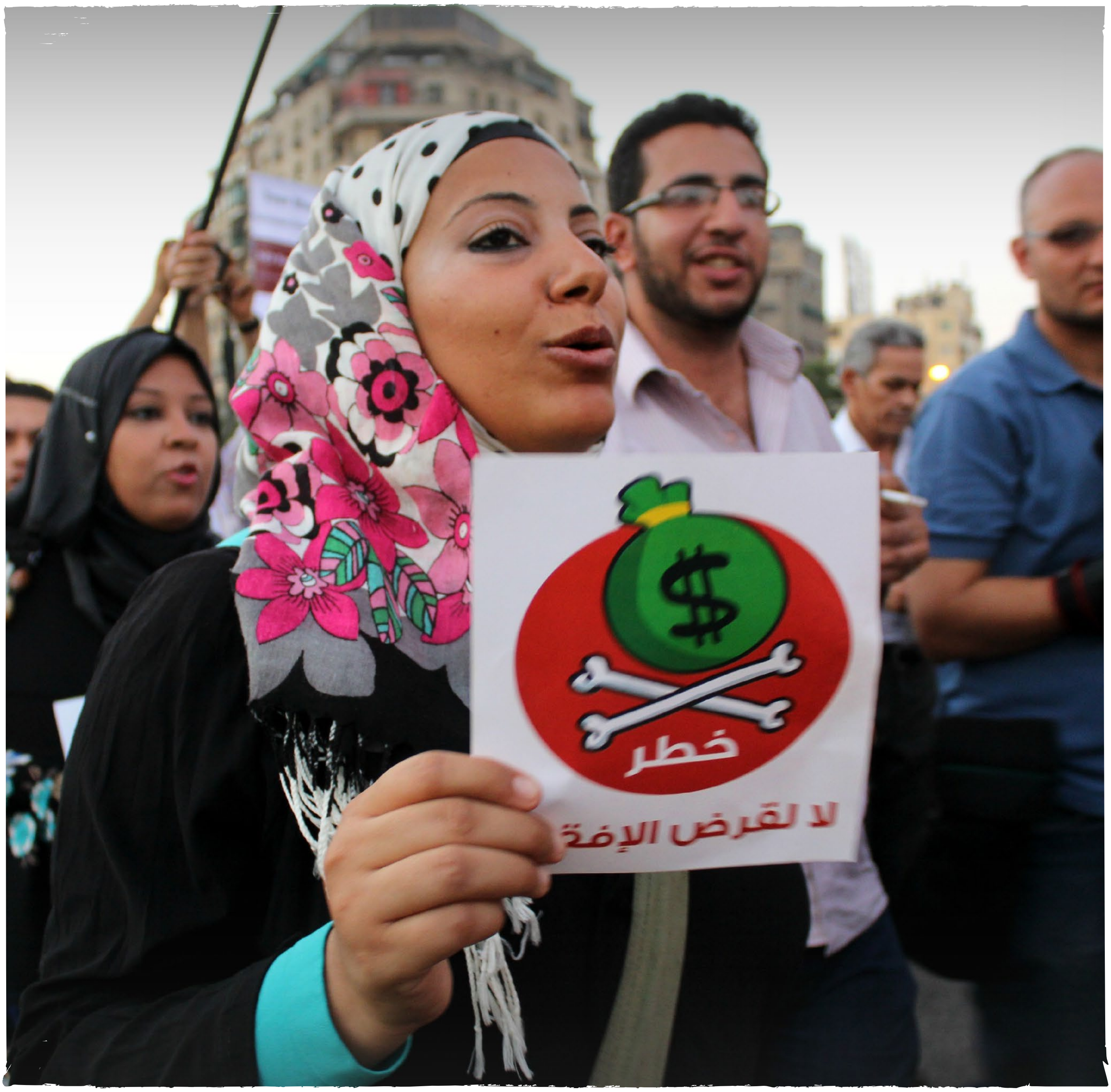
**Briefing** | June 2025

# Debt, Austerity & Democracy

Debt Justice

Institute of Political Economy

## How the global debt system is undermining democracy and fuelling authoritarianism across Global South countries



# Contents




**Written by** Tess Woolfenden | **Edited by** Jerome Phelps



*With huge thanks to the following people for their collaboration, insights, and feedback which have shaped this briefing:*

**Mae Buenaventura**, Asian People's Movement on Debt and Development; **Imène Cherif** and **Shereen Talaat**, MENA Fem Movement for Economic, Development and Ecological Justice; **Guillermina French**, **Leandro Gómez, Ariel Slipak** and **Matías Cena Trebucq**, Fundación Ambiente y Recursos Naturales (FARN), Argentina; **Melani Gunathilaka**, Debt for Climate Sri Lanka; **Charith Gunawardena**, Institute of Political Economy, Sri Lanka; **Sharda Ganga**, Projekta Suriname; **Tim Jones**, Debt Justice; **Yungong Theophilus Jong**, AFRODAD; **Justine Kapanga**, climate and debt justice activist, Kenya; **Abdul Khaliq**, Committee for the Abolition of Illegitimate Debt Pakistan; **Isabel Ortiz**, Global Social Justice; **Daniela Berdeja Ruiz**, Latindadd; **Farooq Tariq**, Kissan Rabita Committee, Pakistan.

Design and layout: **behance.net/thomashenchman**

*Cover Photo: Protest in Cairo against the proposed IMF loan to Egypt, August 2012 Credit: Gigi Ibrahim*

# Defining terms

**Austerity** refers to government policies aimed at reducing its budget deficit and stabilising its debt levels, typically by cutting public spending or increasing taxes. In this paper, we are referring to the austerity-based policies that Global South governments have been forced to implement to address unsustainable external debt levels, largely via conditions attached to loans from the International Monetary Fund (IMF) and World Bank.

**Authoritarianism** is a political system that restricts the freedoms and human rights of people, employing different mechanisms of control to concentrate power in the hands of a single leader or a small ruling group. In this paper, we explore a range of different tactics and behaviours employed by leaders that can be seen as authoritarian in nature, in particular the repression of dissent, assuming power over political institutions, scapegoating vulnerable communities and election-fixing.

**Debt** refers to the external debt that Global South governments owe to creditors outside their country, including banks, hedge funds, oil traders, multilateral institutions and other governments. Debt-austerity trap: A cycle in which many Global South countries are forced to implement austerity-based economic reforms to meet debt obligations to external creditors. However, rather than leading to promised economic growth, these measures often deepen economic hardship and keep countries locked in borrowing, leading to even more austerity.

**Democracy** is a system of government in which power is vested in the people or population of a state. In this paper, we adopt a broad definition of democracy, one that not only includes the presence of competitive elections but also emphasises the protection of human rights and fundamental freedoms as essential pillars of a democratic system. While this paper focuses on the ways debt and austerity erode democracy across Global South countries, we do not suggest that achieving debt justice alone would lead to fully realised democracies. We acknowledge that democracy is being undermined in complex and varied ways across both the Global South and North. Rather, this paper shows how unjust debt and austerity further weaken democratic systems that may already be under strain in different ways.

**Neo-liberalism** is the idea that markets should guide all human action and penetrate every aspect of society. The role of the state is to defend private property and expand markets through privatisation, deregulation, tax cuts, welfare reduction, and free movement of capital. It is the ideology that underpins the promotion of austerity as the mainstream response to tackle unsustainable debt levels.

**Neo-colonialism** refers to the way colonial-era dynamics are reproduced in the present through unequal social, economic and political relationships between Global South countries and former European colonial rulers and global powers. Despite achieving formal independence, many Global South countries remain subject to external control, exploitation and wealth extraction through systems like debt, trade, aid and tax. These dynamics are reinforced by dominant narratives that depict Global South governments as irresponsible, corrupt, or in need of external support, justifying continued intervention and control.

# Introduction

**This briefing explores the complex ways in which the unjust international debt system and the austerity policies it imposes are undermining democracy and fuelling authoritarianism across the Global South.**

Through seven country experiences, we outline how the unjust debt system and austerity inherently undermine democracy by restricting governments' abilities to respond to people's demands and needs. This is in turn is fuelling authoritarianism, as:

- Protestors demanding dignified conditions of life are repressed by governments unable to respond to their demands
- Authoritarian leaders and regimes take advantage of popular frustration to erode democratic freedoms and human rights

While the context and process in each country are unique and impacted by very different histories, social dynamics, economic structures and cultural contexts, this briefing presents a clear trend of the unjust debt system undermining democracy.

Countries with high debt burdens have already been cutting public spending over the last decade. But as the debt crisis intensifies and remains inadequately addressed, deepening cuts are likely to accelerate the destabilising effects of debt. This interacts with other factors driving global shifts towards authoritarianism, including in the US. The US withdrawal from international agreements, potential reshaping of global financial institutions, and introduction of tariffs on countries in debt crisis, will likely make addressing the unjust debt system and the current debt crisis even more complex.

**There is an urgent need to:**

**1. End the current debt crisis. This requires urgent debt cancellation for all countries that need it, across all creditors, free from economic conditions.**

**2. Address the deep power imbalances and inequalities in the debt system that keep countries in a debt-austerity trap. Governments must agree to a UN frame-work convention on sovereign debt.**


*Working people in Sri Lanka protesting against debt, austerity and the IMF*
**Credit:** Sakuna M Gamage

# The unjust debt system & austerity

## The unjust debt system

The global debt system is deeply unjust, reinforcing neo-colonial power dynamics and perpetuating the extraction of resources from the Global South.

Since independence from European colonial rule, many Global South countries have been dependant on borrowing from external creditors. While some countries were forced into debt at the point of independence, either by inheriting debt from colonial regimes or by having to pay for their independence, many others quickly found themselves reliant on borrowing after inheriting weak, commodity-dependant economies and entering a deeply unequal global economy shaped in the interests of former European colonial rulers. Governments had little choice but to borrow just to meet their basic needs, such as importing food supplies, leaving little space to meet the wider needs of people.

Through the debt system, wealthy lenders, including many former colonial rulers and their banks and institutions, have maintained their positions of power in a post-colonial context. They have also extracted vast sums from Global South countries every year via interest payments on their loans. Since 1970, Global South governments have paid a staggering $2.2 trillion in interest to Global North creditors.

Global debt governance - largely led by the G20, IMF, and World Bank - heavily favours Global North governments. For example, low- and middle-income countries make up around 85% of the world's population, yet collectively have less than 50% of the voting allocation in both the IMF and the World Bank. Furthermore, a 1944 "gentleman's agreement" means that the position of World Bank president remains reserved for a US citizen, while the head of the IMF is always a European. Global South governments are denied fair and equitable representation within the institutions that make decisions affecting them.

