



International Financial Architecture (IFA) Working Group

**G20 NOTE
COMMON FRAMEWORK: LESSONS LEARNED
AND WAYS FORWARD**

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Four years after its establishment, the Common Framework (CF) for debt treatment has achieved significant steps in four cases by advancing the coordination between G20 and Paris Club (PC) official bilateral creditors. This coordination has underpinned the provision of debt treatments to Chad (MoU signed), Zambia (MoU signed), Ghana (MoU agreed) and Ethiopia (provision of a short-term debt service suspension and of financing assurances leading to IMF program approval).

Based on that experience, this note aims at drawing lessons from those four cases to improve future CF debt treatments. A few aspects can be highlighted:

- *Debtor countries have benefitted from a single-entry point among official bilateral creditors, who in turn, have improved internal coordination. Such a framework has proven to be useful for borrowing countries undertaking a debt treatment. Thanks to the CF, Chad, Zambia, Ghana and Ethiopia have been able to make progress towards debt sustainability and consequently move forward with an IMF supported program and the associated financing, also unlocking budget support from the World Bank and other international partners.*
- *The purpose of debt treatment under the CF is to support borrowing countries to promptly achieve debt sustainability. In case of traditional debt treatment processes before the launch of the CF, the whole process from Staff Level Agreement (SLA) to IMF program approval usually had taken 2-3 months, with another 4-6 months necessary to finalize the Agreed Minutes and complete the First Review. While the timeline was shortened for Ethiopia, the CF process should improve its timeliness and predictability and ensure timely information-sharing.*
- *Debtor countries would benefit from enhanced efficiency on the part of creditors and from obtaining more clarity regarding the different steps of the debt treatments process.*
- *The G20 and GSDR's discussions suggested that co-chairs of the Official Creditor Committees (OCC) could produce a reference paper for internal use at early stages synthesizing discussions held in the different creditor committees, while maintaining the principle of a case-by-case approach for future cases. It could include, in particular: (i) the debt treatment provided by official bilateral creditors (scope of the debt treatment) versus scope of the Debt Sustainability Analysis (DSA), (ii) cut-off date for bilateral creditors, (iii) status of new disbursements related to contracts signed before the cut-off date, (iv) calculations of the three indicators for comparability of treatment (e.g. contribution of the financing gap; debt reduction in NPV; duration extension).*

- *In line with existing guidelines, information sharing¹ and early engagement should be further improved between IMF- WBG and the official bilateral creditors on the one hand, and with private creditors on the other hand, to facilitate early and informed discussion on DSA and the necessary debt treatment.*
- *The implementation of the comparability of treatment (CoT) by the debtor can be challenging and would benefit from an enhanced process. This is particularly the case regarding the sequencing of information sharing during the stages of the negotiation process and sharing debt treatment parameters early in the process.*
- *Recognizing that the CF focuses on processes, and that sovereign defaults have materialized, this G20 note is cognizant that a debtor would be relatively better-off when avoiding debt restructuring. It is key to discern temporary liquidity pressures from sustainability issues, and it is important to raise awareness and clarify specific cases where that distinction can be done. Where possible to clarify such distinction, that could suggest supporting measures for the debtor.*

SUMMARY

Since its creation in November 2020 under Saudi Arabia's G20 Presidency, the Common Framework (CF) has started to deliver concrete results through advancing the coordination between G20 and Paris Club (PC) official bilateral creditors for the provision of debt treatments to low-income countries (LICs) facing debt sustainability issues. In four years, the CF² has emerged as a coordination platform bringing together G20 and Paris Club creditors. For a given debtor, the Official Creditor Committee (OCC), is composed of its official G20 and Paris Club bilateral creditors and is formed to address borrower countries' debt treatment request to restore medium-term debt sustainability, contributing to the assurances often necessary for the approval of IMF programs and subsequent review. The CF aims at providing a debt treatment in a coordinated manner and on a case-by-case basis, tailored to each borrower country's debt structure and to creditors' specific constraints.

