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Hope and a future for all children

THE INH£RITANCE TRAP

Where climate change, debt and childhood collide

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THE INHERITANCE TRAP
AT A GLANCE

- **839 million children** live in the **55 countries** where climate vulnerability, debt pressure and strain on children and essential services overlap most strongly.
- **Children cannot defer childhood.** When debt and climate pressures constrain investment in health, education, nutrition and protection, delays can have lasting consequences.
- **Where the Trap is tightest, debt pressure is already acute.** Nineteen of the 22 countries rated Very High or High are at high risk of debt distress or sovereign stress, or already in debt distress.
- **Climate finance is not yet matching need fairly.** Countries where pressures converge most sharply receive substantially less climate finance per child, while much international climate finance is delivered as loans.
- **The Trap is not inevitable.** Fairer debt rules, grant-based climate finance, investment in resilience and protection of the services children depend on can help break it.
- **The UK has practical power to act** through its climate finance, aid, influence over international financial institutions and role as a major legal jurisdiction for sovereign debt.

IMAGE: In Lughaya, Somaliland, two children play in the scorching sun as worsening drought pushes communities towards crisis. © 2025 Gwayi O. Patrick/World Vision



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THE INHERITANCE TRAP

Many of the countries most vulnerable to climate change have contributed least to causing the crisis. Yet they face some of the greatest costs of adapting to it and recovering from its impacts, while debt repayments claim an increasing share of public resources.

Children experience this collision differently. Climate shocks do not only damage roads, buildings or economies. They disrupt the **infrastructure of childhood:** the schools, clinics, water and nutrition systems, social and child protection, safe communities and household resources children depend on to survive, grow, learn and thrive. Debt pressure narrows the resources available to maintain, restore and strengthen these systems. When climate and debt pressures converge, the infrastructure children rely on is placed under strain precisely when it is needed most.

This is the **Inheritance Trap:** the convergence of climate vulnerability, debt pressure and childhood. Governments may recover fiscal space and creditors may reschedule repayments. But children cannot defer childhood. An untreated illness, prolonged absence from school or period of malnutrition can affect a child long after the immediate crisis has passed. Children inherit not only debt or climate damage, but the effects of decisions made or delayed while they were growing up. **Childhood is a finite investment window. Delay has a cost.**

