Sri Lanka: Debt burdens and the Global South

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Why activists are calling for alternative debt management

With Sri Lanka's economic troubles front of mind, it can often be easy to forget that at a global level, there are many other countries also dealing with insurmountable debt. The global debt crisis is intensifying, with more than 54 countries dealing with severe debt burdens that threaten their economic stability, social welfare, and climate resilience.

For many nations in the Global South, their debt burden is not just a financial issue but also a deeper systemic issue tied to a long history of colonial exploitation, economic inequality, and environmental injustice. In this context, debt resistance movements have emerged, bringing hope for a fairer future.

On the frontlines of this movement are activists from diverse countries who are pushing back against unjust debt and demanding solutions that prioritise people and the planet over creditors' profits.

A recent event organised by Debt Justice and Debt for Climate titled 'Resisting the Global Debt Crisis: Hear from Activists on the Frontlines of the Battle for Debt Justice' brought together key voices from around the world to share their experiences and struggles against the crushing weight of debt and discuss alternate forms of managing debt burdens.

Debt justice activists from Suriname, Ghana, Zambia, Kenya, and Sri Lanka shed light on debt in the Global North versus the Global South and how global debt not only hampered economic development but also exacerbated climate vulnerability.

Box 1:

Sri Lanka is not alone in its debt burden

At the heart of the global debt crisis is the reality that many countries, particularly in the Global South, are forced to spend more on debt repayment than on essential services like healthcare, education, and climate management.

This is a direct consequence of an unjust global financial system, where countries inherit weak economies shaped by colonial exploitation and are pushed further into debt through external shocks, high-interest loans, and unequal trade agreements.

Activists at 'Resisting the Global Debt Crisis' highlighted that in Africa alone, 34 countries spent more on debt servicing than on health and education combined. The debt crisis has reached a critical point, with many nations forced to borrow more just to stay afloat, while creditors from the Global North benefit from this ongoing cycle of debt, creating a vicious circle where countries are trapped in austerity measures, which exacerbate poverty, inequality, and environmental degradation.

The panel of activists also likened debt to a modern continuation of colonialism, where the resources and wealth of the Global South continue to flow to the Global North, leaving nations vulnerable and unable to build resilient economies.

The activists emphasised that true climate justice could not be achieved without addressing this debt injustice. For countries facing the dual crises of debt and climate change, the only way forward is through debt cancellation and a fairer global economic system.

Each of the activists at the event shared experiences that had much in common with the Sri Lankan debt management experience, expanding on how each of their countries' debt crises had affected their people and highlighting the need for collective action to alternative approaches to debt servicing.

Box 1A:

Suriname

Debt justice activist and governance, participation, and gender equality NGO Stichting Projekta Director Sharda Ganga highlighted how debt and austerity measures imposed by the International Monetary Fund (IMF) had wreaked havoc on the lives of people in her country.

Suriname, like many other biodiversity resource-rich countries in the Global South, finds itself in a paradox where its natural wealth is being exploited and the benefits of these resources are being funnelled to foreign creditors.

Ganga explained that at least 30% of Suriname's royalties from natural resources were directed towards paying off foreign debt. This means that the country is forced to continue extracting its natural resources, despite the environmental and social costs, just to stay solvent.

"Foreign bodies dictate how we use our resources," Ganga said, noting that this dependence on natural resource extraction had led to what she saw as a "new form of colonialism," where the country's unique resources were controlled, debt was used by foreign bodies to regain resources, and austerity measures that hurt the most vulnerable were imposed.

Ganga also spoke about the impact of austerity on essential workers, many of whom were leaving the country in search of better opportunities abroad, and stressed that debt resistance movements in Suriname had grown in response to these conditions.

This has resulted in protests demanding greater accountability from both the Government and private lenders. She emphasised the need for legislation to oversee the practices of private lenders and ensure that future loans did not trap countries in cycles of debt and austerity.

Box 1B:

Ghana

Bernard Anaba from the Integrated Social Development Centre (ISODEC) in Ghana recounted how the debt crisis had undermined social services in his country. Anaba, who has been campaigning for debt justice in both Ghana and the UK, shared how Ghana had benefitted from debt relief in the early 2000s, only to fall back into debt by 2014.

The country’s reliance on IMF loans has led to a situation where more than one-third of its revenue is spent on debt servicing, leaving little room for investment in critical social services.

“Our exchange rate shot up by 100%, inflation shot up to 50%, the cost of living escalated, and fuel prices rose beyond the purchasing power of the ordinary citizen,” Anaba said of the impacts of Ghana’s debt burden on its citizens.

He added that this had led to widespread protests in Ghana, particularly in response to the Government’s attempts to raise revenue by introducing new taxes. These taxes disproportionately affect the poor, leading to inflation, rising fuel prices, and skyrocketing food costs.

