

A world of debt

REPORT 2026

Rising debt costs and stalling development





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About UN Trade and Development (UNCTAD)

UNCTAD is the leading institution dealing with trade and development within the United Nations and is the designated focal point for issues relating to sovereign debt. It is part of the UN Secretariat and has a membership of 195 countries, one of the largest in the UN system.

UNCTAD supports developing countries to access the benefits of a globalized economy more fairly and effectively by providing economic, trade and financial analysis, facilitating consensus-building and offering technical assistance to help developing countries use trade, investment, finance and technology for inclusive and sustainable development.

A World of Debt

A World of Debt was originally conceived by the Innovation and Research Coordination Unit at UNCTAD. This edition was produced under the guidance of Acting UNCTAD Secretary-General Pedro Manuel Moreno by a joint team led by Penelope Hawkins of the Debt and Development Finance Branch and Carlos Razo of the Innovation and Research Coordination Unit. Team members included Keith Lockwood, Giovanni Valensisi, Kristine Fitzpatrick, Julia Gröbler, Ruben Gonzalez Colom, Yihong Gong, Daniel Hopp, Rohan Dubey, Chama Alaoui and Iris Hado.

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Introduction

Debt raised in international and domestic markets is intended to bring resources forward, allowing governments to invest ahead of the revenues that will eventually repay it. When interest and principal payments exceed new disbursements year after year, however, debt continues to be serviced, but it is unable to finance anything new. Financing gaps must then be met from additional taxes, reduced reserves or reductions in other spending. Development stalls.

In recent years, structurally higher interest rates in developing countries have been further elevated by policy responses to global conflicts and crises – causing liquidity to shrink and borrowing costs to rise rapidly. Collectively, all developing countries paid close to a trillion dollars in interest on their public debt in 2025. Three developments have brought this about: i) A sharp rise in global policy rates in 2022 and 2023 which have been slow to fall, causing debt to be repriced as it matures and average interest rates on debt portfolios to rise. ii) Private creditors reducing their exposure to developing countries, withdrawing more than their new extensions in recent years. And iii) A contraction in bilateral support, with official development assistance (ODA) falling from 0.37% of donor's gross national income in 2023 to an estimated 0.26% in 2025. Expanded lending by multilateral institutions offset much of the private withdrawal, but their capacity to continue doing so is constrained by their capital bases and risk aversion.

Fundamental to all three developments is a global financial architecture and resulting cost of capital that sees developing countries consistently pay far more to borrow than developed ones, a premium that reflects how international capital markets assess and price sovereign risk. Recent geopolitical developments have added to these costs, pushing sovereign yields higher while weakening the growth and export earnings on which repayment depends. Were the more than ninety developing countries currently borrowing above the developed country average able to finance their public debt at comparable rates, they would collectively save close to US\$500 billion in interest each year.

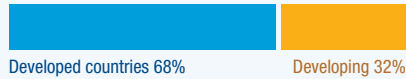
The consequences of these high interest costs impact government budgets, where debt service competes with everything else a government must fund. Public interest payments are rising faster than spending on development priorities and in a growing number of countries – home to 3.7 billion people - they exceed government spending on health or education. These are not marginal fiscal trade-offs. They determine whether a generation is effectively educated and whether basic health systems function. People's futures are at stake.

This report traces the continued rise in global debt stocks, the terms on which developing countries access external finance, the reversal in net debt transfers, and the fiscal space that rising interest bills absorb before any new policy priorities can be financed.

None of this is inevitable. The premium developing countries pay is a function of how capital markets are structured, how sovereign risk is assessed and how debt distress is resolved. These factors can be reformed and their impacts changed, including through the actions of developing countries themselves.

Key figures

What the numbers say about debt and development in 2026



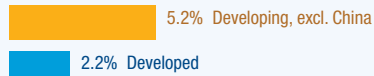
US\$111 trillion

Global public debt in 2025. Developed countries hold over two-thirds of it.



53 of 110

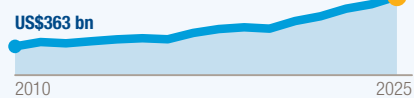
Developing economies paid their external public creditors more than they received in 2024.



Average interest rate on public debt, 2025

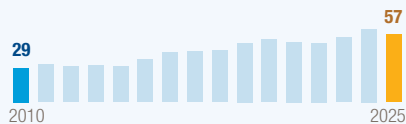
US\$500 billion

Saved each year if 94 developing countries borrowed at the rate developed countries pay.



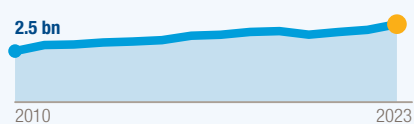
US\$995 billion

Net interest paid by developing countries on their public debt in 2025, up from US\$363 billion in 2010.



57 countries

Spent at least a tenth of government revenues on interest in 2025, up from 29 in 2010.



3.7 billion people

Live in countries that spend more on interest than on health or education, up from 2.5 billion in 2010.



1.

Public debt rises, but debt-to-GDP ratios stabilize

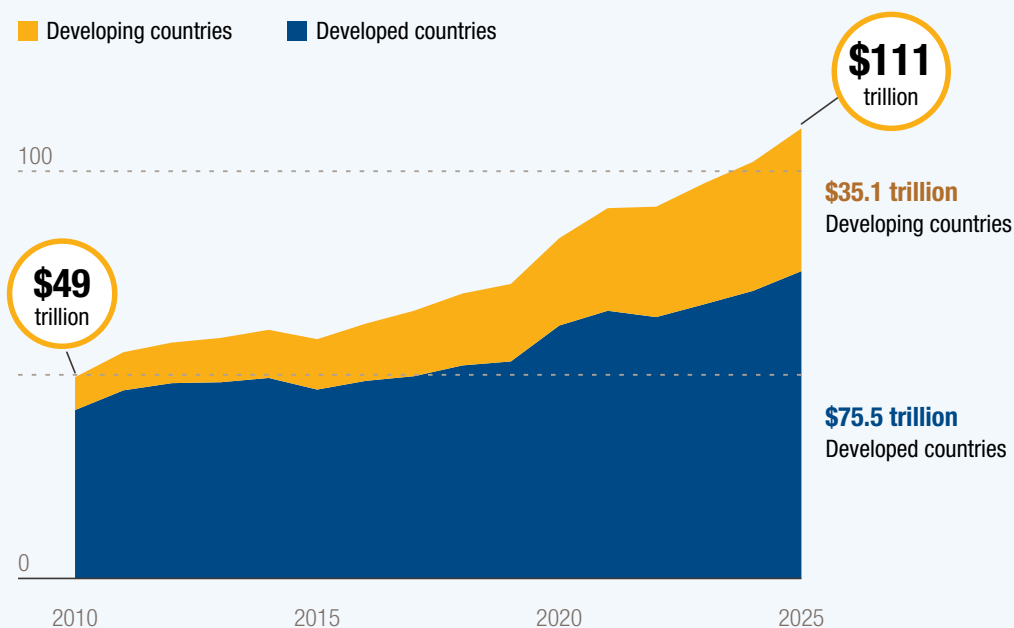
Global stocks of public debt (comprising the outstanding debt obligations of all levels of government, whether domestic or external) reached close to US\$111 trillion in 2025 – up by over US\$8 trillion on its 2024 levels (figure 1). Collectively, developed countries – which



Figure 1

Global public debt reached US\$111 trillion in 2025

Stock of gross public debt in developed and developing countries, (trillions of US dollars)



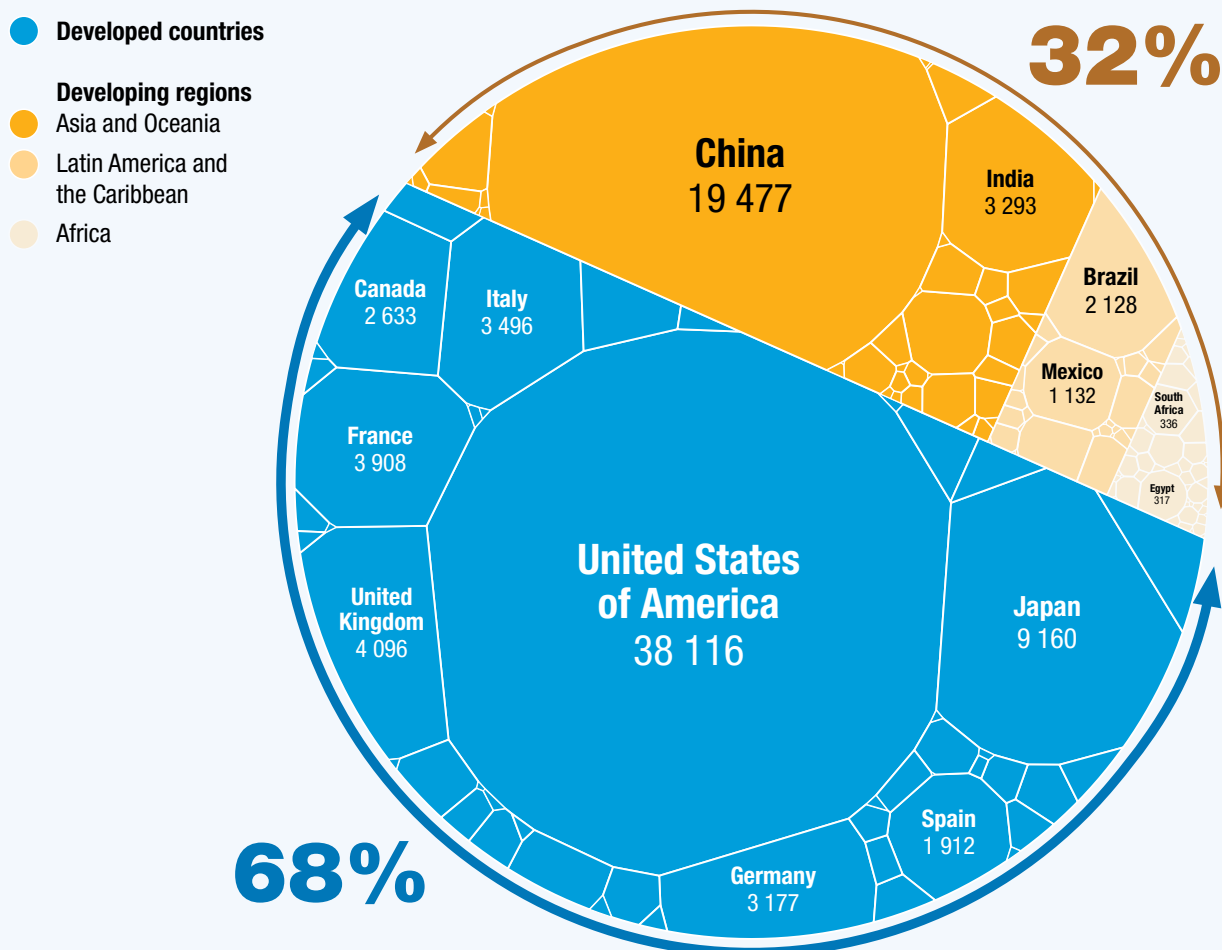
Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).

