



G20

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G20 Note: Steps of a debt restructuring under the Common Framework

**G20 International Financial Architecture (IFA)
Working Group**

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The Common Framework for Debt Treatments beyond the DSSI, endorsed by G20 Leaders and Finance Ministers in 2020 and also agreed by the Paris Club, aims to “facilitate timely and orderly debt treatment for DSSI-eligible countries, with broad creditors’ participation including the private sector”.

In order to provide more clarity regarding its implementation, this document outlines the main steps of a debt treatment under the Common Framework, based on the first country cases (Chad, Zambia, Ghana and Ethiopia). This document is non-binding and each request for debt treatment is addressed on a case-by-case approach.

This document outlines processes and negotiation steps between a debtor country and its official creditors under the Common Framework. It reflects a shared understanding among G20 and Paris Club countries, which are the official creditors participating in the initiative. It is complemented by the Global Sovereign Debt Roundtable’s *Playbook for Sovereign Debt Restructuring*, published as a GSDR Cochairs document, which provides further details to debtor countries on the sequencing between a debt treatment and an IMF-supported program. The observed timelines under the first cases of the Common Framework are presented in the Annex – they do not represent a commitment for future potential cases, but the G20 creditors remain committed to stepping up the Common Framework’s implementation in a predictable, timely, orderly, and coordinated manner.

1. Request for a debt treatment

The debtor country should ensure that it satisfies the criteria to request a debt treatment under the Common Framework, as outlined below:

- Having been eligible to the DSSI, i.e.:
 - o All IDA-countries that are current on any debt service to the IMF and the World Bank¹, and;
 - o All least developed countries as defined by the United Nations, that are current on any debt service to the IMF and the World Bank.
- Need a debt treatment, as defined in the Common Framework document².
- Commit to applying the comparability of treatment principle, which means seeking from its other official bilateral and private creditors a debt treatment at least as favorable as the one to be agreed with its creditors under the Common

¹ The list of the 73 countries having been eligible to the DSSI is available on:

<https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative>

² “The need for debt treatment, and the restructuring envelope that is required, will be based on an IMF-WBG Debt Sustainability Analysis (DSA) and the participating official creditors’ collective assessment, and will be consistent with the parameters of an upper credit tranche (UCT) IMF-supported program.”

Framework. Assessment of comparable efforts are based on changes in nominal debt service over the IMF program period, debt stock in net present value terms and duration of the treated claims in accordance with the Common Framework.

When the above conditions are met, the country should formally request a debt treatment under the Common Framework. It should send its request to its official bilateral creditors, and for its Paris Club creditors, to the Chair of the Paris Club, who notifies other Paris Club creditors.

At this stage, the debtor country is encouraged to start compiling data on its public and publicly guaranteed debt owed to all categories of creditors. The debtor country's data will later be reconciled with the official bilateral creditors' data. Regular and voluntary exercises of debt data reconciliation between creditors and debtor countries can facilitate efficiency of this process.

Before the debt treatment discussions start, the debtor country should be at least in well-advanced discussions towards reaching a Staff Level Agreement (SLA) with the IMF for an upper credit tranche (UCT) IMF supported program. The debtor country is encouraged to engage with multilateral development banks (MDBs) to gain insight into their support. The IMF and World Bank are to strengthen early information sharing and early engagement with official bilateral creditors regarding the DSA analysis and the potential IMF-supported program.

2. Formation of the OCC and engagement with other creditors

Once the request for debt treatment has been received, participating official bilateral creditors will conduct preliminary discussions, initiate internal approval procedures if needed, and convene to form an Official Creditors Committee (OCC). The role of the OCC is to: i) consider the need for debt treatment and the restructuring envelope that is required in accordance with the Common Framework, ii) coordinate the engagement of participating official bilateral creditors with the debtor country, and iii) finalize jointly the debt treatment option so as to ensure fair burden sharing among OCC participants³. The OCC makes its decisions by consensus and on a case-by-case basis after collective assessment.