As a result, the rules of the global debt system favour creditors over the needs of Global South countries and peoples. A lack of regulation, transparency and accountability perpetuates - or even incentivises - irresponsible lending and borrowing. Meanwhile, the absence of a fair and efficient way for countries to get out of debt crises ensures that creditors continue to get paid.

## Austerity is the mainstream response to debt

When a country faces unsustainable debt levels, austerity follows. Governments are forced to implement austerity policies as conditions of IMF loans. Some governments may implement austerity policies outside of an IMF loan to free up resources to keep making debt payments, or to pave the way for an IMF loan. While debt relief processes exist, they are opaque, burdensome and inadequate, often leaving countries trapped in debt and austerity imposed as part of an IMF programme. The IMF also decides whether a country needs debt relief, and usually decides that they do not need it, benefitting creditors by enabling them to continue to be paid.

Countries lack a fair and just way to escape harmful debt levels, and so instead prioritise debt payments over the wellbeing and needs of people.

## Austerity does not work

Austerity-based reforms forced onto Global South countries include cutting public spending and public services, public sector wages and subsidies on essentials like food and energy, and raising taxes.

These measures are usually part of a broader package of neo-liberal reforms forced onto Global South countries, which also include opening up economies to international markets, deregulating sectors like the labour market, and privatising public services and state-owned companies. Isabel Ortiz and Matthew Cummings refer to these policies as "pro-rich", highlighting how they "principally benefit corporations and the wealthy." For example, as a result of neo-liberal policies in the Global South, Global North countries and companies have enjoyed new access to Global South markets and public goods, including banks, hospitals and schools, which they have been able to run or sell for profit. Furthermore, they have been able to access cheaper labour in Global South countries thanks to labour market deregulation pushed via austerity policies, boosting their profits.

Austerity reforms are supposed to help Global South economies grow, generating the resources needed to meet debt payments and develop. But decades of experience across Global South countries and communities show that the promised growth often does not materialise. Instead, in many cases, income stagnates or even falls. The IMF's own research shows that austerity increases debt-to-GDP levels.

The result is that countries become more dependent on debt, not less.

**This creates a debt-austerity trap, where austerity measures worsen economic outcomes, leading to more borrowing and, in turn, more austerity.**

The social consequences of austerity policies are also devastating. They increase poverty, inequality, precarity and vulnerability for most people in affected countries. Marginalised communities, including women, LGBTQIA+ people and people with disabilities, are usually the ones who pay the highest price, through, for example, rising costs of essentials and services. Neo-liberal austerity relies on the assumption that unpaid labour, especially by women in the care economy, will absorb the impact of cuts to public services and social spending. In other words, women's unpaid care work sustains society where public and social services have been hollowed out. This increases the burden of care on women and exacerbates structural gender-based inequalities.

**"As always, the price of debt is paid by the most vulnerable**

**Sharda Ganga,** Projekta Suriname

Despite austerity policies failing by their own standards, let alone the human costs, they continue to be pushed onto Global South countries today.

## The current debt crisis means more austerity

There are currently 54 countries in debt crisis across the Global South, with many more facing unsustainable debt levels. The debt crisis has been building since falls in commodity prices in 2015, but was exacerbated by the COVID-19 pandemic, the intensifying climate crisis and the Russia-Ukraine war, which have led to soaring prices and rapidly increasing interest rates. Global South countries are now facing their highest debt payment levels in 30 years, with many spending more on debt payments than on healthcare, education and the climate crisis.

Despite this, the G20, IMF and World Bank are failing to adequately respond.

In 2020, the G20 established the Common Framework, which is supposed to help some countries reduce their debt levels with external bilateral and private creditors. However, since it was introduced, only four countries (Chad, Ethiopia, Ghana and Zambia) have applied. All have faced long delays in completing debt restructurings, which is discouraging other countries from applying. The relief provided through the Common Framework has fallen short of what is required, with countries left one climate or economic shock away from being pushed back into debt crisis, if and when their restructurings are finally completed. Debt relief has been so inadequate that private creditors will continue to make profits even after restructuring debts. Many other countries in crisis are not eligible to participate in the Common Framework as they are considered too rich.

Given these limited options, many countries have turned to the IMF for new loans with austerity conditions.

**Research shows that countries with high debt burdens are suffering from an austerity crisis, with public spending lower in 2023 than in 2015.**

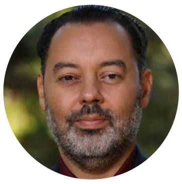
# The political consequences of the unjust debt system

The political consequences of the unjust debt system and consequent austerity are severe.

## 1. Debt and austerity are undermining democracy

The global debt system and austerity do not just weaken democracy - they fundamentally strip governments of their ability to govern in the interests of people. Under austerity, governments lose control over economic decisions, as Global North-dominated institutions impose policies that prioritise creditors and corporations over people - a continuation of colonial power dynamics. This prevents governments from responding to democratic popular demands and silences public participation in decisions that shape their lives.

Austerity, imposed by foreign creditors, means that people's demands for dignified living conditions go unanswered. Instead, they face the erosion of essential services, the skyrocketing cost of basic necessities, and disappearing jobs.

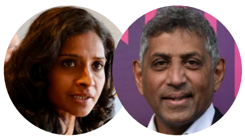


**“One cannot democratize a system that hasn't been structurally and economically decolonized yet**

**Fadhel Kaboub**
Global Institute for Sustainable Prosperity

This erosion of democracy is evident in Sri Lanka and Suriname. In Sri Lanka, the newly elected left-wing government effectively has its hands tied by IMF loan conditions and high debt burdens, despite restructuring significant amounts of its debt. In Suriname, a deeply unjust debt deal is likely to keep the country trapped in debt and austerity, undermining the government's ability to meet people's needs.

## Sri Lanka



**Written with**
**Melani Gunathilaka**, Debt for Climate Sri Lanka
**Charith Gunawardena**, Institute of Political Economy

**Despite campaigning on a promise to break free from debt and austerity and meet the needs of the people, Sri Lanka's newly elected left-wing government has found itself with no real choice but to accept IMF conditions and a harmful bondholder deal that does little to reduce the country's debt. The demands of international creditors have overridden the democratic choice of the people of Sri Lanka. This may have a potentially corrosive impact on the future of democracy, as Sri Lanka's debt deal will keep the country locked in a cycle of debt and austerity.**

### Sri Lanka's economic crisis

Sri Lanka's economic crisis, which erupted in 2019, was years in the making. It was fuelled by financial shocks and a pattern of reckless borrowing and lending, including decades of loans from the IMF. Sri Lanka began borrowing high-interest loans on the sovereign bond market in 2009 to fund development after the devastating civil war between 1983 and 2009.

In early 2022, the government imposed austerity measures to manage the crisis, including devaluing the rupee, hiking interest rates, and the market pricing of energy, in order to pave the way for an IMF bailout. Despite being in crisis, Sri Lanka continued to make debt payments to external creditors. Only when the country's foreign exchange had completely run dry - when it was no longer able to import vital medicines, food and fuel - did it default.

## Sri Lankans take to the streets

As power cuts intensified, shortages of food, fuel, and medicine worsened, and public services deteriorated, Sri Lankans took to the streets with a clear demand: President Gotabaya Rajapaksa must resign. Known as the Aragalaya movement (the struggle), protests and demonstrations lasted for months, as Sri Lankans from all across the country came together to demand political change and accountability for the country's economic crisis.

In July 2022, protesters stormed President Gotabaya Rajapaksa residence, leading to his resignation later that month. Prime Minister Ranil Wickremesinghe, whose party had received just 2% of the vote in the previous elections, became acting president, quickly establishing a state of emergency.

## Further debt, austerity and political turmoil

In 2023, the unelected interim government took on a $3 billion bailout from the IMF, the country's 17th programme with the IMF. The bailout mandated austerity-based economic conditions, including increasing regressive taxes, reducing subsidies, and cutting public spending, including on wages.

Amid economic and political turmoil, continued discontent under the devastating burden of austerity, and with a general election looming in 2024, the Wickremesinghe government attempted to rush through laws and amendments that related to the conditions of the IMF loan, as well as others aiming to restrict democratic space and the opportunity for people in Sri Lanka to demand economic justice such as curbing freedom of speech, giving heavy powers to police to detain people and policing online activities.

As a part of IMF loan conditions, Wickremesinghe began debt restructuring negotiations on the country's domestic debt, as well as external debt. Many workers took to the streets again, protesting against the painful domestic debt restructuring that hit workers the hardest and exacerbated inequality by raiding the country's largest pension fund.

A deal with external bilateral creditors, including the UK, USA and China, was completed in June 2024. This happened outside of the G20 framework for debt relief because Sri Lanka was considered too rich to qualify, despite its deep economic distress. Wickremesinghe then rushed through a deal with bondholders in September 2024 just two days before the presidential election.

Civil society groups including Debt for Climate Sri Lanka and the Institute of Political Economy have criticised the IMF-backed deal with bondholders as undemocratic, as it was negotiated by an unelected interim government, with no public consultation and very little information made accessible.

**"It feels like you are getting into an agreement at gunpoint, right? People have no say**

**Melani Gunathilaka**
Debt for Climate Sri Lanka

## The unjust deal with bondholders

The deal with bondholders is deeply unjust for Sri Lankans. Sri Lanka will spend over 20% of government revenue on external debt payments annually for the next decade. This burden will lock the country into a cycle of debt and future crises. Even the IMF's own analysis suggests there will remain a 50% chance of another debt restructuring in the coming years.[1] Furthermore, some bondholders could still make huge profits of up to 100%. Sri Lanka's ability to allocate funds to public services and respond to the climate emergency will be severely undermined by continued high debt payments.

Despite this, Hamilton Reserve Bank, holder of a 25% minority share in one of Sri Lanka's bonds, has taken the country to court in New York to seek full repayment. Bondholders have pushed to include a clause in the deal that allows them to change the jurisdiction underpinning their loan contracts with Sri Lanka, allowing them to sidestep any potential new laws in New York that would

1. Conversations with IMF staff


*Working people in Sri Lanka protesting against debt, austerity and the IMF*
**Credit:** Sakuna M Gamage

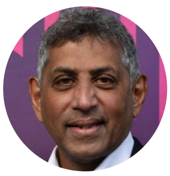
ensure their participation in debt restructuring negotiations.

## Little option for the new government

The election was won by the National People Power led by the left-wing Janatha Vimukthi Peramuna party under Anura Kumara

Dissanayake, with a massive 62% of the vote. Despite campaigning with promises for better IMF conditions and a more favorable bondholder deal, the new government has said it will go ahead with the bondholder deal negotiated by Wickremesinghe, under immense pressure from international financial institutions not to reopen negotiations.

Since the election the government has continued Sri Lanka's loan programme with the IMF, including implementing austerity-based reforms.



