# Low-income countries face mounting crisis from climate change, debt, and development deadlock



Climate change, debt, and development create a complex and interrelated crisis for many low-income countries, as highlighted in an article by John Feffer for Eurasia Review. These nations face a challenging "three-body problem," where overlapping pressures hinder their economic progress and ability to address environmental challenges.

Many low-income countries are burdened by heavy debt loads, diverting substantial resources to debt servicing rather than development. Concurrently, these countries experience severe climate change impacts, despite their minimal contribution to global emissions. Rising sea levels, flooding, and extreme weather events increase adaptation costs, further straining limited budgets.

The international response to this conundrum has largely centred on carbon emissions reduction, with wealthy nations focusing on transitioning to clean energy. They have sought critical raw materials from poorer countries—minerals like lithium, cobalt, and nickel essential for renewable technology—but restrict poorer countries from engaging beyond raw extraction. Intellectual property protections and trade agreements limit these nations from developing higher-value industries such as battery manufacturing, keeping them at the lower echelon of the supply chain.

Alternatives to this status quo have been put forward, including those championed by prominent global figures and regional leaders. In June 2024, UN Secretary-General António Guterres called for imposing a "windfall tax" on the profits of oil, gas, and coal companies to fund climate solutions. This tax, however, while potentially redistributive, is not expected to reduce fossil fuel production without accompanying regulatory measures.

Other mechanisms include the International Monetary Fund’s (IMF) Special Drawing Rights (SDRs), which provide liquidity to low- and middle-income countries without repayment obligations. The IMF’s Resilience and Sustainability Trust (RST), however, offers loans that add to debt burdens, generating criticism for not adequately addressing structural financial challenges. Similarly, the Loss and Damage Fund—approved during the 2023 Conference of the Parties (COP) in Dubai to support vulnerable countries with grants—has so far raised only $765 million by March 2025, a fraction of the sums needed for disaster recovery, as exemplified by the $16 billion Pakistan required after flooding in 2022. These funds are managed by institutions like the World Bank, which historically played roles in shaping economic policies contributing to current crises.

Debt remains a critical issue, particularly in Africa, where governments dedicate more than half their revenues to servicing debt. In February 2025, African nations launched the African Leaders Debt Relief Initiative, demanding urgent debt alleviation. Olusegun Obasanjo, former Nigerian President, described Africa’s crisis as the worst in 80 years. A March 2025 article in African Business stated that nearly 60 percent of developing countries vulnerable to climate change are also at high fiscal risk, with some financial mechanisms funneling funds back to wealthy nations.

Indonesia is a notable example of these challenges. As the world’s 16th largest economy and 10th largest emitter, the country relies heavily on 254 coal-fired power plants and faces immediate effects from climate change, including coastal flooding and sinking capital Jakarta. Indonesia has attempted to capture more value by banning raw nickel exports and investing in domestic battery production with Chinese capital. However, the European Union successfully challenged this export ban at the World Trade Organization in 2022, and efforts to establish a nickel cartel have faltered amid falling global nickel prices.

Broader efforts by low-income nations include forming South-South economic alliances such as BRICS and proposing debtors’ cartels to negotiate better creditor terms. Some have called for loosening intellectual property rules to enable technology adoption. Grassroots movements, like Ecuador’s 2023 referendum to keep oil underground in Yasuní National Park, oppose fossil fuel extraction directly. These movements advocate for alternatives to consumerist growth models, promoting sustainability and local livelihoods.

Remittances from workers in wealthier countries offer another financial resource, totalling approximately $860 billion in 2023, vastly exceeding IMF loans. Proposals have emerged to leverage remittances for climate-positive investments by reducing transfer fees if funds are used for sustainable projects, creating a bottom-up financing model free from debt.

Historically, debt cancellation has played a role in post-conflict recovery, as demonstrated by West Germany’s 1953 London Debt Agreement, where creditors forgave over half the country’s debt and allowed structured repayments alongside Marshall Plan aid. Such models suggest that large-scale debt relief, combined with reconstruction funds, could support low-income countries in adapting to climate change and closing development gaps.

In sum, the interplay of climate change impacts, debt burdens, and development challenges presents a systemic crisis that current international mechanisms have struggled to resolve. Various proposals—from taxation on fossil fuel profits to debt restructuring and innovation in financial flows—offer partial solutions, but significant hurdles remain in achieving a just and effective global energy transition that supports vulnerable countries’ economic and environmental resilience. The situation continues to evolve, with low-income nations seeking pathways for greater economic sovereignty and sustainability in a complex global landscape.

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

## References

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* <https://www.ft.com/content/53c10999-07fd-4411-b6c3-8a9066abc156> - The piece argues for the urgent need to support greenhouse gas emissions reduction in developing countries, emphasizing that many face severe financial constraints while official development assistance from wealthy nations is declining.
* <https://apnews.com/article/74c972d892eb99c079622953102dd54c> - This article reports on the UN climate talks focusing on how and who should finance poor nations to reduce carbon pollution and adapt to climate change, highlighting the need for substantial financial support for developing countries.
* <https://www.reuters.com/sustainability/sustainable-finance-reporting/africa-be-25-trillion-short-climate-finance-by-2030-un-says-2024-03-04/> - The report highlights that Africa will face a $2.5 trillion shortfall in the finance required to address climate change by 2030, despite being one of the least contributors to global greenhouse gas emissions.
* <https://www.cepr.net/press-release/most-low-and-middle-income-countries-are-unable-to-adequately-respond-to-climate-crisis-due-to-debt-burdens-new-report-finds/> - This press release discusses a report finding that most low- and middle-income countries are unable to adequately respond to the climate crisis due to debt burdens, with external debt stock having doubled since 2010.
* <https://www.cepr.net/report/the-growing-debt-burdens-of-global-south-countries-standing-in-the-way-of-climate-and-development-goals/> - The report examines how rising debt burdens in low- and middle-income countries impede their ability to address climate change and achieve development goals, noting that external public debt service is projected to exceed climate investment needs in 39 countries.
* <https://news.google.com/rss/articles/CBMi4gFBVV95cUxNYkVteXZvaTFGOHZILTZDZGZFS2VyaXFmU21qM2NZRTdaRWYxX3lWYXhnTlpmdDAwNXF3VWc3aFJoVEFjYmtXSF9halZ6SmhiaTBkWFlpVXl2b1lVdGU3OUZwMF9UWDJ1S1JjR2NrMmt6SFFpdmRtSVdKS3A4SWdjbGgzeUhyN1dEMlVHUTRZUmJjUkpremd3YjBWNUotWlJ2UXJuOUZsbUJRcGFsQ0JCWjhwQjFueXFJaWQxT2ZfZHRhMDFxRk5qLUtrbGFaaFc2QjNlYWJ4b3p6UUFoRGprUEN3?oc=5&hl=en-US&gl=US&ceid=US:en> - Please view link - unable to able to access data