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A STOCKTAKING OF THE CURRENT INTERNATIONAL ARCHITECTURE FOR RESOLVING SOVEREIGN DEBT INVOLVING PRIVATE SECTOR CREDITORS

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September 19, 2025

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EXECUTIVE SUMMARY

There have been major developments in the global economy and sovereign debt markets since the Fund's last stocktaking in 2020. The COVID-19 pandemic necessitated extraordinary fiscal support to economies, leading to a significant increase in government deficits and debt. General government debt levels have stabilized, but risks remain elevated. Financing flows from private creditors to sovereigns declined significantly after 2021, though aggregate flows had recovered by 2024. Domestic sovereign debt levels have increased and within the official sector there has been a shift from bilateral to multilateral financing. There has been an increase in the use of credit enhancements, such as collateral (or collateral-like arrangements) and guarantees.

Recent sovereign debt restructurings have taken longer compared to the 2020 stocktaking. Recent restructurings have been more complex, although the restructurings have delivered substantial debt relief so far. Restructuring of sovereign domestic debt continues to involve complex macro-financial trade-offs. Many of the recent sovereign debt restructurings required debt relief from both official and private creditors, with a sequential approach that has contributed to lengthy outcomes. Coordination between official sector creditors and private sector creditors is becoming more agile with experience, though more progress is needed. In particular, official creditors have committed to enhanced transparency and information sharing. While these are positive developments, there is room for further improvements.

The contractual framework for the resolution of privately held sovereign debt has evolved further. Progress has been made in certain areas, although gaps still remain. Specifically:

- The contractual framework remains effective for bonded debt. The restructuring of international bonds has been effectively facilitated by enhanced collective action clauses (CACs), delivering very high creditor participation rates in bond restructurings and only one case of a holdout. There continues to be a very high uptake of enhanced CACs in new issuances under English or New York laws, covering a vast majority of all international bond issuances, although not under the laws of other jurisdictions.

- The contractual framework has been less effective in resolving non-bonded debt. Certain contractual provisions, such as majority voting provisions, can be helpful, but have not been adopted and are not a comprehensive solution. In addition, better coordination and information sharing among creditors appears necessary.
- Collateral or collateral-like arrangements have hampered restructurings in a few cases. Policy recommendations previously discussed by the Fund on these issues remain appropriate.
- The contractual framework has been evolving. Certain contractual features such as state-contingent debt instruments, loss reinstatement clauses and most favored creditor clauses have emerged or seen increased use. These clauses can help facilitate and speed up restructurings, but they present both costs and benefits, requiring a careful and tailored approach to their use.
- In recent debt restructuring cases, creditors have pushed for the inclusion of information provision obligations in new instruments. Such clauses are one potential tool for improving debt transparency, but they impose a cost on the resources and capacity of the sovereign, and should be carefully tailored. Both sovereign issuers and creditors have roles to play in improving debt transparency.
- Statutory approaches have not changed since the 2020 stocktaking, although proposals are under consideration in some jurisdictions. Existing legislative tools in the UK, Belgium and France are still in place but have not been used. New legislative initiatives have been proposed in key jurisdictions. While there could be certain circumstances where legislative tools could complement the contractual approach, there is a high bar to meet, as the cost and benefits of relying on such tools have to be weighed, and such tools, if needed, will have to be carefully designed and tailored.

The Fund can facilitate the smooth operation of the contractual framework, including on information sharing between the Fund and private creditors. The Fund has specific lending policies which incentivize the restructuring process, and policies on information sharing in the context of sovereign debt restructurings. The Fund also has a “good offices” role which can be utilized to facilitate informational flow and coordination both between the debtor and its creditors and among creditors.

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Abbreviations and Acronyms

Afrexim / Afreximbank	African Export-Import Bank
AfDB	African Development Bank
ANSES	Administración Nacional de la Seguridad Social (of Argentina)
AIIB	Asian Infrastructure Investment Bank
BCRA	Banco Central de la República Argentina
BEAC	Bank of Central African States
CAC	Collective Action Clauses
CF	Common Framework
CoT	Comparability of Treatment
CRDC	Climate Resilient Debt Clauses
DCC	Debt Carrying Capacity
DDR	Domestic Debt Restructuring
DFC	U.S. Development Finance Corporation
DFDS	Debt-For-Development Swap
DFNS	Debt-For-Nature Swap
DSA	Debt Sustainability Analysis
ECA	Export Credit Agency
EM	Emerging Market
EMDE	Emerging Market and Developing Economies
EoD	Event of Default
ETF	Exchange-Traded Funds
FX	Foreign Exchange
GDP	Gross Domestic Product
GFN	Gross Financing Need
GSDR	Global Sovereign Debt Roundtable
HIPC	Heavily Indebted Poor Countries (Initiative)
ICMA	The International Capital Market Association
ICSID	International Center for Settlement of Investment Disputes
IDA	International Development Association
IFI	International Financial Institution
IMF	International Monetary Fund
LIC	Low Income Country (PRGT-eligible countries)
LIC-DSF	Debt Sustainability Framework for Low Income Countries
LMA	Loan Market Association
LMO	Liability Management Operation
LRC	Loss Reinstatement Clause
MDB	Multi-lateral Development Bank
MFC	Most-Favored Creditor
MLB	Macro-Linked Bond
MoU	Memorandum of Understanding
MVP	Majority Voting Provisions

NDA	Non-Disclosure Agreement
NGO	Nongovernmental Organization
NPV	Net Present Value
NY	New York
OCC	Official Creditor Committee
OID	Original Issue Discount
OSI	Official Sector Involvement
PDVSA	Petróleos de Venezuela, S.A.
PBG	Policy Based Guarantee
PC	Paris Club
PSI	Private Sector Involvement
PV	Present Value
S&P	Standard and Poor's
SCDI	State Contingent Debt Instrument
SD	Selective Default
SOE	State-Owned Enterprises
SRDSF	Sovereign Risk and Debt Sustainability Framework
T-bill	Treasury Bill
UK	United Kingdom
US	United States
USD	United States Dollar
VRI	Value Recovery Instrument

SECTION I. INTRODUCTION

1. Given its mandate to promote international monetary cooperation and to make its financing temporarily available, the Fund plays a critical role in the prevention and resolution of members' balance of payments problems and accordingly has an ongoing work program on sovereign debt. Sovereign debt does not have a bankruptcy mechanism and the Fund has endorsed the contractual framework to resolve sovereign debt problems. Most prominently, in 2014, the Fund endorsed key features of enhanced contractual provisions for international sovereign bonds to strengthen the framework to address collective action problems (IMF 2014).

2. The Fund has continued to monitor the progress and development of the contractual framework as part of its work program. Most recently, in 2020, in response to a request from the G20 International Financial Architecture Working Group, Fund staff prepared a note (IMF 2020) discussing the architecture for the resolution of sovereign debt problems involving private-sector creditors. The paper concluded then that on balance, the contractual framework remained generally appropriate, although it could be further strengthened to close certain gaps in the system.

3. There have been major developments in the global economy and sovereign debt markets since the 2020 paper. The COVID-19 pandemic necessitated extraordinary fiscal support to economies, leading to a significant increase in government deficits and debt. Just as the world began to recover from the COVID-19 shock, inflation surged in 2022. The ensuing tightening of monetary policy and global financial conditions, as well as increased risk aversion amid rising geopolitical tensions weighed on growth and countries with elevated debt were constrained from accessing international capital markets. While some of these factors have subsided since 2023, the escalation of trade tensions at the beginning of 2025 resulted in elevated uncertainty and significant downside risks weighing on the outlook. During the turbulent period since 2020, 8 countries have undergone debt restructurings with private creditors, with some still ongoing.

4. With the perspectives gained from the recent sovereign debt restructuring cases, this note aims to provide an update to the 2020 paper. It covers developments from June 2020-2025 covering recent debt restructurings involving private sector creditors (i.e., private sector involvement, or "PSI"). While the sample size of cases is limited, and ongoing monitoring will be needed, some trends have emerged. Moreover, new contractual features have been deployed, and statutory proposals have been put forward. The note covers these developments providing general observations and related challenges. Given the significant amount of official sector debt in recent sovereign debt restructurings, creditor coordination issues between official sector and private sector creditors are also addressed. However, this note does not cover the restructuring of official sector debt (i.e., official sector involvement, or "OSI") that forms the other part of the sovereign debt restructuring process.

5. This paper is organized as follows. Section II discusses the evolution of the sovereign debt landscape, including developments in the creditor base and debt instruments, and uptake of enhanced contractual provisions. Section III discusses the experience from recent sovereign debt

restructurings, including trends on process, implementation of restructurings, and early observations on the impact of the restructurings. Section IV considers creditor coordination issues, especially between the official sector and private sector creditors. Section V discusses developments in the contractual framework, including the emerging use of select contractual features. The section also discusses contractual aspects of public debt transparency and proposals on statutory mechanisms, and how contractual features have evolved to respond to these factors. Finally, Section VI provides several observations and conclusions about the issues discussed.¹

SECTION II. THE SOVEREIGN DEBT LANDSCAPE IN RECENT YEARS

6. Total general government debt levels in EMs and LICs have stabilized (Figure 1) but risks remain elevated. Some trends have emerged:

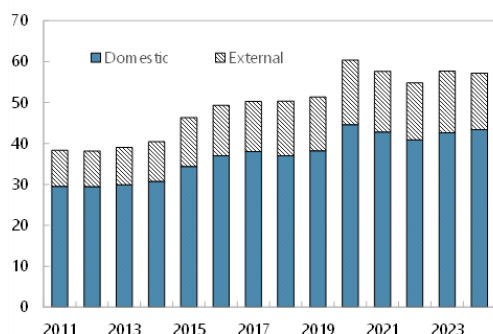
- Sovereign domestic debt has been on an upward secular trend (IMF 2025a). In EMs, domestic debt accounted for three quarters of total debt at end-2024. In LICs², domestic debt accounted for 35 percent of the total, slightly down from 37 percent in 2020.
- Within official sector external creditors, there has been a shift away from bilateral to multilateral creditors, resulting in an increase in the share of multilateral debt from 21 percent in 2019 to 24 percent in 2023 (Figure 2).
- Bonds issued in the international capital markets have been the primary source of external financing in EMs, while in LICs, commercial loans have also played an important role. In EMs, about two-thirds of the external public debt was from private creditors at end-2023, predominantly in the form of bonds. In contrast for LICs, private creditors accounted for 20 percent at end-2023, equally distributed between bonds and commercial loans.