He called for a responsible lending framework that would allow countries like Ghana to quickly resolve debt crises and ensure that future borrowing was done in a way that prioritised the well-being of citizens over the demands of creditors.

“The Government has assured the people of reaching agreements with bilateral and private creditors for debt relief, but often agreements are reached with no outcome on how Ghanaians are being given relief,” Anaba said.

Box 1C:

Zambia

Precious Kalombwana, an activist with Fridays for Future and Debt for Climate from Zambia, shared a deeply personal account of how the debt crisis had affected her family and community. She spoke about how Zambia, a country heavily reliant on agriculture, had been devastated by both climate change and debt. In 2022, her father lost his home to flooding, a result of the increasingly severe climate impacts Zambia is facing.

Kalombwana explained how the debt crisis had exacerbated these challenges, leaving the country unable to respond to the climate emergency. Zambia declared a climate emergency due to severe droughts and floods, but instead of investing in climate resilience, the Government has been forced to prioritise debt repayment.

This has left the country’s most vulnerable, particularly women and girls, at risk. She recounted how, in times of extreme poverty, girls were often married off in exchange for livestock or money so that their families could survive.

Kalombwana has been involved in several actions calling for debt cancellation, including protests during IMF and World Bank meetings. She noted that Zambian activists faced harsh repression, with many being arrested for speaking out against debt. Despite these challenges, she emphasised the need for solidarity and international support in the fight for debt justice.

“Zambians are suffering and dying because of debt issues. They don’t have access to medicines or to high-quality education. Zambian activists need to fight this battle to be able to have good education, have medicine in hospitals, and no longer suffer because of the debt crisis,” Kalombwana said, stressing that debt issues had locked the Zambian people into a cycle of suffering, with many dying from lack of food.

Box 1D:

Kenya

Justine Kapanga from Debt for Climate in Kenya provided a powerful account of how debt had contributed to political instability and social unrest in his country.

“For the past three months, Kenya has had political instability,” Kapanga said, describing how Kenya’s debt crisis had been worsened by loans from the IMF and World Bank, which had led to the introduction of oppressive policies, including the controversial Finance Bill 2024/2025.

“The new bill would see new taxes and policing policies imposed as well as a rise in VAT for common commodities used daily, which would make life unbearable for the people. The biggest advice on how this bill came to be was from the World Bank and the IMF, from which Kenya has been borrowing since 2010.”

The bill sparked widespread protests across the country. Kapanga explained that these protests were not just about the taxes but about the deeper issue of debt and the control that foreign creditors had over Kenya’s economic policies. The protests, which lasted for several weeks, were met with violent repression from the Police, with many activists being arrested or even killed.

Kapanga called for the IMF and World Bank to exit Kenya, and for the country to pursue a new economic path that prioritised the needs of its people over the demands of foreign creditors. He emphasised that debt resistance was not just a local issue but a global one as well and that solidarity across borders was essential in the fight for debt justice.

Box 1E:

Sri Lanka

Human rights activist and Climate Action Now Sri Lanka Founding Partner Melani Gunathilaka shared her perspective on the Sri Lankan debt crisis and debt resistance, tracing Sri Lanka’s debt problems back to its colonial past, sharing the view that in the wake of independence, the country had been left with systems and structures designed to benefit the colonisers rather than the local population.

Gunathilaka also argued that Sri Lanka’s decision to enter the International Sovereign Bond (ISB) market in 2007 was a turning point promoted positively at the time, that ultimately locked the country into a cycle of debt.

High-interest loans, combined with poor governance and external shocks, led to a depletion of foreign currency reserves, culminating in the 2022 economic crisis which sparked widespread protests, with millions of Sri Lankans taking to the streets to demand the resignation of the President and the return of their stolen wealth.

“The protests chased away the existing President, but then another President [from previous administrations] installed more debt with the IMF. We experienced a massive lack of transparency, and in local languages, this [additional debt through the IMF] was just presented as the only solution we had to get away from the crisis we were in,” Gunathilaka said.

She highlighted that this response had only deepened the country’s problems. The austerity measures imposed by the IMF, including cuts to social security and pensions, have hit the poorest Sri Lankans the hardest and food insecurity remains a critical issue, with over four million people struggling to access enough food.

Gunathilaka also noted that despite Sri Lanka having recently voted in a new Government, this administration was inheriting the problems of high inflation rates, food insecurity, and evermounting debt set up by previous governments.

"We have a new President and Prime Minister, but we are yet to vote in a new Parliament. Former President Ranil Wickremesinghe agreed to restructure sovereign bonds, and that is agreeable in principle, but the problem is the haircut Sri Lanka is getting in debt agreement is not at all sufficient."

She argued that debt cancellation was essential if Sri Lanka were to recover from this crisis and build a sustainable future. She argued that Sri Lanka must move away from the exploitative global financial system and prioritise policies that were people-centric and environmentally sustainable.