Note: Public debt refers to the gross debt of national, state/provincial and local government as well as any social security funds for which they are responsible in current US dollars.

represent less than a fifth of the world's population – accounted for over US\$75 trillion (68%) of global public debt in 2025, with developing countries – home to over 80% of the population – adding a further US\$35 trillion. In 2010, China contributed a quarter of the debt stock of developing countries, but by 2025 – on the back of average annual growth of over 16% – its share had risen to more than half.

In 2025, the United States accounted for a third of total global public debt, China 17%, Japan 8%, the United Kingdom 4% and India 3%. Regionally, African countries collectively held less than 2% of global public debt, while those in Latin America and the Caribbean contributed close to 5% and developing countries in Asia and Oceania added 25% (figure 2).

Figure 2
Over two-thirds of public debt is held by developed countries



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).

Developed countries, home to less than a fifth of the world's population, hold over two-thirds of global public debt.

Figure 3
Debt is growing faster in the developing world

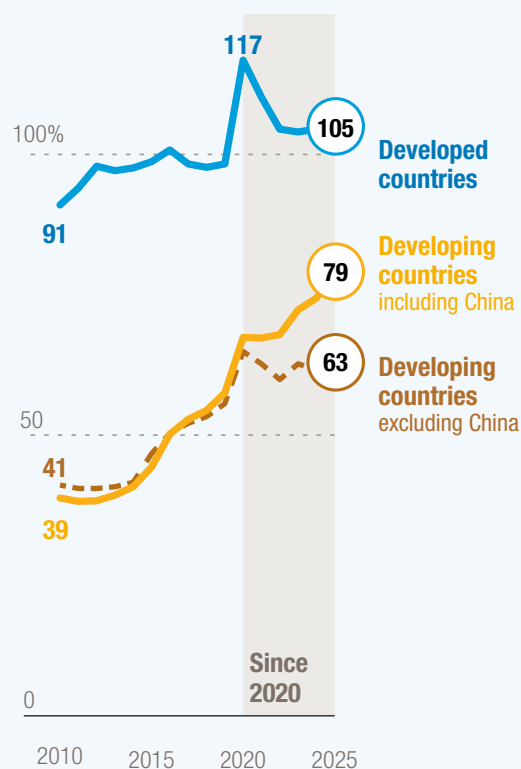
Relative trends in the stock of gross public debt in developed and developing countries, (Index: 2010 = 100)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).

Figure 4
While public debt has continued to grow, debt-to-GDP ratios have stabilized

Public debt as a share of GDP in developed and developing countries (%)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).

Note: GDP represents the nominal value of goods and services produced within the borders of a country.

In the case of developed countries, the average rate of increase in debt stocks more than doubled in the post-pandemic period – from 2.9% a year between 2010 and 2019 to 6% a year between 2019 and 2025. The rate of increase accelerated more modestly in developing countries, but from an already much higher rate of 10% a year (figure 3). However, with China excluded, the post-pandemic growth rate decreased to just over 7% – not significantly higher than the growth of developed countries.

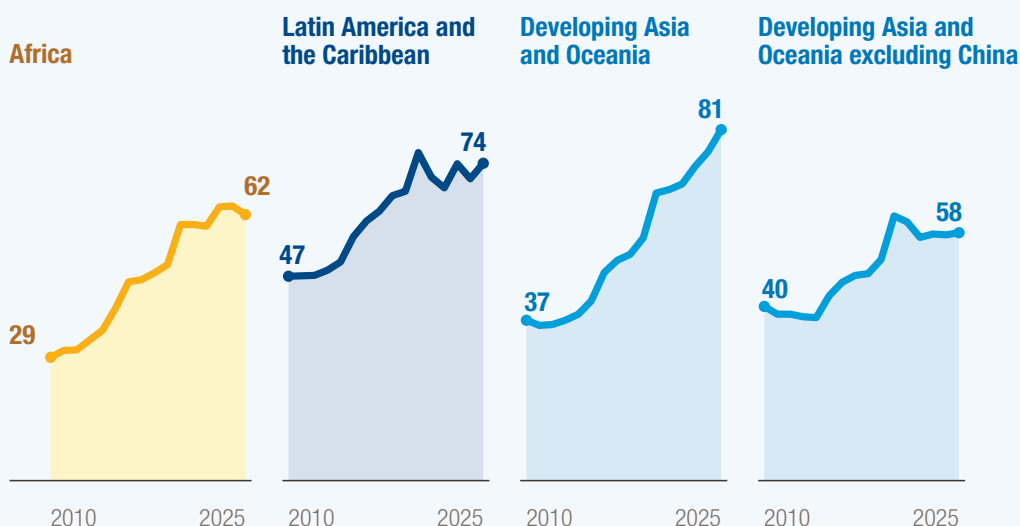
When expressed in relation to the aggregate size of their economies, the debt trajectories of developed and developing countries differ markedly (figure 4). Whereas the weighted average debt-to-GDP ratio of developed countries was consistently above 90% after 2010, and reached 117% during the pandemic, the corresponding ratio for developing countries rose steadily from around 39% in 2010 to 79% in 2025. However, the post-pandemic public debt trajectory of developing countries diverges significantly when China is excluded – initially falling in 2021 and 2022 and then remaining relatively stable at around 63% in the following years.



Figure 5

Debt-to-GDP ratios vary across developing regions

Average debt ratios across developing regions (% of GDP)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).

Note: Ratios are calculated by dividing the aggregate public debt of the region by the corresponding aggregate GDP.

Variations in debt ratios across developing regions (figure 5) reflect differences in, amongst other things, the structure of the economy and its level of development, the depth of domestic capital markets, the ability to access global capital markets and in the terms through which such access is gained. Ratios have also been impacted over time by the extent to which countries in these regions were able to benefit from debt write-offs in accordance with programmes such as the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative.

For African countries, the ratio of public debt to GDP stood at 29% in 2010 but had doubled by 2020. It then jumped again in 2023 and 2024 before softening in 2025. Latin America and the Caribbean followed a broadly similar path from a higher starting point, peaking during the pandemic and retreating thereafter. Developing Asia and Oceania saw its average debt ratio soften slightly in 2011, before rising rapidly till 2020. After slowing slightly in 2021 and 2022, the pace of increase then accelerated, reaching 81% in 2025. However, if China is excluded from the analysis the region's post-pandemic debt trajectory is quite different, with the ratio peaking at around 61% in 2020 and then slipping back in subsequent years.





2. External debt shares decline while borrowing costs soar

The ability to consistently access external debt markets expands both the scale and the range of financial capital available to developing countries and can also reduce its cost. However, these new external debt inflows result in stocks of debt liabilities which need to be repaid and on which interest is levied. Both the principal repayment and the interest are usually denominated in the same currency as the original debt (typically US dollars, euros, yen or renminbi), which requires that the borrowing country earn sufficient foreign currency through its exports and other financial inflows to cover both its debt servicing requirements and its essential imports. A failure to do so can result in foreign currency shortages, growth-restricting policy responses aimed at curbing imports and, in some cases, an inability to service the external debt.

The borrowing country must earn sufficient foreign currency to cover both its debt servicing requirements and its essential imports.

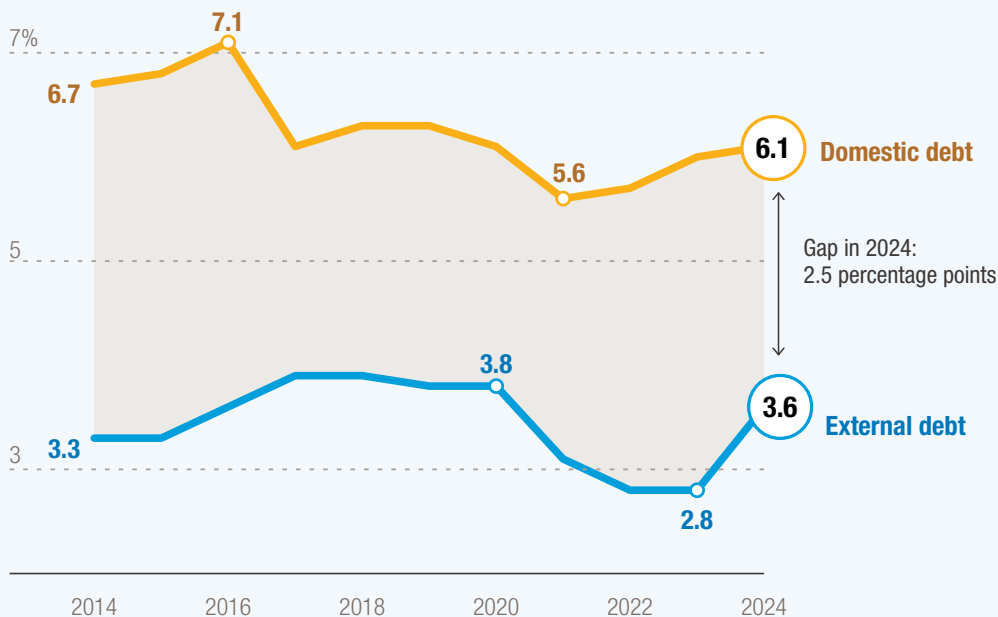
The relative attractiveness of external public debt depends largely on the cost and other terms governing access to it, and on available domestic alternatives. Deeper domestic capital markets are characterised by high levels of liquidity that enable large quantities of a wide range of financial assets to be actively traded at relatively low cost by diverse market participants. It is generally easier for governments in countries with deep domestic capital markets to finance fiscal deficits by borrowing domestically. However, if domestic capital markets are illiquid, with small volumes of a limited range of financial assets being traded infrequently at relatively high cost by a small number of participants, financing significant fiscal shortfalls carries risks – including limiting the access of private households and businesses to affordable finance and contagion effects being transmitted between banks, long-term insurers and governments.