**The IMF holds the power, they control the deal. Even a progressive government who really has the political will are struggling because of the unjust global economic order.**

**Charith Gunawardena**
Institute of Political Economy

**If a majority government has to say that they have no choice, this reflects a massive problem. To me it feels like a knee to your neck**

**Melani Gunathilaka**
Debt for Climate Sri Lanka

Meanwhile, people in Sri Lanka continue to struggle under the weight of austerity, which would be exacerbated by the potential impact of US tariffs. The cost of fuel and electricity remains excessive, leading thousands of families to be cut off from electricity as they cannot meet bill payments. The erosion of public services are placing greater and greater burdens on women, who disproportionately pick up the domestic load and care work. Heavy debt burdens and shrinking public budgets also mean Sri Lanka cannot adequately prepare for the climate emergency, increasing the impacts of climate disasters in terms of ruined crops and livelihoods.

**While the government is pursuing progressive policies to improve the economy and the lives of Sri Lankans, its ability to carry out its democratic mandate is severely constrained by IMF austerity conditions and the lack of a fair debt restructuring process that has forced it into an unjust and unsustainable debt deal.**

### Find out more about Debt for Climate and the Institute of Political Economy.

# Suriname

Written with
**Sharda Ganga,** Projekta Suriname

**Suriname's debt crisis, rooted in decades of colonial and corporate exploitation and irresponsible lending and borrowing, has led to deep austerity, mass protests, and worsening living conditions. The country's recent debt relief deal primarily benefits private creditors, who stand to profit from Suriname's newly discovered oil wealth, while the country remains locked into fossil fuel extraction, austerity, and high debt payments. With inflation soaring and essential services like healthcare and education collapsing, the burden of debt is falling hardest on ordinary people. Protests against corruption and austerity erupted in 2023, but the government's ability to address people's demands is severely constrained by the grip of international financial institutions and foreign creditors.**

## History of debt and austerity in Suriname

For decades, Suriname, a former Dutch colony rich in natural resources, has faced exploitation at the hands of Western countries and companies. Its current economic crisis can be directly traced back to 1916 when Alcoa, the Aluminium Company of America, started mining bauxite, a key component in aluminum production. In 1958, Alcoa secured a deal with Dutch colonial rulers to build the Afobaka Dam, taking 90% of its electricity while local communities suffered displacement and ecological damage.

Suriname gained independence in 1975, and Alcoa wound down its mining operations in 1999, instead selling the dam's electricity to the government. The government was forced to buy the power at inflated prices linked to the price of oil on the international market. This led to a significant rise in energy costs for the government, especially when global oil prices surged in the early 2010s. Meanwhile, the loss of bauxite revenues pushed Suriname toward a greater reliance on gold and oil exports, deepening its vulnerability to global commodity price fluctuations.

By 2016, Suriname's public debt to external creditors had skyrocketed, driven by mounting electricity costs as well as other economic challenges, including budget deficits and currency depreciation. Desi Bouterse, a convicted murderer and former military dictator between 1980-1987 was elected president in 2010, and borrowed vast sums from creditors including the IMF, Inter-American Development Bank, China and the international financial markets, partly to meet soaring debt payments. The austerity conditions imposed via the IMF loan, including the removal of subsidies and new taxes, sparked mass protests that forced the government to abandon the reforms in 2018. However, the country's debt continued to spiral, worsened by a $125 million high-interest loan taken on to cover electricity arrears as part of Suriname's 2019 deal to acquire Alcoa's remaining assets.

When the COVID-19 pandemic hit, the country fell into a full-blown economic crisis. Under new president Chandrikapersad Santokhi, elected in 2020, Suriname defaulted on some of its external debt payments in November 2020, entering debt restructuring talks with creditors and turning to the IMF once again for help.

## The impacts of austerity and debt crisis

The conditions of the 2021 IMF loan included the elimination of subsidies on electricity, fuel, and other essential items, which led to soaring costs of basic necessities.

> **"The price of debt is paid by the most vulnerable. A simple chicken egg now costs 5 times more than in 2020, and gasoline prices are up 600%. There is a growing number of school children leaving home without breakfast or food, and a growing number of children not visiting school at all due to transport costs**

**Sharda Ganga,** Projekta Suriname

At the same time, healthcare is collapsing in the country, as medicines, materials and qualified personnel are becoming increasingly scarce. Many trained professionals, including healthcare workers, teachers, academics and engineers, are leaving the country in search of better living conditions elsewhere.

Surinamese women and LGBTQIA+ communities are disproportionately carrying the burden of austerity. As public services are eroded and privatised, women and LGBTQIA+ people are forced to fill the gaps of care, and as carers, have to find the money to pay for privatised health services. According to Audrey Christiaan, ambassador of the Indigenous cultural group Juku Jume Maro, healthcare services are becoming increasingly inaccessible to Indigenous communities due to spending cuts and the rising cost of public transport, exacerbating long-standing historic neglect of rural Indigenous communities.

## Anti-austerity protests

The return to IMF austerity has reignited unrest in the country. As explained by Sharda Ganga, the IMF conditions "sent the country into political, economic and social chaos, with strikes and uprisings." In 2023, mass anti-austerity protests broke out across Suriname, thousands took to the streets of the country's capital, Paramaribo, to demand a decent quality of life and an end to austerity and corruption.

## Debt relief negotiations

Suriname negotiated a debt restructuring with its external bilateral and commercial creditors, reaching deals with bilateral lenders in the Paris Club in June 2022, bondholders in December 2023 and Chinese creditors in December 2024. Negotiations were outside the G20 Common Framework, as the country is considered too rich to participate.

The deal reached with bondholders is deeply unjust and highly unfavourable for Suriname, as it cancels only 2% of the amount owed, with interest payments remaining high at almost 8%. As a result, Suriname's debt levels will remain high, with the country spending 27% of its government revenue on external debt payments over the next five years. These high debt payments will only be possible if Suriname develops oil fields, locking the country into decades of fossil fuel extraction. However, bondholders will get up to 30% of Suriname's oil revenue, up to a maximum of $689 million until 2050, meaning a large portion of the profits goes directly to commercial creditors.

To secure the deal with bondholders, Suriname also had to make legislative amendments to its sovereign wealth fund, which took effect in December 2024. Sharda Ganga explains that "Fifty years after Suriname's official independence from the Netherlands, foreign bodies are once again dictating how Suriname uses its resources and what legislation it should pass. This is the new form of colonialism, using debt to gain access to resources."

## The future for Suriname

The country continues to face high debt burdens following a deeply inadequate and unjust debt restructuring. Suriname is likely to take on new loans to meet its debt payments, and to remain dependent on IMF loans, perpetuating the toxic cycle of debt and austerity. While Suriname's latest IMF programme ended in March 2025, a new loan from the Fund could be around the corner, as the Finance Minister is already calling for another IMF programme.

Suriname's newly discovered offshore oil and gas reserves offer a potential boost to the country's financial outlook. President Santokhi has announced a plan for "royalties for everyone," through which all adult citizens will receive payouts from the country's oil wealth. However, Suriname will have to wait several years until the anticipated oil revenues materialise, and given the long history of wealthy creditors and corporations exerting control over Suriname's resources, the government faces significant challenges in using this newfound wealth to address the needs of its people.

Furthermore, the price of oil is notoriously volatile, and falls in price could lead to future financial crises. As of April 2025, the oil price is 35% less than it was a year earlier.

**Find out more about Projekta Suriname.**

> **"We do not have the systems, institutions, governance and capacity in place to ensure that the oil wealth will be shared by all. The chance that the oil dollars will increase inequality and weaken our democracy is greater than the chance that we will truly all benefit**
>
> **Sharda Ganga**
> Projekta Suriname

## 2. Debt and austerity fuel authoritarianism: Repression of protest

The crushing burden of debt and austerity is fuelling political disillusionment and discontent across Global South countries. In some countries, this is driving political instability and destabilisation in two key ways: governments resort to repressing protests when they cannot meet popular demands for an end to austerity, and authoritarian leaders exploit crises to gain power.

In some Global South countries, governments' inability to meet people's basic needs is sparking mass protests, as people take to the streets to demand dignified conditions of life. Lacking the policy space to respond, some governments are resorting to repression of protest and dissent.

In Kenya, protesters have faced violent repression since July 2024, as the government fails to address their demands and continues to make debt payments instead. In Pakistan, an unpopular government is imposing increasingly draconian laws to silence demands, as debt and austerity deepen political and economic crises.

# Kenya

**Written with**
**Justine Kapanga,** Climate and debt justice activist in Kenya

**In Kenya, IMF-imposed austerity has triggered mass protests, met with brutal state repression. The government, trapped in the unjust debt system, is prioritising debt payments over public needs, fuelling public anger and deepening economic hardship. As protests escalate, the government has responded with violent crackdowns in an attempt to maintain control. Yet, despite the repression, Kenyans continue to resist, demanding an end to the debt crisis and the policies that worsen their lives.**

## Protests against the Finance Bill

In June 2024, mass protests erupted in Kenya as thousands took to the streets, led by the country's Gen Z, to resist a controversial new Finance Bill, imposed under IMF pressure. The Finance Bill, if passed, would have introduced new taxes on the people of Kenya to raise revenue to meet debt payments.

The prices of basic necessities, such as nappies, smartphones, batteries, bread, cooking oil and sanitary pads would have been increased, with many highlighting how women, workers and marginalised communities would be disproportionately affected. Demonstrators condemned the IMF's role in using debt to force Kenya into devastating austerity.

**“Sixty-five percent of women cannot afford sanitary towels, and yet they want to tax them. Many women cannot afford them already. When they tax them, how much will it be? So, they are really trying to mess with our dignity as women and that one we cannot allow**

**Effie Muendo,** who was protesting the bill

The African Forum and Network on Debt and Development (AFRODAD) condemned the "punitive and regressive measures" in the bill that aim to "keep creditors happy at all costs" while "diverting resources from public services such as education and health".

## Government crackdown on protests

As protests intensified, the government launched a violent crackdown, deploying water cannons, tear gas, and live ammunition to disperse crowds.

**“A lot of people were murdered on the streets. The last time I was on the streets, I personally witnessed a shooting and the guy, after two days, unfortunately, lost his life.**

**Justine Kapanga**
Climate and debt justice activist in Kenya

The Kenya National Commission on Human Rights (KNCHR) - a watchdog body monitoring government institutions in Kenya - has documented that 60 people died in relation to the protests, while hundreds of others were injured.

## Debt and austerity at the root of the protests

The crisis in Kenya is not simply about a tax bill - it is the result of a long history of debt dependence and IMF-imposed austerity that have drained public resources and caused devastating harm to people in Kenya. Total public spending has fallen by 17% over the last decade, while spending on health has fallen by 18% in the same time period.