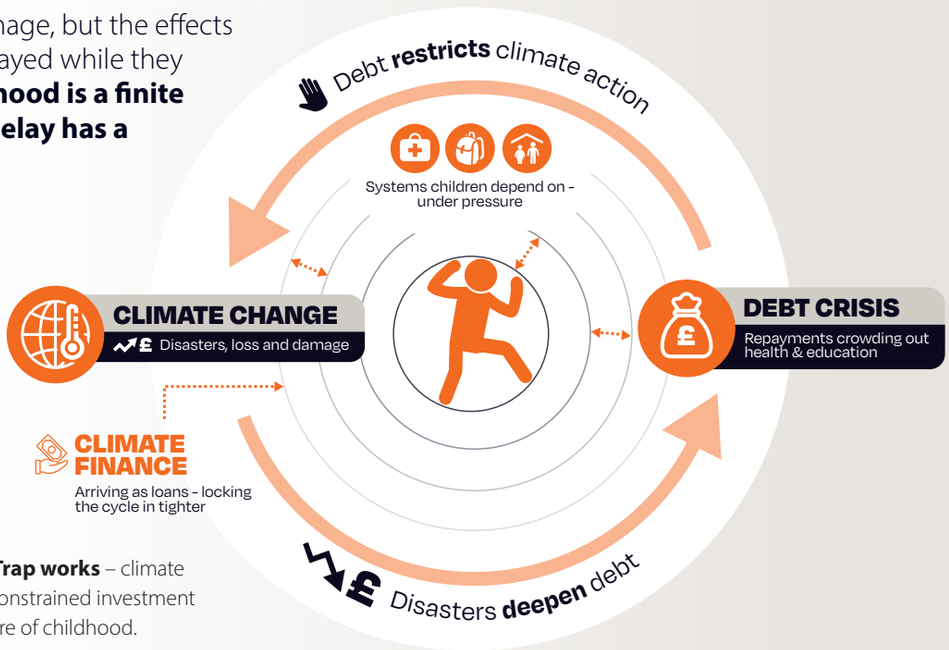


Figure 1: **How the Inheritance Trap works** – climate vulnerability, debt pressure and constrained investment converge around the infrastructure of childhood.

The Trap is not a single pathway from climate change to debt, or from debt to poor outcomes for children. Repeated shocks generate new costs for relief, recovery and resilience, while high debt service limits the resources available to meet them. Underinvestment in resilience and preparedness can leave countries exposed to further disruption and further costs. The result is not a neat causal cycle, but a set of reinforcing constraints around the infrastructure of childhood that can steadily narrow governments' choices and children's opportunities.

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CLIMATE FINANCE MUST LOOSEN THE TRAP, NOT TIGHTEN IT

This is fundamentally a question of fairness. Many of the countries facing the greatest climate risks have contributed least to the emissions driving them, yet are being asked to finance adaptation and recovery from already constrained public budgets. Climate finance should help correct that imbalance, not deepen it.

Predictable, affordable and accessible finance can support investment in adaptation, resilience and essential services. But finance delivered through sovereign loans creates new repayment obligations. For countries with limited fiscal space, this can mean confronting escalating climate risks while taking on additional debt.

Climate-finance loans are not the sole cause of countries' existing debt distress, and not all climate-related borrowing is harmful. But additional loans can intensify existing pressures, particularly where countries are already highly vulnerable or have limited fiscal space.

CHILDHOOD CHANGES THE EQUATION

Children cannot defer childhood. An untreated illness, prolonged absence from school or period of malnutrition does not simply pause until public finances improve. Its effects can follow a child long after the immediate crisis has passed, and recovery may become harder when support arrives after a sensitive stage of development.

Children therefore inherit more than debt repayments or visible climate damage. They inherit the consequences of services weakened, investment delayed and resilience not built while they were growing up. When fiscal and climate pressures weaken the systems children depend on, their rights to health, education, nutrition, protection and a safe and healthy environment are also at stake.[1]

Childhood is a finite investment window. Delay has a cost – and children are being asked to carry it for crises and obligations they had no part in creating.

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IMAGE: In Laos, Noy, 11, sits with his two younger brothers on the steps of their flooded home.
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THE TRAP IN ACTION: LAOS

In Laos, floods, landslides and extreme temperatures disrupt children's health, education and wellbeing, and their families' livelihoods. Nearly seven in ten children surveyed by World Vision said they were worried or very worried about climate change and disasters.

Yet the resources available to respond are severely constrained. Laos is in debt distress, with external debt service projected at around 59% of government revenue in 2025, even after substantial payment deferrals. Combined government spending on health and education fell from **4.9% of GDP in 2013 to an estimated 2.3% in 2023.**

In 2024, **69 natural disasters caused losses equivalent to around 2% of GDP** damaging schools, health facilities, water systems and other infrastructure.

This is the Inheritance Trap in action: recurring climate shocks increase the need for investment just as debt pressure constrains the resources available to protect children from them.[2]

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839 MILLION CHILDREN

More than one-third of the world's children live in countries where the pressures measured by the Inheritance Trap Index overlap most strongly

MAPPING THE INHERITANCE TRAP

The Inheritance Trap Index compares 120 low- and middle-income countries, using seven published indicators across three equally weighted pillars:

- **Climate:** climate vulnerability, disaster exposure and children's exposure to multiple climate hazards.
- **Debt:** debt-distress or sovereign-stress assessments and external debt payments as a share of government revenue.
- **Children and essential services:** child vulnerability and net interest payments relative to government spending on health, education and social protection.

