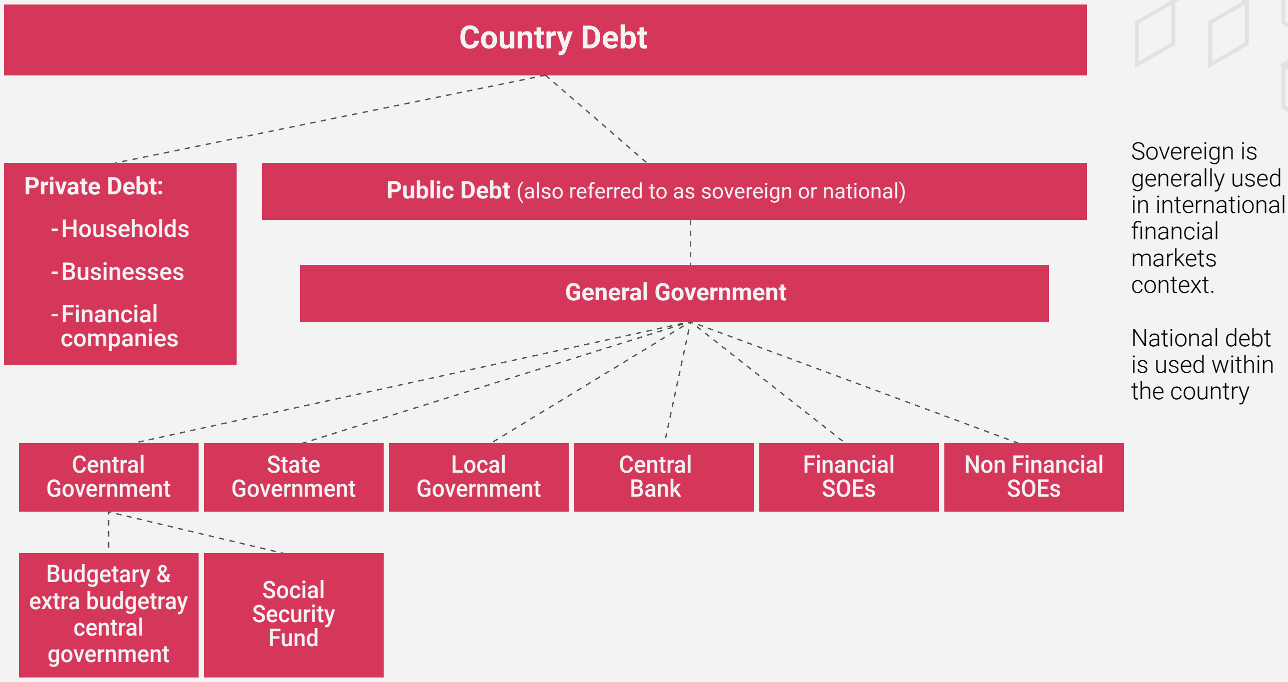
Figure 2: Main public debt contractual terms

Duration/maturity	The time for repayment: short versus long term (more than a year)
Currency	Foreign or local currency
Interest rate	A percentage of the loan value. The interest rate could be a market rate, i.e., one that reflects market conditions and the country's risk of non-payment, or a concessional rate, i.e., one that is below the market rate.
Additional charges	A percentage of the loan value. The interest rate could be a market rate, i.e., one that reflects market conditions and the country's risk of non-payment, or a concessional rate, i.e., one that is below the market rate.
Other conditions	hese could be policy conditionality or conditions related to debt default, depending on the law governing the borrowing. Most commonly, it is either New York law or UK law.

2.1 Public Debt Decomposition

Currency denomination, payment terms, creditor composition, and maturity profile are the key dimensions for evaluating a public debt structure and identifying its associated risks. This manual is about public debt; however, a country's debt encompasses borrowing from both the private and public sectors. Country debt refers to the financial obligations incurred by all public and private entities within a country. Private debt typically refers to the debt of households (including personal loans such as housing and consumer loans), private sector entities (like business firms), and financial institutions. Figure 3 illustrates a country’s debt composition by borrower, i.e., its institutional structure. This section will present various types of decompositions and the risks they reveal.

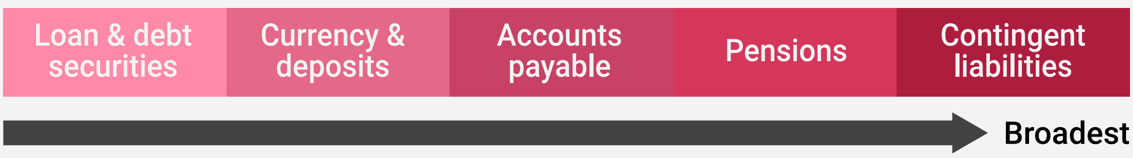
Figure 3: Country debt[14] by borrower/institution



Decomposition by instrument

Public debt instruments (Figure 4) range from the most basic, such as loans and debt securities, to broader government entities and the central bank's monetary liabilities, including accounts payable, currency, and deposits. A broader definition includes contingent liabilities, i.e., potential obligations that may arise as a result of a future event and become actual obligations. Typically, they are not reflected in the government's balance sheet and its public debt until the event triggering the obligation occurs. When contingent liabilities become actual obligations, they can add to public debt. A type of contingent liability is governments' guarantees to private sector projects and investments, such as those under Public-Private Partnership (PPP) projects. The World Bank uses the public and publicly guaranteed external debt, thus accounting for contingent liabilities[15].

Figure 4: Public debt by instrument



Box 1: What is a syndicated loan?

It is a loan offered by a group of creditors, mainly financial institutions, such as banks or other lending organizations, jointly to a single borrower. The group of creditors forms a 'syndicate'. The loan can take various forms depending on the agreement with creditors and allows lending a considerable amount to one debtor country. Each lender contributes a portion of the loan amount, sharing the risks and rewards.

One or more banks, often referred to as the lead arranger(s), are appointed to structure the loan, form the syndicate, and negotiate the terms. The lead arranger assesses the borrower's creditworthiness, macroeconomic conditions, and the viability of the financed project. Loan terms, including interest rates, repayment schedules, and other contractual conditions, are negotiated. The borrower repays the loan according to agreed-upon schedules, often using revenues generated by the financed project or through budgetary allocations.

This type of lending, which is usually led by a few large banks or financial institutions (called a syndicate), has become less common since the 1980s Latin American debt crisis, replaced by bond market issuance (see Box 2 on Eurobonds). It has gained momentum recently as a form of co-financing with multilateral development institutions, such as the World Bank, and with countries that lack market access.

In comparison to Eurobonds issuance, the syndicated loan has been criticized because of a lack of transparency, and its potential to become exploitative when strong syndicates impose loan terms, and because they are often short-term, increasing debt risks[16]. However, they could be less complicated to address in the case of debt negotiations during a crisis than when borrowing from bond markets, where debt holders become numerous. The above also depends on the legal conditions and clauses underlying each type of lending.

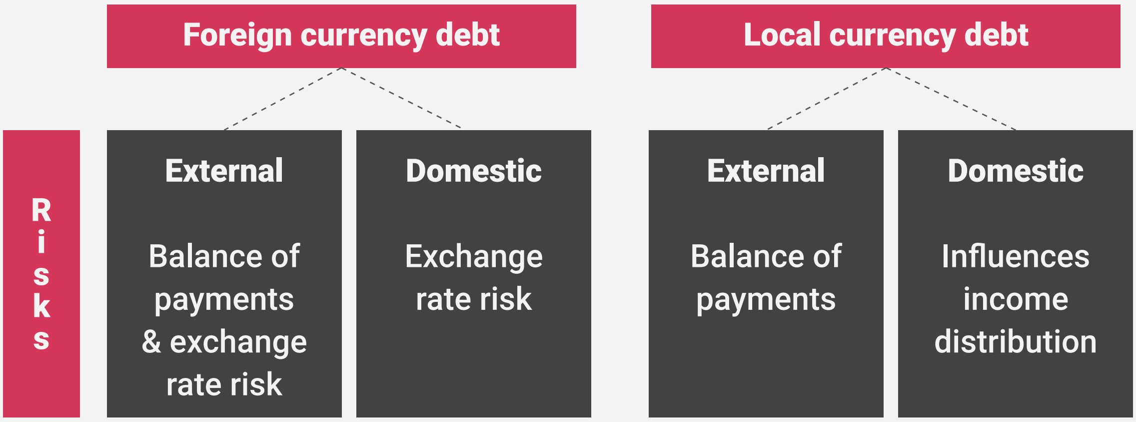
Egypt had several syndicated loan arrangements. The latest is a $2 billion syndicated facility, led by the Emirates NBD Capital Limited and Standard Chartered banks, concluded at the end of 2024, following the settlement of a $3 billion syndicated loan in November 2024[17].

Decomposition by residency and currency

Public debt can be decomposed into external and domestic debt. The distinction between these two categories is defined along three dimensions: residency of holders, with external being a resident's liability to a non-resident, currency (local versus foreign), and jurisdiction, i.e., the law giving the debt instrument or agreement as being that of the country itself or another country than the issuing country. These dimensions usually intersect, and definitions change from one place to another.

Public debt can be issued in the local currency or in a foreign currency (mainly US dollars, but could be euros or other currencies). However, it does not mean that local creditors only carry debt issued in their local currency; they can also carry debt denominated in foreign currency. Debt issued in US dollars or another foreign currency, such as the euro, typically carries a lower interest rate than debt in the local currency of countries in the South, as they are considered riskier.

Figure 5: Public debt risk summary by currency



Decomposition by jurisdiction

When issued in international markets, external debt instruments follow the jurisdiction of the country in which they are issued, typically adhering to the laws of the currency of issuance, such as those of the US or UK. Choosing to issue debt, i.e., bonds, under these jurisdictions (known as eurobonds) rather than relying on national laws is typically done to access international markets and, more specifically, to attract a larger number of creditors.

Box 2: What are Eurobonds and CACs?

Eurobonds:
These are international bonds issued in a currency different from the domestic currency of the country where the bond is offered. Despite their name, Eurobonds are not necessarily issued in Europe or denominated in euros; the term "Euro" in Eurobonds refers to their international nature. They are issued in bearer form, i.e., without reference to the holder. Anonymity, global reach, and listing on international markets make them appealing. They are not subject to the exact regulatory requirements as domestic bonds in the issuing or currency-denominated countries.

A country's ability to issue Eurobonds and list them in the market depends on its credit rating, as issued by rating agencies (see Box 6). The rating quantifies the debtor country's borrowing and financial risk and consequently influences the interest rate the Eurobonds pay. The issuance requires the production and development of a Eurobond prospectus, which is the primary legal document that supports the issuance. This document presents the underlying laws, terms, and conditions, as well as information about the issuer (including political, economic, historical, and government-related aspects) and other technical details. It aims to provide investors with an analysis of risk factors affecting debt service.

Collective Action Clauses (CAC):
In the 2000s, international bonds started carrying a clause - the CAC - to facilitate negotiations for debt restructuring, especially in the absence of a standard and just debt resolution mechanism. The rule permits the supermajority of bondholders (usually 75%) to agree on a debt restructuring, such as payment schedules, interest rates, or principal amounts. It is legally binding for all bondholders, including those who voted against it. Before 2014, the CAC required bondholders to vote separately for each bond issue or bond series to approve restructuring. Hence, a minority of holdout creditors in one series can block the restructuring. After that, an "enhanced" CAC was introduced following debt crises in Europe, such as in Greece, allowing bondholder votes to be combined across multiple bond series. The power of holdout is thus reduced, as bond restructuring can be approved with aggregate votes rather than series-specific votes.

In 2020, the enhanced CAC was effective in facilitating a debt restructuring plan for Ecuador and Argentina, though the negotiations were more complex for the latter[18]. In contrast, although Lebanon's Eurobonds were among the first to carry the CAC since 2003, the regular CAC was used. The post-2014 Lebanon bond issuance did not have the enhanced CAC, which complicates potential debt resolution.

CAC's application varies from one case to another, depending on the specific conditions of the debtor and creditor countries. Despite their benefits, they remain short of a debt resolution mechanism that addresses the impact of the debt burden and its restructuring on people's needs and rights and the state's right to development and sovereignty[19].

Decomposition by maturity

Classifying debt by its maturity helps identify refinancing pressure. Long-term debt is generally preferred as it provides breathing room, whereas short-term debt leads to frequent refinancing cycles.

Decomposition by creditors

Understanding who holds a country's debt is essential for gauging repayment terms, crisis response, and negotiation prospects (Figure 6). It also exposes underlying politics and international relations.

Figure 6: Public debt by creditors

Official Creditors	
Multilateral	Owed to multi-country institutions like the IBRD (the World Bank's International Bank for Reconstruction and Development) or IDA (World Bank International Development Association), Arab Fund for Economic and Social Development, EU, etc. It is often a lower-interest debt as compared to market debt (concessional).
Bilateral	Owed to other countries like France, Saudi Arabia, etc. It is often a lower-interest debt as compared to market debt (concessional).
Central Banks	The country's central bank may hold government bonds, especially if it engages in monetary financing, to influence money supply and interest rates. Other Central Banks hold bonds as part of their foreign exchange reserves.
Private creditors (private debt)	
Bondholders	These are entities or individuals that lend money to a government by purchasing its bonds or other debt securities. A bond represents a loan made to the government, and the bondholder is the creditor entitled to receive regular interest payments (coupons) and the principal amount when the bond matures.
Commercial Banks	They can hold both domestic and external debt and can be resident or non-resident banks.
Others	These could include insurance companies, investment funds, and private foreign investors such as hedge funds and mutual funds seeking low-risk assets or currency exposure. Additionally, there are institutional investors, including large-scale investors like mutual funds and sovereign wealth funds.