Justine Kapanga identifies both irresponsible borrowing and predatory lending as key drivers of Kenya's political instability, emphasising the country's long-standing cycle of unjust debt and austerity. Activist 'Carlos' told The Guardian: "Over the years, Kenyans have lost respect for parliamentarians and parliament. Trust has been diminishing very fast because of increased corruption, borrowing from global financial institutions and passing on that liability to the citizens."

AFRODAD highlights that since the 1990s, IMF and World Bank loans have primarily served to pay other creditors - especially Western banks and China - rather than benefiting the Kenyan people. As a result, Kenyans continue to suffer under relentless austerity while the government is forced to cut essential services under IMF conditions.

In April 2025, Kenyan senator Okiya Omtatah Okoiti and eight others filed a constitutional petition challenging the legality of the government's borrowing over the past decade. The petition names 22 respondents, including former President Uhuru Kenyatta, Treasury officials, oversight bodies, and the IMF. It argues that much of the debt - such as Eurobonds and recent loans from China - was incurred without the required parliamentary approval, making it unconstitutional. The petition refers to these loans as odious and calls for them to not be paid.

## More debt and austerity ahead

Under intense public pressure, Kenya revoked the tax bill. However, this has done little to solve the country's deeper financial crisis.

**Kenya still faces a large budget deficit, and unsustainable debt levels, with little choice but to implement further austerity under the IMF's strict loan conditions and pressure from international creditors.**

The government is not currently seeking debt relief - the G20's Common Framework has not succeeded in offering fast, fair, or effective debt relief to the four countries that have applied. Instead, the government is borrowing more to meet debt payments, which have now exceeded spending on healthcare, education, and social protection. Kenya has taken on two new $1.5 billion loans through new bond issuances in 2024 and 2025 with interest rates between 9.5% and 10.375% - funds that will go toward servicing debt rather than benefiting the public.

Furthermore, the debt is governed under English law, so Kenya risks being sued in the English courts if it defaults, amplifying the pressure on Kenya to keep up debt payments. In March 2025, Kenya exited its existing IMF deal before the final review stage but applied to the Fund for a new loan, which will further extend Kenya's toxic cycle of debt and austerity.

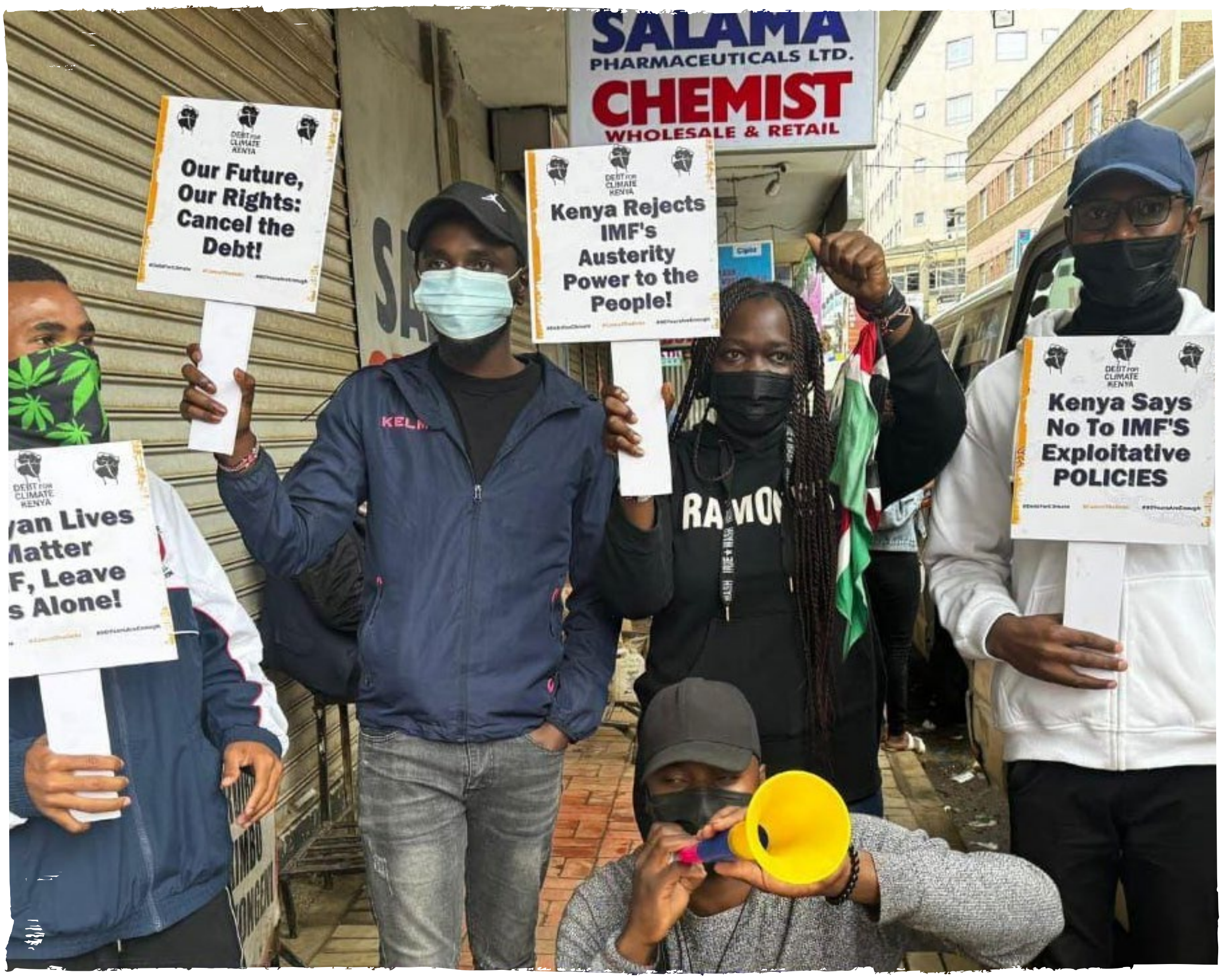
## Escalating repression and ongoing resistance

**With no real way out of its debt crisis, Kenya's government has increased its repression to silence dissent.**
Protestors who continue to resist face escalating threats, both on the streets and online. KNCHR documented at least 82 abductions and disappearances targeting activists and government critics between June and December 2024, in direct violation of Article 29 of Kenya's Constitution, which guarantees freedom from arbitrary detention and inhumane treatment. It also reports that over 1,300 people have been arbitrarily arrested since the protests began.

> **"We've had abductions, we've had killings, we've had arrests, we've had prosecutions in court. Those are some of the measures that the government is using to suppress the civic space in Kenya**
>
> Justine Kapanga
> *Climate and debt justice activist in Kenya*

But despite the risks, activists like Justine Kapanga and others remain defiant and outline that their demands for justice, sovereignty and the right to self-determination, free from the control of the IMF and its powerful shareholders, will continue to grow and grow.

The protests in Kenya sparked similar resistance in other African countries: people in Uganda demonstrated against corruption and Nigerians took to the streets over the cost of living crisis and governance failures. With unrest in Kenya still ongoing, its ripple effects could continue to influence movements in Uganda and beyond.




*Debt for Climate activists join June 2024 protests, calling out the IMF's role in the global debt crisis.*
**Credit:** Debt for Climate

# Pakistan

**Written with**
**Farooq Tariq,** Kissan Rabita Committee
**Abdul Khaliq,** Committee for the Abolition of Illegitimate Debt (CADTM)

**Pakistan is facing political and economic crisis. The military-backed government, which won power after accusations of vote rigging, is using repression to maintain control while public discontent grows. Decades of a heavy debt burden have fuelled discontent on the streets, while IMF-imposed austerity leaves little room to address economic hardship. Protests for political and economic justice are spreading, and the government is tightening its grip by restricting freedoms and undermining rights. The convergence of economic crisis and political repression is pushing this nuclear-armed country toward authoritarianism and democratic breakdown.**

## Political crisis

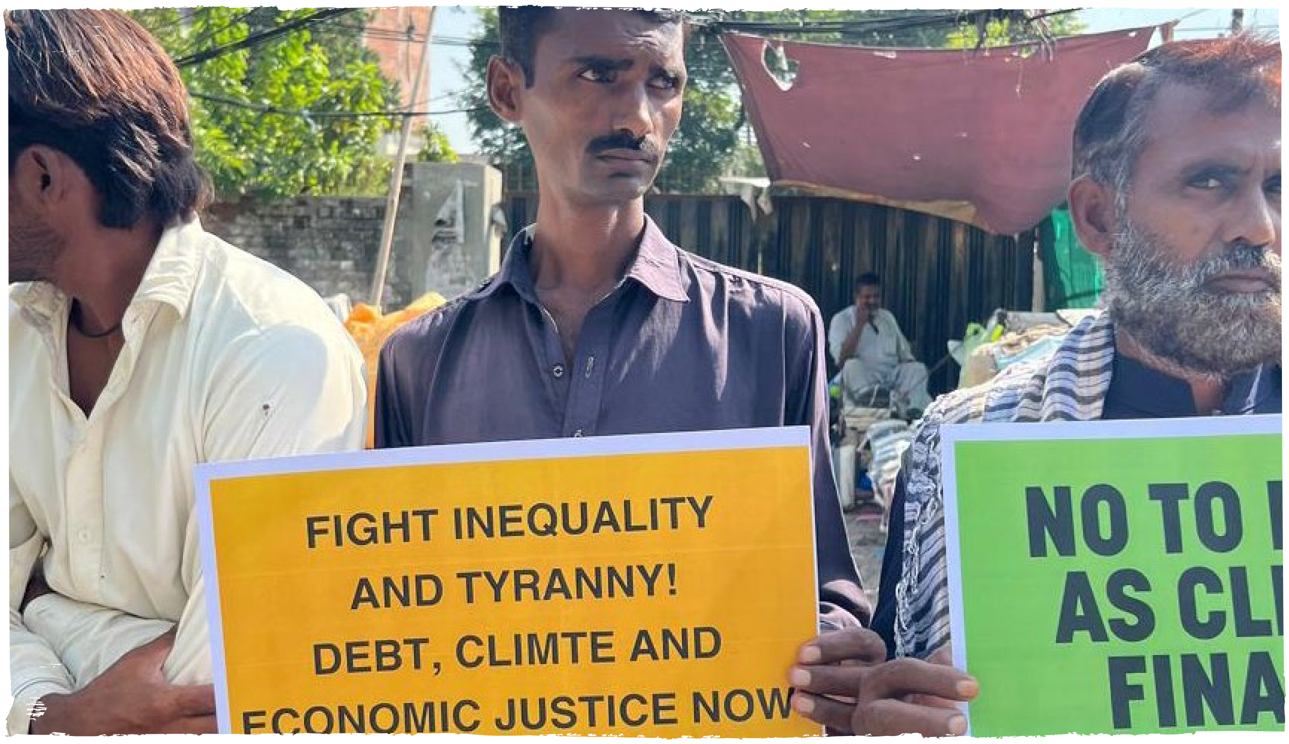
Pakistan has a turbulent history of alternating military rule and democratic regimes since it was established in 1947. Today, the country faces intense political turmoil, with a government in power after a widely disputed election in 2024, which sparked resistance and unrest across the country.

