

Generation debt:

From crisis to opportunity for Africa's youngest children



A historic opportunity for South Africa's G20 Presidency

This year marks a historic convergence of opportunity and urgency. For the first time, the G20 is being held in Africa, with South Africa leading a presidency guided by the transformative principle of Ubuntu - "I am because we are." President Ramaphosa has positioned early childhood development investment as one of South Africa's top domestic priorities, creating an unprecedented platform to champion this agenda globally.

South Africa has set ambitious themes of "Solidarity, Equality, Sustainability" that require genuine financial investment to deliver real change. Yet Africa's debt burden is holding back the transformative change needed to ensure all children get the best start in life. This is a crisis of priorities and resource allocation rather than scarcity. As of 2024, governments across the continent collectively owe \$1.15 trillion in net public debt, with annual interest payments currently standing at \$119 billion. The debt burden is only set to grow, with annual interest payments rising from \$96 billion in 2021-23 to an anticipated \$130 billion by 2027-29.

This is money that could deliver universal healthcare for young children and their families, preschool education, and family support. Debt relief therefore represents one of the most powerful and under-utilised tools available for changing the trajectory of Africa's children. Whilst multiple solutions are needed to address this complex crisis, unlocking fiscal space could be the key factor that makes universal early childhood development achievable rather than aspirational.

To this end, a new South African-led task force is focussing specifically on debt challenges that "undermine efforts towards sustainable development and poverty

alleviation.” Early childhood development sits at the heart of delivering on these G20 themes, driving human capital development, inclusive growth, and long-term productivity that defines a nation’s future. With only five years remaining until the 2030 SDG deadline, South Africa’s G20 presidency represents a defining moment for transforming rhetoric into action for the world’s youngest children.

The crisis of untapped potential

Children under five across Africa face a devastating convergence of risks that undermine their development from the earliest moments of life. This represents a global early years crisis that requires urgent attention and action.

- Over 13,000 children under-5 die every day from poverty-related causes worldwide, highlighting an early years crisis at least 10 times more critical than COVID-19’s peak daily mortality rate.¹
- An estimated 99 million children under 5 years old in Africa are living in extreme poverty (defined as living on less than \$2.15 per day) as of 2022.²
- Around 64 million children in Africa under 5 years of age, or 1 in 3, are experiencing severe child food poverty, making them up to 50 per cent more likely to experience wasting, a life-threatening form of malnutrition.³
- The prevalence of stunting among children under five years of age is 30 percent, significantly higher than the global estimate of 22.3 percent, representing chronic undernutrition that creates lasting developmental damage.⁴
- Only 1 in 4 children in sub-Saharan Africa attend early childhood education programmes, compared to global averages where around 4 in 10 children have access.⁵

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1 UNICEF (2025), Under-five Mortality. At <https://data.unicef.org/topic/child-survival/under-five-mortality/>

2 UNICEF, Child poverty, 2024

3 UNICEF, 1 in 3 children in Africa live in severe child food poverty due to inequity, conflict, and climate crises, 2024

4 Food and Agriculture Organisation, 2.1 stunting among children under five years of age, 2023

5 UNICEF DATA, Early childhood education, 2024

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What all young children need to thrive

The Act For Early Years campaign lays out a clear vision for change, focusing on three catalytic goals that create the foundation for every child to thrive:

1. **Universal support for families** including child benefits, parent and caregiver support, and affordable and quality childcare
2. **Universal access to quality primary healthcare** in support of health, wellbeing and development across pregnancy, birth and early childhood
3. **Universal access to quality, inclusive preschool education** that prepares every child for learning success

Key findings

Coordinated debt relief can create the fiscal space that enables governments to invest in early childhood development policies and interventions. This approach transforms debt relief from a crisis response mechanism into a strategic tool that unlocks the domestic resources needed to build comprehensive early childhood systems and human capital foundations for sustainable economic growth.