Box 3: What is the Paris Club?

Established in 1956, the Paris Club is an informal group of creditor nations that work collectively to find solutions for countries facing difficulties in repaying their official bilateral debts. The Paris Club collaborates with the IMF and the World Bank to align their responses to debt restructuring and broader economic reform plans.

Figure 7: Risks revealed by public debt decomposition

Decomposition by:	Risks revealed
Borrowers / Institutions	• Lack of transparency when debts are incurred by entities not covered by central reporting. • Weak institutional oversight, increasing mismanagement, or politically motivated borrowing.
Instruments	• **Underestimation of total debt** if contingent liabilities are ignored. • **Sudden increases in public debt** when guarantees are triggered, as in failed PPP projects.
Residency & currency	• A foreign currency debt held by non-residents means that, ultimately, resources will exit the country. This risk is referred to as a balance of payments risk, where the balance of payments is the record of all economic transactions between a country's residents and the rest of the world over a specific period, typically a year. It includes trade in goods and services, capital flows, and financial transfers. • Domestic debt in local currency is often issued at higher interest rates. However, it would not carry the exchange rate and balance of payments risk (there is no pressure to generate foreign revenues or draw on foreign reserves). Domestic debt gives a country more control over its borrowing, especially since it is regulated by the sovereign and national laws. • Domestic debt triggers a transfer of resources within the country from debtors to creditors and hence has a distributional effect. • Another risk of domestic debt is that it is often held by domestic banks (an increasingly common phenomenon in middle-income countries referred to as the ‘sovereign-bank nexus’) or by national institutions like the Social Security Fund. So, any debt squeeze/distress could affect these institutions’ performance. In many cases, governments end up bailing out banks, as seen during the global financial crisis, and thus the burden of the debt is transferred from the private to the public sector. • In some instances, the public can crowd out private investment, as seen in the case of Lebanon before the crisis, where banks preferred to allocate their resources by investing in treasury bills rather than lending to productive sectors. In healthier economies, public debt can crowd in private investment; this is rarely seen in middle-income Arab countries.

Jurisdiction	• Governments cannot influence foreign laws, especially in cases of conflict and litigation risk, whereas a sovereign country can change its laws. Being under UK or US law is more appealing to investors because these laws are easier to understand and are often more protective of investors.
Maturity	• Debt rollover pressure if short-term obligations mature in a tight fiscal or market environment. • Increased interest costs due to reliance on short-term borrowing in volatile markets. • Market confidence risk if investors fear the government will struggle to refinance.
Creditors	• Private creditors are less likely to offer concessions in times of crisis, increasing default risk. • Creditor opacity (especially with international bondholders) complicates restructuring. • Central bank holdings may mask fiscal distress and weaken monetary independence. • Debt held by domestic banks increases systemic risk in the case of fiscal stress or restructuring needs.

2.2 Public Debt Indicators

Debt can take the form of a flow when it is about borrowing to cover the fiscal deficit. However, it is more generally regarded as a stock variable because it accumulates to make the government's debt. The analysis of public debt relies on a large number of metrics and indicators to assess its current and future burden. The indicators are typically formulated by considering the debt stock and/or debt service (usually a numerator) relative to the repayment capacity, such as GDP, exports, or government revenues (denominator). Figure 7 lists the most commonly used indicators. It is Important to note that indicators, public debt definitions, and structures can differ according to country and data provider, which can influence measurement and analysis. The features of individual countries and the choice of statistical methodologies contribute to how public debt is assessed and measured.

Data and indicators can be collected from ministries of finance, central banks, and other national institutions, as well as relevant publications and reports. These should serve as the primary source of information. Public debt reporting at the national level can differ from one country to another. In certain countries, debt records are limited to the central government, while in others, they encompass the general government, the broader public sector, or both. Thus, it is necessary to know what is included, what is not, the coverage, and how countries can be compared.

The international institutions that publish such indicators include the UNCTAD, the World Bank, and the IMF, which collect debt statistics from most countries, harmonize, and present them in comprehensive databases (Appendix 1). Each database has its specific focus and methodology. For example, the World Bank's International Debt Statistics (IDS) focuses on external debt, utilizing standardized definitions and classifications that facilitate international comparability. The IMF provides comprehensive macroeconomic indicators, including public debt, to inform its surveillance role, which involves monitoring, analyzing, and reporting on the financial stability of every country.

Figure 8: Key public debt indicators

Public debt stock indicators	Definition	Additional info
Total public debt stock	Debt stock refers to the total amount that a government owes at a given point in time. It is an obligation computed in absolute terms (in US dollars generally) or as a percentage of Gross Domestic Product (GDP).	It is the size of the burden the country carries. The nominal figure is often adjusted and assessed relative to the size of the economy (public debt to GDP). The debt stock can be analyzed by decomposing it into domestic and external debt. It is never sufficient as a standalone indicator.
Present value (PV) of (external) debt	PV is a financial metric used in conjunction with public debt to assess debt sustainability, particularly for the external debt of low-income countries. It calculates the present value of the interest and principal payments scheduled to be made in the future.	Theoretically, this indicator represents the amount of money the government should set aside and save, earning interest, to meet all debt payments. These payments are assumed to be worth less in the future and, consequently, are discounted to the present using a discount interest rate. The concept provides a basis for comparing debts with different maturities, terms, and conditions; however, the interest rate used for discounting future payments is based on assumptions, which is its caveat. The IMF and World Bank use 5% as a discount rate when estimating the present value of external debt of low-income countries[20].
Public and publicly guaranteed external debt	It is the external public debt stock owed by a government, plus any external obligation of a private debtor or debt that the state is guaranteeing to repay if the debtor cannot.	A broader definition of public debt includes contingent liabilities. It is applied to the external and sometimes the total public debt and is expressed as a percentage of GDP. This indicator is one of the most common, but it is not sufficient to give a whole perspective.
Public debt as a percentage of GDP	It is calculated by dividing the total public debt outstanding by the country's GDP at a given point in time.	It is calculated by dividing the total public debt outstanding by the country's GDP at a given point in time. It is a simple and quick indicator that shows the level of indebtedness in relation to a country's economic activity, allowing for quick comparisons and often being assessed against a benchmark. It is sometimes used as an indicator of solvency. However, the indicator means little when considered in isolation. It is based on the growth of the numerator (debt) relative to the growth of the denominator (gross domestic product, or GDP). The latter growth is often not evident and is slowed by policies aimed at containing debt growth. Debt service indicators also need to be considered.

Composition ratios indicators	Definition	Additional info
Short-term/long-term debt as a percentage of total public debt External debt by currencies as a percentage of total public debt Other structures/ decompositions of debt as a percentage of total public debt	These are ratios that decompose the public debt stock based on variables like: • Issuance currency • Maturity • Creditors group • Concessional debt	These indicators facilitate an understanding of the debt structure in relation to the variables discussed in the previous Section and, accordingly, the associated risks that the structure entails. For example, it is crucial to examine the size of the debt held by non-residents, who are more likely to exit upon the first signs of shocks.
External debt as a percentage of annual export receipts	The ratio indicates a country's total external debt in relation to its annual revenue from exports of goods and services, as exports are the primary source of foreign currency.	This ratio is a key measure of debt sustainability, illustrating the country's dependence on external earnings to service its debt. It highlights the importance of strong export performance for debt repayment. A high ratio may indicate difficulties in meeting debt obligations without depleting foreign reserves or requiring further borrowing.

Debt service ratio indicators	Definition	Additional info
Debt service (a flow, not a stock)	Debt service is what is being paid every year, i.e., the sum of principal repayments and interest paid on total long-term debt (public and publicly guaranteed debt and private nonguaranteed debt).	Debt service indicates the amount paid annually to creditors in interest and principal. It can be expressed relative to the country's exports to determine if the country has sufficient resources to pay its debt service to external creditors. It is also measured against government revenues, expenditures, and social expenditures, among other variables. This metric is important to analyze, as it reveals how the debt burden is affecting the country. Debt service is what constrains or leaves a space in a government's fiscal budget, and sometimes leads to re-borrowing to pay off due debt.
Debt service as a percentage of GDP	The ratio measures the proportion of a country's GDP that is used to meet its external debt (principal and interest payments) over a specific period.	It provides an indication of how much of a country's economic output is dedicated to repaying its debt. It is commonly used, but it doesn't reveal much.
Debt service as a percentage of annual public revenues or expenditures	The ratio measures the proportion of a country's government revenues or expenditures that will be consumed to pay the debt service over a specific period.	The ratio reflects how much debt service is constraining the government budget. It is more specific and informative than debt service/GDP.

Financing indicators	Definition	Additional info
Balance of payments	The balance of payments is a transaction statement between an economy (residents within an economy) and the rest of the world during a specified time, in other words, international transactions.	The balance of payments is organized into three types of accounts: the current account (comprising the trade balance, service income, and remittances), the capital account (including capital transactions, such as revenues from land), and the financial account, which conceptually should net off the two other accounts to equal the overall payments balance. But most countries of the South have, in reality, a deficit and need to borrow to cover it. The balance of payments ensures a sufficient foreign currency for debt repayments and maintains investor confidence. Recurrent balance of payments deficits lead to higher external debt, currency risks, and borrowing costs, undermining public debt sustainability.
Current account balance as a percentage of GDP	The ratio measures the net flow of goods, services, income, and transfer payments into or out of a country relative to GDP. The current account measures the flow of goods, services, income, and transfers into and out of a country.	It is an indicator of a country's external financial health and trade performance. A current account surplus indicates that a country generates enough foreign exchange through exports and investments to service its external debt. A current account deficit implies reliance on foreign capital to finance debt payments, which can lead to vulnerability if external funding conditions tighten.
Gross financing needs (GFN)	It is the volume of borrowing that the state needs to issue in a period to cover its fiscal deficit and pay maturing debt.	It provides a comprehensive view of the cash flow requirements necessary to avoid default and maintain fiscal operations. A high GFN relative to GDP or revenue suggests that a government may face difficulties in rolling over debt or accessing new financing, particularly during times of economic or financial stress.

Social spending ratios	Definition	Additional info
Government health/education spending as a percentage of total public spending Compared to debt service as a percentage of total public spending	The ratio divides public spending on social sectors out of total government expenditures and could be compared to the share of debt service out of the same total.	The indicator shows how governments allocate their financial resources to debt service versus social spending. The ratio assesses public priorities, tracks progress toward development goals, and serves as an essential indicator in highlighting the injustice of public debt that often prioritizes creditor repayment over citizens' rights.

2.3 The Political Economy of Public Debt

As important as assessing public debt with quantitative indicators is understanding the political economy of public debt, because fiscal and monetary policies, including government revenues and expenditures, like any financing strategy, are political. They redistribute resources across citizens, communities, regions, and generations, as well as globally.

This type of analysis should be based on a context analysis revealing who the key actors/stakeholders are and their power structure, the main issues driving them, and the processes (formal and informal) connecting them. The analysis examines how political, economic, and social dynamics, as well as policies, influence the allocation of resources. It explores the underlying power, institutional structures, and stakeholder interests that shape economic and political behavior. Some of the questions it should answer:

- Who are the key actors benefiting from public debt? Who the debt is owed to, especially whether debt payments will leave the country concerned or stay within it
- How did public debt redistribute resources and wealth among these actors?
- What laws, institutions, and policies affect public debt sustainability and growth?
- How are borrowing decisions made and implemented, including the role of incentives and accountability mechanisms?
- How do international and national historical and economic factors shape debt dynamics?

Lebanon is a revealing example of a political economy analysis. In a state that fails to bridge the gap between elite interests and public needs, wealth has become concentrated among a political class that emerged after the civil war, along with bank owners and their close associates. Despite numerous warnings and opportunities for economic restructuring, the status quo persisted for 26 years, until 2019. There was no motivation to alter the system, as it facilitated both the state's clientelist spending and the personal projects of political leaders. Regulatory authorities, including the Central Bank, were structured to support this mutual interest, leading to a lack of oversight and accountability for those in power.

After the civil war ended and the need for post-war reconstruction, the Lebanese Treasury offered high interest rates on public debt securities. These securities were purchased by Lebanese banks, either directly or through the Central Bank of Lebanon, and allowed them to make exorbitant profits. This was coupled with the pegging of the exchange rate since the late 1990s, facilitating borrowing in foreign currencies with no exchange rate risk. This benefited from a surge in capital inflows and high dollarization of banking sector deposits. In turn, these banks provided attractive interest rates to wealthy depositors. High-net-worth clients enjoyed substantial interest rates on deposits, with 1% of them holding 47% of total deposits in 2019. Many banks' shareholders received very high dividends.