¹ As a general note, staff calculations in this paper are based on information available to staff at the time of writing. Staff calculations are also subject to certain assumptions taken by staff. As such, all calculations are solely for illustrative purposes for this paper and should not be used as the basis for any legal or investment decisions.

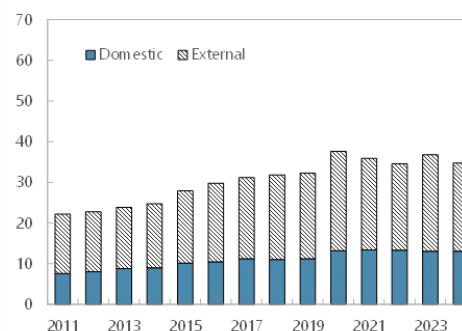
² LICs refer to the IMF's Poverty Reduction and Growth Trust (PRGT)-eligible countries.

Figure 1. General Government Debt in EMs and LICs (2011-2025)
(in percent of GDP)

General Government Debt, EMs, ex-China



General Government Debt, LICs

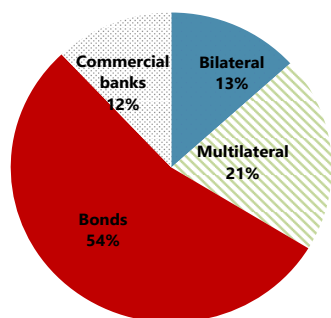


Sources: IMF WEO database and IMF staff calculations.

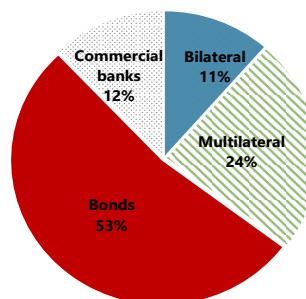
Note: EMs (excluding China) and LICs figures represent the simple average of total general government debt divided by total GDP.

Figure 2. External Public and Publicly Guaranteed Debt by Creditors in EMs and LICs 1/ 2/

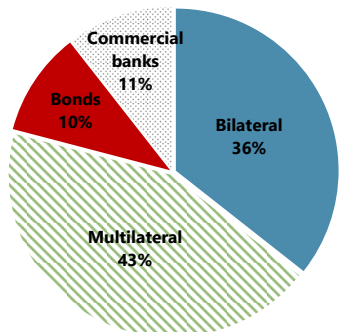
EMs, ex-China, 2019 (US\$2,247 billion)



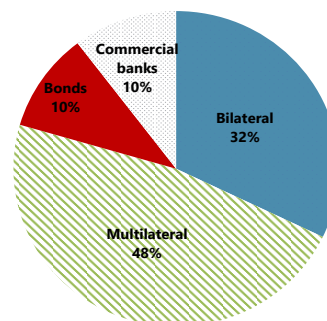
EMs, ex-China, 2023 (US\$2,474 billion)



LICs, 2019 (US\$385 billion)



LICs, 2023 (US\$508 billion)



Sources: World Bank International Debt Statistics and IMF staff calculations.

1/ Based on a sample of 120 EMDEs that report their government debt stocks to the World Bank.

2/ "Commercial banks" include commercial banks and other private creditors.

7. Financing flows from private creditors to sovereigns declined significantly after 2021, but recovered by 2024, albeit with higher rates and a shorter average tenor (Figure 3):

- **Total international bond issuances by EMDEs have returned to pre-COVID pandemic levels.** There was a significant drop in international bond issuances by EMDEs during 2022-23 when global financial conditions tightened. LICs were unable to come to the international capital market during this period, while some returned in 2024.
- **However, the average tenor of new international bond issuances by EMDEs has decreased since 2021, a trend not yet fully reversed.** The onset of rising interest rates in advanced economies and global tightening of financial conditions have substantially increased the term premium. Coupon rates peaked at close to 10 percent for issuers below BB- rating in 2022. To contain costs and avoid locking in high interest rates for long periods, average maturities of new issuances shortened sharply, particularly for sovereigns with low credit ratings.
- **The dominant jurisdictions of issuance have continued to be New York and the UK.** EM sovereign bonds issued in the Chinese market remained small, with a handful of repeat issuers (Hungary and Poland) maintaining their presence, while Egypt issued a maiden bond in 2023 backed by AIIB and AfDB guarantees. EM sovereign issuances in the Japanese market also remained limited (stand-alone issuances by Indonesia, and Slovenia, and a guaranteed issuance by Cote d'Ivoire and Egypt).

Figure 3. Issuances of International Bonds by EMDEs

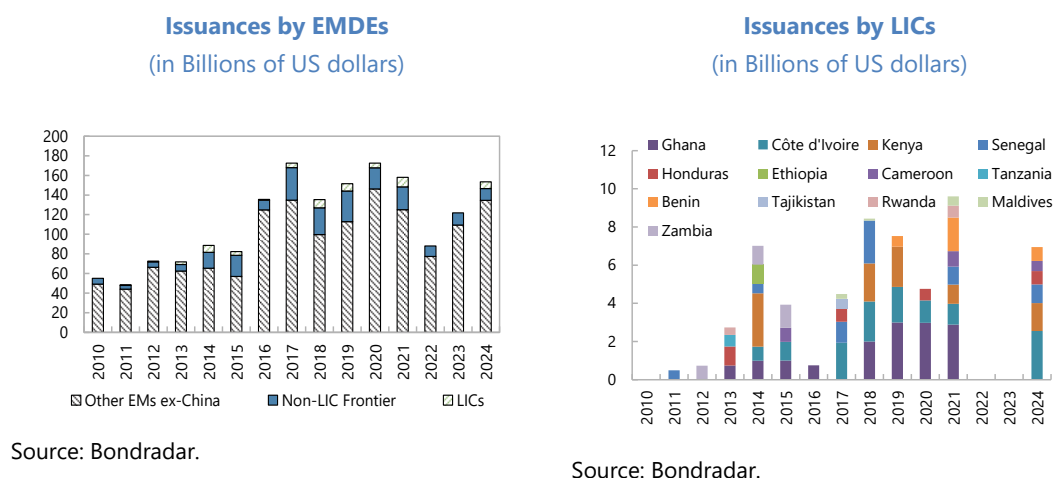
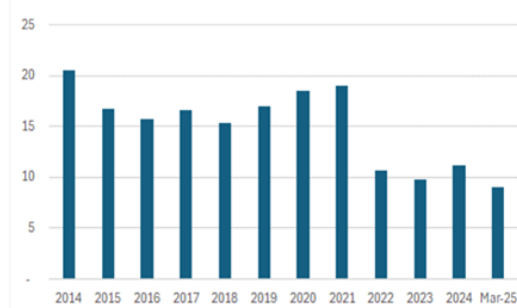
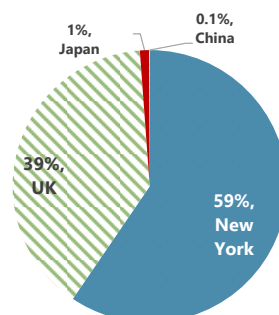


Figure 3. Issuances of International Bonds by EMDEs (concluded)**International Bond Issuances, Average of Tenor**
(in Years)

Source: Bloomberg.

International Bond Issuances, by Jurisdiction
(in Percent of Issuance, June 2020-June 2025)

Source: Perfect Information LP.

8. There has also been an increase in the use of credit enhancements – collateral (or collateral-like arrangements) or guarantees:³

- **Collateral.** Syndicated loans with credit enhancements increased sharply for EMs as Eurobond issuances declined. In LICs, the share of loans with credit enhancements was high in most years during the period under review; in 2024, 80 percent of commercial loans contracted by LICs had some form of credit enhancement (Figure 4). There have also been reports of countries entering into repurchase agreement (repo) or swap transactions, which are often collateralized with their own bonds.⁴ Overall, collateralized sovereign debt has also increased in recent years, although the bulk of sovereign borrowing remains uncollateralized (IMF and World Bank 2023).
- **Guarantees:** A limited number of bonds and loans from private creditors to sovereigns have benefited from guarantees provided by official sector entities, including IFIs. Official sector guarantees have also been provided in the context of “debt swap” operations, which involve buybacks of privately held debt with proceeds of new financing that has the benefit of an official sector credit enhancement,⁵ conditional on nature, climate, or development -related policy actions and/or investments.⁶ Where official sector guarantees are provided and called, a private claim (arising from the bond or loan) transforms into a bilateral or multilateral claim by the

³ See IMF 2021a, Annex II for a description of a guarantee, and IMF and World Bank 2020 and 2023 for a description of collateralized or quasi-collateralized/collateral-like transactions.

