

GLOBAL SOVEREIGN DEBT MONITOR 2024

At a glance

Compared to the years during the COVID-19 crisis, in some countries of the Global South the debt situation has slightly eased. For most countries there, however, the debt situation remains tense.

The debt situation worldwide: In 130 of the 152 countries surveyed in the Global South, the debt situation is at least slightly critical; in 24 of these countries, the situation is very critical. Overall, 55% of the countries surveyed are critically or very critically indebted – in contrast to only 37% before the COVID-19 pandemic.

- **Negative record:** In 2024, countries in the Global South have to make more debt service payments to their external creditors than ever before. For 45 countries, more than 15% of government revenue flows into debt servicing.
- **No money for the future:** Due to high debt service payments, there is no financial leeway for climate protection, social services or investments in the future. Countries with a very critical debt level in particular are forced to significantly cut back on public spending.
- **Short-sighted solutions:** increasing liquidity in the short-term is considered the most efficient way to fund climate change mitigation. However, this solution often ignores the need to restore sustainable debt levels in the long term.
- **Private creditors pull out:** For the first time, net credit flows from private creditors to the entire Global South are negative. Multilateral creditors are stepping in to fill the resulting funding gaps. However, their preferred creditor status complicates achieving equitable burden-sharing in debt relief efforts.
- **Creditor interests predominate:** The first debt restructuring processes of over-indebted countries in the wake of the COVID-19 pandemic show that creditors are granting as little debt relief as possible. The countries' long-term recovery is deliberately neglected.

Recommendations to the German Federal Government

The German Federal Government must take political action now to meet its commitment to a codified sovereign debt workout mechanism, as promised in the coalition agreement, within the current legislative period. The German debt relief movement has presented comprehensive reform proposals based on the analyses of the Global Sovereign Debt Monitor.

The German Federal Government should

- **contribute to the binding participation of all creditors in debt relief, especially private creditors.** To this end, the German Federal Government should initiate own legislative measures and encourage other governments to adopt similar legislation.
- **combine steps to overcome both the climate and the debt crisis.** At the COP29 in Azerbaijan, the German Federal Government should proactively propose debt relief as a means to strengthen climate finance. Moreover, it should actively and politically support climate-vulnerable states' proposals for better access to fair debt relief.
- **finally lay the political foundation for a sovereign insolvency process.** To this end, the German Federal Government should commission an independent, publicly accessible evaluation of the debt restructuring processes to date based on the UN principles for sovereign insolvency processes. The findings should be systematically applied to shape Germany's position during discussions on global debt architecture reforms at international events, such as the UN Summit of the Future in September 2024 or the Fourth International Conference on Financing for Development in 2025.

For all political measures, the ultimate goal of the German Federal Government must be to safeguard human rights in the debtor countries: Political decisions must once and for all prioritise people's rights and needs over creditors' profit interests.