Climate finance boomerang: Developing countries face billions in repayments for a crisis they did not cause, CARE warns

New CARE report reveals USD 20 billion in estimated climate loan repayments in 2024, and warns that repayments could overtake new lending in 2036

10 November 2026 – Billions of dollars intended to help developing countries confront the climate crisis are flowing back to lenders through loan repayments, exposing a rapidly growing backflow of climate finance that threatens to undermine support for the world's most vulnerable communities, a new CARE report reveals.

The Climate Finance Boomerang finds that 67% of public climate finance was provided as loans in 2024, while an estimated USD 20.1 billion in climate loan repayments fell due that year, almost three times the estimated USD 6.9 billion in 2020. This means that a growing share of climate finance is flowing back to lenders rather than remaining available for climate action in recipient countries.

The growing backflow could reach a tipping point within a decade: by 2036, annual climate loan repayments could exceed new climate lending, if lending continues at its 2024 level and loan terms remain unchanged. Yet these repayments remain invisible in international climate finance reporting.

"Climate finance is meant to help countries confront a crisis they did not create, not to trap them in a cycle of debt," said John Nordbo, Senior Climate Advisor, CARE Denmark. "Within a decade, more money could be due back to lenders than is provided in new climate loans. This is climate finance going backwards. Wealthy countries must provide grants, not repayment bills."

This matters politically: failing to reflect the substantial financial flows returning from the Global South to the Global North risks presenting a misleading picture of the support available to countries on the frontlines of the climate crisis, while obscuring the financial burden they face.

Analysing more than 18,000 public climate loan records reported between 2011 and 2024, CARE estimates that loans worth USD 489 billion will generate USD 663 billion in lifetime repayments, including approximately USD 174 billion in interest and calculable fees. By reconstructing repayment schedules, the report exposes financial obligations that climate finance reports by the Organisation for Economic Cooperation and Development (OECD) and the United Nations Framework Convention on Climate Change (UNFCCC) do not show.

CARE warns that the growing reliance on loans risks undermining the purpose of climate finance: helping countries that have contributed least to global warming but face some of its harshest consequences.

While loans can support investments that generate returns, they are often ill-suited to adaptation and disaster recovery, especially in the most vulnerable countries.

Protecting communities from floods, securing drinking water or helping farmers recover from drought saves lives but does not necessarily generate revenue.

"You cannot expect a flood barrier to turn a profit or a family recovering from drought to repay the cost of surviving," said Rosa van Driel, Policy Advisor Climate Justice at CARE Nederland. "Climate adaptation is about protecting lives, not generating returns for lenders. Countries already paying the price of climate change should not have to pay interest on top of it. Climate finance cannot be measured simply by how much money is announced. "What matters is how much support reaches communities, how much must be repaid and what resources remain available to confront the climate crisis."

At COP31, CARE calls on developed countries and international financial institutions to prioritise grants over loans, particularly for adaptation and loss and damage; make loan terms and repayments transparent; and prevent climate finance from worsening debt crises, including through debt relief where necessary.

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Notes to editors

The Climate Finance Boomerang: Uncovering the Backflow of Climate Finance from the Global South to the Global North was commissioned by CARE Denmark. The report draws on original research by INKA Consult, which combined national and OECD records with lender documents and loan-term evidence to reconstruct repayment schedules. The analysis covers18,271 public climate loan records reported between 2011 and 2024, tracking principal, interest and calculable fees over time.

Repayment figures are modelled obligations, not reported cash repayments. The 2036 finding is an illustrative scenario, not a forecast. It assumes annual public climate lending remains at its 2024 level of USD 58.5 billion, with unchanged loan terms and no defaults or debt restructuring. The analysis excludes private climate finance.

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