

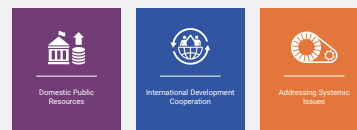


BREAKING THE CHAINS: REIMAGINING AND LEVERAGING PUBLIC DEBT AND DOMESTIC RESOURCE MOBILIZATION TO END THE AIDS PANDEMIC AND ACHIEVE THE GLOBAL GOALS

Key messages

- **Public debt is crowding out social spending:** Heavily indebted low- and middle-income countries, such as those in Africa, are allocating – on average - over 50% of government revenues to debt servicing, severely limiting fiscal space for health expenditures, including HIV programs. This is endangering the sustainability of the gains of the global HIV response.
- Strengthening domestic public resources mobilization is key: Increasing domestic revenues through improved tax policy and administration, and innovative financing solutions for sustainable health funding is crucial to expanding fiscal space without exacerbating public debt burdens.
- **International support for health-linked debt relief:** Innovative debt relief tied to health and social spending can provide countries with immediate fiscal breathing room, enabling them to sustain health outcomes while meeting broader SDG commitments.
- **Now is the time to redefine and reform the global financial architecture:** Global financial systems must adapt to prioritize health investments as central to debt sustainability and long-term development. Comprehensive reforms in the international financial architecture are necessary to support LICs and LMICs in managing debt and financing health services.
- **Enhanced global health security will boost economic development:** Addressing public debt and increasing domestic resources is vital for domestic and global health security and effective responses to health crises. This will build economies that work for all the people on the planet, whilst forging a stronger social contract.

RELEVANT ACTION AREAS



ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at:
<https://financing.desa.un.org/iatf/report/financing-policy-brief-series>

MORE ABOUT THIS TOPIC

For further information on the topic of this brief, please see:
<https://www.unaids.org/en/topic/resources>



❁ Problem statement

Social spending, a key policy lever and a core component of the social contract underpinning the **Pact for the Future**, is in crisis - at a time of rising inequality and the need to support vulnerable groups, especially considering the ongoing polycrisis. Whereas the world is past halftime on in its sustainable development goals (SDG) promises by 2030, the social-related global goals - such as ending AIDS as a public health threat - are nowhere near halfway. Macroeconomic and fiscal downturns and increasing public debt in many low- and middle-income countries (LMICs) are affecting the ability of governments to allocate sufficient resources to health, including HIV programs among others, putting millions of lives at risk (**UNAIDS, 2024a; UNAIDS, 2024b**). High levels of debt service obligations limit fiscal space, reducing the capacity to sustain HIV responses. For example, in Africa, with more than 25.9 million people living with HIV, the fiscal capacity to accelerate towards the SDG goal of ending AIDS and sustain progress made over the past decades is fast shrinking.

This debt burden is not merely a financial issue but a public health emergency, as it hampers the ability to sustain critical health services and respond effectively to health crises. In countries with high HIV burdens yet on the cusp of ending the AIDS epidemic as a public health threat by 2030, the situation is further exacerbated by the challenges in domestic resource mobilization (DRM), with many countries struggling to strengthen their tax systems and close tax loopholes and exemptions that could significantly boost revenues. This situation underscores the need for debt relief initiatives or restructuring to free up resources for critical health investments. It is true that health is not everything but, as COVID-19 taught us, everything is nothing without health. By acting now, we can definitely alter the trajectory of the future and end AIDS – through sustaining gains of the HIV response beyond 2030, with strengthened health and community systems (**UNAIDS, 2024c**). This is likely the best thing the world can finance this decade.

❁ Policy solutions

To address these multifaceted challenges, a comprehensive approach is required:

- 1. Debt relief Initiatives:** International cooperation is essential to provide immediate debt relief to heavily indebted countries. Critically, link debt relief to health investments. Here, advocate for debt relief initiatives that are conditional on increasing domestic health and social spending. This approach would link debt reduction directly to development outcomes, ensuring that freed-up fiscal space benefits those most in need. Additional mechanisms such as debt swaps for health and development, where debt repayments from concrete operations are redirected, including a haircut towards funding health services, should be prioritized.
- 2. Strengthening tax policy and systems:** Countries need to enhance their tax systems to increase domestic revenues. This includes broadening the tax base, improving tax administration, and closing loopholes that facilitate tax evasion and avoidance. This will increase government revenues without adding to public debt burdens. Emphasize the need for transparent and equitable tax systems that can harness more domestic resources for health and social investments.
- 3. Leverage innovative financing solutions:** Exploring innovative financing mechanisms, such as social impact bonds, blended finance, and public-private partnerships to attract private investments into health sectors. These mechanisms can be structured to complement domestic and international funding, targeting critical health outcomes. These, in turn, can provide additional resources without exacerbating debt levels. These solutions should be tailored to the specific needs and contexts of the respective countries.
- 4. International financial reforms:** Reforms in the international financial architecture are necessary to support sustainable debt management. This includes establishing more flexible and responsive debt restructuring frameworks and enhancing the role of international financial institutions in providing technical and financial assistance.



- 5. Enhance efficiency through improved donor coordination and alignment:** Ensure that international aid is aligned with national health priorities and complements domestic resource efforts. Stronger coordination mechanisms among donors can reduce duplication and increase the impact of limited resources.

Specific recommendations for FFD4

Considering the above-mentioned policy solutions, we recommend the following:

- 1. Global compact on debt and health:** Call for a global compact that prioritizes debt restructuring and relief to expand fiscal space for health and social spending in heavily indebted countries.
- 2. Debt relief commitments:** The Fourth International Conference on Financing for Development (FfD4) should commit to concrete actions for providing debt relief to high-burdened LICs and LMICs, that go beyond current approaches as the G20 common framework.
- 3. Support for DRM:** FfD4 should endorse and promote initiatives aimed at strengthening DRM. This includes technical assistance for tax reforms, capacity building for tax administrations, anti-corruption initiatives, and support for innovative financing mechanisms.
- 4. Establish a Health-Linked Debt Relief Framework:** Advocate for an international debt relief framework that ties debt forgiveness to specific health, social, and development outcomes, ensuring that any fiscal gains directly benefit vulnerable populations.
- 5. Global Health Security Framework:** The outcome document of FfD4 should include a framework for global health security that emphasizes the importance of addressing public debt and increasing domestic resources. This framework should outline specific actions and commitments to ensure sustainable health financing.
- 6. Reform of International Financial Institutions:** FfD4 should call for reforms in international financial institutions to make them more responsive to the needs of low- and middle-income countries. This includes enhancing their role in debt restructuring and providing more flexible financial support.
- 7. Integrate health into financial architecture reform:** Ensure health financing is a core pillar of international financial architecture reform discussions, highlighting the interdependence between debt sustainability, health investments, and overall development progress.