To understand precisely how debt undermines children's access to the three catalytic goals, Theirworld commissioned analysis from the Learning and Well-being Institute. Our findings demonstrate that:

1. **Debt relief could unlock transformational resources for children:**
Redirecting just 3% of GDP from debt service to policies and interventions that benefit young child could lift more than 166 million people across Africa out of extreme poverty and save 4.1 million children's lives annually. Universal child benefits alone could virtually eradicate extreme child poverty across the continent.

- 2. Universal policies multiply the impact of every dollar invested:** Countries with fiscal space achieve exponentially better outcomes. Health spending in countries with universal childcare delivers 50% stronger mortality reductions than fragmented systems. Universal child benefits more than double the effectiveness of education spending, proving that how and in which policy arrangement context money is spent matters as much as how much is available.
- 3. The opportunity is there, and proven mechanisms exist:** The G20's Debt Service Suspension Initiative during the Covid-19 pandemic demonstrated the capacity for rapid, coordinated debt relief. The same multilateral coordination mechanisms can be adapted for early childhood development, with countries demonstrating policy commitment to universal systems qualifying for relief programmes.

The investment gap that's holding back children's futures

We know that investing in early childhood delivers one of the highest returns of any development intervention. The first five years of a child's life represent a once-in-a-lifetime window when 90% of the brain develops. The quality of experiences during this period shapes cognitive, emotional, and social development, making it a fundamental moment for tackling inequality.

Yet governments across Africa are being held back from making these critical investments. In 22 African countries with available data, governments invest an average of just \$732 per child under six on the policies that can shape their future. Across Africa, children under 6 receive on average just 6.5% of child-focused spending, despite comprising over a third of the child population.⁶

This underinvestment represents a significant missed strategic opportunity. A minimum package of just one year of universal early childhood care and education would cost on average less than 0.15% of low- and middle-income countries' GDP. The cost of inaction is significant, with an estimated foregone benefit of 8-19 times the investment. Early years investments can also yield quick economic returns.⁷ In South Africa, a 2.1% GDP investment in childcare has the potential to support over 10 million women into the workforce over three years.⁸

6 UNICEF, Fit for the Future: How a Rethink of the Human Capital Model is Needed in Africa to Optimise the Return on Social Spending, 2024

7 The cost of not investing in the next 1000 days: implications for policy and practice Nores, Milagros et al. The Lancet, Volume 404, Issue 10467, 2117 - 2130

8 Theirworld, Every Family Every Child, 2024

Africa's net public debt stands at approximately **\$1.14 trillion** and is projected to average **\$1.34 trillion** by 2027-29



How debt creates a vicious cycle for African governments

Our research reveals the staggering scale of Africa's debt burden and its trajectory. Africa's net public debt stands at approximately \$1.14 trillion and is projected to average \$1.34 trillion by 2027-29. When measured in terms of what money can actually buy in each country (purchasing power parity), debt burdens are expected to grow by almost one third from \$4 trillion to approximately \$5.3 trillion by 2027-29. Annual interest payments will rise from \$96.3 billion to \$130.2 billion by the end of the decade or from \$319.4 billion to \$553 billion in purchasing power parity), representing an additional \$234 billion in annual debt service costs that could otherwise support children's development.

This debt burden creates persistent fiscal constraints that trap governments in cycles of underinvestment. When debt increases by just 1% of GDP, 0.8% of that burden carries over to the following year, creating long-term constraints on spending. This "debt stickiness" directly crowds out government expenditure. For every percentage increase in debt, total government expenditure falls by 0.06% the following year as interest payments consume more of the budget. When governments try to increase spending, the debt-to-GDP ratio rises by 0.1%, creating a vicious cycle where attempts to invest in social services lead to higher borrowing costs.

Population growth intensifies these pressures, with each 1% increase above trend raising the debt-to-GDP ratio by 0.9%. This means that as more children are born who need healthcare, education, and social protection, governments face higher debt burdens rather than expanded capacity to serve them. The result is a fiscal environment where demographic opportunities become fiscal burdens, constraining rather than enabling investment in human capital.