Figure 6

Domestic borrowing comes at a higher cost

Average interest rate on external and domestic public debt in developing countries
(% per annum)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026) and World Bank International Debt Statistics.

Note: External public debt service refers to external public and publicly guaranteed (PPG) debt. Analysis excludes China.

The relative shallowness of capital markets in many developing countries also tends to make domestic borrowing more expensive. Excluding China, the costs of domestically sourced government debt in developing countries were, on average, 2.8 percentage points higher than externally sourced debt between 2014 and 2024 (figure 6). These higher costs need to be assessed against the benefits of borrowing domestically, including interest payments remaining in the economy instead of leaking out to foreign creditors, and reduced exposure to the effects of adverse exchange rate movements.

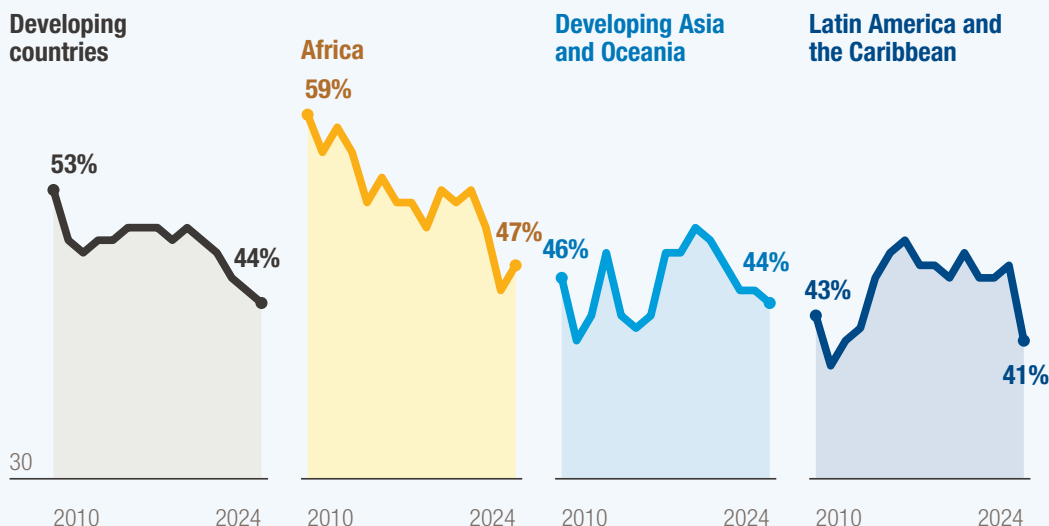




Figure 7

Developing countries now rely less on external public debt

Median share of external public and publicly guaranteed debt of total public debt (%)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026), World Bank International Debt Statistics and national data.

Note: External public debt refers to external public and publicly guaranteed (PPG) debt. Median refers to the mid-point of the country-level distribution.

For these and other reasons, governments in developing countries have tended to depend on external debt to varying degrees. Such debt takes the form of loans – which might be from multilateral lenders such as development banks, other governments (bilateral lenders) or foreign commercial banks – and sovereign bonds issued to foreign investors. However, while the value of external public debt has increased, its share of the total stock of public debt has generally decreased since 2010 (figure 7) due largely to several global shocks that have reduced liquidity in global debt markets and increased the relative cost of borrowing externally. So, while the median share of debt sourced externally by developing country governments stood at 53% of their debt in 2010, by 2024 this share had dropped to 44%. In African countries the decreased reliance on external public debt was even more pronounced – dropping by 12 percentage points over the period, while in Developing Asia and Oceania and Latin America and the Caribbean the decrease was still evident – but more subdued.

Reduced reliance on external public debt has also changed what external borrowing delivers. Beyond how much developing countries borrow abroad, the question is whether that borrowing still adds to the resources available to them.

In any year, a government may receive funds from foreign lenders in the form of disbursements, and pay funds back to them as debt service, made up of principal repayments plus interest. The difference is the net debt transfer. When it is positive, external borrowing adds to the resources a government has available to spend. When it is negative, the government pays out more money abroad than it receives, and must fund the difference from additional taxes, reserves or cuts to other spending.



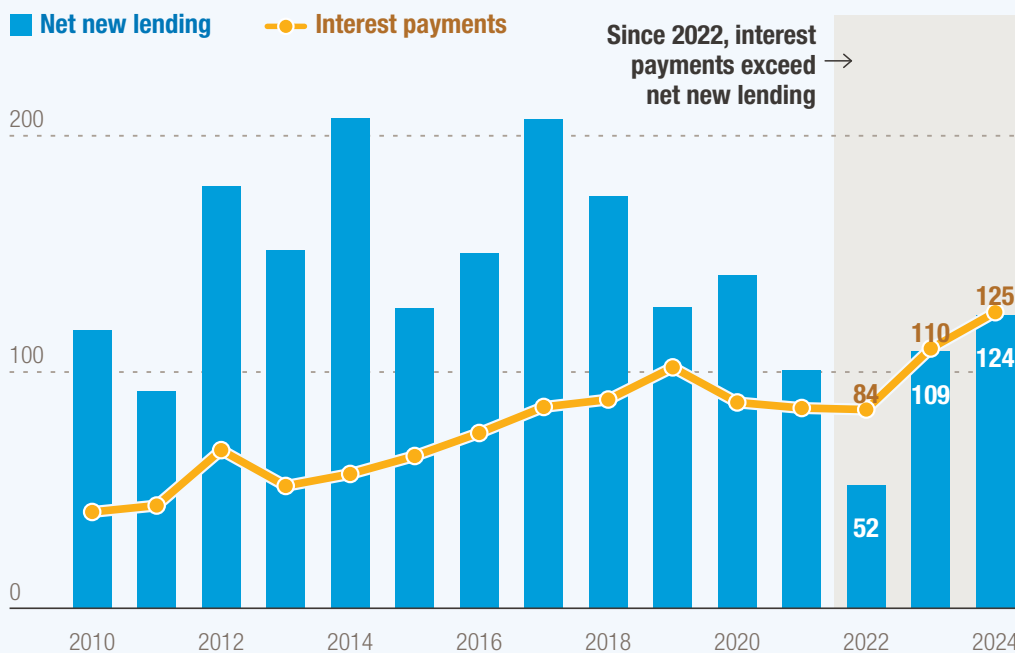
For most of the past fifteen years, external public borrowing was a net additional source of finance for developing countries – but not in recent years. Excluding China, net debt transfers peaked at US\$150 billion in 2014 and were negative in 2022, 2023 and 2024 (figure 8).



Figure 8

Interest payments have overtaken net new lending

Interest payments and net new external lending to developing countries (billions of US dollars)



Source: UN Trade and Development (UNCTAD) calculations based on World Bank International Debt Statistics.
Note: Net new lending is disbursements less principal repayments. Net new lending less interest equals the net transfer.
Analysis excludes China.

For most of the past fifteen years, external public borrowing was a net additional source of finance for developing countries – but not in recent years.



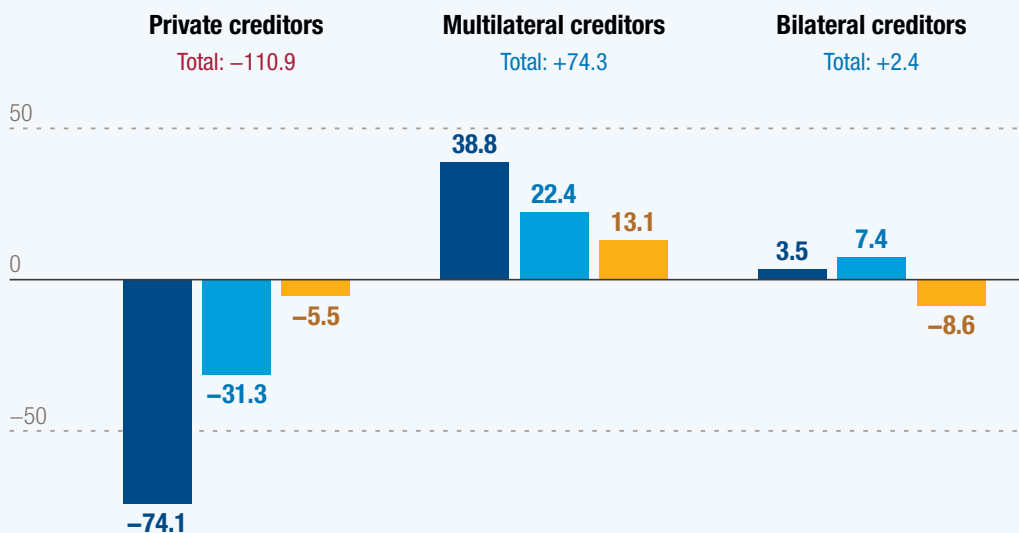


Figure 9

Private creditors have reduced their exposure to developing countries in recent years

Net debt transfers by creditor group from 2022 to 2024 (billions of US dollars)

■ 2022 ■ 2023 ■ 2024



Source: UN Trade and Development (UNCTAD) calculations based on World Bank International Debt Statistics.