Between 1993 and 2019, the Lebanese state paid $87 billion in interest, while public debt soared. During this same period, bank assets grew by over 1300% and the GDP increased by 370%. In 2015, profits from Lebanon's top banks accounted for 4.5% of GDP, significantly higher than those of banks in countries of the Global North[21]. Many banks' shareholders received very high dividends. The Central Bank's "financial engineering" operations, which provided liquidity to banks in a manner reminiscent of a Ponzi scheme, illustrate how the political economy system converged to sustain and prolong a debt crisis until total collapse. This arrangement favoured a ruling financial and political elite while ultimately harming the wider citizen population.

2.4 Why Do Countries Borrow and Over-borrow?

Although each country has its unique geopolitical conditions and economic development trajectory influencing its financing needs, it is possible to identify common factors that often drive borrowing in most countries of the Global South. These are internal and external drivers that are presented here separately, but in reality, are connected because they are often rooted in colonial history, unbalanced economic, financial, and trade relations, and existing unequal responsibilities in relation to global challenges, including the climate emergency.

The External Factors

Colonial Legacy:[22] The colonial powers' extraction of resources from colonized countries shaped the latter's economic specialization, making them dependent on primary commodity exports that are subject to price volatility and shocks. Upon achieving independence, they needed financing to pursue national development. As such, they had to integrate into the world trade and finance systems that were structured to serve the interests of the economies of the Global North. These conditions locked them in exploitative dynamics that persist till now, despite independence, with the Global South countries continuing to borrow heavily to pay off debts (debt trap).

The international financial institutions and financial architecture:[23] The international institutions that govern the world economy, primarily the IMF, the World Bank and the World Trade Organisation - collectively known as the Bretton Woods Institutions - have been governing the global economy since after the second world war, even though their boards are not democratic or representative of all countries. The US and the European Union have the upper hand in decision-making[24]. For decades, these institutions have emphasized monetary tightening and fiscal austerity, viewed debt risks primarily as a short-term liquidity challenge, and occasionally responded to political considerations. The policy prescriptions offered to support countries in distress have failed to achieve financial and monetary stability, let alone meet the development goals of Southern countries. These countries remain tied in debt. The current situation has led to increased inequality, with many countries experiencing severe debt distress and widespread poverty.

The global financial system has also facilitated the free movement of capital globally. Thus, borrowing countries were put at the mercy of shifts in investor sentiment, capital flight, and hot money[25], significantly raising debt vulnerabilities.

The economic policies and geopolitics of the most powerful countries: A recent example is the impact of the Global North's interest rate hike, which was set based on their monetary conditions, despite its detrimental effect on exacerbating the debt conditions of the Global South. The fact that the US dollar remains the currency of foreign reserves and the main currency for international exchanges forces countries to borrow and save dollars to pay for their international dues[26].

External shocks, such as the recent pandemic or climate-related shocks, are a notable example. The latest global example is the COVID pandemic, which exposed the weaknesses of the global system in responding and revealed the vulnerabilities of countries in the South, driving them into a debt distress situation. Despite the international response, many of these countries found themselves in a higher debt situation. While countries of the Global North managed to return to pre-pandemic conditions, the output of most countries of the South was lower, keeping their financing needs high[27].

The absence of an international debt resolution system to fairly address the situation of highly indebted countries: There is no system or mechanism in place to manage the debt of unstable countries. Instead, every country deals separately with its creditors, who are often in a position of power and have the upper hand when negotiating. Thus, creditors are deterred from seeking an effective debt restructuring process that would ensure human rights and development are not compromised. While a few post-COVID mechanisms were initiated, such as the Debt Service Suspension Initiative (DSSI) and the Group of Twenty (G20) Common Framework for Debt Treatment in 2020, their scope was limited, targeting only a select number of countries. The Global Sovereign Debt Roundtable, established in 2023 by the G20 members, the IMF, and the World Bank, was also criticized for its weak representation of debtor countries[28].

International private creditors: Private creditors generally include commercial banks, investment companies, and private bondholders from countries in the global North. These are business actors seeking high yields amid low global interest rates, and therefore lend to generate profits. They require higher interest rates (debt service) and complicate debt relief, if it happens. Their financing is volatile. They are resorted to because they do not include conditions, have quicker disbursements, and do not earmark resources. They rarely participate in debt relief initiatives and often exit any country at the onset of a risk, triggering a debt crisis. Countries of the global South have been increasingly resorting to private creditors and borrowing from the private sector, which requires higher interest payments. The decline in official development aid is another reason[29].

National Drivers

Fiscal policy direction (borrowing as a policy instrument): Public finance involves mobilising resources to finance public expenditures, primarily through borrowing and taxation. Governments borrow when tax revenues decline, such as during economic downturns, to fulfill spending obligations and maintain public services like education and healthcare. They may also increase expenditures or lower taxes to stimulate growth, a strategy known as fiscal stimulus, which is often financed through debt. Borrowing can fund large infrastructure projects that foster economic growth or deliver future social benefits, but this usually requires tax increases to repay the debt. However, debt often comes with conditions, such as austerity measures, that limit public investment in essential services, reduce the potential for economic growth, and thus require continuous borrowing, not to mention undermining human rights.

Debt can provide faster access to resources for large-scale development compared to taxation. However, its misuse can lead to long-term fiscal vulnerabilities and shift the financial burden to future generations. Taxation alternatives, such as progressive taxation, can reduce inequality by redistributing wealth to fund public services like healthcare and education, supporting social and economic rights. In contrast, debt redistributes income from borrowers to creditors through interest payments. Taxation may be more sustainable and predictable, but it relies on strong institutions and systems for efficient collection and general social and political acceptance. Tax evasion reduces resource mobilization and drives borrowing in many countries.

Political choice: Borrowing is frequently favored for its ability to mobilize resources quickly, and it typically encounters less public opposition than tax increases, helping to uphold a political regime. Politics, rent-seeking, and sometimes lax regulation led governments to irresponsible or even corrupt borrowing. This type of borrowing often occurs around election time. Public finance budget and public debt data items could be manipulated to serve election politics. Politicians or even a business elite could drive decisions to borrow to extract resources for personal gain or fund policies from which they can benefit. Borrowing allows them to sustain resource extraction or implement visible public projects while deferring the costs to future periods.

Foreign currency liquidity management: When governments need foreign currencies to offset deficits in the balance of payments (external sector), for example, or to temporarily increase their foreign currency reserves, they consider borrowing in foreign currency (as in the cases of Lebanon and Egypt). Borrowing in foreign currencies carries relatively higher risks than borrowing in domestic currency. Although it may offer a lower interest rate, it shifts the risks and increases the debt burden in the event of depreciation or a crisis leading to capital flight. This risk would prompt governments to continue borrowing to repay previous debts, thereby further increasing their debt burden.

Irresponsible and politicized borrowing and lending (odious debt): This refers to borrowing for projects that are inefficient, wasteful, or plagued by corruption. Such loans are often structured in ways that disadvantage the population of the borrowing country while benefiting local elites and foreign creditors, both official and private.

Public debt (mis)management: Governments could borrow as part of their debt management strategy, which could consist of changing the debt structure, composition, or annual interest payments. They could also overborrow as a result of technical mismanagement, institutional deficiencies, and/or the intended lack of transparency of fiscal and debt data. Politics could be a factor in masking the actual size of the public debt. Thus, regulatory oversight is weakened and questionable borrowing practices are facilitated, driving up debt.

The national economy's structural features: An economy with chronic public finance and balance of payments deficits will continually struggle to finance itself and require borrowing. The reason could be the weaknesses in the productive and export-oriented sectors. Such an economic structure makes a country highly vulnerable to shocks and capital flight, leading to a vicious cycle of borrowing.

Many of these factors often overlap and interrelate, contributing to the rise in public debt. Due to their structural nature and the interactions between the international economic and financial systems and domestic economic and political conditions, these factors can trap countries in a cycle of debt dependency.

Box 4: What is a Ponzi scheme?

In the context of public debt, a Ponzi scheme is a metaphor used to describe a situation where initial debt is continuously serviced by incurring new debt from new creditors, rather than being serviced out of future surpluses and generating sufficient revenue to cover the existing interest and principal repayments.

3. Public Debt Sustainability

Debt sustainability is a broad term and is difficult to measure because it is forward-looking. In its mainstream form, debt sustainability is about ensuring the repayment of debt service, particularly external debt service, by managing debt dynamics. The IMF considers a country's debt to be sustainable when the borrowing country can still meet its obligations to creditors without defaulting or seeking special financial assistance, regardless of the implications for other government obligations that may be required to fulfill its citizens' fundamental rights. A country in debt distress is one in which the public debt grows faster than the economy's capacity to pay it off, and hence cannot pay its debt service[30].

Debt sustainability analysis (DSA) evaluates and projects a country's debt level under various scenarios, taking into account economic and fiscal conditions. It helps countries understand borrowing risks and manage public debt by setting a debt development strategy. DSA is challenging due to high uncertainty, as it requires forward-looking assumptions about future debt repayment capacity. Various methodologies, ranging from simple indicator readings to complex model testing of future uncertainties and interactions between economic variables, have been employed.

The IMF and World Bank use debt sustainability analysis frameworks to inform lending decisions. The DSA is a decisive tool for a country's access to financing. Most creditors usually follow the IMF's verdict, regardless of whether the sustainability analysis and financing serve the people's interests and needs. Underlying the debt sustainability frameworks are concepts of liquidity and solvency.

3.1 Liquidity and Solvency

Liquidity is a state's ability to pay short-term obligations, including servicing debt and covering current expenditures. It measures a country's financing needs and focuses on the flow of debt and access to new borrowing. A liquidity problem requires immediate access to financing without relying solely on regular debt issuance to service maturing debt. Liquidity is measured by debt service figures, such as public debt service as a proportion of public revenue or external public debt service as a proportion of exports (see Section 2.2). Lower indicators indicate better sustainability.

Solvency assesses a country's long-term financial obligations and its ability to generate resources to repay debt. It involves calculating the present value of the government's future revenues to cover current and future expenditures, including debt service. This intertemporal condition considers both present and future variables. To assess solvency, future income and payment flows must be discounted to their present values, taking into account the time value of money. The time value of money principle states that a dollar today is worth more than a dollar in the future due to the interest or returns it earns. Debt sustainability requires the intertemporal solvency condition: the expected present value of future revenues minus expenditures minus interest payments must cover the initial debt.

The solvency condition is challenging for countries, as it is a corporate finance concept, and countries cannot go bankrupt. Its value is in suggesting that debt should not grow faster than the economy and the country's capacity to repay. The debt-to-GDP ratio is the indicator, and a stable or declining ratio suggests debt sustainability. Other measures of capacity include export proceeds or fiscal revenues. Confirming a country's insolvency on such grounds is challenging. Countries should stop servicing debt when it compromises economic and social objectives that meet citizens' rights before such a very theoretical principle materialises. However, the dominant debt sustainability models (as per the IMF) focus on dismantling liquidity constraints, avoiding debt restructuring, cancellation, and default, leading to continuous liquidity injections through borrowing, worsening the situation. Solvency issues can be disguised as liquidity problems, like when creditors have solvency concerns and refuse to roll over maturing debt.

A liquidity squeeze could quickly create a negative reputation across markets and consequently trigger credit rating downgrades, leading to increased interest rates and posing the risk of being unable to roll over debt. In the early 1990s, Mexico moved from a liquidity squeeze to debt default. Many other countries faced the same situation.

In all cases, whether a country is facing a liquidity or solvency issue, the focus is on financing for creditors' repayment. It is about delivering an acceptable low rollover risk, targeting stability in economic indicators such as debt-to-GDP and gross financing needs to roll over debt, without considering social needs and rights, or even the longer-term investments required for economic development. Nonetheless, anchoring debt sustainability analysis solely on liquidity and solvency financial concepts results in prioritizing the creditors' perspective over that of citizens.

3.2 Debt Dynamics

Liquidity and solvency conditions influence debt dynamics, which describe how and why debt (as measured by the debt-to-GDP indicator) changes. The most important determinants that drive public debt dynamics are:

- **The fiscal primary deficit** (government spending excluding debt service minus its revenues)

- **The interest rate on debt** (nominal being the stated interest rate before adjusting for inflation)

- **The economic growth rate** is the percentage change in the value of goods and services produced by an economy (GDP) over a specific period, typically a year. It is a measure of economic performance.

If the interest rate on public debt exceeds the economic growth rate, the cost of servicing debt outpaces the economy's ability to generate additional income to pay it off. As a result, debt-to-GDP ratios rise over time, even if the primary deficit is small or zero. If a country runs persistent primary deficits, it worsens its debt dynamics, as new borrowing will be needed not just for old debt service but also for financing current expenditures.

There are thus two opposing forces to balance and keep debt dynamics under control. They are the interest rate minus the growth rate on one side that, if positive, would have a debt-increasing effect (and with higher debt, interest rates are expected to climb further, creating a cyclical situation), and, on the other side, there is the primary fiscal balance that would be debt-reducing if positive and increasing. The higher the debt-to-GDP ratio, the less likely it is that a sufficiently large primary surplus will rise.

For example, in Lebanon, the interest-growth differential was calculated at 5.5% between 2000 and 2005. The government imposed, in parallel, austerity measures on public expenditures to generate a primary fiscal balance. Then, as a result of high economic growth from 2007 to 2011, this differential turned negative. The debt-to-GDP ratio consequently declined between 2006 and 2012. These dynamics deteriorated after 2011, driving up the debt ratio to crisis levels[31].