Countries are grouped into five categories: **Very High, High, Elevated, Moderate and Lower.** These categories show how countries compare within this edition. They are not fixed thresholds of harm.

An estimated 839 million children live in the 55 countries rated Very High, High or Elevated.[3] Children in these countries do not all face the same risks or outcomes. But the finding highlights the extraordinary scale of childhood unfolding where these pressures overlap.



IMAGE: A child collects water in Samburu, Kenya. Longer journeys to collect water can leave children with less time in the classroom. © 2025 David Nderitu/World Vision

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THE TRAP FOLLOWS A PROFOUNDLY UNEQUAL GEOGRAPHY

- **Sub-Saharan Africa accounts for 38 of the 55 countries** in the three highest categories.
- These countries are home to **549 million children** – almost two-thirds of all children living in Very High, High or Elevated countries.
- A further **195 million children** live in the four South Asian countries in the three highest categories.

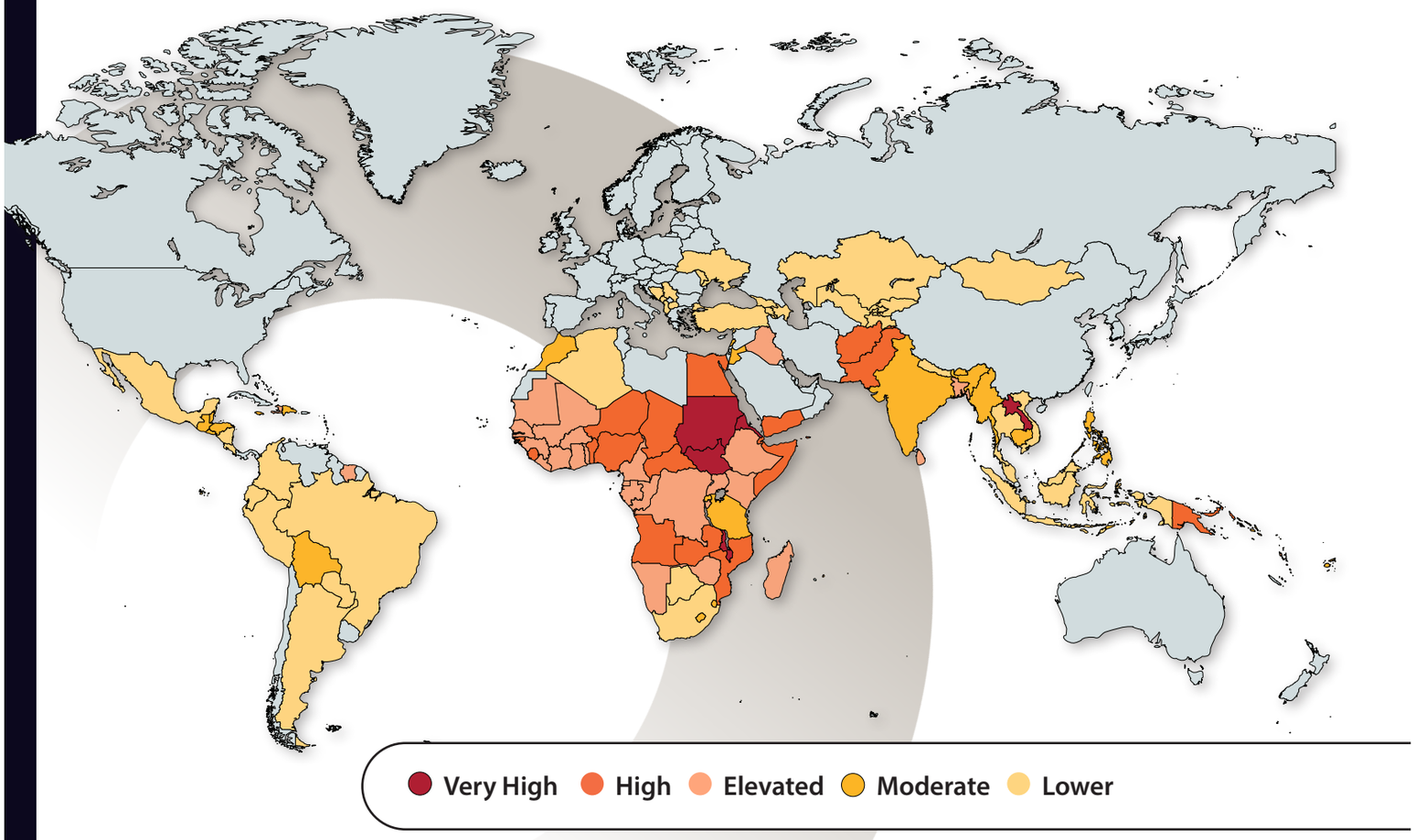


Figure 2: **Mapping the Inheritance Trap** – the 120 countries in the Inheritance Trap Index, grouped into Very High, High, Elevated, Moderate and Lower categories. Source: World Vision UK, The Inheritance Trap Index 2026.