Note: Net transfers on external public debt are defined as new disbursements minus debt service on external public and publicly guaranteed (PPG) debt.

From 2022 to 2024, bilateral creditors lent US\$135.9 billion to developing economies excluding China, less than half what multilateral institutions provided. After principal and interest payments are deducted, what stayed in these countries was only US\$2.4 billion. Multilateral institutions on the other hand, delivered US\$74.3 billion over the same three years (figure 9), offsetting a significant portion of the US\$111 billion withdrawn by private creditors.

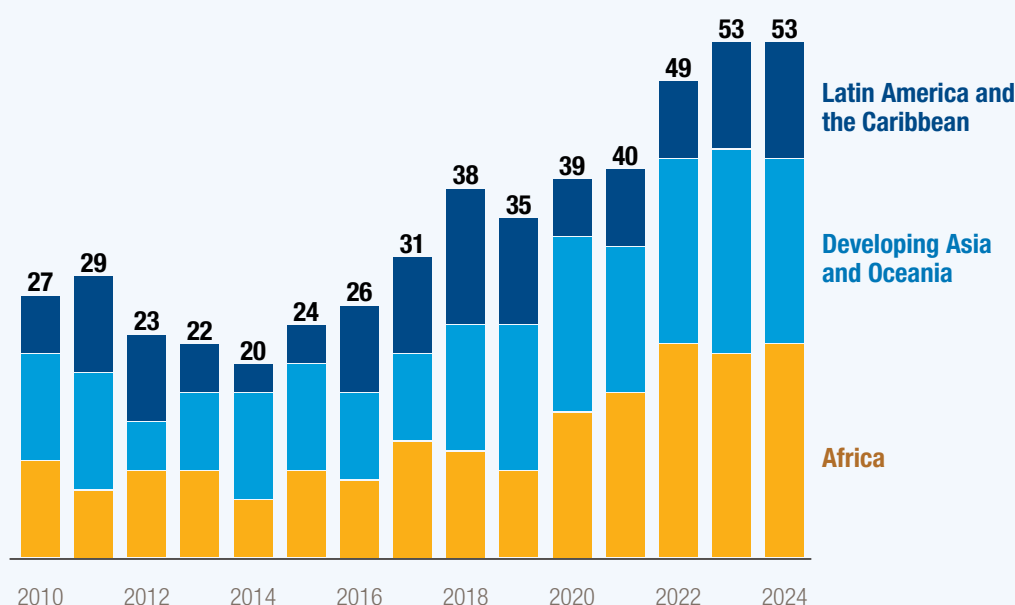




Figure 10

Number of developing countries with net debt outflows doubled over the last decade

Number of countries with net negative transfers on external public debt in each developing region)



Source: UN Trade and Development (UNCTAD) calculations based on World Bank International Debt Statistics.

Note: Net transfers on external public debt are defined as disbursements minus debt service on external public and publicly guaranteed (PPG) debt.

This trend is not confined to a few large borrower countries. In 2024, 53 of 110 developing economies for which the necessary data exists paid their external public creditors more than they received – twice as many as in 2010 (figure 10). What began as a problem affecting a small number of borrower countries now describes close to half of the developing world. Africa accounts for the largest number of these countries, with 22 in net outflow, followed by 19 in Asia and Oceania and 12 in Latin America and the Caribbean. However, measured against the number of economies covered in each region, the strain is relatively heavier in Latin America and the Caribbean (55% of countries) and in Asia and Oceania (51%) than in Africa (44%). This is partly a function of differing regional exposures to private creditors, which is explored in more detail later (see figure 15).

What began as a problem affecting a small number of borrower countries now describes close to half of the developing world.

This reversal in net debt transfers has coincided with a decline in one of the most affordable sources of external finance for many developing countries, official development assistance (ODA).

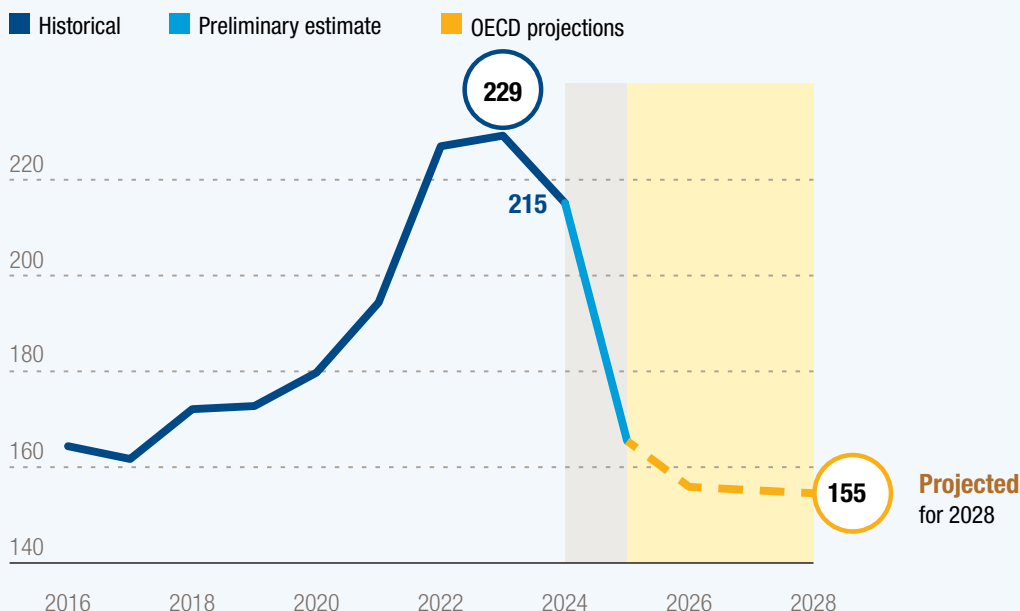




Figure 11

Official development assistance has fallen sharply

Total ODA provided by DAC countries on a grant-equivalent basis
(billions of US dollars at constant 2024 prices)



Source: UN Trade and Development (UNCTAD) calculations based on OECD Data Explorer and OECD, DCD(2026)8.

Note: Historical data for 2016–2024 are from OECD DAC1. The 2025 figure is a preliminary estimate. The 2026 and 2028 projections were calculated by applying the expected declines reported in OECD DCD(2026)8 to the 2025 value.

While the debt service burdens of developing countries have risen, the ODA provided by Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) countries is estimated to have declined sharply in 2025 and is projected to contract further in coming years. If these projections are realized, all the increases recorded since 2017 will be reversed (figure 11).

The retrenchment has been uneven: bilateral ODA is estimated to have fallen by over 26% in real terms between 2024 and 2025, double the projected 13% decline in multilateral ODA. Multilateral channels have therefore provided only a partial buffer against the broader reduction in development assistance. As a share of DAC members combined gross national income, ODA declined from 0.37% in 2023 to 0.34% in 2024 and to 0.26% in 2025 – moving further away from the United Nations target of 0.7%.

As new external finance has become scarcer, the cost of servicing existing external debt has continued to rise. So, while developing countries rely less on external public debt than they did, the burden of servicing it has increased.

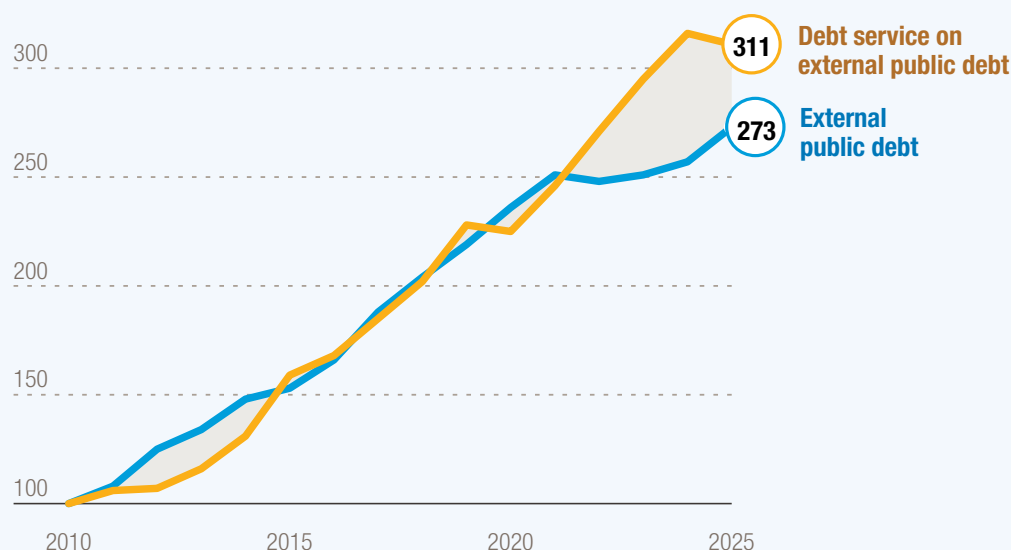




Figure 12

Costs of external debt rose faster than debt stocks in recent years

Stock of external public and publicly guaranteed debt of developing countries and their servicing costs
(Index: 2010 = 100)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026), World Bank International Debt Statistics and national data.

Note: Debt service on external public debt service refers to principal and interest payments on external public and publicly guaranteed (PPG) debt.