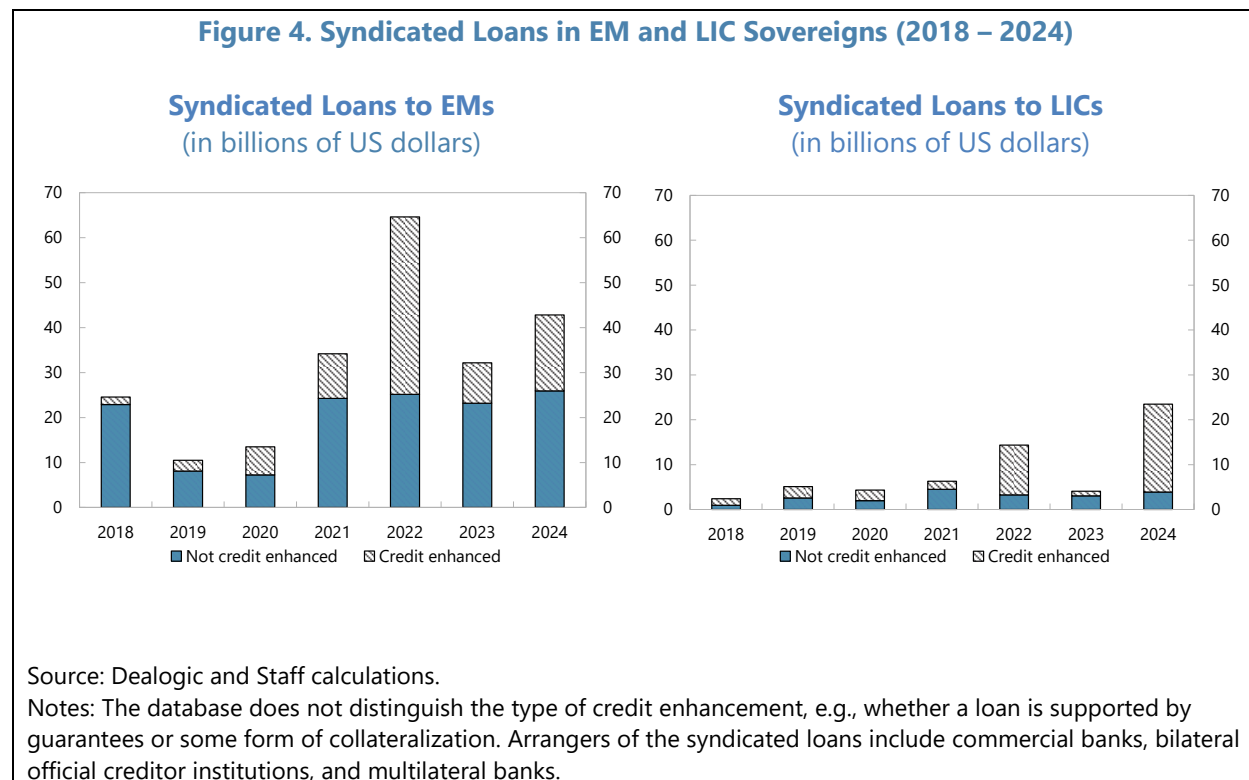
⁴ See IMF and World Bank 2023, which also discusses the repo transaction in Ecuador. As another example, Angola entered into a US\$1 billion one-year sovereign total return swap transaction from JPMorgan. See, *Financial Times* “Angola hit with \$200mn JPMorgan margin call as African bonds tumble” April 11, 2025.

⁵ These could include traditional guarantees. However, different types of credit enhancements have also been provided by IFIs and MDBs to facilitate the latest generation of debt swaps, such as political risk insurance, which is an insurance contract limited to non-payment of an eventual arbitral award and denial of recourse.

⁶ Chamon and others (2022). For further details of a debt-for-nature swap transaction, see, e.g., Fontana-Raina and Grund (2024).

official sector guarantor against the sovereign; significant amounts of the latter may complicate restructurings.⁷

Figure 4. Syndicated Loans in EM and LIC Sovereigns (2018 – 2024)



A. Uptake of Enhanced Contractual Provisions (CACs, MVPs, CRDCs)

9. There has been further progress with the uptake of key contractual provisions, but progress has been more mixed outside of bonded debt (See Box 1 for a discussion of key contractual features supported by recent international initiatives):⁸

- **Enhanced CACs:** Since the Fund's endorsement of key features of enhanced CACs in October 2014, almost all new international sovereign bond issuances have included such clauses. Since

⁷ In addition to the example of Egypt mentioned above, Ghana issued a US\$1 billion Eurobond which benefitted from a partial Policy Based Guarantee (PBG) of US\$400 million by the World Bank Group's IDA. See [The World Bank, New World Bank Guarantee Helps Ghana Secure \\$1 Billion, 15-Year Bond](#), November 18, 2015. This 2030 Eurobond eventually defaulted, and was included in Ghana's debt restructuring perimeter. As part of Ghana's September 2024 bond exchange, the World Bank made a final payment of US\$212 million distributed pro rata among all guaranteed bondholders. The payout by the World Bank to the bondholders has now created a new corresponding claim on Ghana by the World Bank.

⁸ The figures presented in this paper are based on information available to staff through the Perfect Information database (i.e., a commercial data service). The sample includes international sovereign bonds issued between June 2020 and June 30, 2025, except Euro-Area sovereign issuances (as they are required by law to include Euro Area-specific CACs), China's domestic issuances under Hong Kong law, GDP warrants and re-openings of previous issuances or take-downs under programs established prior to October 1, 2014. All shares are calculated in terms of total nominal principal amount. There may also be international sovereign bond issuances (e.g., private placements) that are not being captured by the database.

the 2020 paper, 74 sovereigns have made 561 international bond issuances, for a total nominal principal amount of US\$720 billion. As of end-June 2025:

- Most of the new issuances were governed by English or New York laws and included enhanced CACs (Figures 3 and 5). The small remainder of issuances under Japanese and Chinese laws broadly do not include enhanced CACs. Most sovereign issuers of sukuk now include enhanced CACs with a single-limb aggregated voting option.⁹
- Approximately 79 percent of the total stock of outstanding international sovereign bonds include enhanced CACs, as opposed to about 50 percent as of end-June 2020. About 49 percent of the existing bonds without enhanced CACs are set to mature over the next 10 years, with 60 percent categorized as below investment grade (Figure 5). However, almost all international sovereign bonds include some form of CACs which could help facilitate debt restructurings. Prior research has shown that sovereign bond issuances did not show any adverse pricing difference due to inclusion of enhanced CACs.¹⁰
- **MVPs:** While loan agreement terms remain largely non-public, feedback from market participants indicates that MVPs have not been adopted. This could be due to various factors, such as the lack of a significant first mover (which would help to allay concerns about novelty premium), a greater use of bilateral rather than syndicated loans or a general reluctance by creditors to limit their voting power.
- **CRDCs:** There has been a growing uptake of CRDCs. In the official sector, UK Export Finance first announced during COP27 in 2023 that they would introduce CRDCs into their loan agreements. There have also been further international calls for (and responses to) broader adoption.¹¹ Certain multilateral development institutions have announced the inclusion of CRDCs in their loan agreements.¹² In the commercial loan market, loan facilities which included CRDC provisions were entered into by Barbados (for BDS\$592.7 million) and the Commonwealth of The Bahamas (for US\$300 million) in 2024, in the context of debt-for-climate swap transactions. In the Eurobond market, Barbados became the first issuer to issue bonds with CRDC provisions in June 2025; the inclusion of CRDC provisions did not seem to have an adverse impact on pricing, based

⁹ Since June 2020, 20 sovereign sukuk have been issued in international capital markets with a total nominal principal amount close to US\$25.5 billion. Sukuk issuers which include enhanced CACs are Bahrain, Egypt, Indonesia, Maldives, Oman, Pakistan, Saudi Arabia, Türkiye, and UAE. Malaysia adopted only the double-limb voting option of the enhanced CACs.

¹⁰ Chung and Papaioannou 2020, where the empirical analysis found no adverse pricing impact during the sample period from September 2014 to March 2020.

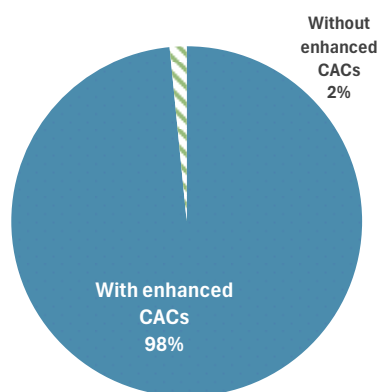
¹¹ See [Press Release](#) by the UK Export Finance. At the 2023 “[Summit for a New Global Financial Pact](#)” in Paris, the UK, France, US, Spain, Barbados, the World Bank Group and the Inter-American Development Bank called on bilateral, multilateral and private creditors to offer CRDCs by the end of 2025.

¹² These include the African Development Bank Group, the European Bank for Reconstruction and Development, the Inter-American Development Bank and the World Bank. See for example, [Press Releases](#) from the World Bank and the [African Development Bank Group](#).