Other economic factors can trigger pressures on this dynamic. For instance, when a large portion of public debt is short-term, the government may need to roll over its debt (i.e., issue new debt to repay maturing debt). Higher interest rates on new debt increase borrowing costs, worsening the situation. External shocks, political changes, or investors' loss of confidence in a country's ability to repay can further exacerbate debt dynamics. It leads to an increase in the risk premium (higher interest rates demanded by investors), thereby accelerating debt accumulation.

Going back to the three main variables, the one that debtor countries' governments can most directly influence is public finance (and consequently public expenditures); hence, to manage the dynamics, the commonly resorted recommendation is usually to squeeze spending (austerity) and raise taxes, especially indirect taxes because they are easier and faster to impose, collect, and have relatively less widespread opposition, even though such measures also contribute to an economic slowdown and increase inequality harming the most vulnerable populations.

When it comes to external debt, debtor countries are at a disadvantage in controlling, especially the interest rates on external or foreign currency debts. Interest rates heavily influence interest rates on foreign currency debt in the country where the currency is issued, typically the US, as well as assessments by credit rating agencies that focus on a debtor country's macroeconomic vulnerability.

Negative debt dynamics lead to debt distress, driven by high interest rates, slow growth, and persistent deficits. If left unchecked, it can lead to a debt spiral, where the debt burden becomes increasingly challenging to manage and threatens debt sustainability.

The ability to accurately record, monitor, and report on public debt is a crucial step for governments to mitigate risks to debt sustainability and improve credit ratings. It is essential to monitor debt dynamics through debt management strategies.

3.3 Debt Management Strategy

The DSA's primary goal is to measure current and expected future revenues and spending to ensure debt servicing. The government's debt management strategy aims to secure funding at the minimum borrowing costs on a medium-term basis, while maintaining a prudent risk level, in coordination with monetary and fiscal policy objectives.

Governments usually have a dedicated public administration to operationalize public debt objectives and manage outstanding debt, often within the Ministry of Finance. They formulate and track a medium-term plan for debt structure and composition, rather than size. They decide on a desired balance between risk and cost, considering factors such as currency and maturities. These variables influence social inequality by determining the allocation of resources and the distribution of debt burden, but this is not considered part of the management strategy.

Despite its growing importance, many countries in the Global South continue to struggle with managing their debt effectively. Complex debt portfolios, legal and institutional limitations, and public administration weaknesses hinder efficient debt management. The UNCTAD and the World Bank provide technical assistance to develop debt management capacities and administrations. Arab countries collaborate with UNCTAD for debt management capacity building[32].

Box 5: What is the difference between debt management and debt sustainability analysis?

Debt Management Strategy
- Focus: Managing the composition and risks of a country's debt portfolio, such as currency, interest rate exposure, and maturity profiles.
- Objective: Minimize borrowing costs while controlling risk, ensuring that debt servicing remains manageable over time.

Debt Sustainability Analysis
- Focus: Assessing a country's ability to meet current and future debt obligations without resorting to fiscal distress.
- Objective: Identify medium- to long-term vulnerabilities, guiding fiscal policy to maintain solvency and liquidity.

Fiscal policy
- Focus: Setting the government's total spending and securing public revenues, most important of which is through taxation, and deciding on the level of public debt.
- Objective: Influence economic growth, development, employment, inflation, and income distribution.

Box 6: What are rating agencies?

Credit rating agencies evaluate the creditworthiness of entities that issue debt, such as governments, corporations, and financial institutions, and assign credit ratings based on their ability to meet financial obligations and the likelihood of default. These ratings are crucial for investors, lenders, and policymakers in assessing risk. Credit rating agencies employ specific methodologies to assess sovereign default, with a primary focus on repayment. Default definitions influence ratings decisions and grades assigned to sovereign debt. A sovereign downgrade can lead to a rapid sell-off of its debt due to regulations or contracts that may bar some investors from holding it.

3.4 IMF-World Bank Debt Sustainability Frameworks

Over the past decades, the IMF and World Bank developed and upgraded standard frameworks to assess a country's debt situation, vulnerabilities, and capacity to carry and pay off the public debt at present and in the future, by balancing financing needs with the ability to repay, under different conditions[33].[34]The frameworks rely on the analysis of economic indicators, including those presented in Section 2.2. The analysis is conducted within the context of requests for IMF financing facilities to inform their decisions and/or as part of their surveillance role, including reviews such as the renowned Article IV consultations, when debt is assessed as unsustainable, lending is restricted until governments adopt measures to make it sustainable.

These frameworks distinguish between market access countries (MACs), which are middle-income countries with debt issuance in international capital markets, and low-income countries (LICs), which primarily meet their external financing needs through concessional financing. The logic is the same, but the benchmarks and some of the techniques used to test scenarios differ.

Both frameworks start from a baseline macroeconomic situation, which is the most likely level and direction that key macroeconomic variables (economic growth, exports, interest rates, public finance conditions, etc.) take based on prevailing policies, including a specific debt stock, and assess how the debt indicators will change with time under the baseline scenario and after assuming stress situations (sensitivity tests). They project debt trends under various assumptions and compare them to benchmarks developed from years of research to draw a conclusion assessing debt changes (debt dynamics) and the implications of risks on repayment, thereby setting the public finance conditions for debt service repayment. This conclusion/assessment takes into consideration the country's macroeconomic specificities, with a focus on the ability to secure foreign currency for repayment. It does not account for the social spending required to meet development objectives, such as the Sustainable Development Goals or the realization of human rights. It is essential to note that these frameworks and their recommendations have become crucial for any country seeking to engage with creditors for financing or negotiations.

Low-Income Country Debt Sustainability Framework (LIC-DSF)[35]

The LIC-DSF is being utilized for DSAs of all countries eligible for the IMF Poverty Reduction and Growth Trust[36] concessional financing, and also have access to the World Bank's IDA resources and grants. The LIC-DSF produces two debt sustainability analyses: one for external public and publicly guaranteed debt and another for overall public debt, to avoid debt distress.

The framework uses a minimum of ten years of historical data points. It produces projections of macroeconomic, fiscal, and external time series that should form a consistent and coherent 20-year baseline scenario. The framework utilizes tools to assess the realism of medium- and long-term macroeconomic projections in the baseline scenario (realism tools). It specifically looks into the past and future drivers of debt dynamics, the planned fiscal adjustment, the potential impact of fiscal adjustment on growth, and the public investment-growth nexus.

Because countries have different characteristics, capabilities, and relationships with the world and international markets, they have varying capacities to carry debt. Based on these capacities and using a composite indicator, LIC-DSF countries are classified into three categories: weak, medium, and strong debt-carrying capacity. This classification determines four thresholds for the external DSA and one benchmark for the public DSA (Appendix 2). These thresholds apply to the ratios of debt stocks in present-value terms and the ratios of debt flows in present-value terms. The public debt-to-GDP ratio serves as a benchmark.

The framework is subjected to stress testing, which involves applying adverse scenarios, such as slower growth, lower exports, or exchange rate depreciation, to assess vulnerabilities under economic shocks and check the sensitivity of projected debt burden indicators. Countries are assigned an external debt distress risk rating: low, moderate, high risk, or in debt distress.

Low risk is when all debt indicators are below the thresholds, including under-stress tests. A moderate risk is assigned when stress tests result in one or more indicators that differ from the threshold, while the baseline scenario does not. The high risk is for a country that does not report payment issues, but the baseline scenario shows divergence from thresholds. Countries considered “in debt distress” are either in restructuring negotiations or have unpaid arrears and current debt and debt service ratios indicators that are largely breaching thresholds. Countries at high risk or in debt distress are subjected to a “Debt Sustainability Assessment” that concludes whether debt is sustainable or unsustainable. As of the end of October 2024, among the 69 LICs PRGT-eligible countries, 11 were classified as being in debt distress, 24 countries were at high risk, 25 countries were at moderate risk, and seven countries were at low risk of debt distress. Among Arab LICs, only Sudan was considered in debt distress[37].

Sovereign Risk and Debt Sustainability Framework for Market Access Countries (SRDSF)[38]

This SRDSF is an upgrade that was launched in 2022 using technical methods and graphical conclusions. This framework follows the same logic as in the LIC-DSF and relies on staff judgement and realism tools, but does not provide risk ratings. It is more concerned with flagging debt vulnerabilities that constrain access to debt markets, emphasizing liquidity (the ability to roll over debt) and solvency risks (whether the debt is sustainable in the long term in a more complex financial environment). Its primary objective is to stabilize the debt trajectory, especially the debt-to-GDP ratio. The framework conclusion is connected to the IMF's lending decision and the fiscal space required to repay. In the sporadic cases where the conclusion is “unsustainability”, the IMF does not lend.

SRDSF consists of two main parts: a sovereign risk assessment and a debt sustainability assessment. The first is an assessment of risks to access financing, notwithstanding a high debt. The sovereign risk assessments are categorized into three levels: low, moderate, and high sovereign risk. This assessment does not impact lending decisions as long as countries are servicing their debt. Such an approach facilitates working with heavily indebted nations and allows for postponing debt restructuring or workout recommendations.

The debt sustainability assessment examines the sensitivity of debt trends over the short, medium, and long term to inform lending decisions. It starts from a baseline scenario developed over ten years, which it considers the most probable scenario, using fiscal and macroeconomic variables and assumptions about debt-to-GDP, growth, interest rates, and fiscal policies (primary fiscal balance), relying on historical performance. The framework applies stress tests, such as a change in global interest rate, to test resilience. The risks flagged are based on the frequency with which the country’s debt burden indicators exceed established benchmarks. The lower-than-threshold indicators (depending on each case) result in low debt risks, and the same logic applies to higher risk. The conclusions of the analysis are presented in three categories: “sustainable with high probability”, “sustainable but not with high probability”, and “unsustainable”, which is the case when the country has already defaulted and restructuring is essential, a situation that the IMF generally tries to avoid. The details of the SRDSF are typically included in the IMF Article IV reports at the end, where assumptions, tests, and results are explained. A recent example is Iraq’s DSA, as mentioned in the 2024 Article IV Consultation report.

LIC-DSF and the SRDSF limitations

Both the LIC-DSF and the SRDSF are, by their nature, forward-looking assessments that are informed by judgments and expectations, based on assumptions about key economic variables. As such, they can be overly optimistic, mainly because they focus on debt repayment, recommending fiscal austerity and underestimating its negative impact on GDP growth. [39]This case includes Jordan and Tunisia when reviewing the IMF analysis between 2008 and 2019 before the upgrade[40]. It is also because the models focus on addressing public debt problems as liquidity issues, thereby getting debtor countries stuck in a cycle of continuous lending and shying away from a debt workout. While they claim to aim for economic growth, their policy recommendations do not necessarily support it[41].

These frameworks' judgments and assumptions can be influenced by and respond to political and economic dynamics. This situation is revealed in the recent evaluation of the IMF's "exceptional access policy"[42] that confirms a "widespread perception of biased assessments in some exceptional access"[43]. Egypt's funding through the exceptional access policy is an example that facilitated continued borrowing from private markets, raising further debt burden, and disregarding the implications of austerity and currency devaluation on people's livelihoods[44]. Having the IMF as a creditor and, at the same time, the most influential policy advisor raises questions on conflict of interest.

Moreover, the LIC-DSF and SRDSF fail to consider the macroeconomic impact on social conditions, an issue that the UN Independent Expert on the effects of foreign debt on human rights has repeatedly voiced. They neglect the need for adequate funding for public social services and national development projects, instead focusing on the political feasibility and acceptance of fiscal austerity to constrain public spending and satisfy creditors. In 2017, the expert report on Tunisia flagged that, despite the IMF's talk of socially inclusive growth, the country continued the same austerity policies, and the DSA continued to overlook the impact on social conditions[45]. Even the term "debt sustainability" focuses solely on assessing the capacity to repay debt, implying the primary goal is debt servicing. In contrast, alternative frameworks employ terms such as "debt justice" and "sustainable development financing assessments" to reassess the broader role and impact of public debt, thereby resetting assessment priorities.

To sum up, the IMF-World Bank frameworks could be helpful in short-term financial planning; however, they are formulated in a way that prioritizes creditors' interests and overlooks any goals beyond financial stability. By their nature, they drive toward austerity that compromises people's living conditions and disproportionately affects the lower-income classes. As the UNCTAD summarized: "The IMF–World Bank frameworks to assess debt sustainability are, at their core, risk management tools for creditors. As such, they are ill-suited to provide borrowers with a comprehensive overview of the linkages between debt sustainability and development financing requirements[46]." Indeed, even though the IMF did some costing of financing needed for certain SDGs and considered investment for economic growth, including "human capital" (i.e. education and health), these assessments remained outside their standard DSA frameworks[47].

3.5 Alternative DSA Frameworks

The Debt Justice (also known as the Jubilee Debt Campaign) organization assessed debt crisis vulnerability beyond just the ability to repay[48]. It analyzed countries' external and internal financial positions to determine that a country is in crisis when both the debt limits economic growth and the government's ability to provide fundamental social and economic rights. Instead of focusing on fiscal adjustment to repay creditors, the question becomes how much a country needs to satisfy citizens' rights and pay creditors.