The Index is a comparative national-level tool, not a measure of fixed harm or individual children's experiences. Small score differences should not be treated as meaningful distinctions. The Index identifies where pressures converge; it does not claim that one pressure caused another.

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WHAT THE INDEX REVEALS

Where the Trap is tightest, debt pressure is already narrowing governments' choices

Among the **22 countries** rated Very High or High, **19** are assessed as being at high risk of debt distress or sovereign stress, or already in debt distress. Debt alone does not determine their position, but acute debt pressure is overwhelmingly present where convergence is greatest.

In Laos, Malawi, Nigeria, Pakistan, Sierra Leone, Sri Lanka and Uganda, governments spend more on net interest payments than on health, education and social protection combined. Together, these countries are home to **269 million** children.

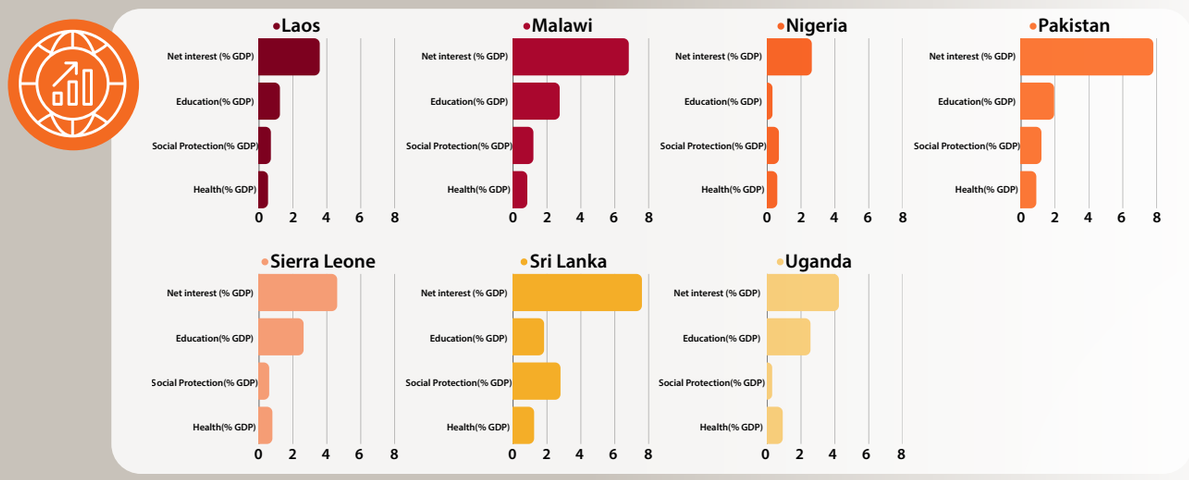


Figure 3: **Essential services vs net interest** – Net interest payments and combined government spending on health, education and social protection in the seven countries where interest is higher, as a share of GDP. Source: World Vision UK, The Inheritance Trap Index 2026.