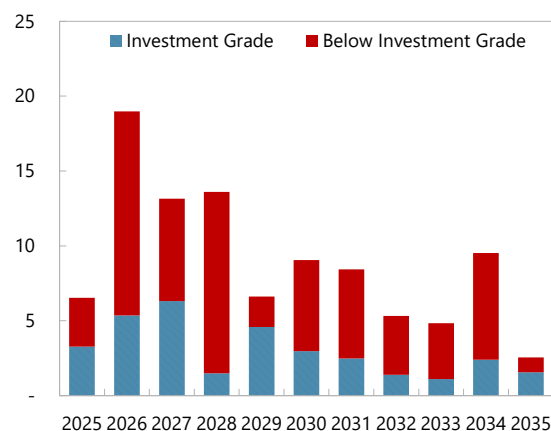
on available reporting.¹³ While these operations were groundbreaking, prospects for wider adoption of CRDCs are unclear. Recent initiatives have also considered broader “debt pause clauses” (Box 1).

Figure 5. Sovereign Bonds Issued Under Foreign Law: Enhanced CACs Uptake

New Issuance with Enhanced CACs
(between June 2020 and June 2025)



Outstanding Stock Without Enhanced CACs
Maturing in the Next 10 Years
(in billions of US dollars)



Sources: Perfect Information and staff calculations.

¹³ This was indicated by certain press reports. See e.g., International Financing Review (2025).

Box 1. Enhanced Contractual Provisions

Collective Actions Clauses

CACs are provisions in bond contracts that allow a majority of creditors either within—or across—series of bonds to bind the minority to the terms of a restructuring. These provisions limit the risk that a minority of creditors will disrupt an orderly restructuring process by “holding out”—or threatening to hold out—in order to receive payment in full at the expense of the restructured majority. The current generation of “enhanced CACs” include a menu of voting procedures: series-by-series voting, two-limb aggregated voting, and a “single-limb” aggregated voting which allows a majority of creditors across all series to bind the minority to a restructuring.

The current generation of enhanced CACs was developed by a working group convened by the US Treasury in 2013, which included members from the official sector, legal experts, market participants and sovereign issuers. The Fund endorsed key features of the enhanced CACs in 2014. The Fund also endorsed revised *pari passu* provisions that make clear the sovereign has no obligation to make ratable payments to holdout creditors in a restructuring; these clauses are generally incorporated as a package with the enhanced CACs.

Enhanced CACs: Menu of Voting Procedures			
	Menu of voting procedures		
	Series-by-Series	Aggregated	
		Two-limb	Single-limb
Voting Threshold	75% (per series)	66⅔% (aggregate), 50% (per series)	75% (aggregate)

Majority Voting Provisions

MVPs are clauses in a loan contract that would allow for a specified majority of creditors within the loan to bind the minority to the terms of a restructuring. Currently, loan agreements require the consent of all lenders to amend payment terms; there is a risk that a minority of creditors could disrupt a restructuring process by “holding out”. MVPs allow payment terms in a loan agreement (such as interest and principal) to be amended by a specified majority,¹ rather than unanimity. Unlike enhanced CACs, MVPs only apply to a specific loan contract; there are no aggregation features in the clauses.

An expert group was convened between 2021-2022 by the United Kingdom (through HM Treasury), which included members from both the public and private sectors to develop standardized MVPs for sovereign loans. These specimen clauses² have been published by industry bodies such as The International Capital Market Association (ICMA) and the Loan Market Association (LMA).³

Climate Resilient Debt Clauses

CRDCs allow for automatic deferral of debt payments following severe shocks. CRDCs allow for principal and/or interest payments to be deferred for a certain period, if the triggers for certain natural disaster and/or pandemic shocks are met. CRDC terms are tailored to each transaction, though they are broadly meant to be NPV-neutral, e.g., with the deferred payments capitalized and repaid over the remaining term of the debt or at maturity. The “automatic” deferral CRDCs (i.e., an amendment or consent solicitation process is not required) provide valuable insurance against exogenous risks.

An expert group was convened between 2021-2022 by the United Kingdom (through HM Treasury) to develop a model term sheet for CRDCs in sovereign bonds, which included members from both the public and private sectors. The term sheet aims to be “a helpful reference point for both sovereigns and

Box 1. Enhanced Contractual Provisions (concluded)

market participants” and is designed to allow for flexibility and tailoring of terms in a transaction.⁴ The term sheet has been published by ICMA.⁵

Further initiatives have been started to consider the broader adoption of “debt pause clauses” in debt instruments. The recent initiatives include the London Coalition on Sustainable Sovereign Debt (“London Coalition”) and the Debt Pause Clause Alliance launched by the Sevilla Platform for Action, launched at the UN’s 4th International Conference on Financing for Development. For example, while the proposals by the London Coalition are still under discussion, they include expanding debt pause clauses beyond climate shocks as in the case in CRDCs, and may include enhanced disclosure features.

¹ The specimen provisions proposed a threshold of 75%, by value measured by reference to principal.

² Other than the MVPs, the set of specimen clauses also include provisions to clarify the pari passu provision – similar to what has been done in bonds – and other provisions to facilitate smoother voting arrangements and to remove any “hair-trigger” defaults. These clauses aim to facilitate the restructuring of sovereign loans, reducing the costs and delay involved and promote intercreditor equity.

³ This can be found on the [ICMA](#) and [LMA](#) websites.

⁴ See “[Chair’s Summary on the Private Sector Working Group on CRDCs](#)”.

⁵ The CRDC termsheet can be found on the [ICMA](#) website.

SECTION III. RECENT CASES OF SOVEREIGN DEBT RESTRUCTURING

A. Overview of Recent Sovereign Debt Restructurings

10. This note covers cases of sovereigns that have completed a significant portion of their debt restructurings with private creditors. There are several cases that have not come to closure. Cases such as Venezuela, Lebanon, and Ukraine (other than the current round of Eurobond restructuring which has completed) have idiosyncratic and complicating factors, including the resolution of the financial sector issues in Lebanon or the exceptionally high uncertainty in Ukraine. The extent of the debt distress in some cases may also be a further complicating factor. Discussions between the authorities and the private sector creditors which are still ongoing in some cases, such as Ethiopia, are also not covered.¹⁴

11. Since 2020, 8 countries completed a significant portion of debt restructurings with private creditors, which can be categorized as follows (Tables 2 and 3):

¹⁴ As this note only covers debt restructurings, it does not cover cases such as Mozambique, where the government disputed the legality of sovereign guarantees attached to certain loans, and eventually reached a debt settlement related to these obligations.

- **Both external and domestic sovereign debt.** There were three cases—Ghana, Sri Lanka, and Suriname. The external debt restructurings covered both international bonds (completed)¹⁵ and commercial loans (still ongoing). The restructurings of sovereign domestic debt covered both bonds issued under domestic law and loans and are completed.¹⁶
- **External debt only.** There were five cases - Belize, The Republic of Congo, Chad, Ukraine, and Zambia. Zambia restructured both international bonds and loans (the latter is still ongoing). Belize and Ukraine only restructured their international bonds, with certain aspects still ongoing for Ukraine. Chad and The Republic of Congo restructured external loans (in the case of Chad and The Republic of Congo, that included mostly loans with commodity traders).

Table 1. Recent External Sovereign Debt Restructurings with Private Sector Involvement: Amounts Treated

	Total	External Debt Bond	Loan	Domestic Debt Bond/Loan
<i>in million US\$</i>				
(i) Restructuring both domestic and external debt				
Ghana 1/	21,800	13,200	1,800	6,800
Sri Lanka 1/	38,048	12,550	3,498	22,000
Suriname 1/	1,109	893	110	106
(ii) Restructuring only external debt				
<i>a. Both external bond and loan</i>				
Zambia 1/	7,205	3,890	3,315	
<i>b. External bond only</i>				
Belize	553	553		
Ukraine	24,000	24,000		
<i>c. External loan only</i>				
Congo, Rep. of	2,125		2,125	
Chad	991		991	
Total	98,028	55,086	14,036	28,906
<i>memo:</i>				
Angola 2/	315		315	
Mozambique 2/	2,197		2,197	

Sources: IMF country reports, and relevant bond prospectuses and exchange offers.
 1/ Debt restructurings on commercial loans for Ghana, Sri Lanka, Suriname, and Zambia, are as of July 2025 and amount of commercial loans are those in the perimeter of debt restructurings, not treated amounts.
 2/ Angola completed a post-default restructuring of external commercial loan of US\$ 0.3 billion in June 2020. Mozambique completed two post-default restructurings of external commercial loans of US\$0.8 and US\$1.4 billion which were in arrears in October 2023 and June 2024.

¹⁵ In Sri Lanka's case, a small government guaranteed Sri Lankan Airlines bond is yet to be restructured.

¹⁶ In the case of Suriname, the treatment of the defaulted domestic debt took the form of debt arrears clearance. Domestic debt was not included in the perimeter of debt restructuring (IMF 2021b).