Despite this reduced dependence, the stock of outstanding debt owed to foreign creditors continued to increase – albeit at a slower rate in the post-pandemic period. Between 2010 and 2021, developing countries added close to US\$2.5 trillion to their external public debt – an average increase of around US\$220 billion per year. However, between 2021 and 2024, they added just US\$86 billion in additional debt. Prior to the pandemic, the costs of servicing external public debt increased at a very similar pace to the underlying stocks. However, between 2021 and 2024 a widening gap emerged, with stocks increasing by just 2% and costs rising by 28% (figure 12).

Between 2021 and 2024, external public debt stocks increased by just 2%, while the costs of servicing them rose by 28%.

In the context of an estimated financing gap of around US\$4.3 trillion a year to deliver on the Sustainable Development Goals by 2030, and the tendency for external financing costs to serve as a benchmark for domestic borrowing costs in many developing countries, the rising costs of servicing external public debt constitutes a significant obstacle to achieving development agendas.

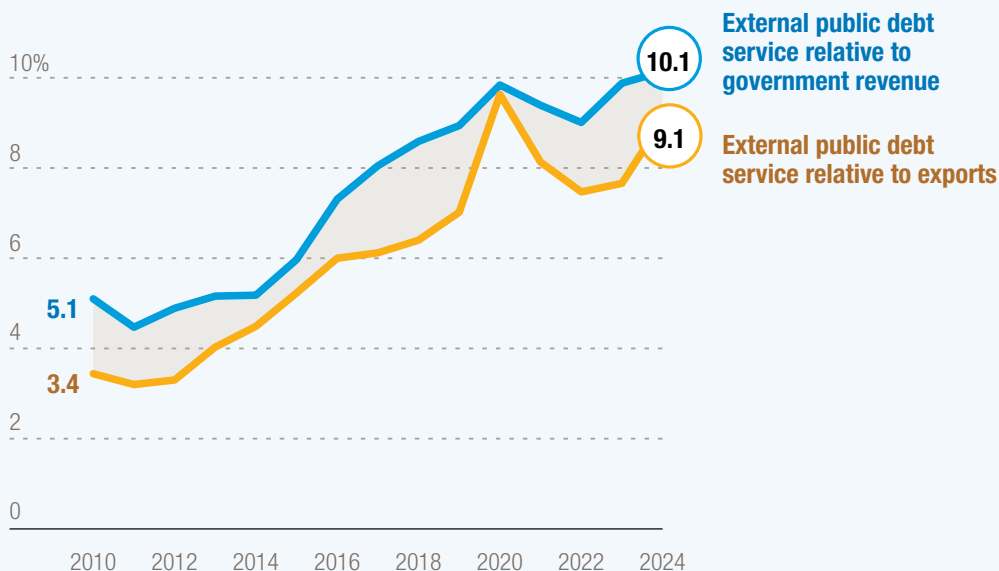




Figure 13

External debt service has been rising faster than servicing capacity

Median external public debt service as a share of exports and government revenues in developing countries (%)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026), World Bank International Debt Statistics and national data.

Note: External public debt service refers to principal and interest payments on external public and publicly guaranteed (PPG) debt. Exports include exports of goods and services. The median represents the midpoint of the country-level distribution.

The gap between external public debt and its servicing costs places increasing pressure on countries' capacity to generate foreign currency through exports and mobilize sufficient government revenues to service these debts. Figure 13 shows that debt service burdens have risen relative to both resources since 2010, constraining both foreign-exchange liquidity and fiscal space. The export-based measure is particularly sensitive to external shocks and supply chain disruptions: its pronounced spike in 2020 primarily reflects the pandemic-induced collapse in export receipts, rather than higher debt service payments.

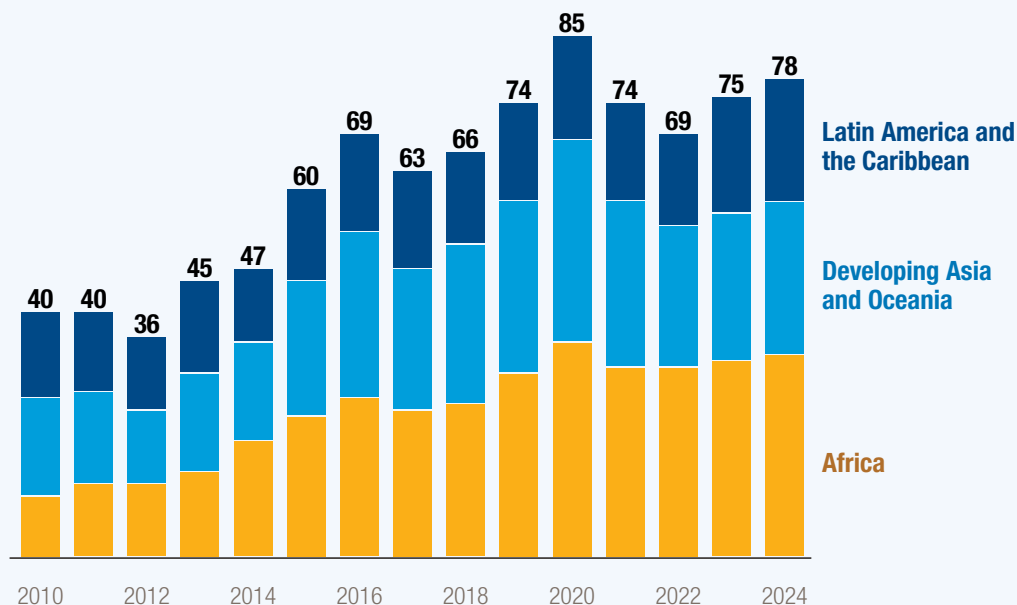




Figure 14

Countries facing significant external debt service burdens have increased

Number of developing countries with external public debt service exceeding 5% of exports



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026), World Bank International Debt Statistics and national data.

Note: External public debt service refers to principal and interest payments on external public and publicly guaranteed (PPG) debt. Exports include exports of goods and services.

Elevated debt-service burdens across all regions indicate that the problem is broad-based rather than confined to a small group of countries. Although the number of affected countries declined from its pandemic-era peak, it remained well above its 2010 level in 2024. The pandemic was not a short-lived disruption but exacerbated a longer-term deteriorating trend. Africa accounted for much of the increase, but persistently high burdens in developing Asia and Oceania and Latin America and the Caribbean confirm that the pressure is shared across developing regions (figure 14).

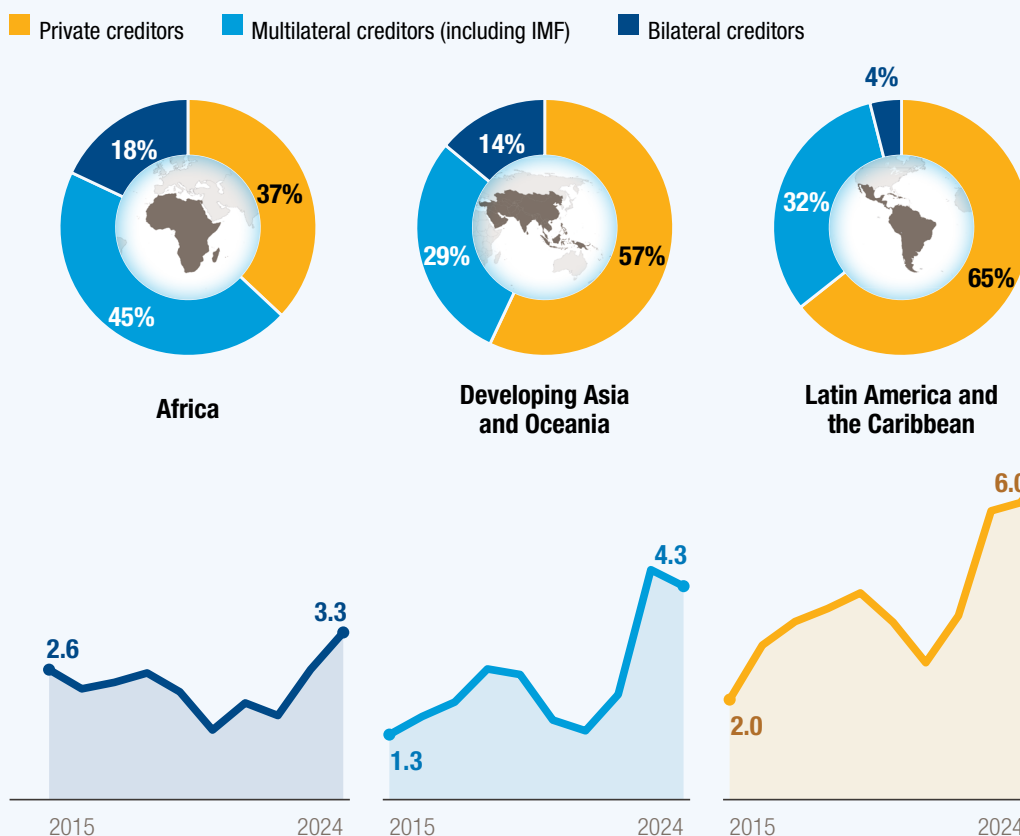




Figure 15

More private credit leads to higher debt costs

Creditor composition of external public debt in 2024 (top panel %) and trends in costs of new loans from different creditor groups (bottom panel % per annum)



Source: UN Trade and Development (UNCTAD) calculations based on World Bank International Debt Statistics.

Note: External public debt refers to external public and publicly guaranteed (PPG) debt.

Assessing why these burdens persist also requires considering how external public debt is distributed among bilateral, multilateral and private creditors, whose financing terms and refinancing risks differ (figure 15). While the interest rate on new loans to developing countries increased significantly for all creditor groupings after the pandemic, debt advanced by private creditors was 2.6 percentage points more costly than from bilateral creditors in 2024, and 1.7 percentage points more expensive than loans from multilateral lenders.