This does not prove that interest directly displaced an equivalent amount of social spending. It shows the competing claims on scarce resources - and what is at stake for the infrastructure of childhood.

CLIMATE SHOCKS ARE NOT ARRIVING ONE AT A TIME – AND NEITHER ARE THE PRESSURES AROUND THEM

Across the **120 countries,** an estimated **912 million children** are exposed to three or more climate hazards. Of these, **489 million** live in countries rated Very High, High or Elevated. Thirty countries, home to **475 million children,** are rated High or Very High on at least two of the Index's three pillars. Seven are High or Very High on all three.

The central warning is convergence: governments and communities may have to manage several severe constraints simultaneously, while delayed investment carries particular consequences during children's finite developmental window.

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INTERNATIONAL CLIMATE FINANCE IS FAILING THE FAIRNESS TEST

Climate finance does not affect a country's Index rating, but its scale and terms can expand countries' room to act or add to existing pressures. Across all **120 countries**, **76%** of climate-related finance commitments recorded for 2021–2024 were provided as loans. Loans comprised **12%** of commitments in Very High countries, **59%** in High countries and **63%** in Elevated countries.

Average commitments were around US$34 per resident child per year in Very High countries and US$33 in High countries, compared with US$94 in Lower countries. Countries where the pressures measured by the Index converge most sharply are receiving substantially less climate finance per child. These figures cover commitments, not money received, and were not necessarily intended for children. They neither show that climate-finance loans caused existing debt distress nor establish the repayment burden of individual commitments. The pattern nevertheless raises a clear fairness question: climate finance should expand countries' room to protect children and build resilience, not add to the pressures constraining it.

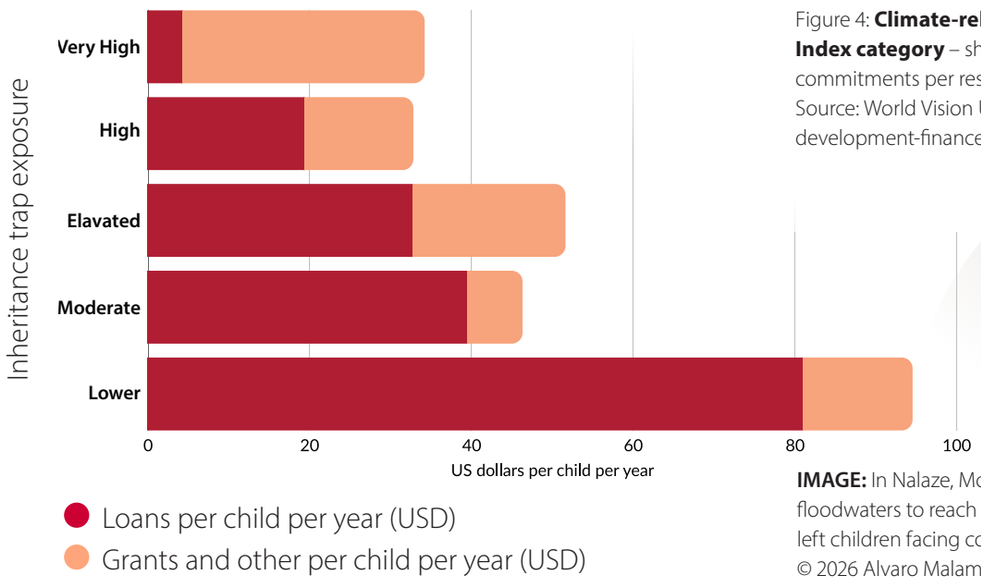


Figure 4: **Climate-related finance commitments by Index category** – share provided as loans and average commitments per resident child per year, 2021–2024. Source: World Vision UK analysis of OECD climate-related development-finance commitments, 2021–2024.