1. <https://www.imf.org/en/Publications/Policy-Papers/Issues/2023/06/23/Staff-Guidance-Note-on-Information-Sharing-in-The-Context-of-Sovereign-Debt-Restructurings-535203>

2. Common Framework for Debt Treatment beyond the DSSI

Out of four countries which submitted a request for debt treatment, three restructurings of official bilateral loans have been achieved, giving leverage for these countries to negotiate debt treatment with the other creditors, above all, commercial and other external bilateral. In sum:

- **Chad**, in December 2022: an agreement on a contingent debt treatment with official bilateral creditors was reached, allowing the sovereign to benefit from a debt restructuring from its main private creditor. Given that an increase in oil price reduced Chad's financing gap over the program period to zero, official bilateral creditors agreed to reconvene and assess the need for a debt treatment before the end of the program period (2021- 2024), should a financing gap reappear.
- **Zambia**, in June 2023 an agreement was reached among official bilateral creditors, formalized by a MoU four months later. The "baseline treatment" consisted in lowering interest rates and extending maturities until 2043, resulting in a reduction of the debt stock in net present value terms.³ An "upside treatment" could also be triggered by creditors if the debt carrying capacity of Zambia improves by the completion of its IMF program.⁴ The "upside treatment" involved higher interest rates than those of "baseline treatment" and extending maturities for a shorter period, until 2038.
- **Ghana**, in January 2024 agreement was reached on the main parameters of the debt treatment, formalized by a MoU as of June 11th of the same year. The treatment notably entails a comprehensive rescheduling of the debt service due during the IMF program period for loans disbursed before December 2022, together with large maturity extension and reduced interest rate.⁵
- **Ethiopia** requested a debt treatment within the CF in February 2021. The formation of the OCC followed 5 months after. Deteriorated domestic politics (including internal armed conflict), and then time taken to negotiate with IMF staff a new IMF supported program, have delayed the possibility for the official creditors' committee to start working on the debt treatment. However, the CF has demonstrated flexibility by providing a tailored debt service suspension over 2023-2024 to Ethiopia, alleviating liquidity pressures, and having granted financing assurances ahead of the release of the SLA allowing to approve the IMF program in July 2024. The OCC is currently working on debt treatment options for Ethiopia.

Table 1 further details the cases above and provide key milestones (see below).

3. In the case of Zambia, the weighted average maturity was extended from 2027 to 2039 in the baseline treatment and to 2034 in the upside treatment.

4. Or if the trigger of the upside treatment by other commercial creditors leads to a breach in comparability of treatment.

5. In the case of Ghana, the weighted average maturity was extended from 2029 to 2038 (no upside treatment).

1. LESSONS LEARNED

1.1. Lesson learned #1: debtor countries could benefit from enhancing efficiency and more clarity, as appropriate, regarding the different steps of the debt treatments process, in line with the G20 call to step up the implementation of the CF in a predictable, timely, orderly and coordinated manner.

The CF's implementation for a borrower happens on a case-by-case basis, and follows various steps. **The main steps can be summarized as:**

1. Request from debtor country for debt treatment;
2. Staff Level Agreement (SLA) with the IMF on the policy parameters of a program and early engagement between the IMF and official bilateral creditors on the DSA;
3. Formation of creditor committees to support and address the debtor's request;
4. Reconciliation of debt data;
5. Discussion about the need for debt treatment, and the restructuring envelope that is required, is based on the IMF-WB DSA and the participating official creditors' collective assessment, and will be consistent with the parameters of an upper credit tranche (UCT) IMF-supported program;
6. Discussion within creditor's committee of restructuring parameters;⁶
7. Engagement with MDBs to gain insight into their support to the debtor country (MDBs typically provide net financial flows);
8. Consensus of the creditor committee on the main parameters of the debt treatment, leading to an agreement in principle with the debtor country;
9. Finalization of the MoU;
10. Formal signature of the MoU by the debtor country and each member of the creditor committee;
11. Comparable debt treatment from other official bilateral creditors and private creditors, is expected and enforced through MoU clauses.

⁶ Terms of the treatment such as cut-off date, interest rates, amortization rates, maturity, grace-period, additional fees, etc. and relevant provisions necessary to assess the full implementation of the treatment.

Table 1 – Key milestones under the CF since 2020

	Chad	Zambia	Ghana	Ethiopia
Request for debt treatment	December 14, 2020	February 1, 2021	December 13-20, 2022	February 3, 2021
SLA	January 27, 2021	December 3, 2021	December 12, 2022	Published at program approval
Formation of OCC	April 15, 2021	June 16, 2022	May 12, 2023	September 16, 2021
OCC assurances	June 10, 2021	July 18, 2022	May 12, 2023	July 11, 2024
Program approval	December 10, 2021	August 31, 2022	May 17, 2023	July 29, 2024
Agreement on main terms	NA	June 22, 2023	January 12, 2024	Pending
IMF 1st review	December 22, 2022	July 13, 2023	January 19, 2024	
Agreement of MoU	November 30, 2022	October 13, 2023	June 11, 2024	Pending
IMF 2nd review	December 22, 2022 (1st and 2nd review)	December 20, 2023	June 28, 2024	
Signature of the MoU completed	January 1, 2023	April 2, 2024	Pending	Pending

Common Framework
process
IMF program process

Source: OCCs Secretariat, June 28 th 2024

Restructurings are time consuming at each stage. Before and during the negotiations, creditors need to examine the possible restructuring and identify the extent of their commitment (including OCC membership), find solutions to technical issues, and collect approvals within their own bureaucracy. Debtors need to put together the dataset (e.g. that includes individual cashflows) for debt reconciliation.