Hence, the Jubilee Debt Campaign's indicators and thresholds are more conservative than those of the IMF. They consider a country in crisis if it has a significant financial imbalance with the rest of the world and a substantial external debt service. The key indicators monitored are the current account deficit as a share of GDP, external debt service relative to public revenues and GDP, and the country's international investment position, a figure the IMF computes to calculate the country's external financial assets and liabilities at a specific point in time[49]. It functions as a balance sheet for the economy vis-à-vis the rest of the world. Germany's Jubilee Debt Campaign, in its "Global Sovereign Debt Monitor 2024," considered 85% of the countries in the Global South in an "at least slightly critical" debt situation, with 24 countries in a very critical stage, including Lebanon, Yemen, and Bahrain[50].

Another development-directed debt sustainability framework is UNCTAD's Sustainable Development Finance Assessment (SDFA)[51]. This framework combines an economic analysis of public debt sustainability that prioritizes investments equally to achieve the SDGs and drive national economic development forward. It seeks to ensure compatibility between development and the public debt burden.

The SDFA takes into account the balance of payment issues of developing countries and focuses on all types of external financing (external debt, foreign direct and portfolio investments), especially exports and remittances. It emphasises the broader dimension of external and public sector financial sustainability, keeping the SDGs at the center and assessing policy choices accordingly. The SDFA initially focused on the investment needs for SDGs 1 to 4 and was subsequently applied to Sri Lanka and Pakistan. It found that several policy options are available to maintain or achieve sustainability in external financing and public debt, all while working towards the SDGs. In Sri Lanka, for example, whereas the IMF focused on the crisis's external drivers, the SDFA highlighted structural factors and considered the financial and external situation unsustainable even before the crisis. The SDFA is being developed to integrate climate-related goals and to increase customization that better serves the specific needs of different country groups[52].

3.6 Debt Workouts/Relief

Debt workouts/relief refer to measures taken to reduce, restructure, or eliminate a borrower's debt obligations, easing financial strain and enabling economic recovery. They can involve lowering interest rates, extending repayment periods, partially forgiving the principal, or outright cancelling the debt. Debt relief is often provided to countries facing unsustainable debt burdens that hinder development, typically through negotiations with creditors, including other governments, international organizations, or private entities.

Thus, debt relief is a broader term that encompasses various measures to reduce or ease the debt burden of a borrower. This can include debt cancellation and other approaches, such as rescheduling, restructuring, or lowering interest rates.

Renegotiating public debt terms typically occurs when a country is unable to pay, resulting in the announcement of a debt moratorium or debt repudiation.

Debt repudiation occurs when a borrower unilaterally refuses to pay its debt obligations or formally declares that it will not repay its debts. This can happen for various reasons, such as disputes over the legitimacy of the debt (known as odious debt), inability to pay, or political decisions to prioritize other needs over repayment. Debt repudiation can lead to strained relationships with creditors, loss of access to international financial markets, and significant economic and reputational consequences.

A debt moratorium occurs when the debtor unilaterally decides to suspend repayment for a specified period, typically to facilitate debt rescheduling or restructuring in the future, as was the case in Lebanon in 2020.

The debtor country enters into negotiations with the following options:

- **Debt rescheduling:** renegotiating the debt terms to extend payments (such as extending maturities or offering grace periods) but still paying the principal and interest. Rescheduling typically results in paying additional interest over a longer repayment period.

- **Debt restructuring** involves negotiations to cancel part of the debt, either by reducing the principal or modifying interest rates, reducing fees, or extending the repayment period without incurring higher interest rates. It applies to domestic and external debt, but is often more relevant for external debt. The IMF traditionally plays a leading role in the restructuring, with its DSA used as the basis for discussions between the creditors.

- Debt cancellation or a haircut to write off part of the principal. It is the complete elimination or forgiveness of a borrower’s outstanding debt.

- Debt swaps are voluntary transactions between a debtor country and its creditors, in which part of the debt is forgiven in exchange for another asset or a commitment to a project or policy. These are often related to environmental sustainability (known as "debt-for-nature" or "debt-for-climate" swaps) or development (referred to as "debt-for-development" swaps). Other new forms of swaps are often configured to connect debt to a social or environmental issue.

Although these instruments have become popular since the start of the century as a seemingly beneficial solution to the debt and climate crisis, they distract from the essential fundamental solutions needed to tackle the dynamics of debt and climate issues effectively. They can be considered a form of debt restructuring rather than new debt financing because they do not generate additional funding and are generally too small to significantly impact debt sustainability. They tend to be complex in structure, difficult to monitor and implement, involve high transaction costs, and come with conditionalities. At best, they can occasionally offer a breather (some fiscal space), especially when a climate or environmental crisis intensifies, provided they are properly agreed upon and not used for greenwashing. The value of debt swaps was estimated to be less than 2% of the public debt of countries of the Global South between 1987 and 2022, and less than 1% were debt-to-nature swaps[53]. Egypt’s debt swap program with Germany, for example, is not even close to 1% of its debt with Germany[54].

Figure 9: Recent debt workouts initiatives

Initiative	Year	Initiators / Coordinators	Main Goal	Eligibility/ Scope	Conditionality	Additional Information
Heavily Indebted Poor Countries (HIPC)	1996 (Enhanced in 1999)	IMF & World Bank	Reduce debt to sustainable levels	Poorest countries qualifying with reforms & poverty programs	Yes	Extended in 1999 to offer deeper and faster debt relief
Multilateral Debt Relief Initiative (MDRI)	2005	IMF, World Bank, African Development Fund	Cancel 100% of eligible debt	Countries completing HIPC	Yes	Aimed to support the SDGs by erasing debt from core IFIs
Debt Service Suspension Initiative (DSSI)	2020	IMF & G20	Temporarily suspend debt service during COVID-19	The 73 poorest countries are eligible	No	Two-thirds participated; private creditor participation was voluntary
Common Framework for Debt Treatments	2020	G20 (endorsed), includes China	Coordinate sovereign debt restructuring	Low-income countries post-DSSI	Not mandatory	Few countries participated; cases saw significant delays
IMF SDR Allocation	2021	IMF	Boost foreign reserves; reduce debt reliance during COVID-19	All IMF members; allocation based on quotas	No	$650B issued; distribution criticized as unfair to Global South; <4% to lowest-income countries

In general, most debt workout initiatives come later than needed[55] and have a narrow scope. They exclude private creditors and focus on the lowest-income countries, even though middle-income countries carry large debt burdens, especially from private creditors. Debt relief typically occurs after a country has defaulted. The IMF DSA is often the prerequisite for any debt workouts. It influences creditors' negotiations but does not prevent credit rating agencies from downgrading, complicating a debt resolution. It informs and supports the Paris Club discussions and the Common Framework Creditor Committees. The IMF generally does not write off its debt; instead, it provides additional financing to countries in distress.

Figure 10: Insights from the experience of select countries going through a debt workout

Country and dates		Insights
Argentina (2001, 2005, 2010, 2020)	2001, 2005 & 2010: Largest sovereign default in history ($95 billion). Debt restructuring offers (75% haircut for bondholders). 2020: Another restructuring ($65 billion) due to the economic crisis.	Importance of stronger legal protection against vulture funds, an investment fund company that buys distressecd debt at a deep discount and then aggressively pursues full repayment, often through lawsuits. In 2001-2005, vulture funds used US courts and got paid an exorbitant profit during the crisis[56]. Importance of using the Collective Action Clause in debt issuance, as Argentina learned from its first experience with bondholders and a quick decision for restructuring. Delaying debt restructuring and replacing it with another substantial IMF program based on DSA, “sustainable but not with high probability” in 2018, on political grounds, will not resolve the crisis. In 2024, despite extreme neoliberal policies and brutal austerity, the debt overhang remained substantial[57] and the social impact was significant[58].
Greece (2012, 2015)	2012: Largest sovereign debt restructuring (€206 billion) due to the Eurozone crisis. 2015: Debt cancellation came late (3 years later) while bailout & restructuring, focused on private lenders, with little write-off for the public sector[59].	Healthcare and social services collapsed, leading to mass unemployment and homelessness. The UN declared austerity policies a violation of human rights and called for a new approach to debt relief that takes social welfare into consideration. Conversations about a new legal framework for the debt restructuring process, debt sustainability assessments, and social impact have picked up.
Ecuador (1999, 2008, 2020)	1999: Default due to economic crisis. 2008: The Government selectively defaulted on $3.2 billion in bonds. 2020: Restructured $17 billion in bonds due to the COVID-19 crisis	Results of a debt audit declared “illegitimate” (odious) and refusing to pay (2007-8). The example uses the odious debt argument. Civil society campaigns set the ground through research and advocacy[60].

Iraq (2004)	2004: The Paris Club agreement reduced Saddam-era debt by 80% ($100 billion).	Substantial debt cancellation can be facilitated under the auspices of the UN, which could become the international body to manage debt workouts, notwithstanding Iraq's specific political circumstances that facilitate debt cancellation.
Sri Lanka (2022)	2022: First-ever sovereign default ($51 billion in external debt). Ongoing restructuring with IMF assistance.	Importance of changing legislation during debt restructuring, reducing interest accrued during litigation, and treating private lenders in the same way as official bilateral lenders. Sri Lanka private creditors are negotiating through the courts[61]. The complexity of creditors' profiles makes debt restructuring challenging, as each type of creditor has a distinct set of interests. Sri Lanka creditors are challenging each other[62].
Zambia (2020)	2020: First African nation to default during COVID-19 (~$17 billion debt). Applied for negotiations under the G20 Common Framework.	Limitations of the Common Framework, which is led by the G20 and is more of a creditors' club. The nature of creditors complicates debt workouts. Four years of negotiations concluded without sufficient debt cancellation, despite the prevalence of poverty and drought. Bilateral creditors and some private creditors agree to debt relief, but others refuse. Debt relief size is not enough to avoid another crisis[63].

4. Human Rights Normative Frameworks for Advocacy

Countries' debts and their economic policy choices have compromised their commitment to uphold international human rights standards, particularly concerning economic and social rights. The United Nations, as well as other organizations and movements, developed rights-based frameworks and principles to address issues related to debt and human rights.
The following Section presents these principles before suggesting advocacy action suggestions to influence public debt policy, reshape dominant narratives, and build transformative advocacy strategies.

4.1 UN & Other Human Rights Instruments and Principles on Public Debt

ICESCR

What it is: It is the core human rights treaty ratified by UN member states.

Why it matters: It forms an obligation for all states, not just borrowing states, to foster international assistance and cooperation, ensuring policies and lending practices are not harmful to people[64]. It requires them to allocate their "maximum available resources" to realize socioeconomic rights for all.

- Thus, states must not prioritize debt repayment over fundamental rights, especially when the two are in conflict.

- It also applies to creditor countries, which must ensure that their policies and lending practices do not undermine the rights of borrowing states.

While the ICESCR is legally binding, its domestic enforceability is compromised because it is not necessarily integrated into domestic law. Still, it provides a strong legal and moral basis for critiquing harmful debt-driven policies and calling for rights-compatible alternatives.

How to use it: Legal foundation to argue that debt servicing must not compromise health, education, and other social and economic rights.

Guiding Principles on Foreign Debt and Human Rights

What is it: Endorsed in 2012 by the UN Human Rights Council, they emphasize that states must prioritise their human rights obligations in all lending and borrowing decisions, whether acting independently or through international organisations. While not all stakeholders adhere to such principles, especially private creditors, they could become more effective if they are translated into national laws in both creditor and debtor countries, thereby making them binding.

Why it matters:

- They emphasized the need for both creditors (including international financial institutions and private creditors) and debtors to balance their shared responsibility in addressing unsustainable debt and adopting debt strategies to meet human rights commitments, as well as strike a balance between human rights obligations and debt repayment when these are in conflict due to limited resources.

- They advocate for the creation of an international debt workout mechanism to fairly and transparently restructure unsustainable debts and resolve disputes in alignment with human rights standards.

How to use it: As an advocacy tool to challenge unjust repayment conditions, promote responsible lending/borrowing, and press for human rights assessments.

Principles on the Promotion of Responsible Sovereign Lending and Borrowing (2012)

What is it: In response to the 2008/9 global financial crisis, UNCTAD released a set of guidelines focusing on the co-responsibilities of both lenders and borrowers, covering all debt instruments used by all countries.

Why it matters:

- They set standards for transparency and accountability in lending and borrowing practices.

- Even though these are non-binding “soft laws” that need to be updated to reflect the new public debt conditions, they serve as a starting point for reconsidering debt sustainability and preventing irresponsible lending or borrowing practices that could lead to crises and undermine economic stability, while also taking into account social costs and returns.

How to use it: Framework to monitor loan conditions, expose irresponsible lending, and demand full disclosure of debt agreements.

Basic Principles on Sovereign Debt Restructuring Processes (2015)

What is it: A UN General Assembly resolution of nine fundamental principles for public debt crisis management: sovereignty, good faith, transparency, impartiality, equitable treatment, sovereign immunity, legitimacy, sustainability, and majority restructuring.

Why it matters: These are the fundamentals to be upheld during the sovereign debt restructuring process.

How to use it: As an advocacy tool during debt restructuring negotiations.

4.2 Principles of Human Rights in Fiscal Policy

What is it: These are used for budget and fiscal policy analysis. In 2021, Latin American countries' civil society likewise focused on fiscal policies after their experience with financial crises and formulated a framework that considers policy design, implementation, and assessment of fiscal policies: the "Principles and Guidelines of Human Rights in Fiscal Policy".