Any official bilateral creditor that holds claims on the debtor that are eligible to a treatment under the Common Framework can join the OCC, including, on a case-by-case

³ The main parameters of a debt treatment are: interest rates, amortization rates, maturity, grace-period, etc.

basis, non-G20 and non-Paris Club creditors. Some preparatory engagement between participating creditors may be required before they officially form an OCC.

The OCC nominates two co-chairs from G20 and Paris Club creditors. The co-chairs, supported by a secretariat, make sure that relevant information is shared to all OCC members, assesses debt treatment scenarios, replies to the queries of OCC members and the debtor country, and make recommendations to the OCC. The OCC can also nominate a vice-chair who supports the co-chairs' work.

Representatives of the IMF and the World Bank attend OCC meetings to provide technical inputs and information, in particular on the DSA and parameters of the IMF-supported program, the expected contribution of multilateral creditors to support the country as well as on the status of their own engagement. The debtor country is encouraged to engage with multilateral development banks (MDBs) to gain insight into their support, as stated in the Common Framework agreement . In the cases of Zambia, Ghana and Ethiopia, this support is to be provided through net positive financial flows over the IMF program period.

The debtor country is invited, usually at a Ministerial level, to participate in an OCC meeting soon after its formation. This early engagement gives the country an opportunity to formally present its request, its current financial and economic conditions, and its reform agenda. If possible, it is also encouraged for a country to provide high-level information about its debt characteristics that can inform the contours of the debt treatment that it seeks to obtain from its official creditors.

In parallel, the debtor country should start its engagement with official bilateral creditors outside of the OCC and its private creditors, including Eurobond holders and other commercial creditors. Early engagement may facilitate and accelerate the implementation of the comparability of treatment principle and consistency with the parameters of the IMF-supported program.

3. Discussion about the need for debt treatment

On the basis of a Working Paper describing in general the financing need and the capacity of repayment of the country prepared by the OCC secretariat, the OCC assesses the need for debt treatment and the restructuring envelope, as defined in the Common Framework. The OCC can then express orally commitment to provide debt treatment in line with the Common Framework through an OCC meeting. The relevant discussion could be supportive of the approval of the program by the IMF Board.

4. Reconciliation of debt data

Before debt treatment negotiations start, the debtor country is asked by the OCC to provide, for each OCC member, the necessary information⁴ regarding all public and publicly-guaranteed debt, while respecting commercially sensitive information, and noting that the scope of the debt treatment may differ from the one of the data-call.

The OCC secretariat could launch a data-call among OCC members to make further reconciliation of debt data.

The data-call shows the debt stock and debt service flows as of a specific date, which is known as the “consolidation date”, i.e., the date used to consolidate the data upon which the debt treatment will later be modelled.

The OCC members can start discussing and modelling the parameters of the debt treatment after the data reconciliation. The debt data may continue to be marginally updated and reconciled throughout the debt treatment discussions.

5. Negotiation of the restructuring parameters

Based on collective assessment, OCC members will negotiate and reach an agreement on the terms of the debt treatment offer, in line with the Common Framework agreement. The OCC debt treatment, along with the assumptions regarding the treatment provided by other creditors in line with comparability of treatment, should ensure that the overall debt treatment meets IMF program parameters.

Several intra-OCC meetings may be required to reach a consensus on a debt treatment offer, which then allows the OCC to have further discussions with the debtor country based on its own constraints and preferences⁵. This step can also take several rounds of discussion.

The debtor country and the OCC members negotiate the OCC debt treatment until an agreement is found on the main parameters. These discussions can happen at technical level, between the OCC secretariat and the debtor country’s advisors, then at OCC level, with regular iterations between the two levels.

⁴ The debtor country shall break-down the flows by the original currency, into principal and interest for all debt instruments, including securities, loans, guarantees etc.

⁵ The debtor country could provide to the OCC a proposal for the OCC debt treatment, as it was the case in the first country cases under the Common Framework.