IMAGE: In Nalaze, Mozambique, two children walk through floodwaters to reach school, six months after severe flooding left children facing continued barriers to their education. © 2026 Alvaro Malamba/World Vision

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IMAGE: In Jamaica, following Hurricane Melissa, Arleay, 5, and Fiona, 4, play in and around their damaged home.
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THE INVISIBLE TRAP

The Index cannot show the whole Trap. Assessments of vulnerability, fiscal capacity and access to finance often depend on data and institutions that are weakest where risks are greatest. Support systems can therefore make some of the places most in need the hardest to identify and reach.

FRAGILE AND CONFLICT-AFFECTED STATES

Climate shocks do not necessarily cause conflict, but can intensify food insecurity, displacement and competition over resources where institutions are strained. Conflict can then weaken incomes, services and adaptive capacity. Vulnerability assessments may not capture conflict; access to finance can require accreditation, planning and project-development capacity; and fiscal indicators depend on reliable data. Fragile and conflict-affected countries received around **10% of global climate finance in 2022,** despite containing some of the world's most climate-vulnerable contexts. Extremely fragile states received around **US $2 per person** from vertical climate funds, compared with **US $10.80** in other fragile and least developed states.[4] Need is not translating into access, leaving some highly exposed children among the hardest to reach.

SMALL ISLAND DEVELOPING STATES

Small populations and economies can make vulnerability look modest in absolute terms, even when a single event devastates much of a country at once. Measures that overlook this reality risk understating both the scale of loss and the urgency of support.

Hurricane Maria caused damage estimated at **226% of Dominica's GDP** in 2017, two years after Tropical Storm Erika caused losses equivalent to 96% of GDP. Yet Small Island Developing States receive international adaptation finance equivalent to only **0.2% of global climate finance.**[5] Their absence from the highest Index categories cannot be treated as evidence of low risk. **Invisibility can itself be part of the Trap.**

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THE WAY OUT – SEVEN CHOICES THAT CAN BREAK THE TRAP

The Inheritance Trap is not inevitable. But breaking it requires more than managing debt after it becomes unsustainable or rebuilding after climate shocks have already damaged the systems children depend on. Children should not have to wait for crisis before the infrastructure around them is protected. Policy and financing choices can tighten it, or help break its hold: how obligations are created; whether vulnerability is reduced before disaster strikes; how debt crises are resolved; what borrowing delivers; whether fiscal gains reach children; and whose outcomes count as success.



Figure 5: **The way out** – seven policy and financing choices that can break the Inheritance Trap by reducing vulnerability, easing debt pressure and protecting investment in the infrastructure children depend on.

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The seven disruptors apply a principle **of intergenerational fiscal equity:** decisions taken today must be judged by both the liabilities passed forward and the public, human and environmental value created for the children who may ultimately bear their costs.

1. **Address the root causes:** Ensure that climate finance reflects responsibility and need, and that sovereign obligations are created fairly.
2. **Invest in climate resilience:** Treat adaptation, anticipatory action, early warning and resilient public services as core economic and social investments.
3. **Shift from loans to grants for adaptation:** Prioritise grants and other non-debt-inducing finance where investments protect public goods but do not generate revenue for repayment.
4. **Expand fiscal space through strategic debt solutions:** Match the solution to the problem and ensure relief is sufficiently deep, fair and timely.
5. **Create lasting public value:** Judge borrowing not only by whether it can be repaid, but by what it creates or protects for the generations that inherit the obligation.
6. **Protect investment in children:** Track real per-child resources, budget execution, frontline staff and supplies, service coverage and continuity, not only nominal allocations.
7. **Judge success by what happens to children:** Assess whether children remain healthy, learning, protected and supported, alongside conventional macro-fiscal indicators. Systems that do not ask what happens to children will continue to produce child-blind outcomes.