Recent cases, notably Ghana, show that processes are improving. This is due to a few factors: (i) improved and mutual understanding on each individual bilateral creditors' or group of creditor's process and constraints, (ii) lessons learnt from past cases, both in terms of coordination processes and technical expertise on debt restructuring issues. Those elements have contributed to improving the process. The table presented displays the time taken for each case and it highlights the following:

- The time for the Staff Level Agreement (SLA) to the OCC assurances was reduced from 7 months (Zambia) to 5 months (Ghana). This is comparable to that observed in recent non-CF restructuring cases, such as Suriname (7 months) and Sri Lanka (5 months)
- The time from the OCC assurances to the Agreement on main terms of the debt treatment has been significantly reduced between Zambia (11 months) and Ghana (8 months). In the case of non-CF cases, the timeframe observed is 7 months for Suriname and 10 months for Sri Lanka.

Different actions could improve the timeliness, predictability, and transparency:

- **Creditors could explore ways to streamline their internal procedures.** This would accelerate each step of the debt treatment process consistent with the creditors' national laws and internal procedures, while allowing sufficient time to each creditor for thorough assessment. Each creditor country could share experience and good practice in that regard.
- **The G20 and Paris Club creditors could update, as appropriate, the main steps to provide greater clarity to borrowing countries starting the restructuring.** This would help them better prepare for the process, even if past cases are not necessarily indicative of future timelines (given the case-by-case nature of each treatment, which is a central feature of the CF).
- **With the consent of the Official Creditor Committee (OCC) members, co-chairs could publish factual and non-sensitive elements** regarding key developments of ongoing debt restructuring processes in existing websites (G20 Presidency and Paris Club).
- **G20 members could encourage private creditors to form joint private creditor committees on a voluntary basis.** Their coordination is crucial to foster timeliness during debt restructuring processes and ensure a cohesive approach.
- **G20 members could improve debt transparency by strengthening capacity development for borrowing countries and conducting debt reconciliation exercises** on a regular, broad and voluntary basis. Strengthening debt management capacity, including by providing technical assistance, training programs, and other needed resources to improve debt recording, reporting and analysis continues to be critical for debtors and creditors.⁷
- **With the consent of the OCC, co-chairs and members of the creditor committee could work on a clear communication protocol through co-chairs and secretariat of the OCC,** detailing how information will be shared among stakeholders, including the mechanisms for raising queries by debtor countries or providing feedback.

7. Reconciliation is often undertaken on a voluntary basis. Regularity is important to confer data quality and adherence with debt transparency sound practices. See [WB DeMPA, \(2021\)](#).

1.2. Lessons Learned #2: To facilitate timely implementation of the CF, a reference paper could be produced by the co-chairs of the Official Creditors Committees (OCC), for internal use, and at the early stages, synthesizing discussions held in the different creditor committees while maintaining the principle of a case-by-case approach. The paper could include assessment of the role of MDBs, and some aspects of the debt treatment provided by official bilateral creditors.

The role of MDBs in financing: as typical prominent external creditors, Multilateral Development Banks (MDBs) should contribute to addressing debt vulnerabilities. In the case of Zambia and Ghana, a practical way was found by acknowledging the specific role of MDBs to provide net positive flows to the debtor country. Discussions could continue to provide greater clarity on the assessment of MDBs net positive flows. The G20 (with the support of the World Bank and other MDBs), could work on a template to better characterize and quantify net MDBs financing flows and concessionality for countries benefitting from debt treatment. That would detail different flows provided by each MDB before and during the IMF program's period.⁸

Scope of the debt treatment versus scope of the DSA: the CF agreement states that the restructuring envelope is based on the IMF-WB DSA and the collective assessment of participating official creditors and will be consistent with the parameters of an upper credit tranche (UCT) IMF-supported program. In practice, significant time has been devoted in the different creditor committee to analyze whether the scope of the debt treatment should be different from the scope of the DSA regarding notably state-owned enterprises (SOEs) loans and central bank deposits.]. Despite recent advances, there is support for continuous improvement in understanding how the debt treatment impact the DSA (information-sharing between the IMF-WB and official bilateral creditors is discussed in 1.3).