Why it matters:

- Fiscal policy must be grounded in equality, accountability, and justice
- Public debt strategies must prioritise rights over repayment.
- Progressive taxation and equitable resource allocation are essential complements to debt management.
- Austerity and debt servicing must not undercut access to essential services or harm vulnerable groups.

How to use it: These principles serve as practical tools for rights-based fiscal policy and budget analysis, as well as campaigning against harmful debt-related policies.

4.3 Human Rights Impact Assessments (HRIA)

What is it: A structured process for identifying and evaluating the potential and actual effects of economic policies, such as austerity, privatization, or debt repayment, on the enjoyment of human rights, particularly economic and social rights. It clarifies trade-offs and prioritizes human rights. It can apply various forward-looking methodologies to reveal the causality between activities and the enjoyment of human rights, using specific indicators to demonstrate the impact on both process and outcome.

A specific HRIA application to economic policies, including public debt, is the UN Human Rights Council's "Guiding Principles on Human Rights Impact Assessment of Economic Reform Policies", endorsed in 2019. These principles directly aim for a fiscal space that does not undermine human rights by calling for participatory human rights impact assessments that inform economic policy reforms and agreements, including on debt and taxation[65].

Why it matters: Debt-related reforms can have a profoundly negative impact on vulnerable populations. HRIA helps shift the conversation from abstract indicators (such as debt-to-GDP ratios) to how people live and whether their rights are being fulfilled.

How to use it:

- Assess the impact of debt service on key rights (health and education)
- Evaluate if austerity measures disproportionately affect the marginalised group
- Compare projected fiscal savings to social costs
- Engage affected communities in the assessment process

4.4 Debt Audits

What it is: A process of examining public debt to determine its legitimacy, legality, sustainability, and impact on human rights and development. Debt audits can be comprehensive yet complex to apply in practice; therefore, they should be tailored in scope to address specific dimensions, objectives, or needs. Public entities, governments, the judiciary, or independent groups, such as civil society organizations and citizens, can undertake them[66] .

Why it matters: It raises the issue of accountability of borrowing decisions. Many countries accumulate debt through illegitimate, corrupt, or unjust means (known as odious debt), non-transparent deals, or lending for elite interests. Debt audits help to challenge these practices and build political will for reform or cancellation.

How to use it:

- Conduct participatory audits involving communities, experts, and civil society.
- Investigate how borrowed funds were used and whether they supported rights.
- Document cases of mismanagement, corruption, or social harm linked to borrowing. Ecuador and Tunisia have undertaken civil society-led debt audits. Lebanon could benefit from such an initiative, given widespread concerns about financial mismanagement and elite capture.

4.5 The Call for a UN Convention on Sovereign Debt

What it is: Following the previously mentioned initiatives, negotiations among stakeholders for resolutions, and the global debt crisis, civil society organizations[67] have been calling for a UN Framework Convention on Sovereign Debt, an intergovernmental process where countries participate on equal footing[68] in addressing public debt issues.

Why it matters: This initiative provides a more comprehensive and legally binding resolution. It aims to achieve a global consensus on the necessary rights-based rules, principles, and structures throughout the various interdependent stages of the debt cycle.

How to use it: Join the movements across the Global South and North to advocate for such a convention as a permanent solution grounded in justice and international cooperation.

4.6 International Accountability Mechanisms

What is it: The UN appointed the Independent Expert on foreign debt and human rights to monitor the relationship between foreign debt and human rights[69]. Additionally, the Universal Periodic Review and the Treaty Bodies have raised concerns related to debt in national human rights reports.

Why it matters: These are UN bodies and processes that monitor state compliance with human rights obligations, building international pressure for reform, legitimizing civil society positions, and creating documentation that supports local advocacy.

How to use it:

- UN Special Procedures: Submit information to the Independent Expert on Foreign Debt and Human Rights, who reports to the Human Rights Council.

- Treaty Bodies: Submit reports (shadow or alternative reports) to the CESCR (for ICESCR), highlighting how debt or austerity affects rights.

- Universal Periodic Review (UPR): Raise debt-related issues in a country's UPR cycle.

Box 7: Is public debt a feminist cause?

Feminist activists view debt as a tool of patriarchal violence, reinforcing gender inequalities and contributing to economic violence. Macroeconomic processes, such as austerity measures, increased unpaid care work, and job losses disproportionately burdening women, significantly influence living conditions. Public debt transfers indebtedness from the state to households dependent on borrowing for livelihoods, extracting value from women's labor and reinforcing vulnerability to violence and exploitation based on roles within families and communities.

In an attempt to make public debt "feminist," gender bonds are being promoted as borrowing instruments for projects and programs promoting gender equality and women's empowerment. While progressive, feminist economics consider them a financialization of gender equality, turning a social justice issue into a profit-making opportunity for investors. Gender bonds also lead to the privatization of public services, resulting in profit-driven interventions in gender equality programs rather than increased direct public spending. These bonds raise indebtedness and can be seen as short-term "pinkwashing" rather than long-term systemic change[70].

5. Suggested Advocacy Action

Public debt is not just a technical issue: it's a justice issue. By utilizing the previously mentioned rights-based tools, crafting compelling stories, and engaging with affected communities, civil society can play a transformative role in advocating for debt justice. Based on solid analysis, this section suggests selected actions for advocacy.

5.1 Analyzing to Make Debt Injustice Visible

Public debt concepts and data may seem complex, but they can be demystified to serve powerful advocacy. It is necessary to conduct an evidence-based analysis to provide a clear definition of the public debt problem, utilizing quantitative indicators and decompositions, as well as political economy and debt sustainability analysis, while leveraging existing human rights normative frameworks. The aim is to direct technical analysis toward a rights-based, accessible perspective that utilizes language communities, journalists, and policymakers can understand and act upon. It can be revealed through qualitative and quantitative data, for example, by examining debt levels, servicing costs versus social spending, and the impacts on human rights, health, education, and climate. Indicators are instrumental in identifying the scale and nature of the problem. These indicators can be sourced from national sources and global databases.

Data should be turned into "punchy, memorable, headline-grabbing statistics that make reports special…They cut through the technicalities to fire…." They should aim to "'kill off' the opposition's arguments." Killer facts (a term coined by Oxfam GB)[71] can be mapped, visualised, and used to facilitate the circulation of a rights-based discourse. Briefings, infographics, storytelling, and impact stories can be utilized in this manner.

It can also be achieved through research on the drivers of borrowing, and a political economy analysis helps answer these questions and locate debt within broader systems of inequality, elite capture, and geopolitical dependence.

- Who carries the burden?
- How do debt conditions affect real lives?
- What public services are being squeezed?
- Which groups are most impacted (e.g., women, children, informal workers)?
- How can we assess odious debt?

5.2 Setting Advocacy Objectives and Target Mapping

Short, medium, and long-term advocacy objectives need to be defined based on the previous analysis, while remaining specific and realistic, starting from, for example, debt audits for cancellation of illegitimate debts, shifts in lending practices by IFIs and private creditors, to the more demanding and longer term, like democratic debt governance and citizen oversight, legal/regulatory reforms to prevent future injustice, etc. Based on these objectives, a stakeholders mapping and power analysis would help identify the advocacy campaign targets (primary targets like governments, IMF, World Bank, private creditors, credit rating agencies, secondary targets like media, parliaments, judiciary, academics and allies like CSOs, trade unions, academic institutes and progressive economists, international networks, etc.).

5.3 Reframing the Narrative

Regardless of the advocacy objectives specific to each country's case, an overarching goal, both nationally and globally, is to change the narrative around public debt and its sustainability. A shift is needed toward a rights-based and development-oriented approach, utilizing human rights principles, and promoting the adoption of development-oriented debt sustainability frameworks. Civil society should challenge the “debt-first” paradigm and emphasize development financing needs (education, health, climate resilience) and rights fulfillment by:

- Highlighting values-based in communicating the problem: fairness, sovereignty, justice, democracy

- Connecting debt issues to lived experiences and social rights (healthcare cuts, loss of jobs, school closures)

- Avoiding technical jargon when engaging the public while explaining economic concepts

5.4 Choosing Advocacy Tools

These are tools or tactics for disseminating and implementing the actions resulting from the previous steps (Sections 5.1 to 5.3). Research & reports: Briefings, infographics, impact stories

- Mobilization: Protests, petitions, public campaigns, storytelling
- Media advocacy: Op-eds, press briefings, social media
- Policy engagement: Legislative proposals, public hearings, shadow reports
- Litigation or legal claims (where relevant)

Civil society's role goes beyond analysis. Effective campaigns need to reorient public and political agendas.

5.5 Building Coalitions and Joining International Campaigns

Debt justice and human rights require a new global economic governance system and financial architecture. The aim is to widen coalitions and partnerships to apply pressure on governments and relevant institutions through:

- Forming or joining broad-based national but also Arab coalitions like debt justice networks, human rights groups, feminist and environmental organizations.
- Ensuring inclusive leadership and representation, especially of impacted communities.
- Connecting local struggles to global movements for debt justice and joining international campaigns (see Figure 10).
- Working with partners in creditor countries to apply pressure on their governments and institutions.
- Joining the international collective actions and campaigns, such as the Jubilee 2025 year and the civil society ten reforms point for a UN Framework Convention on Sovereign Debt, and advocacy at the international conferences on financing for development, with the most recent being the International Conference on Financing for Development (FfD4) in June 2025 and other international development meetings.

5.6 Building a Sustainable Movement

Building a sustainable movement is a long-term fight that requires sustainability of civil society organizations beyond single campaigns; thus, the need to build a national and Arab movement by:

- Investing in capacity-building on debt and economic analysis from a human rights perspective, and on advocacy tools across local advocates and communities.
- Measuring the impact of advocacy through increased public awareness, policy shifts, reduced debt burden, etc., to learn by doing and accumulate results.
- Adjusting tactics based on feedback, political developments, or opportunities, as public debt remains a very political issue.

Figure 11: Examples of international platforms and campaigns

Campaigns
https://www.eraofjustice.org/ Nine civil society organizations based in European countries aiming for a global movement for structural change and interconnected justice.
https://www.caritas.org/2024/12/caritas-internationalis-launches-global-jubilee-turn-debt-into-hope-campaign-2/ Jubilee 2025 'Turn Debt into Hope' campaign by Caritas Internationalis advocating for debt justice and transformative financial reforms
https://www.debtforclimate.org/ Debt for Climate is a global grassroots movement of movements, initiated by the Global South from an anti-colonial perspective

Organizations/Movements
https://menafemmovement.org/ MENAFem is an intersectional feminist organization that promotes principles of human rights and ecological justice in the Middle East and North Africa region, as well as beyond.
https://debtjustice.org.uk/ A campaigning organisation that exists to end unjust debt and its root causes, formerly named the Jubilee Debt Campaign.
https://www.eurodad.org/ https://www.afrodad.org/ https://latindadd.org/ Eurodad, Afrodad, and Latindadd are civil society networks advocating for democratically controlled, gender-just, and human rights-based financial and economic systems in their respective regions: Europe, Africa, and Latin America.
https://www.cadtm.org/ Committee for the Cancellation of Illegitimate Debt, focusing on the relation between debt and the inability of the global capitalist economic system to respect even the most fundamental rights of hundreds of millions of human beings around the world.
https://erlassjahr.de/ The German Jubilee Network, supported by more than 500 organisations (including churches, politics, and civil society), aims to achieve debt restructuring in countries of the Global South in a fair, sustainable, and comprehensive manner, cancelling odious debt and setting standards for responsible borrowing and lending.

Appendix 1: International Data Sources

Database	Key features
World Bank IDS, which is based on reports to the World Bank through the World Bank's Debtor Reporting System from member countries	• Comprehensive with a focus on external debt • Aggregates for regions and income groups using World Bank classifications • Has explained various indicators of external public debt • Historical data records • Allows for countries, regions, and special country groups classifications and comparisons
UNCTAD World of Debt	• Dashboard/tool of a country-level overview of key public debt and development spending indicators for the last ten years. • Allows comparisons across countries, regions, and special country groups • Focused on public debt and its impact on development spending dynamics
IMF Fiscal Monitor database IMF International Finance Statistics	• A report that includes a database of countries' key fiscal figures • Data for recent years and 5-year-ahead projections, including public debt • Biannual updates
IMF World Economic Outlook (WEO) database	• Includes data for nearly all countries • Allows for global, regional, and country-level economic analysis. • Includes historical data, current estimates, and forecasts of macroeconomic variables, including public debt (domestic and external) • Publishes biannual updates in April and October as part of the WEO report
Debt Justice Data Portal (previously Jubilee Debt Campaign)	• Collects specific data by country to build indicators that assess the risk of a debt crisis, prioritizing human rights fulfillment through the ability of governments to maintain social spending • A debt crisis is defined as "where debt payments undermine a country's economy and/or the ability of its government to protect the basic economic and social rights of its citizens, for example by providing access to healthcare, education, and social protection."
IMF Article IV consultations reports	• Evaluations of a country's economic and financial situation • Focus on the stability of monetary and financial systems • Often includes all debt indicators to conduct a debt sustainability analysis • Reports are online under each country page. For example, Jordan's is here https://bit.ly/41rHyq5

These sources may be classified into more than one database by subject. Every database also provides a detailed explanation of each indicator. For example, the World Bank explains indicators under: https://databank.worldbank.org/metadataglossary/all/series

Appendix 2: Debt thresholds under the LIC-DSF[72]

Debt Burden Thresholds and Benchmarks Under the DSF					
	PV of external debt in percent of		External debt service in percent of		PV of total public debt in percent of
	GDP	Exports	Exports	Revenue	GDP
Weak	30	140	10	14	35
Medium	40	180	15	18	55
Strong	55	240	21	24	70

Appendix 3: Six Arab Countries Public Debt Briefs

EGYPT PUBLIC DEBT BRIEF

When Debt Service Consumes Three Quarters of Public Revenues and Borrowing Continues

Egypt's public debt is nearly 100% of GDP. It has been rising since 2010, reaching approximately $378 billion in 2023, representing a 130% increase. The share of external public debt in the total debt has been climbing exponentially (up 240% over the last decade). Between 2017 and 2023, external debt averaged 30% of total public debt, compared to around 17% between 2010 and 2016. The higher share of external debt after 2016 marks a significant shift in debt management, but not one aimed at improving debt sustainability. With such debt composition, currency exchange rate risks increased, triggering three episodes of currency devaluations (2016, 2022, and 2024).