CONTRACTS CHILDREN NEVER SIGN, BUT INHERIT

Children do not negotiate sovereign loans or approve their terms. Yet they may live with the consequences for decades. If children inherit the costs of today's decisions, they should also inherit the benefits: stronger services, greater resilience, healthier environments and wider opportunities.



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DEBT FOR WHAT?

Debt is not inherently harmful. Borrowing can finance infrastructure, services, resilience and human capabilities whose benefits extend into the future. But the question cannot be only: "Can this debt be repaid?" It must also be: **If children inherit the obligation, what lasting value will they inherit in return?**

A PRACTICAL "DEBT FOR WHAT?" TEST

1. **What is the borrowing for?**

   What nationally determined priority will it address, and is borrowing the right way to finance it?

2. **Who benefits, and who pays?**

   How are the benefits, repayment costs and risks distributed across generations, communities and places?

3. **What will children inherit in return?**

   Will the investment create lasting public, human, environmental or community value?

4. **Is the inheritance fair?**

   Are those benefits credible and durable enough to justify the costs and risks passed forward?

IMAGE: Tropical Cyclone Freddy destroyed nearly 135,000 hectares of crops across central Mozambique. Nearly a month later, Atire was helping his family find food by fishing in nearby streams and floodwaters. © 2023 Antonio Massipa/World Vision



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FIVE ACTIONS FOR THE UK GOVERNMENT

The UK cannot break the Inheritance Trap alone. But as a major climate donor, influential shareholder in international financial institutions and major jurisdiction for sovereign debt, the UK has significant influence over whether climate and debt pressures are eased or passed on to children.

As Official Development Assistance falls to 0.3% of GNI by 2027 and UK climate-finance commitments fall from £11.6 billion over five years to around £6 billion for 2026/27–2028/29, decisions on debt, climate finance and aid must be judged by what they protect and what they put at risk for children.[6]

1. Update UK debt-relief law so private creditors play their part

The Government should strengthen existing UK debt-relief legislation so that private creditors cannot use UK courts to secure better terms than those agreed in international debt restructurings, while protecting countries negotiating in good faith from disruptive litigation. Effective and timely debt relief would help protect services children rely on, and the Debt Relief (Developing Countries) Bill provides an opportunity to take this forward.[7]

2. Ensure UK climate finance does not deepen debt pressures

The Government should reverse its recent shift from grants to loans[8] and increase grant-based adaptation finance for the poorest and most climate-vulnerable countries, particularly those facing severe debt pressure. Climate finance should be additional to, rather than replace, existing poverty-focused development assistance.

3. Protect investment in children as UK aid falls to 0.3%

Prevent disproportionate cuts to health, nutrition, education, WASH, protection and social protection; publish how much UK aid reaches children and where; and establish a transparent baseline for tracking and protecting investment in children as aid falls.

4. Use the UK's global influence to make debt relief faster and fairer

Use the UK's 2027 G20 Presidency and its influence at the IMF, World Bank and UN to push for faster, deeper debt restructuring, interim debt-service relief during negotiations, clearer creditor-participation rules and greater transparency. The UK should also champion World Vision's proposed Principle 16 on intergenerational fiscal equity, ensuring sovereign borrowing and lending decisions consider long-term impacts on children and future generations.

5. Require major UK aid, debt and climate-finance decisions to assess their impact on children and future generations

Introduce proportionate child-rights and intergenerational impact assessments for major UK decisions, showing who benefits, who bears the costs over time and how risks to children will be mitigated, with meaningful participation by children and young people where appropriate.

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Available at www.worldvision.org.uk/inheritancetrap

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IMAGE: In Karamoja, Uganda, Babodmas and his daughter Peace, 7, display food harvested from their garden. Climate-smart farming techniques have helped the family secure regular meals, store food for the dry season and build greater resilience to hunger. © 2024 Brian Jakisa Mungu/ World Vision

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