The relevance of the "Mar-20" date mentioned in the Common Framework agreement as the cut-off date. The Ghana case, where the cut-off date chosen (Dec-22) was different, has shown that the "Mar-20" cut-off date could become less relevant for future debt treatment under the CF. While respecting the case-by-case approach for the implementation of the CF and the responsibility of each creditor's committee to set the cut-off date, stakeholders could explore the method of setting the cut-off date, and some principles guiding the choice of the cut-off date could be discussed. . It could also be discussed and then potentially clarified that the OCC's effort on the debt treatment is calculated based on the outstanding stock at a reference date (the same one used to assess the need of debt treatment and estimate the pre and post restructuring financial flows), independently of the cut-off date. The reference paper could also integrate the status of new disbursements related to contract signed before the cut-off date, based on the extensive analysis done for the cases of Zambia and Ghana.

8. For example, a template could single out net flows into budget support, grants, project financing, degree of concessionally etc.

On the fair burden-sharing among OCC members. For instance, in the case of Ghana, OCC members innovatively designed a restructuring arrangement based on the different loan conditions among OCC members. This arrangement allowed a broader sharing of the efforts within the OCC members while considering the degree of concessionality of pre-restructured loans.

An active engagement with Credit Rating Agencies (CRAs) is useful to debtors. It can clarify the assessment of official bilateral debt service suspension or reprofiling (with the CoT principle in mind) and help specifying under which conditions these decisions would not trigger a default, while taking into consideration the participation of commercial creditors on a comparable basis.⁹

Debtors should work on their Investor Relations activities to promote transparency towards commercial and official creditors, and for the public. Having a focal point to communicate with government officials can help facilitate the negotiations. This needs to be done in an appropriate manner, respecting jurisdictional and legal requirements.

Ways and conditions for the official bilateral creditors to address a request for a debt service suspension during the negotiation for a debt treatment. Building on the experience with Ethiopia, it could be assessed whether short-term debt suspension could be considered on a case-by-case approach in a coordinated manner, if requested by the debtor country and if deemed appropriate by the OCC, with some pre-agreed parameters as a reference. At the same time, if the suspension is decorrelated from an IMF program, the debtor might have little incentive to engage into reforms to restore debt sustainability while already benefitting from the suspension.

9. CRAs focus their opinion on sovereigns' ability and willingness to fully and timely meet their obligations with private sector creditors. A default on debt owned to official creditors would not automatically be captured by the issuer rating. However, such default event may indicate the issuer is under financial pressure and could affect the overall sovereign rating.

1.3. Lessons Learned #3: Channels for information sharing between the IMF-WB, and official creditors, and other financial stakeholders could be improved to facilitate early and informed discussion on the DSA, together with necessary debt treatments.

The information sharing between the IMF-WB and the OCC is essential for advancing the debt treatment process. Establishing an information sharing mechanism by the IMF-WB to facilitate timely information sharing ahead of critical junctures in the debt treatment process could be further developed and could include regular updates, clear communication protocols and predefined timelines. The critical junctures include the signing of an SLA between IMF and debtor authorities, the formal issuance of IMF program report, and the publication of the DSA report. The IMF should strengthen the communication with the OCC at the early stages of the process, including to share information and hear views from OCC members, while respecting the independent assessment of the Fund, consistent with the applicable IMF framework on information sharing¹⁰

It is also encouraged that IMF-WB to provide further briefings on debt sustainability risks to G20 and Paris Club (PC) members through their regular technical meetings. The briefings should cover LICs' key updates, such as the risk of external debt distress, overall risk of debt distress, composite indicators (CI), macroeconomic, and balance of payments outlook.

As the first new case since publication of the IMF guidance note on timely and comprehensive information sharing on the DSA in the context of sovereign debt restructuring, Ethiopia will be a test case for the implementation of the guidance note. Early engagement between the Fund and the OCC allows to better understand the assumptions made by the IMF staff in building a common understanding regarding the scope and the depth of the treatment needed, as well as the underlying macro-framework and estimates used, and for the IMF and WB to hear OCC members' views as part of their engagement with all relevant stakeholders. Acknowledging the IMF-WBG central role in conducting the DSA in LICs and the participating official creditors' collective assessment, this information sharing and early discussion on the DSA will inform the IMF-WBG independent work, and help accelerating the discussions for financing assurances. Information sharing regarding the DSA could also be extended to private creditors to favor early engagement and facilitate a more effective process.