Table 2. Sovereign External Debt Restructuring with Private Creditors During 2020 – 2024

Country	Debt Exchanged	Restructuring Process				Creditor losses				Debt treated (US\$bn) 5/	Debt in Exchange		Creditor Structure 6/	Included in Original Bonds (yes/no)	Used in Exchange (yes/no)	Participation Rate (%) 7/
		Start Date 1/	Default Date 1/	End (Exchange) Date 1/	Duration (in years) 1/	Face Value Reduction 2/	NPV Haircut 3/	Market Haircut 3/	Discount Rate (%) 4/		Debt treated (% of GDP) 5/	Instrument Type (Governing Law)				
(i) Restructuring both domestic and external debt																
Ghana 8/	External bond	Nov-2022	Dec-2022	Oct-2024	1.9	33.1	44.3 (47.1)	55.4 (55.7)	8.3 (5.0)	13.7	18.0	Bond (UK/US)	Dispersed	yes	yes	100 (98)
Sri Lanka 8/	External bond	Apr-2022	May-2022	Dec-2024	2.7	26.8 (21.2)	41.1 (42.0)	41.8 (42.5)	8.0 (9.0)	12.9	12.8	Bond (US Law)	Dispersed	yes - mostly	yes - mostly	98 (96)
Suriname 8/	External bond	Jun-2020	Jul-2021	Dec-2023	3.4	25.0			n.a.	0.9	25.9	Bond (US Law)	Dispersed	yes - all	yes	100 (96)
(ii) Restructuring only external debt																
a. Both external bond and loan																
Zambia 8/	External bond	May-2020	Nov-2020	Jun-2024	4.1	20.7	41.8 (46.2)	38.9 (43.4)	5.5 (5.0)	3.9	14.0	Bond (UK/US)	Dispersed	yes - all	yes	100 (95)
b. External bond only																
Belize	External bond	Jul-2020	-	Sep-2021	1.2	45.0	45.0	45.0	n.a.	0.6	22.8	Bond (US Law)	Dispersed	yes	yes	100 (85)
Ukraine	External bond	Jul-2022	-	Sep-2024	2.1	37.0	53.6 (54.5)	63.5 (55.9)	16.0 (9.0)	24.2	12.6	Bond (UK/US)	Dispersed	yes	yes	100 (97)
c. External loan only																
Republic of Congo	External loan (Orion)	Apr-2018	Nov-2019	Apr-2020	2.0	19.5	21.2 (21.0)	16.9 (12.6)	8.9 (5.0)	0.2	2.3	Loan	Concentrated	n.a.	n.a.	n.a.
	Externa loan (Afrexim)	Apr-2018	Dec-2018	Sep-2020	2.4	15.1	31.3 (24.7)	34.4 (21.1)	9.9 (5.0)	0.1	1.3	Loan	Concentrated	n.a.	n.a.	n.a.
	External loan	Mar-2018	Mar-2018	Mar-2021	2.9	49.7	41.4 (43.7)	52.8 (49.6)	10.0 (5.0)	1.0	8.3	Loan	Concentrated	n.a.	n.a.	n.a.
	External loan	Mar-2018	Mar-2018	Mar-2021	2.9	49.7	46.7 (48.4)	41.5 (37.5)	10.0 (5.0)	0.7	6.1	Loan	Concentrated	n.a.	n.a.	n.a.
Chad	External loan	Apr-2021	-	Dec-2022	1.7	0.0	-4.7 (-0.8)	-3.0 (-8.9)	8.8 (5.0)	1.0	5.5	Loan	Concentrated	n.a.	n.a.	n.a.

Sources: Asonuma and Trebesch (2025), Asonuma, Niepelt and Ranciere (2023), Asonuma and Trebesch (2016) updated datasets, staff calculations, IMF country reports, Lazard, and relevant bond prospectuses and exchange offers. Angola completed a post-default restructuring of external commercial loan of US\$ 0.3 billion in June 2020. Mozambique completed two post-default restructurings of external commercial loans of US\$0.8 and US\$1.4 billion in October 2023 and June 2024. Both cases are external arrear clearance.

Notes: 1/ Asonuma and Trebesch (2016) updated dataset and Asonuma and Trebesch (2025). Start of restructurings correspond to either the announcement or default, and end to the completion of exchange.

2/ Asonuma, Niepelt and Ranciere (2023) updated dataset and Asonuma and Trebesch (2025). Face value reduction corresponds to 1 - (Face value of new bonds/Face value of old bonds). Face value of old bonds includes past due interests. For Sri Lanka, we report two figures, one based on new debt without local LKR-denominated bonds and one based on new debt with local LKR-denominated bonds in parenthesis.

3/ Asonuma, Niepelt and Ranciere (2023) updated dataset and Asonuma and Trebesch (2025). Weighted average (respect to debt outstanding) of instrument-specific NPV and market haircuts. NPV and market haircuts correspond to 1 - (PV of new bonds/PV of old bonds), and 1 - (PV of new bonds/Face value of old bonds), respectively. Two figures for NPV and market haircuts are provided; (i) figures outside parenthesis correspond to those using exit yields; (ii) figures inside parenthesis correspond to those using benchmark discount rates, i.e., 9% for EMs and 5% for LICs. NPV and market haircuts for Suriname are not reported, as the figures are not directly comparable, due to the structure of the VRI being different from those in the recent cases. Due to higher oil prices, Chad's repayments were accelerated, resulting in negative haircuts.

4/ Asonuma, Niepelt and Ranciere (2023) updated dataset and Asonuma and Trebesch (2025). Two figures of discount rates are reported; (i) weighted average (respect to new debt outstanding) of instrument-specific exit yields; and (ii) benchmark discount rates 9% for EMs and 5% for LICs. Exit yields for Belize are not available due to cash buyback. Zambia's unusually low exit yield (of 5.5%) includes the market expectation that the upside on its SCDI will be triggered. In the case of the Republic of Congo restructurings involving only loans, the yield on their bonds at the time was used as a proxy for the exit yield. In the case of Chad, there were no bonds on which to compute a market yield, so the yield for the Republic of Congo at that time was used as a proxy.

5/ At the end of debt restructurings (i.e., debt exchange).

6/ Creditor structure is defined as "concentrated" when there are no more than 5 creditors, and "dispersed" otherwise.

7/ Two figures of participation rates are reported; (i) participation rate after collective action clauses (CACs) of bonds were triggered (inside parenthesis); (ii) participation rate before collective action clauses (CACs) of bonds were triggered (outside parenthesis).

8/ Debt restructurings on external loans for Ghana, Sri Lanka Suriname and Zambia, are ongoing and have not yet completed as of September 2025.

12. While the sample size is small, several key trends have emerged:

- **Compared to the 13 sovereign debt restructurings discussed in the 2020 paper, the recent debt restructurings have taken longer.** Overall, the average duration of restructurings – defined as the time period from either their announcement or debt default, until settlement (i.e., completion of debt exchange) – for the 8 recent cases was 2.5 years, much longer than that of 1.1 years for restructurings in the cases reviewed for the 2020 paper (Table 2).¹⁷ One reason for the longer duration may be that a majority of the cases reviewed in the 2020 paper restructured prior to a default, while most of the recent restructuring cases took place following a default.¹⁸ The impact of the pandemic and its aftermath may have also contributed to delays. Recent cases have also been more complex, involving both official sector and private sector creditors (both domestic and external, as well as bonded and non-bonded, debt). Delays in official sector processes have also delayed private sector restructurings (Section IV), while the wider use of new contractual clauses has also required time (see Section V). Lastly, certain cases have involved collateralized (or collateral-like) arrangements which have hampered restructurings (see below).
- **The restructuring of international bonds was effectively facilitated by CACs.** The five recent restructurings of international sovereign bonds used a mix of the two-limb voting and series-by-series voting mechanisms and all achieved very high rates of creditor participation (Table 3).¹⁹ To date, the single-limb voting mechanism has not yet been used.

¹⁷ The average duration of 2.5 years in 2020-24 is significantly longer than that of 1.1 years for external debt restructurings in 2014-20, but slightly shorter than that of 3.4 years for external debt restructurings in 1975-2010 (Asonuma and Trebesch 2016, 2025).

¹⁸ There is a high share of post-default restructurings (73 percent) in 2020-24. The average duration of post-default restructurings in 2020-24 (2.8 years) is longer than the one for post-default restructurings in 2014-20 (1.7 years). In general, pre-emptive/pre-default restructurings are quicker than post-default restructurings. See IMF 2020, Footnote 5.

¹⁹ The use of series-by-series voting did not preclude high participation, even though creditors were still able to assemble a blocking position in the case of one series of bonds in Sri Lanka.

Table 3. Results of Recent Bond Restructuring Using CACs

	Bonds and types of CACs	Participation Voting In Favor
Suriname	Series by Series Voting of 2023 and 2026 notes.	92.48% of the 2023 notes and 97.29% of the 2026 notes.
Ghana	A mix of the two-limb voting mechanism under the enhanced CACs and series-by-series voting were used. For the former, 12 series of bonds were aggregated.	98.7% for aggregated voting thresholds, with over 50% consent for each of the aggregated series. 3 unaggregated series received 92.4%, 97.4% and 98.7% consents.
Zambia	Series by series voting of three bond series outstanding– the 2022, 2024 and 2027 notes.	94.96%, 92.10% and 96.03% of consents.
Ukraine	Aggregated voting, with the two-limb voting mechanism covering 13 series of notes issued by the sovereign, and a series of guaranteed notes issued by a state agency.	Over 97.38% of consents under the aggregated voting thresholds, with 95% to 98.87% for each individual series of notes. A minimum participation condition ¹ of 67% of the aggregate principal amount of all outstanding notes was also included.
Sri Lanka	A mix of the two-limb voting mechanism and series by series voting were used. 7 series of bonds were aggregated.	Over 96% of aggregated notes. 4 series of notes were not aggregated, with 3 series obtaining consents at very high levels of 96-99%. The 2022 bond series, which is currently subject to litigation, did not meet the requisite 75% threshold. A minimum participation condition of 90% of the aggregate principal amount of all outstanding notes was also included.

Source: Results obtained from various press releases from the sovereigns: Suriname [Press Release](#), Ghana [Press Release](#), Zambia [Press Release](#), Ukraine [Press Release](#), and Sri Lanka [Press Release](#).