Egypt struggled in 2023 to repay its obligations, despite two IMF financing programs being extended in 2016 and 2020, as well as an additional $3 billion in 2022, which had been raised to $8 billion by 2024. It sought assistance from European countries to persuade the IMF to increase its financing in 2024 on exceptional terms, despite questions on debt sustainability[73]. Other countries supported the bailout, with $35 billion from the Emirates investment project, Cape of Wisdom, $7.4 billion in aid from the EU, and an additional $6 billion in loans from the World Bank, to avert a default on its financial commitments. Most of Egypt's external debt is now held by the private sector. In 2023, private creditors' debt accounted for 42% of external public debt, up from 13% in 2010.

This rising trend and shift to private external borrowing naturally translated to rising debt service, which used to account for less than a fifth of public revenues in 2010, climbing to exceed 50% by 2023/2024 and is expected to exceed 74% in its 2025/2026 budget, meaning that three quarters of government collects will go to pay creditors[74]. Debt service has accounted for around half of the public expenditures in the last two years and is budgeted to exceed 60% of spending in the 2024/2025 fiscal year[75]. During the peak of the COVID-19 pandemic (2020-2022), debt service payments exceeded six times the amount allocated to public health expenditures.

The trajectory of public debt in Egypt has deteriorated notably since 2016. External key drivers include global shocks such as COVID-19, the Russia-Ukraine war, the war in Gaza, and a spike in US interest rates that led to capital flight. However, the Egyptian economy is suffering from structural weaknesses and economic mismanagement, focusing on megaprojects in luxury property development, like the $58 billion new capital[76].

The debt dependence has been deepening: the IMF policy recommendations (devaluation and very high interest rates), austerity conditionality, and overoptimistic debt sustainability analysis all together led to continued short-term borrowing (hot money), especially from external markets, which reinforced a negative debt dynamic, amidst a chronic and structural balance of payments deficit. This translated into high episodes of inflation, reaching nearly 40% in 2023[77], accompanied by a series of currency devaluations. Food inflation was as high as 70% in 2023. Egyptians' purchasing power was slashed, and poverty is expected to have increased; yet, the government has been withholding statistics for several years[78]. Joblessness has been climbing to worrying levels, from 20% in 2012 for men to 33% in 2023, and from 86% to 89% for women, amidst low job creation[79].

EGYPT KEY PUBLIC DEBT INDICATORS

PUBLIC DEBT STOCK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public debt as a share of GDP	70%	73%	70%	80%	81%	84%	92%	98%	88%	80%	86%	90%	89%	96%
Public debt in US$ billions	160	180	206	242	260	293	322	241	231	255	330	381	421	378
EXTERNAL DEBT COMPOSITION														
External public debt as a share of GDP	14%	12%	11%	14%	12%	13%	15%	27%	30%	28%	26%	26%	23%	
External public debt as a share of total public debt	20%	17%	16%	17%	14%	15%	17%	27%	34%	35%	30%	29%	26%	
External public debt in US$ billions	32	31	32	42	37	44	53	66	79	90	100	109	110	
Multilateral creditors as a share of external public debt	29%	31%	33%	26%	29%	27%	30%	29%	25%	24%	26%	26%	27%	
Bilateral creditors as a share of external public debt	58%	57%	56%	59%	60%	59%	60%	52%	45%	40%	37%	32%	31%	
Private creditors as a share of external public debt	13%	12%	11%	16%	11%	14%	11%	20%	30%	36%	37%	42%	42%	
DEBT SERVICE RATIOS														
Public debt interest payments as a share of GDP	4%	5%	5%	7%	7%	6%	8%	8%	9%	9%	9%	8%	6%	7%
Public debt interest payments as a share of revenues	18%	23%	24%	32%	29%	31%	40%	36%	44%	46%	47%	43%	33%	40%

SOCIAL EXPENDITURES	2010 - 2012	2014 - 2016	2020 -2022
Public education expenditure as a share of GDP	3%	4%	
Public health expenditure as a share of GDP	1%	2%	1%
Public investment expenditure as a share of GDP	6%	6%	7%
Ratio of public interest payments to education expenditure	1.37	1.73	1%
Ratio of public interest payments to health expenditure	3.3	4.3	
Ratio of public interest payments to investment expenditure	0.8	1.2	1.2

IRAQ PUBLIC DEBT BRIEF

From Debt Cancellation and Oil Prosperity to Renewed Borrowing and Fiscal Deficits

Iraq stands out among middle-income Arab countries due to its status as a major oil exporter, which has significantly influenced its economy and enabled it to maintain fiscal surpluses until 2022. Oil revenues account for more than 90% of Iraq's fiscal revenues, and thus the country's budget fluctuates with oil prices.

In recent years, public debt as a percentage of GDP has seen significant fluctuations, jumping from 44% in 2019 to 77% in 2020 due to economic challenges like the COVID-19 pandemic and oil price drops, then decreasing to about 40% in 2022 before rising slightly again in 2023 (44%). However, the public debt composition, which has shifted to greater reliance on domestic debt, has reduced the country's debt vulnerability, even though the entire economy remains exposed to volatility from global oil prices. Iraq holds about $50 billion in domestic public debt, with a significant portion held by the Central Bank of Iraq (CBI) and state-owned commercial banks. The Central Bank holds around two-thirds of domestic debt[80]. External debt includes unsettled pre-2003 liabilities and arrears. External public debt to GDP was as low as 7% in 2023.

This improvement was surely the result of oil revenues, as well as the 2004 debt cancellation, which occurred when Iraq's public debt was four times its GDP and its external debt was two and a half times its GDP. Iraq's historical experience with public debt highlights the role the UN can play as a platform for debt workouts, protecting sovereign assets from creditors, and facilitating the restructuring process. In 2004, as Iraq was negotiating a debt workout, the UN Security Council approved Resolution 1483, which served to shield the country from predatory practices. While this resolution was influenced by US politics, it set a precedent for utilizing the UN as a supportive platform for nations involved in debt restructuring efforts[81]. Iraq cancelled some 80% of its public debt at the time.

Currently, Iraq's public debt service is manageable, as it does not exceed 2-3% of government revenues, thanks to oil proceeds. However, the projected budget deficit for the coming years, alongside a lack of structural changes in an economy heavily dependent on the oil sector and public sector employment, with a weak private sector, is concerning. Iraq does not have, at present, a binding agreement with the IMF that, nevertheless, warned against a significant risk of medium-term sovereign debt stress (a debt-to-GDP ratio climbing to above 70% starting in 2027), notwithstanding a possible economic growth on account of a fiscal expansion[82]. Unless this increased debt generates sufficient economic growth to offset interest rates, it will only increase Iraq's vulnerability, especially given its internal political and security conditions and its exposure to oil price shocks.

IRAQ KEY PUBLIC DEBT INDICATORS

PUBLIC DEBT STOCK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public debt as a share of GDP	54%	41%	35%	32%	33%	57%	67%	59%	48%	44%	77%	59%	43%	44%
Public debt in US$ billions	74	76	76	75	77	101	112	114	108	103	140	121	113	112
EXTERNAL DEBT COMPOSITION														
External public debt as a share of GDP						9%	11%	11%	10%	10%	13%	10%	7%	
External public debt in US$ billions						16	18	22	23	23	23	21	18	
External public debt in US$ per capita						441	502	593	591	582	570	500	421	
Multilateral creditors as a share of external public debt						12%	18%	15%	16%	16%	16%	18%	19%	
Bilateral creditors as a share of external public debt						71%	67%	63%	62%	59%	58%	56%	58%	
DEBT SERVICE														
Private creditors as a share of external public debt						17%	15%	21%	22%	25%	26%	26%	22%	
Public debt interest payments as a share of GDP	0%	1%	0%	0%	0%	1%	1%	1%	1%	1%	1%	0%	1%	1%
Public debt interest payments as a share of revenues	1%	1%	1%	1%	1%	2%	3%	3%	3%	3%	4%	1%	1%	2%

SOCIAL EXPENDITURES	2010 - 2012	2014 - 2016	2020 -2022
Public health expenditure as a share of GDP	2%	1%	2%
Public investment expenditure as a share of GDP	11%	14%	8%
Ratio of public interest payments to health expenditure	30%	59%	30%
Ratio of public interest payments to investment expenditure	5%	4%	11%

JORDAN PUBLIC DEBT BRIEF

Persistent Vulnerability, Debt Dependence, and IMF Programs

Jordan's public debt has increased over the past decade, from around 60% of GDP in 2010 to approximately 90% in 2023. External debt has tripled over the past decade, now accounting for approximately 40% of GDP, compared to 23% in 2010. This increase is mainly due to borrowing from the private sector, which accounts for almost half of the external debt. Jordan has been using external borrowing as a development financing strategy; however, it has not succeeded in achieving the desired economic transformation that would benefit from the accumulated debt. Jordan presents a situation of dependence on external financing, worsening debt dynamics, and repeated IMF programs—a typical scenario for middle-income countries nowadays. Despite these risks, the IMF considers Jordan to be able to maintain financial stability and commends it for its ongoing fiscal reform and consolidation efforts[83].

Following six programs between 1989 and 2004, Jordan sought assistance from the IMF again in 2011. Since then, it has concluded four agreements, the most recent being a four-year Extended Fund Facility arrangement worth approximately $1.2 billion, initiated in early 2024. This program aims to promote continued fiscal consolidation (including austerity measures such as the removal of subsidies), safeguard monetary and financial stability, and accelerate structural changes[84]. However, the IMF funding over the last decade has been accompanied by increased social vulnerabilities. The implementation of IMF-recommended austerity measures, particularly the removal of fuel subsidies and a wave of privatization that benefited a select few, triggered larger protests in 2018 and 2022. In addition to IMF financing, Jordan has received financial support from Gulf countries to address its budget shortfalls, along with substantial official aid from the United States[85].

National causes contributing to this situation include increased borrowing and slow economic growth, which have been exacerbated by a series of external shocks, including the influx of refugees, regional conflicts, and the COVID-19 pandemic, all of which have strained public finances. Economic growth is constrained by governance and institutional challenges that hinder private sector development and economic diversification. Examples of economic policy choices that failed to fuel development include the free economic zones established at the beginning of the century and the tax-free investment that faced criticism regarding their economic performance and job creation[86].

As a result, debt service costs continue to rise, restricting the fiscal space available for social spending and development expenditures. Debt service increased significantly, accounting for nearly one-fifth of public revenues in 2023, compared to just 8% in 2010. Between the austerity measures, slow growth, and rising interest rates, Jordan's external debt service payments exceeded its spending on health and investments from 2020 to 2022, even during the pandemic's peak.

JORDAN KEY PUBLIC DEBT INDICATORS

PUBLIC DEBT STOCK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public debt as a share of GDP	59%	62%	71%	76%	75%	78%	77%	76%	74%	78%	88%	90%	92%	91%
Public debt in US$ billions	16	18	22	26	28	30	31	32	32	35	38	42	45	47
EXTERNAL DEBT COMPOSITION														
External public debt as a share of GDP	23%	21%	19%	25%	26%	28%	31%	36%	38%	38%	43%	43%	39%	
External public debt in US$ billions	6	6	6	9	10	11	13	15	16	17	19	20	19	
Multilateral creditors as a share of external public debt	40%	39%	40%	33%	31%	27%	26%	23%	23%	28%	29%	33%	34%	
Bilateral creditors as a share of external public debt	44%	44%	44%	29%	24%	22%	21%	21%	20%	21%	21%	20%	21%	
Private creditors as a share of external public debt						51%	53%	57%	57%	51%	50%	48%	45%	
DEBT SERVICE														
Public debt interest payments as a share of GDP	2%	2%	3%	3%	3%	3%	3%	3%	3%	4%	4%	4%	4%	5%
Public debt interest payments as a share of revenues	8%	8%	11%	13%	13%	13%	12%	11%	13%	15%	18%	17%	17%	18%

SOCIAL EXPENDITURES	2010 - 2012	2014 - 2016	2020 -2022
Public education expenditure as a share of GDP	4%	3%	
Public health expenditure as a share of GDP	5%	4%	4%
Public investment expenditure as a share of GDP	5%	4%	4%
Ratio of public interest payments to education expenditure	89%	127%	
Ratio of public interest payments to health expenditure	41%	79%	120%
Ratio of public interest payments to investment expenditure	45%	71%	102%

LEBANON PUBLIC DEBT BRIEF

Public debt default during the triple crises

Lebanon faced an unprecedented triple crisis: a public debt crisis, a financial sector collapse, and a balance of payments and currency exchange rate crisis that contributed to both. Lebanon's case is among the worst in recent history and requires substantial debt cancellation; yet, this has been resisted due to the vested interests of the political elite. Lebanon's debt-to-GDP ratio exceeded 170% in 2019 and 230% in 2022. In 2020, the government declared a debt moratorium without a plan for debt restructuring. The crises, in the absence of a fair debt resolution and the unwillingness of commercial banks and the political elite to consider restructuring and recapitalisation, effectively became a policy of kicking the can down the road, shifting the burden of the triple crises onto the public (depositors and non-depositors). The incidence of multidimensional poverty was estimated to have exceeded 80% in 2021[87].