Pakistan's current political crisis began in 2022 when Prime Minister Imran Khan was ousted through a vote of no confidence. His arrest on corruption charges later that year sparked mass protests, primarily targeting the military, the country's most powerful institution. The fracturing of the military's ties with Khan's Pakistan Tehreek-e-Insaf (PTI) party is at the origin of the recent turmoil.

In 2024, elections were held amid widespread allegations of vote rigging and tampering. Despite independents backed by PTI winning the most directly elected seats, the Pakistan Muslim League-Nawaz, led by Shehbaz Sharif, formed a coalition government with the Pakistan People's Party, with military backing. In response, protests erupted across the country, as people protested the vote rigging.

## Debt-fuelled austerity

Pakistan's economic crisis is adding fuel to its political instability. The country is struggling under the weight of debt and austerity with devastating consequences for many people.




*Campaigners protesting illegitimate debt and climate injustice in Lahore, Pakistan*
**Credit:** APMDD Pakistan

Like many countries, Pakistan became highly indebted in the 1970s when the government was forced to borrow to cope with the impact of high oil prices on the global market. Since then, it has remained burdened by a large external debt. Despite meeting the criteria for debt relief in the early 2000s, Pakistan was excluded from the major global debt cancellation process in place at the time. Today, it is eligible for the G20 Common Framework, but the framework has failed to provide meaningful relief and Pakistan has not applied. The country is trapped in a cycle of unsustainable debt, borrowing and austerity.

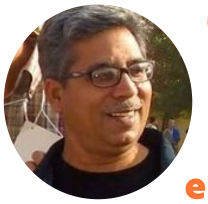
Instead, Pakistan obtained loans from the IMF, with austerity conditions attached. It has also taken on loans from other creditors, including China, Saudi Arabia and the United Arab Emirates (UAE), to keep up payments to previous creditors, including Western private lenders. These loans have effectively bailed out western private lenders.

While some lenders like China and the UAE have been willing to roll over debt payments, providing a small bit of breathing room for the country, others including the IMF have not. As a result, Pakistan is set to spend over 30% of its government revenue on payments to external creditors in 2025. It is currently under an IMF programme, the country's 27th. Since 1970, Pakistan has spent 39 out of the 55 years on an IMF programme - clear evidence that the programmes are not succeeding.[2]

## The impacts of austerity

Decades of debt crises and austerity have been devastating for communities across the country.

The Asian People's Movement on Debt and Development highlight how austerity reforms imposed by the IMF, such as increased taxes and the removal of subsidies, have led to soaring prices on basic essentials like electricity, gas, oil and food. Since 2019, gas prices have increased by 840% and electricity tariffs have risen over 110%, while between 2018 and 2021 the price of wheat flour increased by 39%. The government's regressive implementation of IMF conditions means that policy changes are hitting the working classes the hardest. In 2024 alone, over 2.5 million people were pushed into poverty in Pakistan.



**“I know people who spend their entire income on electricity and energy bills. They are left with nothing for the education of their children, or for the healthcare of their family members**

**Abdul Khaliq,** CADTM

Feminist scholars highlight how these policies are disproportionately harming women, reducing incomes, increasing unpaid care labour, worsening physical and mental health, and eroding vital social and community networks as public services are cut and care work is pushed into the home. Over the last decade, public spending on health and education by Pakistan's central government has fallen by 40%.

Pakistan is still recovering from the devastating impacts of the 2022 floods which affected 33 million people, damaged 18,000 schools and caused unmeasurable harm to people's emotional and physical wellbeing. **The economic crisis has severely hampered recovery efforts, as debt repayments leave the government with little capacity to support communities to rebuild.** In the year of the floods, Pakistan was expected to spend 40% of government revenue on debt repayments - around $18 billion[3] - while rich countries have offered piecemeal compensation, largely in the form of loans. Meanwhile, conditions imposed by IMF programmes are undermining the country's ability to address the climate emergency and transition to clean energy by, for example, imposing taxes on solar and other renewable energy technologies.

## Authoritarian repression

**The economic injustice experienced by so many across Pakistan under IMF-imposed austerity is deepening the unpopularity of**

*2. Calculated by Debt Justice from the World Bank Debt Statistics Database and the International Monetary Fund*
*3. Calculated by Debt Justice from the World Bank International Debt Statistics database*

**the government, adding fuel to an already tense political environment.** People in Pakistan are taking to the streets - political activists, farmers, workers, unions, students and women are speaking out and demanding their political and economic rights. This has included protests related to tax hikes, energy bills, and soaring inflation.

> **While it appeared as a political protest on the surface, it was deeply intertwined with other issues. Some were there to voice their frustration over soaring inflation, while others stood in protest at the government's failure to deliver justice and fairness**
>
> **Moatar**
> Student from Rawalpindi, in an interview with The New Humanitarian

Unable to address the economic crisis due to IMF conditions, the government is not meeting the demands of people but instead is implementing ever more authoritarian measures, meeting protestors and opponents with swift and often violent crackdowns.

> **The government cannot control the price hike - they have to take loans from the IMF and fulfil their conditions. So to stop people's anger, they are bringing new laws**

**Farooq Tariq**, Kissan Rabita Committee

Amnesty International reports that the government is using anti-terrorism laws to target activists and peaceful protestors, particularly from minority groups, undermining their right to freedom of association and assembly. The United Nations Human Rights Treaty Body has expressed concern about the increase in enforced disappearances, including torture and extra-judicial killings allegedly perpetrated by the military, police forces and intelligence agencies. In Islamabad, the government introduced the Public Order and Peaceful Assembly Act which threatens to criminalise peaceful protest in the city, while an amendment to the Prevention of Electronic Crimes Act introduced a three-year prison term and a fine of more than $7,000 for spreading fake and false information, an attack on freedom of expression on social media.

> **The government wants to quell all voices, freedom of expression and all peaceful assemblies. They have screwed tightly shut any space left for political and social activists to express themselves. Complete authoritarianism is being exercised**

**Abdul Khaliq,** CADTM

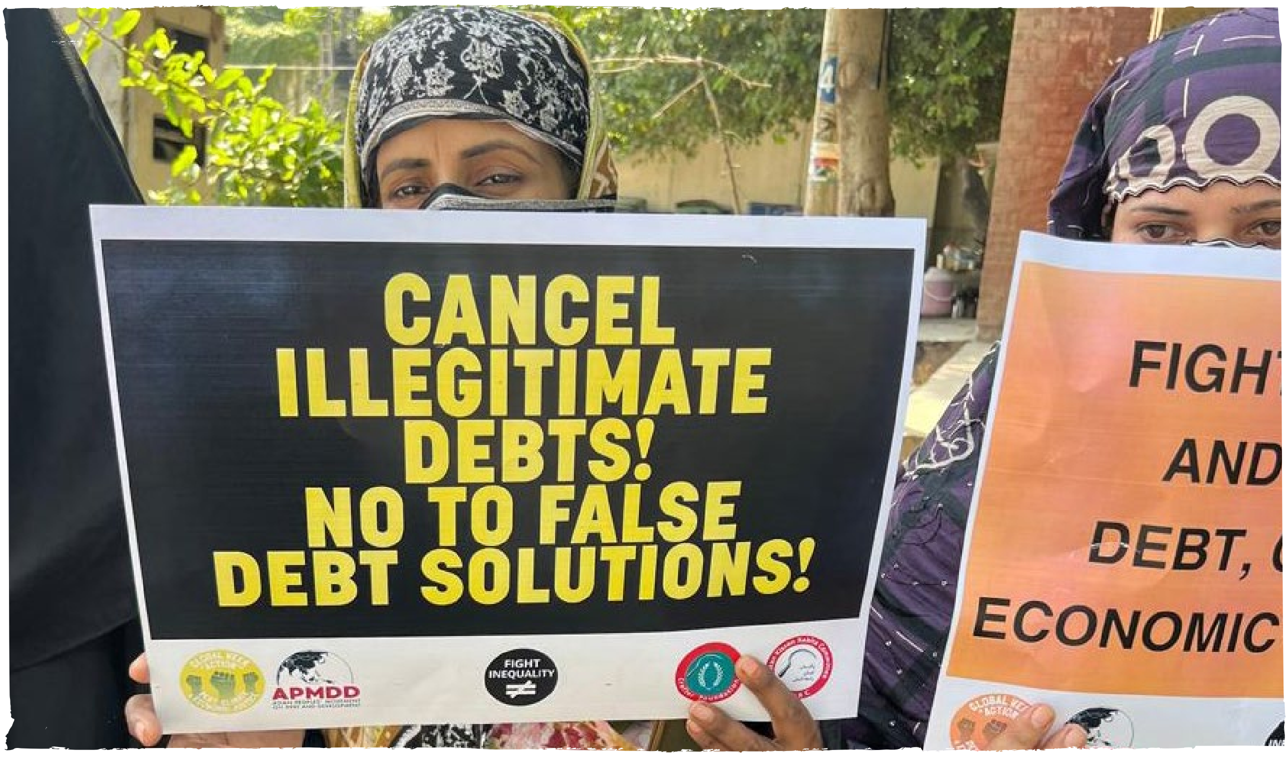
Even Pakistanis not involved in protests are affected as travel is severely disrupted in affected areas, the internet is shut down, and instances of being stopped by the police increase.

> **If we manage to travel, we face the risk of being interrogated by police. They will question whether we are participating in political rallies**
>
> **Ibrahim**
> Student from Islamabad in an interview with The New Humanitarian

### Escalating protest and political turmoil

The government's authoritarian crackdown on protestors and failure to meet their economic demands are further eroding trust in the government and fuelling more protests. Abdul Khaliq and Farooq Tariq both foresee unrest escalating despite the repression, as economic conditions make it very difficult for people to survive. As Abdul Khaliq explained, "Definitely people will feel the pinch, and they will speak up." This may fuel a cycle of escalating protests and crackdowns, which could push Pakistan into full-scale authoritarianism and democratic collapse. Potential further conflict with India could further exacerbate this dynamic.

**Find out more about Kissan Rabita Committee and the Committee for the Abolition of Illegitimate Debt.**




*Campaigners protesting illegitimate debt and climate injustice in Lahore, Pakistan*
**Credit:** APMDD Pakistan

## 3. Debt and austerity fuel authoritarianism: Paving the way for authoritarian leaders

In some Global South countries, the political closure of alternatives to debt payments and austerity has created fertile ground for authoritarian leaders who promise to break from the political and economic status quo. Once in power, these regimes erode democratic freedoms, dismantle rights and consolidate control, while leaving the underlying economic issues unaddressed. These regimes use economic crises created by the debt-austerity trap as a mechanism to justify their rule, presenting themselves as the only solution while perpetuating the very cycles of instability they claim to resolve. This dynamic has played out in Tunisia, Argentina, and Egypt.