10. The IMF guidance note on information sharing in the context of sovereign debt restructurings (June 2023) states that: "Staff's general practice should be to share the information necessary to inform the restructuring process. Information can be shared directly by the Fund (with the debtor authorities' consent) or by the debtor authorities (with the Fund's consent). 3 Information sharing is useful to promote efficient restructurings, reduce the likelihood of protracted negotiations, and address information asymmetry. The DSA reflects the independent assessment of the Fund and, as such, Fund staff does not "negotiate" the DSA or program design with third parties, at any stage of a restructuring process. Although staff may consider the views of creditors and civil society, and take them on board, it is ultimately the views of staff, with input from the authorities, that are dispositive for the purposes of preparing the DSA. Fund staff should be clear about these limits of the Fund staff's role when engaging and communicating with third parties at any stage of the restructuring process".

1.4. Lessons Learned #4: Challenges on implementing the CoT. The case of Zambia stressed the need for enhanced coordination, appropriate sequencing/parallel work and information sharing between the official bilateral creditors, representative of the bondholders, and the commercial creditors.

A workshop held in 2023 already helped to clarify the calculation of the three indicators used for assessing CoT:

1. Change in debt stock's net present value (NPV) (and single discount rate's choice for LICs);
2. Change in duration;
3. Change in nominal debt service over the IMF program period.

The assessment of the CoT based on the three indicators includes a certain degree of flexibility, as a greater effort on one parameter can be mitigated by a smaller effort on another parameter, based on creditors' preferences and time horizon.¹¹

A new workshop on CoT issues was organized mid-2024 on the following issues:

- a. The enforcement clauses in MoUs were further discussed, based on the MoU with Zambia, clarifying the assessment of the CoT amongst groups of creditors (bilateral official vs bondholders and commercial creditors), with a degree of flexibility to take into account the variety of debt treatment preferences among creditors (a greater effort on one parameter can be mitigated by a smaller effort on another parameter, based on creditors' preferences and time horizon). The discussion covers how this flexibility can come along with clarity for the debtor country and the other creditors.
- b. The case of Zambia has demonstrated that the implementation of the CoT by the debtor country can be challenging and would have benefited from an enhanced process, notably regarding information sharing and the sequencing with private creditors. Some lessons have already been drawn for Ghana, to agree on the main parameters debt treatment while exchanging with the debtor country about the expected magnitude of the debt treatment that could be expected from the other creditors. This was to ensure that the assumptions are consistent with the IMF constraints, with the debtor's expectations, and with the OCC's expectations. Discussions of Zambia also highlighted the need to clarify the reference date for the CoT assessment.

11. These elements could be presented in an annex of the final version of this document or in a dedicated G20 document.

2. WAYS FORWARD TO SUPPORT VULNERABLE COUNTRIES BEYOND THE COMMON FRAMEWORK

Beyond the CF, the G20 has been supportive to initiatives towards the implementation of structuring policy measures. Domestic resources mobilization and debt management have been deemed as crucial to prevent countries from falling into debt distress.

For market-access countries (MAC) not eligible to the CF, the G20 could promote a voluntary coordination in debt restructurings when they are needed, while it remains possible for official creditors to act voluntarily. This could be based on the approach for Sri Lanka, where Paris Club creditors and some non-Paris Club creditors worked within a Creditor Committee (tight coordination). Some other creditors attended as observers and worked independently (light coordination). The lessons learned are that:

- Official creditor countries would be invited to join a creditor committee on a voluntary basis, given official creditors participating in a single coordination mechanism can support a swift and efficient process.
- A light coordination could be implemented with other creditors based on a strong commitment to reciprocity of information sharing.
- This approach might speed up the process while helping support fair burden sharing among official creditors within and outside of a creditor committee.

As stated by the G20 Finance Ministers in July 2024: “We welcome the progress made on debt treatments under the G20 Common Framework (CF) and beyond. We remain committed to addressing global debt vulnerabilities, including by stepping up the CF’s implementation in a predictable, timely, orderly, and coordinated manner. We welcome the MoUs on the agreed debt treatments for Zambia and Ghana. We call for a swift process for the conclusion of the debt treatment for Ethiopia. Beyond the Common Framework, we also welcome the agreed debt treatments for Sri Lanka by official bilateral creditors. We also welcome joint efforts by all stakeholders to continue working towards enhancing debt transparency and encourage private creditors to follow.”