The impact of debt on government budgets

Our analysis of government budgets reveals remarkable rigidity that makes it difficult to deliver on children's needs. Health and education budgets carry forward 0.5% and 0.6% of previous year's budget adjustments respectively, while social protection shows the highest inertia at 0.8%. This rigidity means that even when governments recognise urgent needs, like expanding early childhood services, they struggle to redirect resources quickly enough to make a

meaningful difference. The findings show existing trade-offs between spending areas, which reveal how debt constrains integrated approaches to children's development, despite modest links between education and health spending in some countries.

This fragmentation has devastating consequences for the comprehensive support children need to thrive. When fiscal constraints force governments into reactive, siloed approaches, children receive piecemeal interventions instead of the coordinated health, education, and social protection that transforms developmental outcomes. Our research reveals how these dynamics play out across three critical areas – poverty, women's labour market participation, and young children's survival rates – that determine whether children get what they need to thrive in their first few years of life.

Proven mechanisms for early childhood focused debt relief

Recent research by the Institute for Economic Justice and Boston University provides a concrete roadmap for transforming debt relief into early childhood investment. Their analysis recommends **five key reforms** to current debt frameworks:

- 1. Automatic two-year debt standstills with no interest accumulation to incentivise faster creditor participation.**
- 2. Enhanced debt sustainability analysis that incorporates development investment needs rather than treating social spending as a burden.**
- 3. Fair burden-sharing rules that ensure creditors charging higher premiums bear proportionally larger relief costs.**
- 4. Direct linkage between debt relief and countries' development priorities through pre-feasibility studies during standstill periods.**
- 5. Expanded eligibility to include middle-income countries facing debt distress.**

These mechanisms, building on proven precedents like the Covid-19 Debt Service Suspension Initiative, demonstrate how coordinated debt relief can create genuine fiscal space for the universal policies that transform children's lives whilst building productive economies that prevent future debt crises.⁹

9 Zucker-Marques, Marina, Riccardo D'orsi, Kamal Ramburuth, Patrick Njoroge, and Kevin Gallagher. 2025. "Diverting Development: The G20 and External Debt Service Burden in Africa." IEJ Sovereign Debt Working Paper Series #1. Institute for Economic Justice and Boston University Global Development Policy Center. April 2025

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166 million

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Modelling the impact of debt relief

Our analysis shows that redirecting just 3% of GDP from debt service to early childhood development would unlock transformational change across Africa:

- 1. Eliminating child poverty:** Universal child benefits could lift 166 million people out of extreme poverty and virtually eradicate extreme child poverty across the continent. Countries spending just 1% of GDP on universal child benefits see poverty reduction effects that dwarf targeted programmes.
- 2. Saving millions of lives:** Increased health spending enabled by debt relief could save 640,000 infant lives and 3.5 million under-5 lives annually. When combined with universal child benefits, these effects amplify, saving an additional 130,000 infant lives and 410,000 under-5 lives as families can better access and utilise health services.
- 3. Unlocking women's economic potential:** Universal childcare policies could bring 50.8 million women into formal employment, a 13.6 percentage point increase in female workforce participation. This provides women with access to social insurance, pensions, and workplace protections that create income stability and protection from poverty, whilst significantly expanding the tax base.
- 4. Ensuring every child learns:** Universal policies could guarantee 7.6 to 7.8 million more children access quality primary education. The research shows universal child benefits more than double the effectiveness of education spending alone – families can afford to send children to school and keep them there, whilst also providing the nutrition and learning materials that help children learn at the right level, reducing grade repetition and improving educational outcomes.

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The importance of policies that target all children

Universal policies don't just spend money more effectively, they transform how other investments work. Health spending in countries with universal childcare achieves 50% stronger mortality reductions than fragmented systems. Education spending combined with universal child benefits delivers twice the enrolment gains of education investment alone. This happens because universal child benefits help all families access services, making take-up more affordable, whilst covering essential complementary spending like uniforms, food, and medicines that optimise these investments. Importantly, these policies recognise that quality early childhood services are every child's right, not a privilege. This is the difference between crisis management and prevention. Debt burdened countries can only react to emergencies, whilst countries with wider fiscal space build preventive systems that deliver exponentially better outcomes for the same investment.