Recent geopolitical developments have added to these pressures, both by raising borrowing costs and by weakening the capacity of developing countries to service their debt.

While 2025 saw some improvement in borrowing conditions for developing countries due to reduced policy rates in developed regions and some increase in liquidity in capital markets, coupon rates on new issuances were still elevated, and maturities remained short. Consequently, opportunities for cost-reducing refinancing remained limited, as borrowing costs of new debt were generally higher than the debt it was replacing.

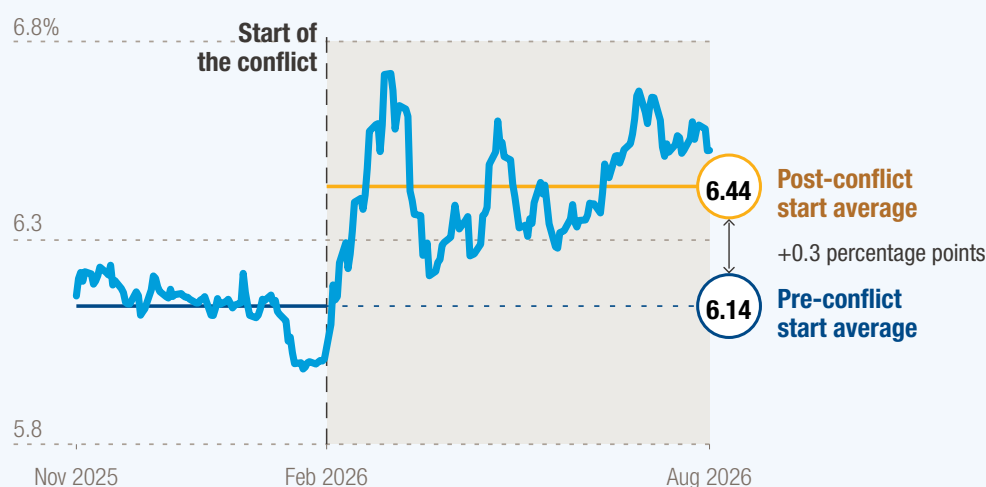




Figure 16

Conflict in the Middle East has pushed up borrowing costs

Weighted yields on the sovereign bonds of financially integrated developing economies (% per annum)



Source: UN Trade and Development (UNCTAD) calculations based on LSEG DataStream.

Note: Financially integrated developing countries are emerging and frontier market economies that have issued bonds in international capital markets.

These conditions have been exacerbated by the conflict in the Middle East, which has resulted in increased geopolitical uncertainties, higher energy costs, disruptions to global supply chains, increased inflationary pressures and the consequential postponement and, in some cases, reversal of reductions in monetary policy rates. The yield on sovereign bonds issued by financially integrated developing countries increased by an average of 30 basis points following the start of the conflict (figure 16). In many countries, governments have attempted to shield their people from the most immediate impacts of the conflict by increasing fuel subsidies or reducing fuel taxes – leaving growing gaps in government budgets. The longer the disruptions caused by the conflict continue, the larger these gaps will be. These developments have not only resulted in limited access to external debt finance and rising borrowing costs for developing countries, but have also simultaneously undermined their debt servicing capacity by reducing economic growth, net export earnings and fiscal revenues – particularly in energy importing countries. If the higher interest burdens arising from the conflict become embedded, it could add up to \$57 billion to the interest costs of developing countries.

Developing countries could be squeezed on both sides: higher borrowing costs coupled with reduced access to bilateral concessionary finance.

These impacts are not only reflected in the sovereign yields of developing countries. Ten-year US Treasury yields rose by an average of 32 basis points since the start of the conflict, German 10-year Bunds by 26 basis points and Japanese sovereign 10-year bonds by 55 basis points. So, while borrowing costs have increased in developing countries, they have risen in developed countries too. This shrinks the fiscal space of these countries and could contribute to a further contraction of their ODA contributions. Developing countries could therefore be squeezed on both sides: higher borrowing costs coupled with reduced access to bilateral concessionary finance.





3. Developing countries' debt service costs much more

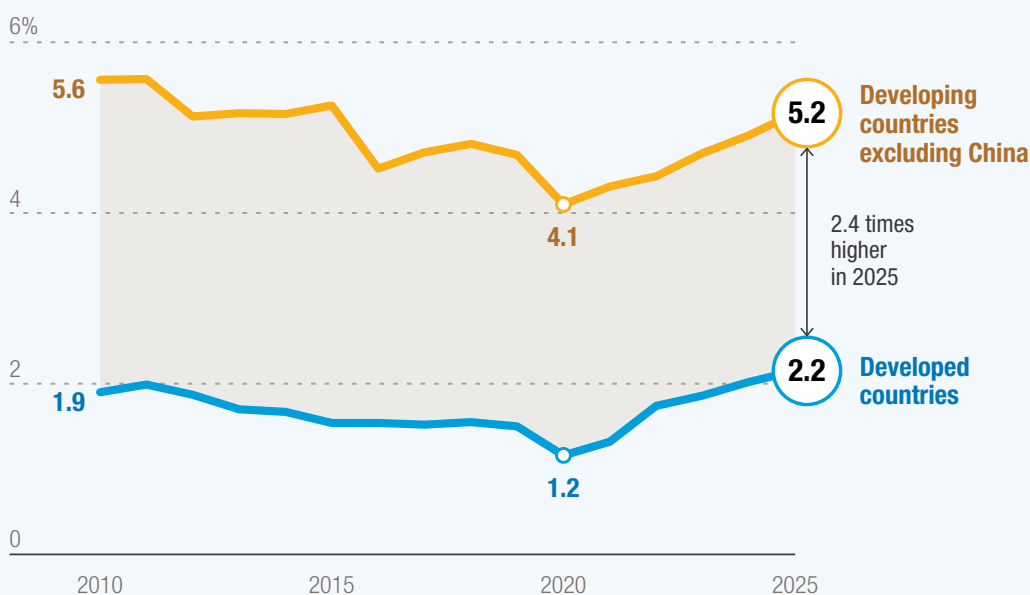
On average, developing countries pay interest rates on their total public debt (both external and domestic) that is almost three times that paid by developed countries. Between 2010 and 2025, this interest premium averaged 320 basis points (3.2 percentage points), with developed countries paying an average of 1.7% a year and developing countries excluding China averaging 4.9% a year (figure 17).



Figure 17

Developing countries pay more than double to service their public debt

Comparative average interest rate on public debt in developed and developing countries (% per annum)



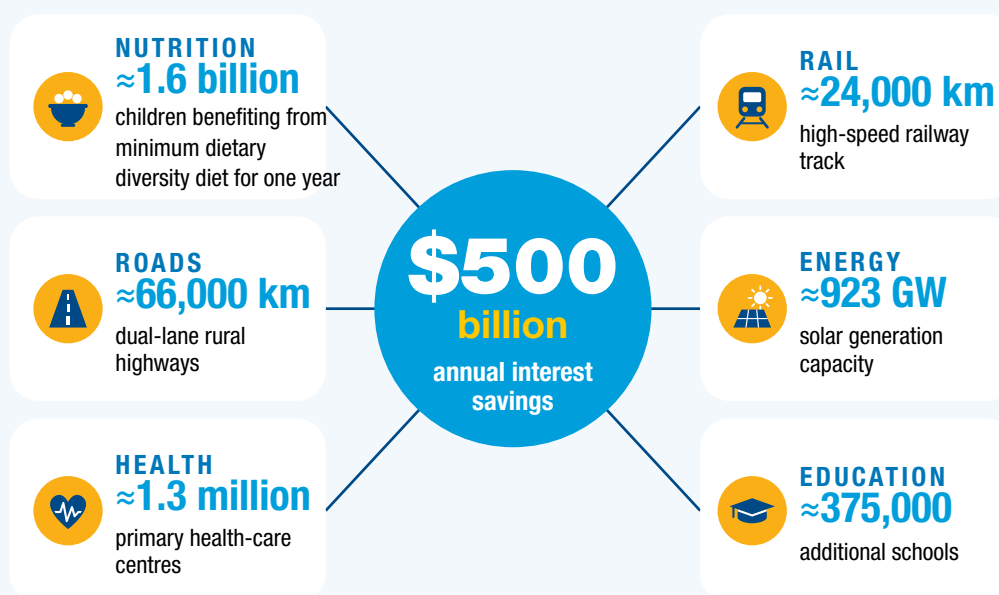
Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).



Figure 18

Higher interest payments compromise development outcomes

Annual expenditures that could be funded if developing countries paid what developed countries do



Source: UN Trade and Development (UNCTAD) calculations based on IMF and World Bank data and costing estimates from other sources.

Note: Interest savings relate to 94 developing countries that borrowed at higher rates than the average for developed countries in 2025. Each example represents one illustrative use of the full US\$500 billion in annual interest savings; estimates are not additive. Costs may vary significantly according to location and prevailing standards.

This interest premium represents a developmental opportunity cost: higher rates translate into increased interest costs in budgets and less money being available to support development and climate agendas. If the 94 developing countries that currently pay higher interest rates on their public debt than the average developed country could borrow at similar rates, they would collectively save almost US\$500 billion each year in interest. Illustratively, such savings could be employed to finance significant additional investments in economic, social and digital infrastructure and other development programmes (figure 18), and help to put the sustainable development agenda back on track.

If they could borrow at the rates developed countries pay, 94 developing countries would save almost US\$500 billion in interest each year.

The scale of this opportunity cost is reflected in developing countries' rapidly rising interest bills. Higher borrowing costs magnify the budgetary impact of larger debt stocks, while growing interest payments can increase refinancing needs and reinforce debt accumulation. These pressures have intensified since 2020, with net interest payments growing at a rate of over 11% per annum to reach US\$995 billion in 2025, nearly three times their 2010 level (figure 19).