6. Formalisation of the agreement on the main parameters of the debt treatment

Once an agreement is found on the main parameters, these parameters are laid out in a term sheet which is approved by the debtor country and the OCC. The term sheet may include clauses that will later be inserted in the Memorandum of Understanding (MoU). In the case of Ghana and Ethiopia, the term sheet was accompanied by an information paper which presents the non-binding illustrative debt treatment assumptions for other creditors in the scope of the debt treatment, consistent with the comparability of treatment principle. In the three first cases of the Common Framework, the time between the Staff-Level Agreement to the agreement on the main parameters has been reduced from 1 year and 6 months (Zambia), to 1 year and 1 month (Ghana), to 7 months (Ethiopia).

7. Finalization of the MoU

The detailed terms of the treatment are then laid out in a MoU negotiated between the OCC and the debtor country. The MoU may contain specific clauses, such as: comparability of treatment, information-sharing, claw-back clause, condition-precedent clause, etc.

8. Formal signature of the MoU and implementation

Once an agreement on the MoU is reached, it is typically subject to internal approvals from OCC members. As these internal approvals are finished, the co-chairs collect the signature of the OCC members and of the debtor country.

Once the MoU is signed by all parties, the debtor country is expected to reach out to each OCC member to negotiate and sign legally binding bilateral agreements to implement the MoU.

9. Monitoring comparability of treatment

In application of the comparability of treatment principle, the debtor country is committed to seek from all its other creditors in the scope of the debt treatment, a treatment at least as favorable as the one agreed with the OCC. This commitment is reflected in a clause inserted in the MoU.

Before agreeing on a debt treatment with its other creditors, the debtor country is required to consult the OCC or its co-chairs to have its views on whether the proposed terms broadly align with the comparability of treatment principle.

The OCC assesses the comparability of treatment based on the key parameters defined in the Common Framework⁶.

To help a debtor country in its negotiations with other creditors, the information shared by the OCC may be the main parameters of its OCC debt treatment, subject to the consensus of OCC members.

Once the debtor country and the other creditors reach an agreement-in-principle (AIP), its terms are then formally assessed by the OCC to ensure they respect comparability of treatment⁷. Once the OCC has provided its consent, the debtor country can implement the AIP reached with its other creditors.⁸Should an agreement be found with non-OCC creditors before an agreement with the OCC, comparability of treatment will still be assessed once an agreement has been reached with the OCC. The assessment will be undertaken on the same basis as described above, and may require changes to the agreement with non-OCC creditors if that agreement is not deemed comparable.

The above procedure is only a summary of previous cases and does not constitute any formalized mechanism. The observed timelines do not represent a commitment for future potential cases, but the G20 creditors remain committed to stepping up the Common Framework's implementation in a predictable, timely, orderly, and coordinated manner. The debt treatment of future potential cases will follow case-by-case approach.

⁶ Changes in net present value of the debt, change in nominal debt service over the IMF program period, and change in duration

⁷ The debtor country is advised to check with IMF whether the AIP is consistent with the parameters of the IMF supported program.

⁸ The specific use of Value Recovery Instruments (VRI) in the context of comparability of treatment will be analysed in a specific document.

Annex:

Key milestones under the Common Framework 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	June 2024 - 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	-	June 22, 2023	January 12, 2024	March 21, 2025
IMF 1st review	December 22, 2022	July 13, 2023	January 19, 2024	November 4, 2024
Agreement on MoU	November 30, 2022	October 13, 2023	June 11, 2024	<i>Pending</i>
IMF 2nd review	December 22, 2022 (1 st and 2 nd reviews)	December 20, 2023	June 28, 2024	January 29, 2025
Signature of MoU completed	January 1, 2023	April 2, 2024	January 28, 2025	<i>Pending</i>

Common Framework process

IMF program process

Synthesis of observed timelines:

	Chad	Zambia	Ghana	Ethiopia
SLA to formation of OCC	2 months	6 months	5 months	<i>SLA published at program approval</i>
SLA to OCC commitment to provide treatment	4 months	7 months	5 months	
SLA to agreement on main terms	No agreement on main terms	1 year and 6 months	1 year and 1 months	7 months
Agreement on main terms to finalization of MoU	No agreement on main terms	3 months	4 months	Pending
Finalization of MoU to completion of signature process	1 month	5 months	7 months	Pending