To be effective, debt relief must be linked to a clear set of achievable priorities:

- **Governments should expand universal child benefits.** Redirecting just 1 percent of GDP toward such benefits could eliminate extreme child poverty, reduce mortality rates, and significantly improve school enrolment. These policies enhance the impact of health and education spending by reducing access barriers and supporting household stability.
- **Universal maternity protections should be introduced.** Providing maternity leave to all mothers, regardless of employment status, can support millions of women to enter and remain in the workforce. It also contributes to better health outcomes for mothers and infants when aligned with increased investment in healthcare.
- **Investment in universal childcare systems is essential.** Combined with expanded health services, childcare policies have the power to raise women's formal employment by double-digit margins, lower poverty, and improve education outcomes for children.

- **Governments must commit to raising health spending by at least 1 percent of GDP.** When implemented in tandem with universal policies, increased health spending can dramatically cut infant and child mortality, save millions of lives, and build the foundation for healthier, more productive societies.
- **Countries need robust, transparent public finance systems that prioritise child well-being.** This includes comprehensive policy portfolios that extend beyond social protection to include health, education, child protection, housing, and family services. Such systems must be supported by effective data, accountability, and cross-sectoral coordination.



Debt relief to transform young lives: a call to action

When it comes to debt, Africa's youngest children carry the heaviest burden.

This is why our findings represent an extraordinary opportunity for the G20, led by South Africa, to secure transformational change for the continent's youngest children. South Africa's presidency, guided by Ubuntu principles and a commitment to leaving no one behind, can establish the precedent that debt relief, particularly in an era of constrained aid budgets, can be fulcrum for driving development.

President Ramaphosa has already demonstrated leadership by making early childhood development a top domestic priority. Now is the time to translate this commitment into coordinated international action that transforms the trajectory for Africa's children and creates a legacy that extends far beyond November 2025.

Debt relief paired with investment in sustainable development has the potential to unlock huge social returns for children and their families while building the workforce and economy that Africa needs. Redirecting just 3% of GDP from debt servicing to early childhood development has the potential to lift 10s of millions of children out of extreme poverty, save millions of young lives, and bring 50 million women into the formal labour market.

The choice facing global leaders at this historic G20 is whether to continue the current trajectory where debt service crowds out human potential or deploy proven mechanisms to ensure every child gets the best start in life.



Three bold actions can transform debt relief from crisis management into strategic investment in human capital:

First, establish automatic early childhood investment standstills. Implement immediate 2-year debt service suspensions with no interest accumulation for countries demonstrating commitment to universal early childhood policies. During this period, governments could conduct feasibility studies and develop implementation plans for the three catalytic goals - universal healthcare from pregnancy through early childhood, universal preschool education, and universal family support including childcare and child benefits. This has the potential to transform debt relief from temporary breathing space into strategic early childhood system building.

Second, create enhanced debt sustainability analysis for child-focused investment. Reform current debt assessments to explicitly incorporate the fiscal space needed for universal early childhood policies. This analysis must account for the immediate benefits of early childhood investment, including increased women's workforce participation, reduced child poverty, and improved school readiness, rather than treating social spending as fiscal burden. Countries demonstrating policy commitment to reaching all children under six could qualify for larger debt relief packages based on evidence that universal approaches deliver exponentially better outcomes.

Third, link debt relief directly to early childhood transformation commitments. Support countries receiving debt relief to work towards specific percentages of fiscal space created to the three catalytic goals, with transparent tracking mechanisms and regular progress reporting. Countries could pledge to redirect at least 3% of GDP freed from debt service toward universal child benefits, healthcare expansion, and childcare systems. This ensures debt relief becomes a tool for building the human capital foundations that prevent future debt crises whilst delivering immediate improvements in child survival, development, and family economic stability.

The youngest children bear the highest cost of inaction. The G20 must seize this moment to lead a global response that shifts from managing debt to investing in dignity, equity, and every child's right to a fair start in life.



Background research for this report was carried out by the **Learning for Well-Being Institute**

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