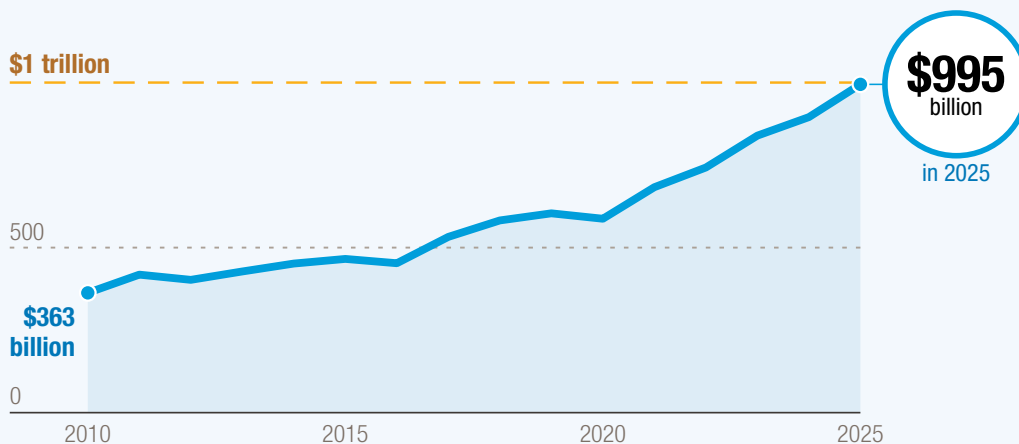




Figure 19

Developing countries paid almost a trillion dollars in interest

General government net interest payments on total public debt in developing countries (billions of US dollars)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).

Note: Net interest payments of the general government refer to the total amount of domestic and external interest expenses incurred from loans and other forms of borrowing, minus any interest income received.

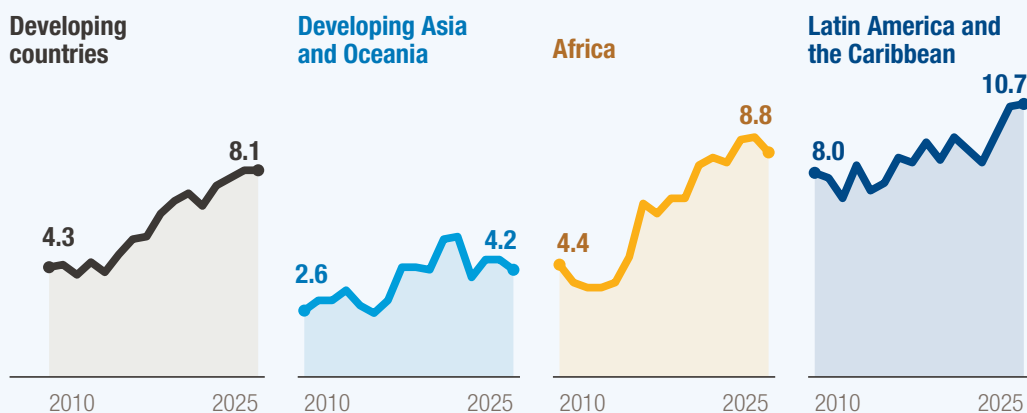
Aggregates do not reveal how heavily interest payments weigh on individual country public budgets. Measured relative to government revenues, interest payments show how much fiscal capacity is absorbed by past borrowing before new policy priorities can be financed. The broad rise across developing regions therefore points to a widespread erosion of budgetary flexibility, even though the degree of exposure differs considerably across country groups.



Figure 20

Interest burdens have almost doubled

Median general government net interest payments as a share of government revenues, by developing-country group (%)



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).

Note: Net interest payments of the general government refer to the total amount of domestic and external interest expenses incurred from loans and other forms of borrowing, minus any interest income received. The median represents the midpoint of the country-level distribution.

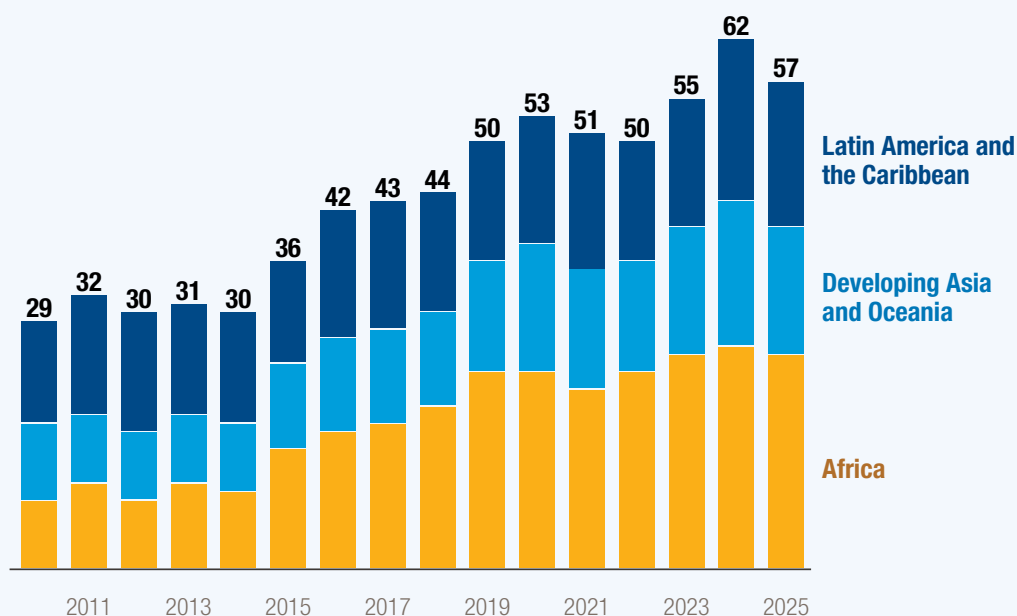




Figure 21

Countries with high interest burdens are still numerous and widespread

Number of developing countries with net general government interest payments of at least 10% of government revenues, by region



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026).

Note: Net interest payments refer to total domestic and external interest paid less any interest income received. The median represents the midpoint of the country-level distribution.

In 2025, an estimated 57 developing countries allocated at least one tenth of government revenues to interest payments.

Regional medians can conceal how widely severe interest burdens are distributed across countries. The threshold measure in figure 21 therefore complements the median by identifying the number of governments facing particularly acute fiscal pressure. In 2025, an estimated 57 developing countries allocated at least one tenth of government revenues to interest payments, limiting their capacity to absorb shocks and making expenditure adjustment more difficult when financing conditions deteriorate.





4. People's futures are at stake

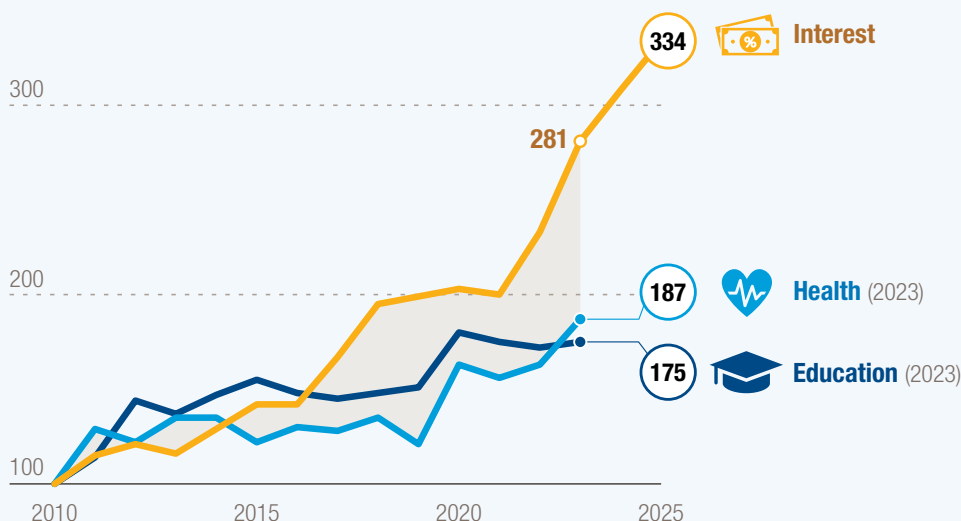
Interest bills matter because of what they leave to pay for everything else. The share of public resources absorbed by interest shapes how much governments can invest in the health, education and skills of their people, and in expanding the productive capacity of the economy – with developmental impacts that extend far into the future.



Figure 22

Interest payments are outpacing critical development spending

Median public expenditure per capita on net interest, education and health in developing countries
(Index: 2010 = 100)



Source: UN Trade and Development (UNCTAD) calculations based on World Bank World Development Indicators, IMF World Economic Outlook (April 2026) and UNCTADstat.

Note: The median represents the midpoint of the country-level distribution. Analysis excludes countries with net interest receipts. Education and health data for 2024 is not included due to limited data coverage of developing countries.



Interest bills matter because of what they leave to pay for everything else.

Rapidly rising interest payments are absorbing a greater share of government revenues, thereby constraining the fiscal space available for other public expenditures. Between 2010 and 2023, per capita interest payments in developing countries grew significantly faster than equivalent health and education expenditures (figure 22) in most developing countries. Interest costs continued to rise strongly in both 2024 and 2025, so the gap is likely to have widened further.

