Decolonizing Debt: Global South Challenge Western Financial Power

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OP-ED

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WRITTEN BY
SHADY HASSAN

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By Shady Hassan[1]

From June 30 to July 3, 2025, leaders from around the world gathered in the Spanish city of Sevilla for the UN (2025) Fourth International Conference on Financing for Development (FfD4). These conferences are rare, and many governments and civil society groups arrived with real hope that this one would deliver meaningful reforms to the global debt and development system. After years of rising debt burdens, slow restructurings, and shrinking development finance, the Global South needed action.

But by the end of the conference and the release of the final document, high-income countries were successful in blocking meaningful reforms and blocking proposals that would have made debt and the financial architecture actually work for development and greater growth in the Global South. The US and EU blocked the UN-led process to examine gaps in debt architecture. Furthermore, the conference's output document lacked bold commitments and reforms. Instead, it delivered vague language, non-binding processes, and unclear commitments to future discussions. For many countries, especially those struggling under heavy debt loads, the message was unmistakable: the current system is biased, unequal, slow, and deeply creditor-centric, and that failing system will remain in favor of Global North interests.

A system that is failing by design ($741 billion deficit)

The frustration coming out of Sevilla is rooted in the fact that the global financial system is draining resources from the countries that need them most. That hard reality that developing countries encounter every day can be demonstrated by two observations.

First, private creditors (people and private institutions who lend money) are now taking more money out of the Global South than they put in. According to the World Bank's 2025 International Debt Report from last December, rich countries have been extracting more money from developing nations than they have invested in them between 2022 and 2024. And in a special press release by the World Bank, it highlighted the fact that developing countries sent $741 billion more to their external creditors than they received in total new

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financing. They noted that the figure is the biggest net outflow in at least half a century, a sign of just how sharply the global financial system is draining resources from the countries that need them most. Developing countries' debt service has reached record highs, therefore, they are sending unprecedented sums to external creditors.

Secondly, debt restructurings are slowing, not speeding up. In a recent IMF (2025) paper about the current state of sovereign debt resolution involving the private sector, the average time for recent restructuring from 2020 to 2025 now takes about 2.5 years, way longer than the 2014 -2020 average of 1.1 years, leaving countries stuck in uncertainty and unable to plan for recovery. The longer these debt restructuring talks drag on, the more countries remain trapped and paralyzed, unable to invest in recovery or essential services and forced to operate under persistent economic uncertainty. These are not technical glitches, but they are expected results of a system built around creditor interests, not development needs.

Sevilla Confirmed That the Creditor-Led Reform Is Blocked

The most important debt-related outcome from the FfD4 conference in Sevilla is a UN-led process to examine gaps in the debt architecture, as stated in the Outcome document, paragraph 50, subsection (f). However, major creditors, such as the EU, ensured that it was dead and written in non-binding language. The EU and the US objected to that debt workout mechanism and resisted any move toward binding responsible lending rules. Furthermore, in a formal public diplomatic statement at the UN General Assembly, the EU delegation in New York openly criticized those efforts. At the same time, the US withdrew entirely from negotiations. In other words, the countries that benefit most from the current system have no intention of changing it. That leaves debtor countries with only one realistic option of building a platform for a collective negotiation power.

The Borrowers' Forum: The Foundational Action Toward A Debtor Union

In the Sevilla outcome document, there is a policy progress that has the potential to alter the future of debt architecture, with Egypt having a leading role, the creation of a Borrowers' Forum. For the first time, debtor countries will have a formal space to coordinate positions, share information, and strengthen their collective voice. This is not just another committee. It is already being put into motion as the Egyptian Foreign Ministry is moving decisively to make that borrowers' Forum a reality. On September 22, 2025, the Egyptian Foreign Minister co-organized, with Zambia, a high-level event at the UN General Assembly to lay the foundation for that organization. The Egyptian Foreign Minister, Dr. Badr Abdelatty, explicitly stated the need for, and the urgency of, developing countries reforming the global financial architecture to secure their representation in global economic governance. To put the Egyptian foreign affairs diplomatic campaigns in perspective, wealthy nations have long coordinated their creditor power through organizations and platforms such as the Paris Club. Meanwhile, the Egyptian efforts are a long-awaited counterweight to that situation as the Borrowers' Forum is the first institutional progress toward a Global South debtor coalition.

Egypt Is Shaping The New Architecture

By co-leading the Borrowers' Forum, Egypt is helping design the very platform through which debtor coordination will take shape. It is at the center of agenda-setting and coalition formation. Egypt's role and leadership matter in this moment, and they are not symbolic. Egypt's role is grounded in real political and economic positioning. Egypt coordinates several geopolitical spheres and diverse economic and political organizations, and few nations can genuinely engage with so many different blocs. By using its diplomatic influence wisely, Egypt could align Africa's reform goals, BRICS' drive for a multipolar financial system, and the Arab world's common debt concerns with Western partnerships through the IMF and EU. This positions Egypt as a natural facilitator, capable of bringing diverse players together.

Egypt has become a regional and global leader in debt-for-development financial innovations, pioneering in debt-for-climate swaps, including the first-ever Chinese debt swap with any country. These are practical tools that a future debtor coalition could adopt and scale.

A Debtor Union Is Not A Radical Idea, But It Is The Next Logical Step

When the grim global picture of the global financial architecture is put together, a debtor union is no longer a remote or radical idea; it is becoming **politically inevitable**. The global financial debt system is extracting resources from the Global South. The debt resolution, as the IMF admits, is dysfunctional in the context of debt restructurings. The rich creditor states are refusing and blocking meaningful reform of the system. The emergence of the Borrowers' Forum is the logical next step, and with its reach in foreign affairs, institutional leadership, and policy innovation, Egypt is positioned to be one of its principal architects.

The Sevilla conference may not have brought the reforms the Global South was hoping for; however, it sparked an understanding among the Global South that unity is the key to reshaping a system that has long been working against them, with the South-South diplomacy having the potential to lead a much-needed coalition of the Global South.

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