This, she said, should not be a demand for Sri Lanka alone but for all countries in the Global South that were trapped in similar cycles of debt, adding that meaningful debt resistance could be achieved through solidarity among activists across the Global South. She also emphasised that debt justice was inseparable from climate justice and that the fight for one must include the other.

Box 2:

The case for alternative debt management

'Resisting the Global Debt Crisis' also looked at the case for alternative debt management, with each of its speakers sharing their insight on challenges of odious debt, the barriers to securing favourable negotiations with international lenders, and the impact of debt on development.

Gunathilaka addressed the issue of odious debt – debts incurred by corrupt governments without the consent of or benefit for the population – a problem particularly relevant in countries like Sri Lanka where large loans have been taken out by successive governments with little transparency.

"The question of odious debt is one that Sri Lanka faces. Leaders have been taking debt without accountability and transparency while the private sector has contributed to the crisis by sending foreign reserves out of the country," Gunathilaka said, highlighting that one of the key obstacles to addressing odious debt was the lack of political will to hold leaders accountable.

She emphasised the need for an independent audit to determine how much of the debt had been incurred in the public interest, and how much benefitted only a select few elites. However, she acknowledged that such an audit would require honest leadership and the creation of structures to hold corrupt officials accountable.

"We've always had the same leaders," Gunathilaka noted, expressing that there was possibility for change, given the recent change in government: "There's still hope that a new government can pave the way for a transparent audit and find out who is accountable."

Gunathilaka also highlighted the role of creditors, who often lent money knowing that the borrower may not be able to repay. These lenders, too, must be held responsible for their part in the crisis.

She concluded with a powerful critique of the financial system that had allowed this cycle to repeat: "Sri Lanka has gone to the IMF 17 times since independence. This shows that the financial architecture doesn't work."

Ganga from Suriname echoed many of Gunathilaka's concerns with balancing odious debt, pointing out the structural challenges that countries like Suriname faced when trying to negotiate with international lenders.

She described the situation as a “chicken or egg” problem, where lenders and the IMF passed the responsibility back and forth, making it difficult for countries to strike a deal.

After Suriname defaulted on its loans, the new Government found itself backed into a corner. The IMF required it to negotiate with creditors before entering a debt programme, while creditors insisted that the country must first secure an IMF programme before renegotiating the terms of the loans.

Adding to this difficulty is the lack of capacity within developing countries to navigate these complex negotiations. “We simply don’t have the technical understanding,” Ganga explained, noting that Suriname had had to hire foreign companies to negotiate on its behalf.

This came at a significant cost – millions of dollars – without delivering a favourable result. One potential solution Ganga posited was broader involvement of Non-Governmental Organisations (NGOs) and civil society in these negotiations, as governments often lacked the expertise needed to push back against powerful financial institutions.

Speaking on debt cancellation as a solution to unsustainable debt burdens borne by the Global South, Kapanga from Kenya shared that debt burdens diverted crucial resources away from meaningful development.

“If debts are cancelled, it will create financial security in Kenya,” Kapanga stated. “So much money is going to servicing loans, but debt cancellation would mean revenue could be retained and more cash would be available in the economy.”

With more revenue available for public investment, the country could finally improve its roads, schools, and hospitals, which remain in poor condition due to lack of funding. “Debt cancellation could mean tremendous change,” Kapanga said.

Anaba from Ghana drew attention to the difference in debt burdens the Global North and the Global South shared when borrowing from the same creditors, noting that Ghana paid 10.75% interest on its loans, while developed countries like Greece could borrow at under 1.6%.

“Developing countries pay 10 times more interest than developed countries on the same debt,” Anaba explained, noting that even within the Global South, there were vast differences in how countries were treated by the financial system. This unfair system adds an additional burden on countries already struggling with debt, causing the debt to escalate far more rapidly than in wealthier nations.

Kalombwana from Zambia spoke about the growing debt resistance movement in the Global South. As the debt crisis worsens, fuelled by continued borrowing, more and more activists are pushing back against the current financial system.

“Debt resistance is growing,” she remarked, pointing out that Zambians were increasingly critical of the country’s previous administration, which had borrowed heavily and left a legacy of financial instability. She emphasised that the movement for debt justice was gaining momentum across the Global South, as people became more aware of the harmful impacts of debt and the need for systemic change.

A common thread in the discussion of debt burdens was that the Global South faces different challenges with managing debt, from high interest rates, a lack of accountability from their governments, and repeated reliance on the IMF, all of which point to an increasing need for alternative debt management strategies to be given greater consideration and prioritise transparency, accountability, and fairness.

This could include independent audits of debt, debt relief programmes that focus on human development, and stronger international frameworks to prevent predatory lending practices. The fight for debt justice is not just about economic recovery but also about building a fairer, more sustainable future for all.

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P.S.

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