1/ A minimum participation condition is designed to encourage participation by providing that the restructuring will only go forward if a critical mass of creditors also consent, allaying concerns that a participating creditor may end up holding an instrument which (due to low participation) has low value. See IMF 2020, paragraph 20.

- **Restructurings of external commercial loans have been lengthier and more difficult.** Agreement on the terms of restructuring of non-bonded external debt in Ghana, Sri Lanka, Suriname, and Zambia has not yet been reached with all creditors, some time after the completion of their external bond exchanges. In Ghana, Sri Lanka, and Suriname, remaining unstructured non-bonded debt is relatively small (Table 1), but this has resulted in delays in upgrades to the sovereign's credit ratings. There appears to have been a number of obstacles to such restructurings (Box 2).

Box 2. Obstacles in Restructuring Non-Bonded Debt

Key obstacles in restructuring non-bonded debt have included:

- **Diverse nature of creditors and instruments.** The creditor base includes not only banks that have participated in past restructurings of sovereign loans, but also new large international commercial creditors such as Chinese commercial banks, commodity traders, suppliers, private credit, and institutions like the African Export-Import Bank (“Afrexim”), which perceives itself as a preferred creditor. The instruments are also diverse, from purely commercial claims (e.g., suppliers) to ECA-insured loans, each governed by different terms and laws. The lender of record could have sold or sub-participated the financial exposure to other investors, further complicating the understanding of who is holding the instrument.
- **Limited coordination among non-bonded creditors.** This is unlike the case of bondholders where there are established processes for forming creditor committees (and some collaboration even when two committees are formed).¹ Coordination challenges can be compounded where the credit risk has migrated due to sale or sub-participations. Limited coordination among non-bonded creditors means that the debtor has to negotiate with each creditor bilaterally, which is very time-consuming and costly for countries with lower capacity.
- **Lack of contractual features analogous to CACs to bail-in residual creditors.** As noted, based on feedback from market participants, MVPs have not been adopted. Furthermore, MVPs only facilitate restructurings of syndicated loans, while many commercial loans may be bilateral.
- **Lack of Debt Transparency.** As discussed further in Section V, the need for greater debt transparency is widely acknowledged. This is especially relevant in the context of non-bonded debt, since the terms of non-bonded debt are not usually public, unlike bonds. This may hinder restructurings if sufficient detail about the outstanding stock of non-bonded debt is not available. Furthermore, each non-bonded creditor may be reluctant to reach an agreement with the debtor, if they are concerned that other creditors will obtain a preferential treatment.

¹ While the organization of creditor committees has varied across recent restructurings of Eurobonds, creditor committees were formed in a timely manner. In Ghana and Sri Lanka, creditors split into two distinct groups: Ghana had an International Steering Committee representing international bondholders and a Regional Steering Committee for regional bondholders; Sri Lanka saw the formation of an Ad Hoc Group of Bondholders (AHGB) representing international investors and a Local Consortium of Sri Lanka (LCSL) representing domestic financial institutions. Conversely, other Eurobond restructuring negotiations, like Zambia and Ukraine, involved a single group of creditors ensuring a more unified approach.

- **Collateralized debt has proven to be a complication.** Collateralized borrowing can lower borrowing costs but comes with trade-offs and has complex welfare implications including hampering debt restructurings (IMF and World Bank 2020). Restructurings of loan agreements in Chad and the Republic of Congo were complex due to collateral-like features such as cash sweep clauses (accelerated repayments triggered by higher oil prices), exclusive off-take arrangements of the natural resources making a default extremely difficult or costly, or collateral on natural resources company’s shares. Collateral to Afrexim has slowed progress in the debt restructuring in Malawi, where the stock of secured debt is relatively high. As IMF and World Bank 2023 more fully discusses, collateral complicates a restructuring as secured creditors have weak incentives to negotiate and can demand more favorable terms. Authorities may have a strong incentive to repay collateralized obligations even when facing sovereign stress, with unsecured lenders bearing a larger burden of potential arrears. Such imbalances can affect

burden sharing, intercreditor equity and reduce the prospects for resolution, especially if the proportion of secured debt is too high.

- **Restructuring of sovereign domestic debt has continued to involve complex macro-financial trade-offs.**²⁰ Immediately before the domestic debt restructuring, domestic debt in Ghana and Sri Lanka accounted for over half of the total sovereign debt, with shortening maturities as bond auctions were suspended, monetary financing increased, and the sovereign-bank nexus tightened. Domestic debt restructurings undertaken in these countries aimed to restore debt sustainability and macroeconomic stability by allocating losses where they could be absorbed most while preserving financial stability and protecting the vulnerable saving population (Annex I).²¹ Financial stability risks were managed through mitigating measures including the establishment of financial stability funds and emergency liquidity arrangements, aimed to rapidly restore the liquidity and capital positions of impacted financial institutions, consistent with policy recommendations discussed in IMF 2021b. Importantly, the terms of the debt treatments were consistent with the financial system's loss absorptive capacity, broadly preserving a degree of capital and liquidity buffers. Pension funds received smaller haircuts than banks, primarily through maturity extensions. After considering the financial stability implications and macro-financial spillovers, Zambia decided not to restructure its domestic debt. Ghana and Sri Lanka did not make use of domestic law to aggregate domestic debt instrument holders (e.g., through retrofitting domestic debt with CACs).²² In both countries, T-bills issued at high real interest rates remained the main domestic financing instrument during and following the domestic debt restructuring.

13. The restructurings delivered debt relief, although longer-term trends in terms of international capital market re-access remain to be seen:

- **Restructurings delivered substantial debt relief under the baseline.**²³ The six external bond restructurings (Belize, Ghana, Sri Lanka, Suriname, Ukraine, and Zambia) had face value reduction ranging from 22 percent in Zambia to 45 percent in Belize (Table 2). The loan

²⁰ See Togo, Miao, Anthony, Kim, Kogan, and Luo (forthcoming), for further analysis on domestic debt restructurings in several developing countries, and Breuer, Dhungana, and Li (forthcoming) in the case of Sri Lanka debt restructuring.

²¹ In Ghana, the perimeter of the domestic debt restructuring was broad, encompassing banks, non-bank investors, and the central bank (accounting for 57 percent of total domestic debt). The authorities designed creditor-specific restructuring deals while protecting targeted groups such as pensioners, and excluding T-bills. In Sri Lanka, the scope of the domestic debt restructuring was narrower (accounting for 45 percent of total domestic debt), excluding T-bill and T-bond holdings by the commercial banks; however, commercial bank holdings of Eurobonds were restructured.

²² Where sovereign debt is governed by domestic law, debtor authorities have the ability to make amendments to domestic law (the so-called "local-law advantage") to retrofit debt with collective action mechanisms. This has been used to allow debtors to enable the majority of creditors to agree on a restructuring by way of a single-limb vote, ensuring a smoother domestic restructuring by binding minority holdout creditors to the terms of the restructuring. Two restructurings used this approach, namely, Greece (2012) and Barbados (2018), which both achieved 100 percent participation in their domestic exchanges.

²³ The NPV calculations are based on cash flows that do not assume the triggering of state contingencies, although the exit yield may reflect market expectations of recovery values including state contingencies (as discussed below).

restructurings also involved significant principal reductions (except Chad). In total, the NPV reduction (comparing present value of old and new debt) using exit yields (the yields after the bond exchange) ranged from –4.7 (Chad) to 54 percent; and the market haircut (comparing present value of old debt and face value of old debt) using exit yields ranged from –3 (Chad) to 64 percent (Figure 6).²⁴ Overall, the average NPV haircut for recent cases was 36 percent, higher than that of 23 percent for cases reviewed in the 2020 paper (Table 2).²⁵

- **Market re-access has remained a challenge after restructurings.** Most countries which restructured privately held sovereign debt in 2014–20 struggled to regain access to the international capital markets.²⁶ For the cases since 2020, it is too early to judge.
- **In the recent cases in 2020–24, new sovereign bonds trade at yields ranging widely from 5.5% (Zambia) to 16% (Ukraine)²⁷ with 10% on average** (Table 2). This is similar to cases reviewed in 2020, albeit in a higher global interest rate environment. That yield is affected by the features of the bond (e.g., its coupon and maturity structure) so caution must be used in the comparisons. The yield is also impacted by the expectation of contingent payments embedded in some of the bonds.

14. Creditor litigation and enforcement actions have generally not impeded the successful restructuring of privately held sovereign debt in the past five years. In the single case where a creditor filed legal action against the debtor during a restructuring (*Hamilton Reserve Bank v. Sri Lanka*), the court granted several stays on litigation until the exchange of the remaining bonds was successfully concluded.²⁸ While this litigation underscores potential holdout litigation risks for bond

²⁴ Different measures of NPV are used for different applications. When assessing CoT (see footnote 35), the NPV is based on a 5 percent discount rate for Common Framework cases. Market participants often refer to their NPV losses using the “exit yield”, which is the yield at which the restructured bonds start trading. Struzenegger and Zettelmeyer (2008) define “NPV haircut” as $1 - (\text{Present Value of New Debt} / \text{Present Value of Old Debt})$, where both present values of new debt and old debt are discounted by exit yields of new debt. Market participants define “market haircut” as $1 - (\text{Present Value of New Debt} / \text{Face Value of Old Debt})$, where present value of new debt is discounted by exit yields of new debt.

