# Global aid cuts expose developing countries to debt crisis and health risks



Countries worldwide are reducing their aid budgets, signalling an end to the long-standing consensus that supporting global health and development is both a moral responsibility and a strategic interest. This shift has significant implications for low- and middle-income countries, which face substantial fiscal challenges and cannot manage global crises alone due to entrenched economic inequalities.

Developing nations are grappling with substantial debt burdens, with interest rates up to twelve times higher than those in wealthy countries. The global south, in particular, has been severely impacted by rising interest rates following Russia’s invasion of Ukraine. These countries now pay approximately $4 (£3) in debt service to wealthy northern countries for every $1 they receive in aid. In Africa, 34 out of 54 countries spend more on debt repayment than on healthcare, limiting their capacity to respond to health emergencies and development needs.

Taxation is typically a principal method for governments to increase revenue, yet developing countries face significant losses through illicit financial flows, with Africa losing about $88.6 billion annually. These losses stem largely from corporate tax avoidance strategies, such as aggressive tax planning. Notably, 69% of global tax losses occur through rich countries and their dependent territories, exacerbating the fiscal constraints on poorer nations.

Winnie Byanyima, Executive Director of the Joint United Nations Programme on HIV/AIDS (UNAids), highlights these challenges through the lens of the HIV response. Byanyima explains that UNAids is working with developing countries to enable full local ownership of HIV programmes, but the absence of sufficient fiscal space remains a barrier. For instance, 82% of Zambia's and 70% of Uganda's HIV response funding comes from the US government, which has been critical in saving countless lives. However, this reliance also leaves countries vulnerable to shifts in external political priorities. In January, key elements of the US President’s Emergency Plan for AIDS Relief (PEPFAR) were paused for review, raising concerns at UNAids that if PEPFAR funding is not fully reinstated, by 2029 there could be an additional 4 million AIDS-related deaths and 6 million new adult infections.

Addressing these fiscal challenges requires a multifaceted approach. First, relief from sovereign debt is vital. During the COVID-19 pandemic, the G20 introduced the Common Framework to assist indebted developing countries, but progress has been slow, with only three countries—Chad, Zambia, and Ghana—receiving partial debt relief. Over 30 countries are currently in or at risk of debt distress, underscoring the urgent need for stronger international cooperation involving both public and private creditors.

Second, the richest individuals and corporations need to pay their fair share of taxes. Despite a $2 trillion increase in billionaire wealth in 2024, their effective tax rate was only 0.3%. While the G20 agreed last year to cooperate on ensuring ultra-high-net-worth individuals are effectively taxed, meaningful global consensus remains elusive. For example, the UN proposed a framework for international tax cooperation in 2024, but eight of the wealthiest countries voted against it.

Third, there is a call to treat life-saving medicines as global public goods rather than commercial commodities. This principle has underpinned the global HIV response, ensuring that high-quality and affordable medications have been accessible worldwide, from Ukraine to Uganda. During the early years of the AIDS pandemic, pharmaceutical companies limited access to patented HIV medicines in developing countries, resulting in about 12 million deaths in Africa. Global activism and international collaboration eventually pressured companies into lowering prices and sharing technology, enabling generic manufacturers to reduce annual HIV treatment costs from $10,000 per person to as low as $50.

However, patents still pose barriers to equitable access. Byanyima co-founded the People's Vaccine Alliance during the COVID-19 pandemic to push for the suspension of intellectual property rules on vaccines and treatments, enabling low- and middle-income countries to produce necessary medical tools. Today, the renamed People’s Medicines Alliance continues advocating for access to cutting-edge HIV treatments, such as long-acting drugs that require injections only twice a year. The US pharmaceutical company Gilead Sciences markets the drug Lenacapavir at approximately $40,000 per patient annually in the US, whereas generic production could reduce this to as low as $40.

Economist Joseph Stiglitz has proposed a model to replace patents with prize systems, wherein governments reward innovators who open-source their technologies, ensuring global sharing of scientific advances. This approach aims to recalibrate incentives from monopolistic profits to broader public benefit.

Reflecting on the historical context, Byanyima notes that when US President John F. Kennedy established USAID in 1961, the agency was seen as a strategic tool for promoting peace and prosperity between the US and the developing world, with conflict prevention being far more cost-effective than response. Nevertheless, aid budgets are now contracting, even as millions depend on aid for survival and many governments rely on it for essential services.

The Guardian is reporting that while the global aid system has flaws, it remains instrumental in maintaining peace, security, and health for many. The overarching challenge lies in building a fairer global economic system—through tax reforms, debt relief, and equitable access to medicines—that enables all countries to invest in their populations and address global crises collectively.

Source: [Noah Wire Services](https://www.noahwire.com)

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