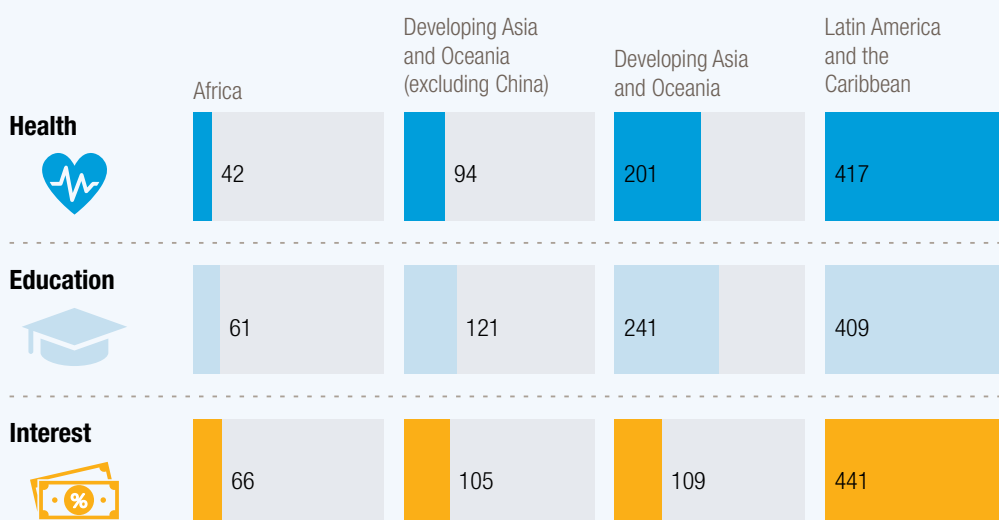
The rising interest burden has forced developing countries to spend more on debt servicing than on critical developmental priorities. In 2023, public sector interest per capita in Africa, and in Latin America and the Caribbean was higher than equivalent spending on either health or education (figure 23). In Developing Asia and Oceania (excluding China) it was higher than per capita spending on health. As interest payments absorb a greater share of public resources, less is available to finance other expenditures that are critical to long-term development goals.



Figure 23

Some developing regions spend more on interest than on health or education

Public expenditure per capita on net interest, education and health in US dollars, 2023



Source: UN Trade and Development (UNCTAD) calculations based on IMF World Economic Outlook (April 2026), World Bank World Development Indicators and UNCTADstat.

Note: Figures refer to 2023 because data coverage for 2024 is limited. For education spending, 2022 values were used for 15 developing countries without data for 2023.

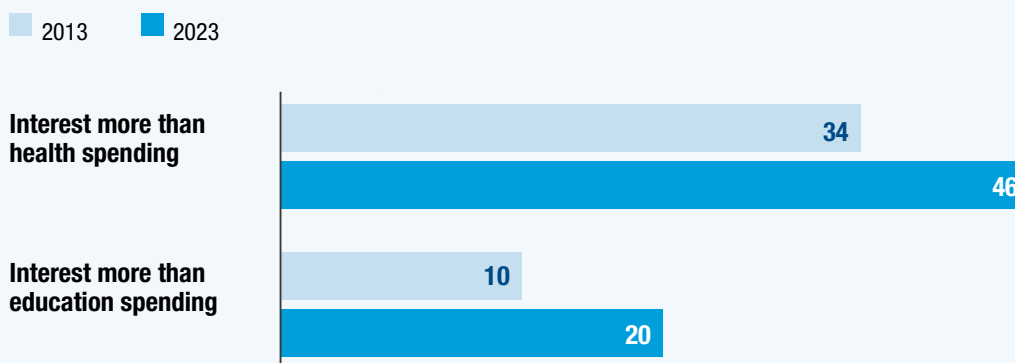




Figure 24

A rising number of countries spend more on interest than on essential services

Number of developing countries where interest on public debt exceeds public expenditure on health or education



Source: UN Trade and Development (UNCTAD) calculations using World Bank World Development Indicators, IMF World Economic Outlook (April 2026) and UNCTADstat.

Note: Interest refers to net interest payments.

The number of countries where public interest payments surpassed government spending on these essential services has also continued to rise (figure 24). In 2023, 20 countries spent more on interest payments than on education, and 46 countries spent more on interest payments than on health. The growing number of countries affected highlights the increasingly difficult trade-off developing countries face between debt servicing and essential public investment.

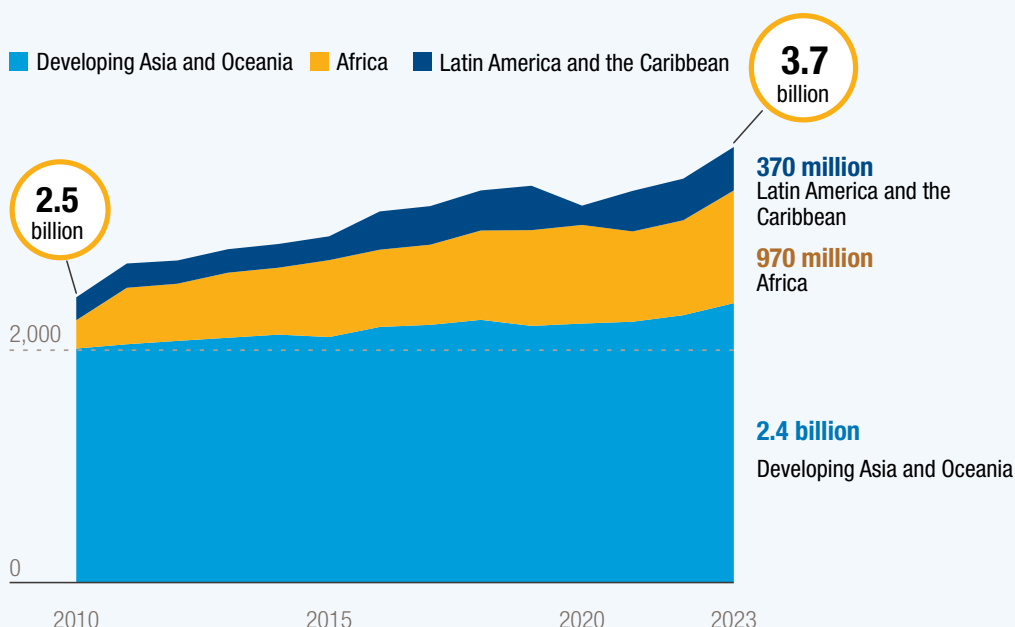




Figure 25

3.7 billion people are threatened by rising interest costs

Population (millions) living in developing countries where interest on public debt exceeds public spending on health or education



Source: UN Trade and Development (UNCTAD) calculations based on World Bank World Development Indicators, IMF World Economic Outlook (April 2026) and UNCTADstat.

Note: Interest refers to net interest payments on public debt.

Rising interest costs and the resulting erosion of fiscal space mean that an increasing share of the developing world's population live in countries where public spending on interest exceeds that on either health or education. While 24% of Africa's population lived in countries in this position in 2010, by 2023 it had risen to 65%, and in Latin America and the Caribbean it rose from 34% to 58% over the same period. In Developing Asia and Oceania, the increase was more modest, from 50% in 2010 to 53% in 2023. As a result, the total number of people in this position increased from 2.5 billion in 2010 to 3.7 billion in 2023 (figure 25).

The number of people living in countries that spend more on interest than on health or education rose from 2.5 billion in 2010 to 3.7 billion in 2023.

These trends are not inevitable. They reflect how the cost of capital for developing countries is determined, and they can be addressed through action at both the multilateral and the national level.





5. What is needed to get back on track?

The interest premium that developing countries pay to finance their public debt directly impacts their capacity to advance their development agendas and meet the needs of their people. It is a function of how capital markets are structured, how sovereign risk is assessed and how debt distress is resolved. On top of this, these structurally higher interest costs have been rapidly elevated in recent years by policy responses to a series of global conflicts and crises – leaving even less fiscal space for countries to finance investment in health and education systems, economic, social and digital infrastructure, climate adaptation and other priority areas. In many countries development progress has stalled.

In many countries development progress has stalled.

Reducing the interest costs that developing countries pay on their public debt requires a combination of short-term interventions aimed at offsetting or reversing the factors contributing to the recent increases in interest rates and longer term, and long-overdue, reforms that structurally reduce the interest premium that they pay.

Containing the adverse impacts of conflicts and other shocks requires improving the quality and scale of developing countries' access to global and regional financial safety nets, so that they can address short-term liquidity constraints quickly, at relatively low cost and with minimal conditionality.

Addressing the causes of the structurally higher interest rates that developing countries pay requires addressing both their external and domestic drivers. Ensuring that multilateral and regional development banks can provide more concessional finance, grants, guarantees, and local currency loans is essential for lowering borrowing costs and expanding the overall scale of financing available to developing countries. Reversing the decline in official development assistance will also assist in this regard. Collaborative efforts to scale up technical assistance to enhance debt management and investor communication capacities and strengthen the voice of borrower countries can reduce vulnerabilities, lower sovereign credit risk and raise investor

confidence. United Nations Member State-led initiatives to establish a Borrowers' Platform and to entrench principles of responsible sovereign borrowing and lending are advancing and should assist developing countries to reduce their borrowing costs, build necessary capacities to deal with a more complex debt landscape, and learn from each other's experiences.

Nationally, developing countries need to reduce their credit risk by strengthening their macroeconomic management, improving the quality of their public institutions, enhancing both the transparency and quality of their financial and debt data and ensuring their communication with investors is more effective. They also need to focus on improving the structure and investor composition of their debt portfolios so that their exposure to inevitable external shocks is reduced, and on scaling-up their use of innovative financial instruments to expand their access to finance and reduce the costs of servicing their debt.



The way forward

Reducing the interest costs
developing countries pay on their public debt

START WITH



**Strengthening global and regional
financial safety nets.**

Address structurally higher borrowing costs

GLOBALLY BY

- 1 Reversing declines in official development assistance.
- 2 Expanding multilateral and regional development bank lending.
- 3 Scaling-up technical assistance to build key capacities.
- 4 Advancing the Borrowers' Platform and the Working Group on guiding principles on responsible sovereign lending and borrowing.

AND NATIONALLY BY

- 1 Strengthening macroeconomic management and public institutions.
- 2 Improving the structure of debt portfolios.
- 3 Scaling-up the use of innovative financial instruments.





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