²⁵ Average haircut of 36.2 percent 2020–24 is much higher than that of 25 percent for external debt restructurings in 2010–20, and similar to 36 percent for those in 1975–2010 (Asonuma and Trebesch 2016, 2025). The high share of post-default restructurings (76 percent in 2020–24, compared to 29 percent in 2010–20 and 62 percent in 1975–2010) may contribute to this pattern, since preemptive restructurings tend to have lower haircuts. The higher interest rate environment starting in 2022 also contributed to the higher haircut. Ultimately, the size of the haircut depends on the needed relief to restore sustainability.

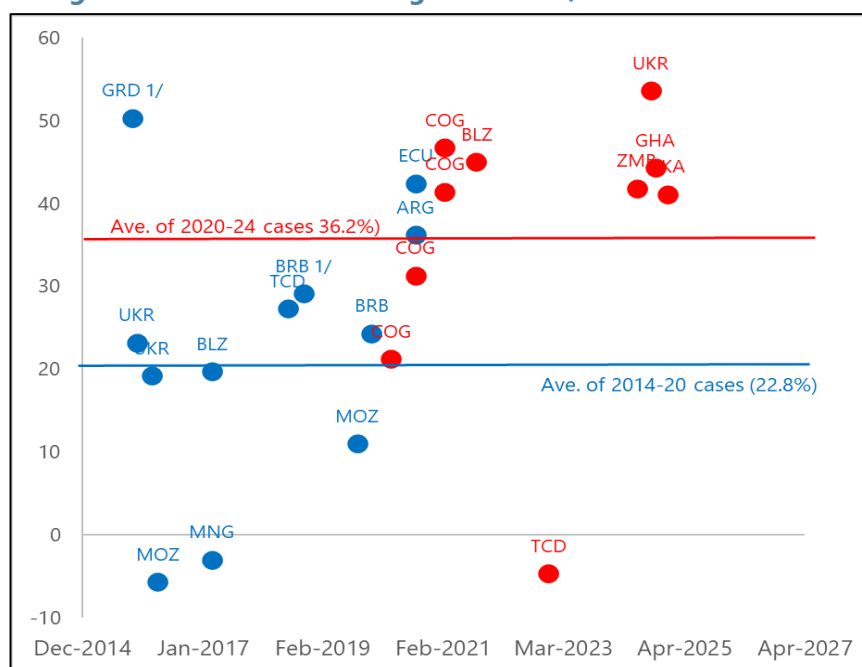
²⁶ Barbados, Mongolia, and Ukraine were able to regain access to Eurobonds 7-, 3.5- and 1.8-years after their restructurings. Belize, Barbados, and Ecuador issued debt instruments with bilateral and/or multilateral guarantees as part of debt for nature swaps. Barbados also issued a Eurobond in 2025. In June 2025, Argentina issued a local law bond to be paid in local currency targeted at non-resident investors.

²⁷ Zambia’s unusually low exit yield includes the market expectation that the upside trigger on its SCDI will be triggered. Ukraine’s post-restructuring bond yields and market access prospects are subject to unique shocks due to the ongoing war and exceptionally high uncertainty.

²⁸ *Hamilton Reserve Bank (HRB) v. Sri Lanka* marks the only court case filed during an ongoing restructuring since 2020. In this litigation, the plaintiff bondholder, who held roughly US\$250 million of a single series of Sri Lankan Eurobonds, did not participate in restructuring negotiations and instead filed a breach of contract action (continued)

with series-by-series CACs, the small number of holdout litigation also reflects the difficulty in enforcing judgments against a sovereign in a judicial process. This approach also demonstrated the value of staying disputes to facilitate a debt restructuring in the presence of limited holdout behavior, although the ability to obtain a stay is case- and jurisdiction- specific.

Figure 6. NPV Haircuts Using Exit Yields, 2014-20 vs. 2020-24



Sources: Asonuma, Niepelt and Ranciere (2023), Asonuma and Trebesch (2025), and staff calculations.

Note: See notes in Table 2 for definitions of NPV haircuts and exit yields. NPV haircuts for Sri Lanka and Zambia are those based on the baseline scenarios. A NPV haircut for Suriname is not reported, as the figures are not directly comparable, due to the structure of the VRI being different from those in the recent cases.

1/ Haircut for Grenada (GRD) is for domestic and external debt restructuring and that for Barbados is for domestic debt restructuring. The rest of haircuts are for external debt restructurings.

15. Outside the restructuring context, some cases of sovereign debt-related litigation and arbitration have been initiated against sovereigns since 2020 (Annex II). The selected cases reviewed in Annex II have been filed with US or UK courts and some of them have already resulted in judgments. Such litigation and arbitration are outside the restructuring context and arise from diverse causes of action. Many such legal proceedings – such as those involving Venezuela and Argentina – have been protracted, with initial judgments subject to further appeals. At the same time, there were few successful attachments of sovereign assets, reinforcing the costly and uncertain

in June 2022 in the US Federal District Court for the Southern District of New York. At the request of Sri Lanka, the judge granted a temporary stay, i.e. a suspension of the legal proceedings, to facilitate a comprehensive restructuring in November 2023, which has been extended four times until January 31, 2025. France, the UK and the US submitted briefs and statement of interest to the court, arguing that the stay aligned with their governments' policy of encouraging participation in and supporting the success of IMF foreign debt resolution procedures. The case is still pending. In April 2025, the court granted a request by Sri Lanka to seek discovery to determine whether the plaintiff was indeed the beneficial owner of the bond. See *Hamilton Reserve Bank Ltd. v. The Democratic Socialist Republic of Sri Lanka*, No. 1:2022cv05199 - Document 102 (S.D.N.Y. 2024).

nature of judicial sovereign debt enforcement.²⁹ In two instances involving Ecuador and Guatemala, creditors have obtained preliminary injunctions that blocked interest and principal payments related to their sovereign bonds; settlements of the cases followed. The disruption of sovereign debt payment streams through court attachment orders can pose risks to the debtor and even certain creditors, posing challenges to overall debt resolution.³⁰

SECTION IV. CREDITOR COORDINATION AND SEQUENCING

16. Recent cases of sovereign debt restructuring have followed a sequential approach:

- **Domestic debt first.** The two significant domestic debt restructurings in Ghana and Sri Lanka were concluded prior to reaching agreements with external creditors. CoT has not, in practice, been expected from domestic creditors (including the limiting case where external debt is restructured while domestic debt is not).³¹
- **OSI before PSI.** With respect to external creditors, the restructurings in the Republic of Congo, Chad, Ghana, Sri Lanka, Suriname, and Zambia required debt relief from both official and private creditors to restore debt sustainability (Figure 7). The authorities focused on reaching a restructuring agreement first with official creditors before turning to private creditors. Figure 8 shows that PSI is more likely to take place without accompanying OSI when the relative share of private creditors is higher (e.g., Ecuador and Argentina in 2020). In general, there are incentives for countries to pursue OSI first, including the need to secure financing assurances for the approval of an IMF-supported program, and concerns that an early PSI agreement may need to be re-opened once the OSI agreement is reached (particularly in cases where both official and private creditors need to deliver significant efforts).
- **Bonds before other commercial claims.** The restructuring of non-bonded commercial debt followed the restructuring of external bonds in Ghana, Sri Lanka, Suriname, and Zambia. As noted above, there is little to no coordination between the bondholders and non-bonded

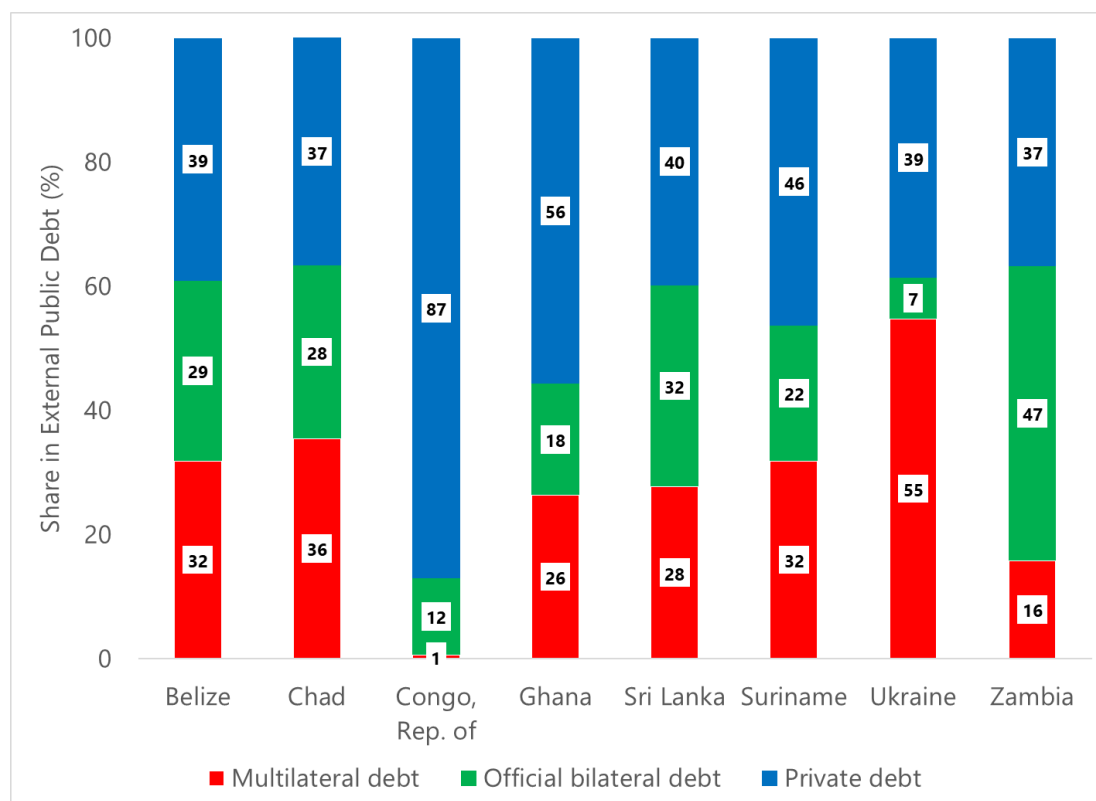
²⁹ In a recent case involving Argentina in the YPF litigation, the US District Court ordered Argentina to transfer its shares of YPF to a global custody account in BNYM in New York, after which such shares will be transferred to the plaintiffs in partial satisfaction of the judgment. See Annex II for further discussion. While this is currently subject to further appeal, certain commentators have noted that there could be broader effects on holdout creditor behavior in litigation, if sovereigns were forced to transfer foreign assets into the US for enforcement. See Buchheit and de la Cruz 2025.