The debt accumulation drivers began with post-civil war reconstruction and a long-standing decision to peg the local currency exchange rate, which necessitated a high interest rate due to the lack of confidence in the local currency following the war and previous episodes of local currency depreciation. The Lebanese pound stabilisation, higher interest rates, and the expansionary fiscal policy of the nineties contributed to a rise in gross public debt from less than 50% of GDP in 1991 to over 100% in 1997. Yet, economic growth was also notable, driven by reconstruction despite the lack of investments in productive sectors. By the end of the nineties, the government debt management strategy shifted to foreign currency borrowing, based on: the economy's dollarisation, capital inflows from a large diaspora (offsetting a structural trade deficit), and a banking sector that attracted deposits and invested in high-yielding government debt under a pegged local currency system. The government initiated self-imposed austerity measures without implementing structural reforms, amid a deeply entrenched state capture. Economic policies have financialized the Lebanese economy, marginalizing productive activity in agriculture and industry, further weakening the trade balance[88]. The economy was perceived to be stable, while debt accumulated and commercial bank deposits continued to flow in, fueling it. The Central Bank was financing most of the fiscal deficit by 2019. In reality, as the World Bank report declared in 2016, "Lebanon's socio-economic model [was already] bankrupt[89]."

Starting in 2011, external financial flows that fueled commercial banks' deposits and drove the sector's expansion began to dry up, while fiscal deficits increased and economic growth slowed, further exacerbated by external crises such as the Syrian conflict. To offset this, the Central Bank implemented a series of agreements with commercial banks that allowed them to generate exceptional profits. Such unconventional measures (also known as "financial engineering") led to drying up of commercial bank liquidity over the years and accumulated losses at the Central Bank. This scheme upheld the quasi-fixed exchange rate, especially when the balance of payments shifted into an almost regular deficit[90]. Ultimately, the financial system collapsed in 2019 due to liquidity pressures that led to insolvency, accompanied by a dramatic depreciation of the exchange rate, with the domestic currency losing almost 100% of its value.

Throughout and even before the crises, Lebanon prioritized creditors, mainly commercial banks, and paid debt service almost three times the amount it spent on health public expenditures and four times the amount on education, even before the crises.

LEBANON KEY PUBLIC DEBT INDICATORS

PUBLIC DEBT STOCK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Public debt as a share of GDP	137%	134%	131%	135%	138%	141%	146%	150%	155%	172%	151%	350%	283%
Public debt in US$ billions	53	54	58	63	67	70	75	80	85	88	37	72	62
EXTERNAL DEBT COMPOSITION													
External public debt as a share of GDP	53%	52%	55%	55%	52%	54%	54%	57%	60%	65%	136%	163%	153%
External public debt in US$ billions	20	21	24	26	25	27	28	30	33	33	33	33	33
Multilateral creditors as a share of external public debt	7%	6%	5%	5%	4%	4%	4%	4%	4%	4%	4%	4%	5%
Bilateral creditors as a share of external public debt	5%	5%	4%	3%	4%	3%	3%	2%	2%	2%	1%	1%	1%
Private creditors as a share of external public debt	88%	89%	91%	92%	92%	93%	94%	93%	94%	94%	94%	94%	94%
DEBT SERVICE RATIOS													
Public debt interest payments as a share of GDP	10%	9%	8%	8%	9%	9%	9%	9%	9%	10%	3%	1%	1%
Public debt interest payments as a share of revenues	47%	41%	38%	40%	39%	47%	48%	43%	47%	48%	19%	13%	9%

SOCIAL EXPENDITURES	2010 - 2012	2014 - 2016	2020 -2022
Public education expenditure as a share of GDP	2%	2%	2%
Public health expenditure as a share of GDP	3%	4%	3%
Public investment expenditure as a share of GDP	2%	1%	2%
Ratio of public interest payments to education expenditure	508%	410%	92%
Ratio of public interest payments to health expenditure	288%	256%	58%
Ratio of public interest payments to investment expenditure	591%	634%	270%

MOROCCO PUBLIC DEBT BRIEF

Persistent High Public Debt with Decades of Fiscal Consolidation

Over the past decade, Morocco's public debt has more than doubled, and in the last two years, it has remained around 70% of the country's GDP. Both domestic and external debt have been on the rise; however, external debt has increased twofold during this time, surpassing $41 billion in 2023.

Morocco's public debt dynamics have remained manageable despite external shocks, particularly during and after the COVID-19 pandemic. Morocco's public debt currently exhibits a balance between domestic and external borrowing. This shift comes after a decade in the 2000s that primarily relied on domestic borrowing, supported by a substantial local base of medium and long-term investors[91]. Morocco has benefited from lower interest rates on both domestic and international debt. The country's largest external creditors remain multilateral institutions. Morocco has a long-standing relationship with the IMF, dating back to the 1980s and 1990s. Over the past decade, Morocco has sought IMF assistance four times while adhering closely to strict fiscal discipline.

The country has implemented a series of liberalization programs, including transitioning to a flexible exchange rate and ending universal energy subsidies. Additionally, Morocco adopted budget austerity measures, even during the pandemic. Since the late 1990s, Morocco has also invested heavily in infrastructure, which has stimulated growth. However, these investments have not been particularly effective in terms of long-term productivity, which is necessary for sustained economic performance. This, combined with the external shocks that occurred after 2010, increased Morocco's debt risks. The 2011-2012 political protests, followed by a surge in energy prices, lower export demand from the EU, the recurring drought years over the last two decades, and the 2023 earthquake, have necessitated government spending[92]. In 2023, Morocco transitioned to a Flexible Credit Line arrangement for $3 billion that is designed to offset crisis conditions for countries "with very strong policy frameworks and track records in economic performance," and, unlike other arrangements, is not accompanied by conditions that the government must implement, since the IMF expressed satisfaction with economic reforms[93].

Although Morocco achieved economic growth that reduced monetary poverty, it was unable to bridge substantial disparities, especially the territorial and rural-urban divide. Its reliance more on debt financing and indirect taxation versus progressive taxation contributes to the persistence of inequalities[94].

MOROCCO KEY PUBLIC DEBT INDICATORS

PUBLIC DEBT STOCK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public debt as a share of GDP	45%	49%	52%	57%	59%	58%	60%	60%	60%	60%	72%	69%	72%	21%
Public debt in US$ billions	46	53	56	66	70	64	67	71	77	78	88	98	94	102
EXTERNAL DEBT COMPOSITION														
External public debt as a share of GDP	21%	20%	24%	24%	25%	28%	28%	29%	26%	28%	36%	30%	31%	
External public debt as a share of total public debt	46%	42%	45%	43%	43%	48%	47%	49%	43%	47%	50%	43%	44%	
External public debt in US$ billions	21	22	25	28	30	31	31	35	33	36	44	42	41	
Multilateral creditors as a share of external public debt	48%	50%	48%	50%	45%	42%	43%	46%	47%	46%	45%	45%	48%	
Bilateral creditors as a share of external public debt	33%	32%	30%	27%	24%	23%	24%	24%	22%	19%	17%	16%	17%	
Private creditors as a share of external public debt	18%	17%	22%	23%	30%	35%	33%	30%	31%	35%	38%	39%	35%	
DEBT SERVICE														
Public debt interest payments as a share of GDP	2%	2%	2%	2%	3%	3%	2%	2%	2%	2%	2%	2%	2%	2%
Public debt interest payments as a share of revenues	8%	8%	9%	9%	10%	11%	10%	10%	9%	9%	9%	8%	7%	8%

SOCIAL EXPENDITURES	2010 - 2012	2014 - 2016	2020 -2022
Public education expenditure as a share of GDP	6%	5%	6%
Public health expenditure as a share of GDP	2%	2%	2%
Public investment expenditure as a share of GDP	4%	5%	4%
Ratio of public interest payments to education expenditure	0.4	0.5	0.4
Ratio of public interest payments to health expenditure	0.9	1.1	0.9
Ratio of public interest payments to investment expenditure	0.5	0.5	0.5

TUNISIA PUBLIC DEBT BRIEF

Reconsidering Alternatives: Opportunities Emerging from Breaking with the IMF Program?

Tunisia is currently facing a critical situation regarding the sustainability of its public debt. The value of total public debt has doubled since 2010. The public debt-to-GDP ratio surged, reaching approximately 80% in 2023. However, even though external debt accounts for nearly 60% of total debt, it primarily comes from multilateral creditors.

Tunisia has a long relationship with the IMF, having implemented its programs since the 1980s. However, this history has not protected the economy from the repercussions of external shocks. Tunisia adhered to the IMF's neoliberal economic policies. Liberalization weakened public revenues and economic sectors, while austerity reduced social spending. Debt service as a share of fiscal revenues almost doubled between 2010 and 2023. From 2020 to 2022, Tunisia's debt service was nearly equal to its public health expenditures.

The spiraling of public debt, particularly external debt, is a result of various complex factors dating back to the repercussions of the 2008 global financial crisis. Then, after the 2011 uprisings, fiscal deficits increased regularly while economic growth remained low. The local currency depreciation prompted and augmented external debt. The average interest rate on the Tunisian debt increased and was higher than the growth rate[95]. Other external shocks ensued, including a drop in primary mining exports, the impact of the 2019 terrorist attacks on the tourism sector, the COVID-19 pandemic, the political turnaround in 2021, the Russia-Ukraine war, and climate change repercussions[96].

Despite its need for external financing, Tunisia declined an IMF program in 2022 due to the IMF's insistence on the same types of policy conditions as before. Tunisia had previously completed two financing agreements with the IMF in 2013 and 2016, which allowed the country to roll over its debt. As of late 2024, a new deal had not been finalised, and Tunisia had not secured the expected external financing. Credit rating agencies downgraded the country, challenging its market access. Internal political issues and divisions, weak governance, high levels of inequality, and widespread poverty made it challenging for the regime to accept the IMF's conditions, as concerns arose about potential popular uprisings.

These measures represent a departure from the typical neoliberal recipes, but have been employed in political campaigning as they were not sufficiently developed to alter the fiscal system towards greater equity and drive debt sustainability, despite the Tunisian government's projection of a declining debt-to-GDP ratio in the short term. In fact, the government is resorting to domestic financing from the financial sector and the Central Bank. These measures, however, open up the conversation on the possibility of disengaging from the IMF and, by extension, the global system.

TUNISIA KEY PUBLIC DEBT INDICATORS

PUBLIC DEBT STOCK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Public debt as a share of GDP	43%	47%	52%	47%	51%	52%	59%	67%	73%	67%	78%	80%	80%	77%
Public debt in US$ billions	20	23	25	23	26	24	26	28	31	28	33	37	37	39
EXTERNAL DEBT COMPOSITION														
External public debt as a share of GDP	32%	31%	35%	35%	34%	40%	42%	53%	53%	57%	61%	50%	47%	
External public debt as a share of total public debt	74%	67%	68%	75%	67%	76%	71%	79%	73%	84%	78%	62%	58%	
Multilateral creditors as a share of external public debt	47%	52%	53%	56%	53%	50%	50%	49%	49%	48%	50%	52%	55%	
Bilateral creditors as a share of external public debt	23%	24%	22%	22%	21%	19%	18%	17%	16%	19%	21%	23%	22%	
Private creditors as a share of external public debt	30%	24%	25%	22%	26%	31%	32%	34%	35%	33%	29%	25%	23%	
Private creditors as a share of external public debt	18%	17%	22%	23%	30%	35%	33%	30%	31%	35%	38%	39%	35%	
DEBT SERVICE														
Public debt interest payments as a share of GDP	2%	2%	2%	2%	2%	2%	2%	2%	2%	3%	3%	3%	3%	4%
Public debt interest payments as a share of revenues	7%	7%	7%	8%	7%	8%	10%	10%	10%	10%	12%	11%	11%	13%

SOCIAL EXPENDITURES	2010 - 2012	2014 - 2016	2020 -2022
Public education expenditure as a share of GDP	6%	6%	
Public health expenditure as a share of GDP	3%	4%	4%
Public investment expenditure as a share of GDP	6%	4%	6%
Ratio of public interest payments to education expenditure	0.29	0.31	
Ratio of public interest payments to health expenditure	0.5	0.5	0.9
Ratio of public interest payments to investment expenditure	0.3	0.4	0.5

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