International financial institutions and Global North governments have long played a role in enabling authoritarian regimes, prioritising geopolitical and commercial interests over the needs of people in borrowing countries. External bilateral, multilateral and commercial lenders have frequently provided loans that reinforced authoritarian regimes, often with full awareness that the funds would not benefit or would actively harm the population.

For example, the IMF, World Bank and commercial creditors lent to South Africa's apartheid regime to fund "pro-white projects" at a time when the majority Black population was denied free and fair elections. During the Cold War, Western governments and institutions lent to the Mobutu Sese Seko dictatorship in what is now the Democratic Republic of Congo and the Marcos dictatorship in the Philippines in exchange for their political allegiance, despite evidence that much of the lending financed repression and elite corruption. Mobutu siphoned off billions into private accounts and used loan proceeds to finance military expenses, consolidating his rule. Marcos is thought to have stolen up to $10 billion, while Filipinos were left to shoulder the debt payments.

These dynamics continue today. In Egypt, loans from external creditors have helped entrench the current regime, financing mega-infrastructure projects that are largely implemented by the military, thus reinforcing its economic and political dominance.

## Tunisia

**Written with**

**Imène Cherif,** MENA Fem Movement for Economic, Development and Ecological Justice (MENA Fem)

**Tunisia's 2011 revolution demanded democracy and economic justice. While political freedoms were won, economic justice was blocked by international lenders and their powerful shareholders. Decades of debt and IMF-imposed austerity, and the continued imposition of power by international financial institutions, left post-revolution governments unable to improve living conditions, fuelling frustration and disillusionment. This paved the way for Kais Saied's 2021 power grab, following which hard-won democratic institutions have been dismantled, economic and social crises have deepened, and repression has intensified.**

### The Jasmine Revolution

In December 2010, a Tunisian fruit and vegetable vendor named Mohamed Bouazizi set himself on fire in Sidi Bouzid after suffering harassment from a municipal official. His act of defiance triggered the Arab uprisings. Within weeks, protests swept across Tunisia under the banner of "Work, freedom, national dignity," highlighting deep economic and political grievances. What became known as the Jasmine Revolution led to the ousting of long-time dictator Zine El Abidine Ben Ali in 2011 and the establishment of a new progressive constitution enshrining key rights in 2014.

Demands for debt justice were central to the revolution. Tunisians rallied under the slogan "We don't owe, we don't pay," demanding a debt audit to uncover unjust debt, alongside transparency, accountability and economic justice.

### The origins of Tunisia's debts

For decades, Tunisia has been burdened by debt and IMF-imposed austerity. At independence in 1956, the country inherited the debt of the colonial regime following decades of French colonial rule via a protectorate. After gaining independence, Tunisia endured successive debt crises under unelected regimes that repeatedly turned to the IMF for bailout loans with austerity-based conditions attached. Under Ben Ali, the country's debt ballooned and Tunisians inherited a staggering $15 billion debt after he fled the country following the 2011 revolution.

### Efforts towards debt justice curbed

A bill for a debt audit was submitted to parliament in 2012 with the aim of making transparent the origins of the country's debt and where it was spent, and thus whether it should be paid or not by the people of Tunisia. Initially, democratically elected president Marzouki backed the audit, but the proposal faced intense opposition from international financial institutions and their

Western shareholders, which sought to make Tunisia continue with debt payments and expand foreign investment through privatisation and liberalisation. Under this immense pressure, the audit was cancelled, and Tunisia continued to make its debt payments. **While the revolution succeeded in toppling the dictatorship and securing key political freedoms, the economic injustices that contributed to the uprising remained unresolved. This has continued to make daily life harder for Tunisians, and ultimately undermined the country's path to democracy.**

## Continued debt and austerity

In the years that followed, Tunisia remained trapped in a cycle of debt and economic hardship. Under international pressure, the government continued to make high debt payments, including on the debts it had inherited from Ben Ali's regime. As a result, the economic problems that fueled the revolution remained, including joblessness, rising costs of essentials like milk and fuel, and crumbling public services. New civil society movements emerged, staging hundreds of protests, sit-ins, road-blocks and rallies against unemployment and inequality. Yet, in 2013 and again in 2016, Tunisia turned to the IMF for new loans so it could keep up payments to creditors.

## The harms of austerity and resistance

As a condition of the loans from the IMF, Tunisia had to implement economic reforms including reducing the public payroll, cutting spending on public services, cutting energy subsidies and privatisation, alongside reforms to the banking sector. But these reforms did little to improve the economy, and unemployment and inflation remained high.

As living conditions worsened, popular unrest in Tunisia continued. In January 2018, the government passed a new Finance Act that implemented austerity measures mandated by the IMF, including tax hikes and price increases on essential goods. This triggered mass protests against the IMF for deepening economic hardship. These protests were met with violent repression, resulting in nearly 800 arrests and one person killed.

*Demonstrators face police lines on Aveunue Bourguiba in Central Tunis*

**Credit:** Chris Belsten

## Saied's rise to power

As economic hardship worsened and austerity deepened, public frustration with establishment parties grew. Many Tunisians felt betrayed by post-revolution governments that had failed to deliver on the promises of 2011. In this climate, Kais Saied - a political outsider with few ties to Tunisia's ruling elite - was elected in 2019. His rhetoric tapped into widespread disillusionment, positioning him as a leader who would restore dignity and economic justice.

The COVID-19 pandemic then plunged Tunisia into a deeper crisis. The government, already struggling under IMF-imposed economic reforms, borrowed again. In Imène Cherif's experience, "Saied was there with all his populist slogans, but everything the IMF demanded was implemented. I remember that during COVID I received an electricity bill with writing in red saying 'this bill is subsidised' but made clear that this subsidy will end after 6 months. Now the electricity bill I am getting is not subsidised at all. It's ok for me, I am young and working, but I know people who were not able to pay their first bill after all the subsidies were removed. Someone I know called me, someone who has worked in the public sector for decades, and said they are not able to pay their bill. They have a very basic house with basic consumption of electricity. This is a shame that people who built this country have to seek help to pay their bill."

Research by MENA Fem reveals the impact that austerity policies continue to have on women in Tunisia. Public spending cuts have led to a critical shortage of obstetricians and gynecologists, leaving women without essential healthcare. Meanwhile, women face mounting pressure to take on greater amounts of unpaid care work as public services are eroded and the burden of care is left on households.

By 2021, widespread frustration boiled over into spontaneous protests. Demonstrations quickly turned violent, prompting the deployment of police and the army. These mounting crises created the conditions for Saied's coup. In July 2021, Saied suspended parliament, dismissed the government backed by the army and security forces, and assumed powers over or dissolved executive, judicial and legislative systems. Many Tunisians, exhausted by economic turmoil, saw this as a necessary break from a failing system, despite its clear democratic backsliding.

**Frustration and exasperation at debt-fueled austerity, the impacts of COVID-19, and the failure of successive post-revolution governments to realise the economic rights and wellbeing of people, laid the perfect foundations for Saied to destroy Tunisia's hard-won democratic system.**

## Democracy eroded under Saied

Human rights have severely deteriorated. Institutional safeguards protecting human rights have been removed, freedom of expression is under attack through new draconian laws, and many of Saied's opponents, including journalists and political figures, are facing arrest and prosecution. Saied has fuelled racist and hateful rhetoric against migrants, refugees and asylum seekers. While anti-Black racism is not new in Tunisia, Saied's rhetoric has sparked hundreds of arbitrary arrests of migrants, refugees and asylum seekers and triggered a wave of anti-Black violence including assaults, robberies, vandalism, arbitrary evictions and job terminations. Women's rights have regressed, including inheritance rights, disabled communities face challenges to access healthcare, while LGBTQIA+ communities are experiencing escalating violence, prison terms for same-sex relationships, hate speech and online harassment.

Saied is also targeting civil society in an effort to control and silence opposition. Civil society is being excluded from dialogues and some organisations face being prevented from organising or shut down altogether. As Imène Cherif explained, many civil society organisations are being suffocated by burdensome administrative requirements that make it nearly impossible for them to function. The right to protest has also been severely undermined as demonstrations have been cancelled and protesters arrested and abused by the police.

### Saied and the IMF

In October 2022, Saied made a $1.9 billion deal with the IMF but later rejected the terms in 2023, as the deal was unpopular amongst Tunisians. Saied subsequently cut off communication with the IMF. While this was seen as a bold political move, many Tunisians viewed it as too little, too late. As Imène Cherif put it, the government "had already done almost everything the IMF told us to do."

### Debt, austerity and democracy in Tunisia now

Tunisia still faces a debt crisis. Saied continues to make massive debt payments - including to external private creditors and to the IMF - undermining spending in healthcare, education and other public services. As a result, public services are deteriorating.

**"We can see the deterioration of infrastructure again and again. If you go to a school or hospital, you can see that there is no money being spent there. I prefer to stay home sick than go to a public health care facility.**

**Imène Cherif,** MENA Fem

Saied was re-elected president in October 2024, in elections widely criticised for failing to meet international standards of transparency and fairness. The people of Tunisia are facing the increasing hardships of unjust debt and austerity, not only with their livelihoods but with their rights and freedoms.

**Find out more about MENA Fem Movement for Economic, Development and Ecological Justice.**

## Argentina

Written with
**Guillermina French, Ariel Slipak, Leandro Gómez and Matías Cena Trebucq,**
Fundación Ambiente y Recursos Naturales (FARN)

**Decades of unjust debt, irresponsible borrowing and lending - including by the IMF - and austerity have led to disillusionment with the political class in Argentina and ultimately contributed to the election of the authoritarian far-right government of Javier Milei. He promised to "shake things up", but his rise to power has resulted in a sharp turn towards authoritarianism, with sweeping austerity policies and draconian measures that have deepened inequality, undermined democracy and eroded human, gender, Indigenous and environmental rights.**

### A long history of unjust debt and austerity

The political and economic conditions that paved the way for Milei's election are deeply rooted in Argentina's long history of debt crises and IMF-imposed austerity. The country's current debt burden can be traced back to reckless lending to military dictatorships in the 1970s and 1980s, followed by decades of IMF-enforced structural adjustment and irresponsible lending that kept Argentina trapped in cycles of debt crisis and austerity.

### Commercial creditors block the road to economic recovery

Argentina first defaulted on its debts in 2001. The default freed up resources that were used to support the country's lowest-income people.

