



Statement by the UN Special Rapporteur on extreme poverty and human rights on the International Day for the Eradication of Poverty (17 October 2024)

Mr. Olivier De Schutter

International financial system ‘not fit for purpose’ to address catastrophic debt crisis: UN poverty expert

GENEVA (17 October 2024) – The international financial system is failing to address the catastrophic debt crisis that is engulfing developing countries and causing misery for hundreds of millions of people, the UN’s poverty expert said today.

“The debt crisis is not just a fiscal issue; it is a full-blown human rights crisis,” said the UN Special Rapporteur on extreme poverty and human rights, Olivier De Schutter, on the [International Day for the Eradication of Poverty](#).

“In the poorest countries of the world people are struggling to eat, access health services or send their children to school, while their governments shell out billions of dollars to pay back loans to wealthy creditors.

“Making a bad situation worse, countries with the highest levels of debt also tend to be those most vulnerable to climate change, but are being forced to prioritise debt repayments over addressing the severe consequences of the climate crisis.”

The expert warned that rocketing interest rates since the Covid-19 pandemic were sinking countries in the Global South further into debt.

In 2023, a record [54 developing countries](#) allocated 10% or more of government revenue to paying off the interest on their debt, leaving “little room for countries to spend on poverty-busting public services such as education or social protection”. [3.3 billion people](#) live in countries that spend more on interest payments than on either education or health. Interest rates demanded from developing countries are also much higher than those paid by rich countries. African countries borrow money at almost four times the rate paid by the United States, despite the astronomical level of US debt.

“This perverse scenario has been playing out in the Global South for years, accelerating the freefall into poverty seen since the pandemic,” De Schutter said.

“Creditors have responded too little, too late. The G20’s ‘Common Framework’, agreed in 2020 to bring international financing institutions (IFIs), individual states and private lenders together to speed up debt restructuring, is simply not working.”

De Schutter called for immediate debt relief for countries in crisis and urgent reform of the international financial system to align with human rights.

“Banks and hedge funds have become huge players in the world of sovereign debt and should not be exempt from their human rights responsibilities. It is abhorrent that debt repayments to the world’s richest corporations are being paid at the expense of children’s education or healthcare. Governments must introduce legislation to compel private creditors under their jurisdiction to participate in debt relief for low-income countries.

“Comprehensive reform of the international financial architecture, as advocated by the recently agreed [Pact of the Future](#), is also needed. The current system within the IFIs, characterised by unequal representation between high and low-income countries, unfavourable lending conditions, and unfair debt restructuring is trapping too many countries in a cycle of poverty.”

The Special Rapporteur lamented the conditions attached to bailout packages from IFIs which, with their demands for austerity measures, sale of state assets and, at times, surcharges [already denounced](#) by UN human rights experts, make it near impossible for states to comply with their human rights obligations and lock countries into [unsustainable growth patterns](#) that have only worsened poverty and inequality.

“With Pakistan recently agreeing to its 24th bailout from the International Monetary Fund, which hinged on the country accepting what the Prime Minister called ‘conditions beyond imagination’, it is clear that people in poverty will continue to pay the high price of a debt crisis that is not of their making,” the expert said.

“The solution to the debt crisis is neither to stimulate economic growth at all costs, nor to impose austerity policies. It is to cancel or restructure debt, and to focus on public investment, particularly in social protection, that will restore the prospect of long-term prosperity.”

ENDS