In 2005, Peronist president Néstor Kirchner negotiated a landmark debt restructuring deal to enable Argentina to resolve its default, forcing creditors to take significant losses. However, some vulture funds saw an opportunity for profit. They bought up some of Argentina's bonds cheaply on the financial markets and took Argentina to court in New York seeking full repayment. In 2014, the US Supreme Court ruled in their favor, leaving Argentina with the choice of either paying in full or defaulting again. The court ordered Argentina to pay $832 million to the vulture funds - over 17 times the amount they had bought the debt for.

In 2016, market-friendly president Mauricio Macri settled with the vulture funds, who made millions in profit, and took on another IMF loan in 2018 to enable Argentina to continue making debt payments. Once again, conditions on IMF loans forced Argentina into austerity and hardship. Inflation rose from 22% in 2015 to 28% in 2018, while energy prices skyrocketed between 500% and 2000%. Under pressure from the IMF, Argentina expanded oil and gas exploitation in Vaca Muerta, which had begun under the presidency of Cristina Fernández de Kirchner in 2012, to generate revenue to meet debt payments. This was despite fierce opposition from Indigenous and environmental groups.

## Further debt-fuelled austerity

By 2018, Macri's implementation of IMF austerity had made him deeply unpopular, and the IMF - encouraged by US president Donald Trump - granted a massive $57 billion loan in advance of elections as a political favour to Macri, hoping to sway the election in his favour and avoid a return to Peronism in the country. The loan was the largest ever provided by the IMF and broke several of the IMF's lending restrictions, including a rule that requires a country's debt to be sustainable before it can go ahead - in other words, the IMF was knowingly lending in an unsustainable context where there was little hope of Argentina being able to pay off the debt. It also broke several laws in Argentina according to a 2023 report by Argentina's General Auditors Office.

The loan was not only reckless, it also did not benefit the people of Argentina - a significant amount of it immediately left the country in capital flight. As reported by Nacla, "Macri himself admitted that the IMF loan had been granted so that foreign investment funds could abandon their stakes in Argentine bonds and take their money abroad." According to the Bretton Woods Project, over $36 billion left Argentina through capital flight after the IMF loan was disbursed. The next government was left to shoulder an impossible payment schedule - Argentina was expected to pay almost $20 billion to the IMF in 2022.

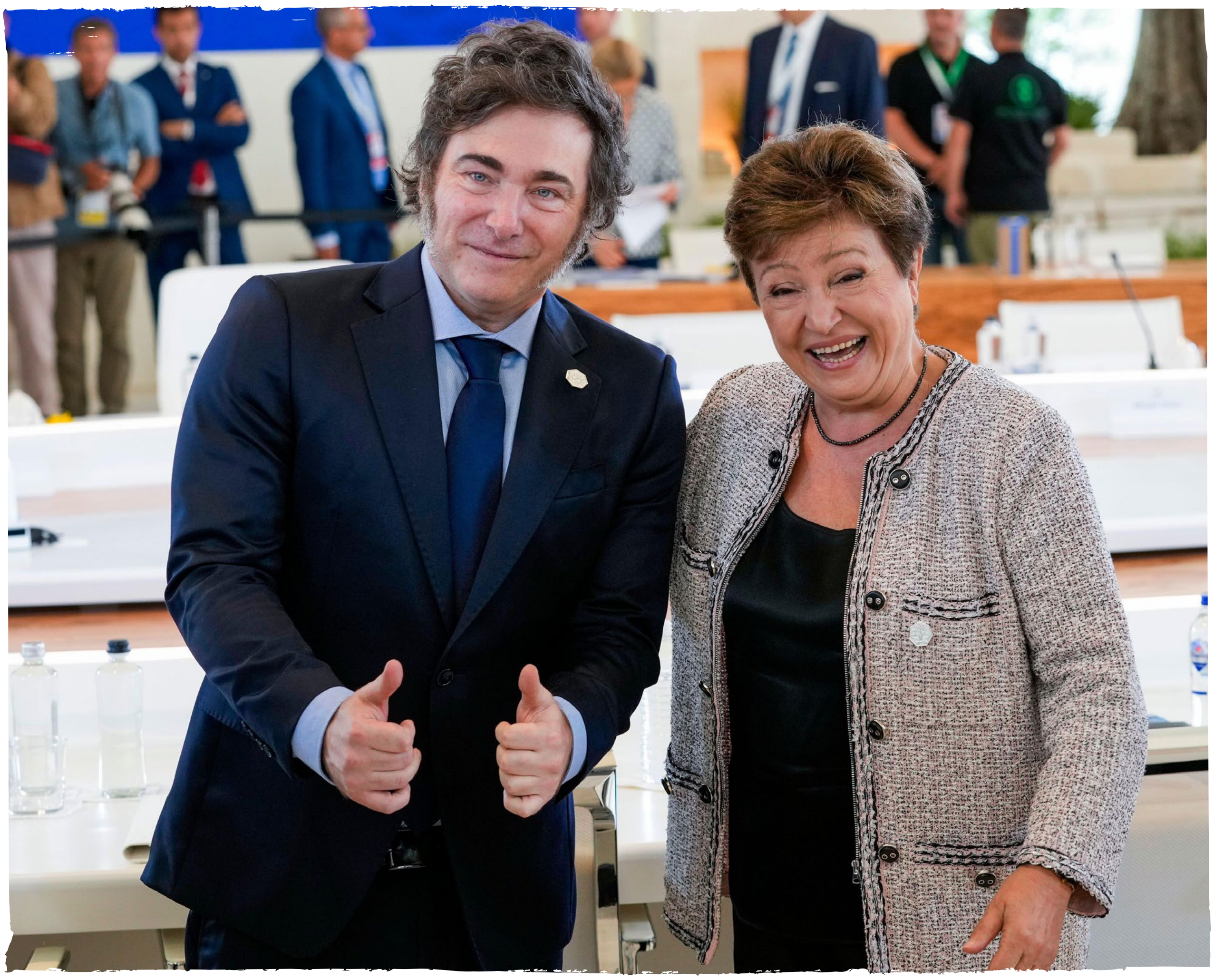
When Alberto Fernández took office in 2019, he inherited economic turmoil, made worse by the impact of the COVID-19 pandemic. In 2020, his government renegotiated a debt relief deal with private creditors, but by 2022, the country was once again on the brink of collapse. Argentina's Minister of Economy Martín Guzmán and others blamed the 2018 IMF loan, which the government continued to pay. People took to the streets to condemn the IMF's role in Argentina's economic devastation.

In 2022, Fernández reached an agreement with the IMF for a new $44 billion deal, replacing the previous $57 billion loan. The deal delayed debt payments to the Fund until 2026 but it did little to address the country's underlying economic crisis, leaving the country trapped in debt and austerity. Many criticised the deal for simply postponing the crisis while still enforcing harsh IMF conditions.

## Laying the ground for the rise of Milei

Disillusionment with traditional political parties deepened due to their inability to chart a clear path out of the economic crisis and relentless austerity imposed by the IMF. This frustration created a fertile ground for the rise of Milei, who was elected president in 2023 after positioning himself as an anti-establishment outsider and capitalising on widespread anger toward the political elites.

Yet feminist groups in Argentina have highlighted Milei's close ties with corporations and financial elites, including hedge funds and the ultra-wealthy. His rhetoric of radical



*Argentina's President Javier Milei with Head of the International Monetary Fund, Kristalina Georgieva*
**Credit:** Associated Press

change is contradicted by his commitment to an extreme version of the neo-liberalism that had led Argentina into crisis. Since taking office, he has enacted extreme austerity measures under the banner of "shock therapy," including devaluing Argentina's currency, dismantling government ministries, and slashing state subsidies. In his first year alone, he cut government spending by 30%, delivering on his campaign promise to slash public expenditure which he symbolised by wielding a chainsaw.

## The erosion of democracy under Milei

Milei's economic policies have had devastating effects on people in Argentina. Feminists Verónica Gago and Luci Cavallero highlight how household debt is increasing, especially for women, who must now borrow just to afford basic goods and services. They refer to this as "indebtedness to survive," a direct result of austerity measures that have slashed public support while driving up prices. Milei's administration has also launched aggressive attacks on the rights and freedoms of many groups including women, LGBTQIA+ communities, Indigenous peoples and retirees and pensioners.

Environmental protections are being dismantled and resource extraction is accelerating, threatening both ecosystems and Indigenous and local livelihoods. This is building on decades of government policies and IMF pressure to increase exports of natural resources, including oil and gas from Vaca Muerta, lithium, and copper, which have had devastating impacts on both the environment and communities. Since 2023, the amount of government spending on renewable energy promotion and energy efficiency has fallen by over 66% in real terms, while the budget of the Ministry of the Environment and Sustainable Development (downgraded to a subsecretariat) has been reduced by almost 80%.

In March 2025, Bahia Blanca, a city of 300,000 people, was hit with a year's worth of rain in a day, causing devastating flooding, 16 people deaths, and at least $400 million in infrastructure damage. Just days before the storm, Milei had shut down the agency in charge of providing disaster relief as part of the government's cuts to public spending. The economy ministry has provided just $9 million to the city, dramatically short of the resources that will be required for the people of Bahia Blanca to recover and rebuild.

## Milei and the IMF

In the context of weakening institutions and the restriction of basic human rights, the Milei administration has now reached a preliminary agreement with the IMF for a $20 billion loan, on top of Argentina's existing $44 billion loan, which will further entrench the country in its cycle of debt dependency and austerity.

In March 2025, Argentina's new loan with the IMF received congressional approval after President Milei issued an executive decree that bypassed the need for a formal congressional vote. Under the decree, the agreement would pass automatically unless a majority of lawmakers voted against it. The decree passed without lawmakers knowing any information on the details of the deal, including how much the IMF will disburse or the conditions of the loan.

A group of opposition lawmakers has filed a criminal case against Milei in response, arguing that the approval of the loan by decree has undermined legislative authority in Argentina, specifically the 2021 Law for Strengthening the Sustainability of the Public Debt, which mandates that IMF agreements have congressional approval. Senators from the Unión por la Patria party have also sent a letter to the IMF saying that they will "not recognise this agreement, this debt, or the commitments made, as they violate our National Constitution and current laws", and that "the debt generated by this agreement could be classified as odious debt in its broadest sense and therefore subject to a selective default by the Argentine Nation."

Organisations such as FARN are concerned that the new agreement will further expand natural resource exploitation in the country, exacerbating environmental and human harms and violence and criminalisation against environmental defenders, in the context of the erosion of environmental legislation.

## Resistance against Milei

Despite mounting repression, resistance in Argentina persists. Protests have erupted across the country against Milei's economic policies and discriminatory rhetoric, with LGBTQIA+ activists, feminists, Indigenous and labour groups and pensioners and retirees at the forefront - including an 'anti-fascist and anti-racist pride' that took place in February 2025. However, protesters face an increasingly hostile context, as Milei's government passes laws restricting freedom of speech and the right to protest. Ariel Slipak and Guillermina French describe how it is becoming increasingly unsafe to voice your opinions in the streets, and how challenging it is for civil society to respond to the continuous bombardment of Milei's reforms, announcements and rhetoric.
The feminist Ni Una Menos (Not One Less) Collective highlights how the economic crisis itself, especially debt-fuelled austerity, makes organising and demonstrating even more difficult, undermining the time and capacity people have to protest. In these conditions, they emphasise the importance of self-care for those who continue to resist despite repression.

## Find out more about Fundación Ambiente y Recursos Naturales (FARN).

# Egypt

**Written with**
**Shereen Talaat,** MENA Fem Movement for Economic, Development and Ecological Justice (MENA Fem)

**Unjust debt and austerity have played a central role in the rise and entrenchment of a military regime in Egypt. Under the weight of debt inherited from the 30-year dictatorship of Hosni Mubarak and a long legacy of austerity, the post-revolution government was unable to meet the economic demands of the people, contributing to political tensions that paved the way for the current regime to take power. Since gaining power, the regime has increased both borrowing and austerity, and used reckless international lenders to consolidate its rule while Egyptians suffer under worsening economic and political conditions.**

## 25 January revolution

On 25 January 2011, thousands of people in Egypt took to the streets, demonstrating under the slogan of "bread, freedom and social justice," inspired by the uprising in Tunisia that had started the previous month. Political and economic justice were at the heart of the mobilisations, which demanded an end to the corruption, autocratic rule and economic hardship of the Mubarak regime, exacerbated by decades of IMF-imposed austerity.

> **"People were pushed out to the streets because of austerity. They were demanding social justice and equity**
>
> **Shereen Talaat,** MENA Fem

After 18 days of demonstrations and violent repression at the hands of police, which killed over 800 people and injured thousands, Mubarak stepped down, handing power over to the Supreme Council of the Armed Forces.

## Unfulfilled economic demands pave the way for military takeover

Egypt held its first fully democratic election in 2012, electing Mohamed Morsi of the Muslim Brotherhood as president with over 50% of the vote. But celebrations were short-lived. Morsi was increasingly viewed as authoritarian, and his government's failure to address Egypt's deep economic crisis - seen by many as a betrayal of the revolution's demands - sparked renewed mobilisations against poverty and austerity.

During Morsi's short presidency, economic resistance surged as Egyptians organised strikes, protests and sit-ins against the economic hardship they were facing. In response, Morsi's government introduced new laws criminalising protest, escalating tensions further.

In the wake of the revolution, activists created the Popular Campaign to Drop Egypt's Debt, calling for a debt audit and for lenders to drop what they saw as illegitimate debt inherited from Mubarak's regime.

> **"Egypt's debt is Mubarak's debt. It is not the Egyptian people's. Egyptians never had a say in the borrowing that was done in their name**
>
> **Dina Makram**
> Popular Campaign to Drop Egypt's Debt

However, under international pressure, Morsi's government continued making payments on Mubarak-era debt. In 2012, Morsi began talks with the IMF for a new loan to cover existing debt payments. The government announced new tax increases to pave the way for the IMF deal, sparking mass protests. Hours after announcing the taxes, Morsi backed down, effectively collapsing the IMF deal.

It was in this context of escalating political and economic unrest, alongside a breakdown of political relations between Morsi and key institutions across the country, including the police, armed forces, intelligence agencies, the judiciary and religious clerics, that the current regime took power in 2013.

## The current regime

In 2014, the current regime secured power via an election widely condemned as undemocratic, following months of repression of opposition candidates. In the same year, the regime rewrote the constitution to cement military, police and judicial power.

Opposition has been crushed, and human rights violations have become widespread. Human rights groups estimate that there are over 60,000 political prisoners in Egypt.

**"They've arrested tens of thousands of people, including journalists, human rights defenders, activists, protesters, artists, football fans, politicians - even very unlucky bystanders because some policemen suspected them of being Muslim Brotherhood members or critical of the authorities**

**Hussein Baoumi,** Egypt researcher for Amnesty International

Amnesty International also reports enforced disappearances, torture and ongoing discrimination against women and girls, religious minorities and LGBTQIA+ people.

## Debt crisis

Despite promises of economic stability, Egypt's debt has ballooned under the current regime. External debt payments have increased from 5% of government revenue in 2015 to over 30% between 2023 and 2025[4], fuelled by reckless borrowing and equally reckless lending by the IMF and other creditors.

In 2016, Egypt secured a $12 billion IMF loan, unlocking access to capital markets and triggering a surge of external borrowing from private creditors. This was followed by two more IMF loans in 2020 and 2022. These loans came with harsh austerity conditions - including a sharp currency devaluation, subsidy cuts, and reduced public spending - which failed to resolve the economic crisis. Today, Egypt is in a full-blown debt crisis, with over 30% of its government revenue set to go toward debt repayments in 2025.

## Borrowing to consolidate power

Loans from external creditors have been used to fund controversial mega-infrastructure projects in Egypt. Some claim that these projects are vital for the revival of the Egyptian economy, but others have highlighted serious concerns about the role of the loans in propping up and legitimising the regime in Egypt. Many projects are being delivered by firms in which the military owns shares, enabling "the military to spread its tentacles across the economy" and creating a "bonanza of profits for the security services, thus ensuring their complete loyalty", according to Egyptian political analyst Maged Mandour.

Maged Mandour further explains that foreign debt has played a crucial part in the regime's economic model, "providing an important source of foreign currency needed to embark on these mega-projects" which the regime has used to consolidate rule and create a symbiotic relationship between it and its base - the military.

Mega-infrastructure projects have included transport infrastructure, museums, presidential palaces and detention centres. While some of these projects are likely to have some benefit for Egyptians, the Italian Institute for International Studies refers to many of them as "impossible to justify", while Maged Mandour refers to them as "mega-projects with dubious economic benefits". Perhaps the most controversial of these projects has been the development of a new capital city that boasts the tallest tower in Africa and the biggest cathedral in the Middle East. The company overseeing this

4. Calculated by Debt Justice from World Bank International Debt Statistics database and IMF World Economic Outlook database.

*Tahrir Square during the Egyption Revolution, February 2011*
**Credit:** Mona

development is the Administrative Capital for Urban Development - a state-owned enterprise in which the military has majority shares.

## Austerity and deepening poverty

Mounting debt and austerity are deepening poverty and inequality for millions of Egyptians. Human Rights Watch reports that skyrocketing inflation has left many unable to afford food and other basic essentials. MENA Fem explains that austerity conditions have "led to substantial cuts in public spending on health and education, resulting in inadequate healthcare facilities and a decline in the quality of education services", and have "severely limited access to affordable housing and food, forcing many families into substandard living conditions." Their research makes clear that women, rural communities and people living in poverty are being disproportionately affected.

In this increasingly repressive environment, Egyptians have fewer avenues to voice dissent. In 2019, thousands protested across Egypt against corruption and austerity conditions. They were met with violent crackdowns. According to Amnesty International, the aftermath of the protests saw mass arrests of journalists, human rights lawyers, activists, and opposition figures, while independent media sites were blocked to prevent further dissent.

## What happens next?

Egypt's debt crisis is deepening and regional tensions are rising as Israel's genocide in Palestine is having a destabilising impact. With Egypt's proximity to the conflict, the country has become even more geopolitically crucial in the region, increasing the likelihood that lenders will keep lending to the regime, deepening the debt-austerity cycle. In August 2024 for example, Egypt received $50 billion of loans from UAE, the IMF, World Bank and the European Union.

**Find out more about MENA Fem Movement for Economic, Development and Ecological Justice.**

## Global trends towards authoritarianism

This rise of authoritarianism is not unique to Global South countries. Debt-driven authoritarianism is part of the wider rise of authoritarianism across the world, including in the Global North, as democratic governments fail to meet people's needs and demands.

While this has been building for some time, the election of Donald Trump to a second term as US president is a major development that will have a significant impact on multilateral decision-making, including around debt. The new US administration has signalled its intentions by withdrawing from the Paris Agreement and the World Health Organization and snubbing key international forums like the G20 finance ministers' meetings.

Furthermore, the US imposition of tariffs on imports from across the world is likely to exacerbate the debt crisis. In April 2025, all countries were hit with tariffs of at least 10%, but some of the most indebted countries could face much higher tariffs once the 90-day pause comes to an end. This could intensify the debt crisis in the Global South as tariffs would cause exports to fall, with the loss of foreign currency earnings needed to meet debt payments.

**The ongoing debt crisis and the unjust debt system remain inadequately addressed, and current geopolitical shifts are only complicating and exacerbating the situation. As a result, debt and austerity will continue to harm countries in the Global South, fuelling political destabilisation and providing fertile ground for authoritarianism. This dynamic not only worsens conditions in Global South countries but also exacerbates dangerous global trends that threaten democratic systems worldwide.**

# Recommendations

The failure of international decision-makers to adequately address the global debt crisis is undermining democratic processes in many Global South countries. This has led to the repression of protests, the rise of authoritarianism, and the shrinking of civic space. Debt-fuelled austerity is deepening political instability, further exacerbating an already fragile global context.

The lack of adequate action to address the debt crisis means that the impacts of debt and austerity are intensifying, worsening political conditions in affected countries. Immediate action is needed to prevent further destabilisation.

## 1. End the current debt crisis. This requires urgent debt cancellation for all countries that need it, across all creditors, free from economic conditions.

One of the key obstacles to current debt relief processes working now is the lack of a robust mechanism to ensure that private creditors participate on a fair and equitable basis. As a result, they have been able to stall, delay and seek maximum profit within restructuring negotiations. To address this, new laws in key jurisdictions, including England and New York, should be introduced that would ensure private creditors' participation. This would help to speed up negotiations, provide clarity, and strengthen the hand of countries seeking restructurings.

## 2. Address the deep power imbalances and inequalities in the debt system that keep countries in a debt-austerity trap.

Governments around the world must agree to a UN framework convention on sovereign debt. This would encompass reforms that address inequalities in the debt system, prevent irresponsible lending and borrowing that perpetuate debt crises, and introduce a multilateral sovereign debt resolution mechanism to ensure just and fair debt resolution when crises do occur.

These reforms can be seen as part of calls for reparations for colonialism, neocolonialism, and the climate crisis, since the global debt system was built on, and continues to reinforce, colonial power dynamics.

Debt Justice

We are a campaigning organisation working with others to end unjust debt and the poverty and inequality it perpetuates, in the UK and across the world.

## Keep In Touch

debtjustice.org.uk
info@debtjustice.org.uk
@debtjustice
Debt Justice
Debt Justice
@debtjustice.bsky.social

Oxford House, Derbyshire Street, London E2 6HG, United Kingdom.
Registered Charity no. 1055675 Company limited by guarantee no. 3201959