³⁰ The most prominent example of this occurred in Argentina's 2005 and 2010 restructurings, when courts interrupted payments based on a broad reading of the *pari passu* clause in sovereign bond contracts. See IMF 2020, Footnote 51, Makoff 2024a.

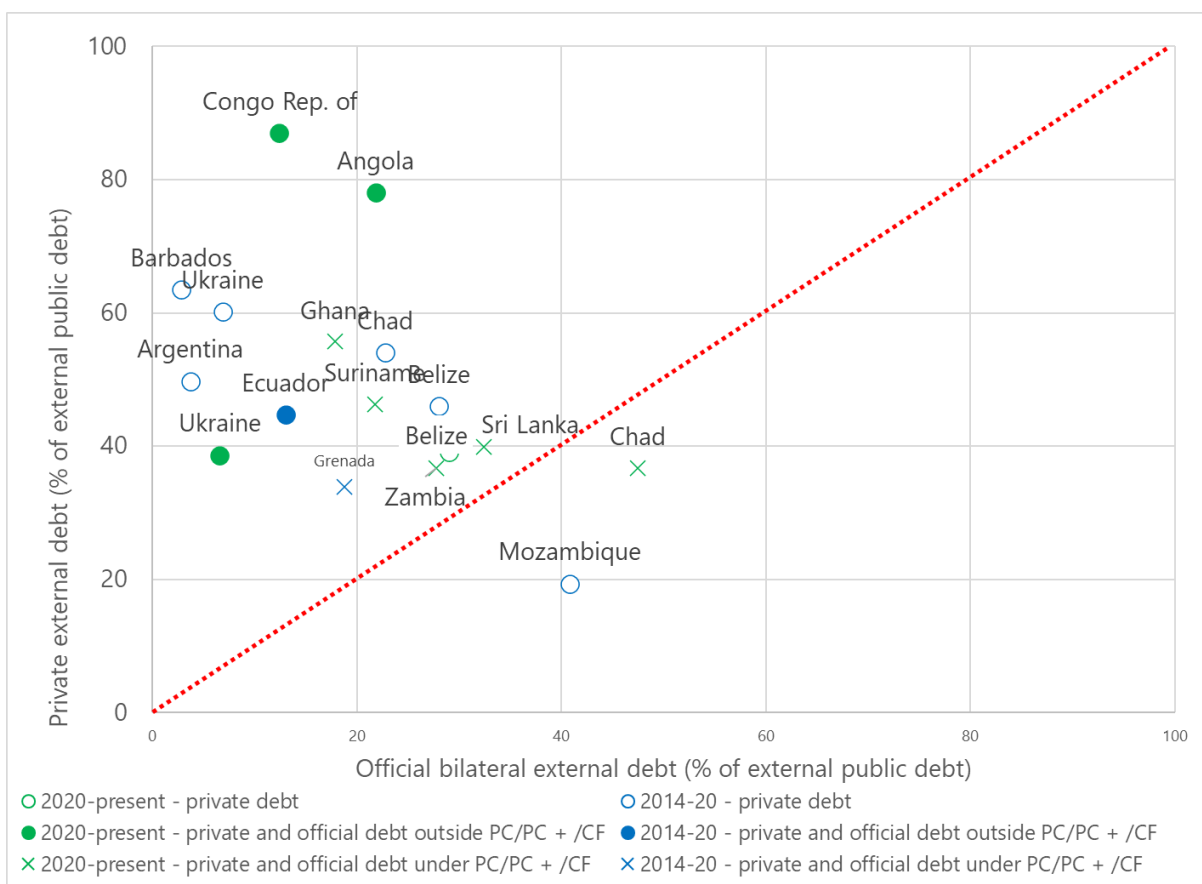
³¹ See [Compendium of GSDR Common Understanding on Technical Issues](#) ("GSDR Compendium") for a more detailed discussion on how the complexities and trade-offs involved differ in domestic vs external restructurings.

creditors, given the obstacles to restructuring non-bonded debt and the difficulty of coordinating among non-bonded creditors (Box 2).

Figure 7. External Creditor Composition at Announcement of Debt Restructurings (Pre-Restructuring Year)



Source: IMF and country authorities.

Figure 8. Relative Size of Official Bilateral and Private Creditors

Source: IMF and country authorities.

17. Several issues have arisen regarding official-private coordination:

- Information sharing:** Private creditors have regretted the lack of information sharing early in the process on the macro-framework and DSA that underpin the assessment of the debt relief envelope, although there is recognition that the process has improved with the recent restructuring cases. The Fund and the World Bank published guidance to staff on information sharing in the context of sovereign debt restructurings, covering what can be shared and with whom at different stages of the process, to help address these concerns (IMF 2023b; IMF 2024b). In addition, private creditors emphasized the lack of information sharing by OCCs on the terms of their debt relief agreement and how the CoT assessment is performed (which is needed to help structure a PSI offer that can be deemed comparable). At present, that information is only shared with advisors under a non-disclosure agreement (NDA), which creates inefficiencies in

private creditor processes.³² Recently, official creditors committed to enhanced transparency and information sharing regarding the restructuring agreements reached by OCCs, with a growing consensus among GSDR participants that publication by OCCs of the key terms of the restructuring once an agreement is reached.³³

- **Room to negotiate:** Some market participants argue that the OSI-PSI sequencing can give rise to a perception that private creditors are presented with a *“fait accompli”*. Indeed, once the OSI treatment is agreed, the PSI is the main remaining means to achieve the envelope of relief needed to restore debt sustainability, although the flexibility to determine the modalities to deliver that envelope is broad and outcomes would not necessarily differ if OSI and PSI processes progressed in parallel.
- **Comparability of Treatment assessments:** While CoT requirements have been a common feature in the past,³⁴ recent cases involved much closer scrutiny of proposed agreements.³⁵ This was particularly salient in Zambia, when the OCC rejected an agreement reached in October 2023 between the authorities and bondholders on the basis that this agreement did not respect the CoT requirement set out in the OCC MoU.³⁶

18. The sequential approach, while improving with more experience, has led to delays in the restructuring process in a variety of ways:

- **Longer OSI Processes:** Since agreements with private sector creditors in recent cases only took place after significant progress with official creditors, delays in the OSI process lengthened the entire debt restructuring process. This note does not cover OSI, but generally, due to the rising

³² In practice, private creditors will not be able to enter into an NDA themselves if the underlying market sensitive information is never published (or if there is no clear timeline for their publication), since the creditors will have to remain restricted for an indeterminate amount of time.

³³ For example, in the [GSDR 4th Cochairs Progress Report](#) (“GSDR 4th Cochairs Progress Report”): “There was a growing consensus that publication by official creditor committees of the key terms of their restructuring once an agreement is reached, based on their collective decision and on a case-by-case basis, would facilitate implementation of comparability of treatment across creditors”. See also the GSDR Compendium, which notes support for “Enhanced information sharing and coordination across creditor groups on CoT metrics...Relevant information should be shared with the other creditors to facilitate and accelerate the restructuring process.”

³⁴ Historically, the PC has relied on three criteria – changes in debt service, NPV debt reduction using certain discount rates, and extension of duration of claims - to assess CoT. See [PC CoT Principles](#) for more information. The use of three indicators, rather than a single metric, allows more flexibility when assessing CoT. However, that can contribute to delays since private creditors will want clarity that an agreement will not need to be re-opened.

³⁵ In the past, CoT was assessed vis-à-vis private creditors as a whole. More recently, there is more sensitivity to ensuring that individual creditors are subject to a comparable treatment.

³⁶ There is no expectation of CoT between external and domestic debt restructurings, as domestic debt restructurings involve complex tradeoffs, including between the benefit of debt relief and managing financial stability risks.

role of non-traditional official bilateral creditors, there have been more complex and lengthier OSI processes, though timelines have significantly improved with each successive treatment.³⁷

- **Longer PSI Process:** The issues regarding official-private coordination, discussed above, have led to longer PSI processes. Inefficiencies in information flows hamper the ability to structure PSI terms that meet the CoT requirement, with potential risks of further delays – as in Zambia – if the PSI terms are rejected by the OCC.
- **Longer Restructuring Processes Create More Uncertainty:** A longer restructuring process can itself create further uncertainty. A debt crisis typically involves high macroeconomic uncertainty, which could result in significant revisions and updates of the macroeconomic projections as the Fund arrangement proceeds. Such changes can complicate negotiations over the restructuring terms, and the potential for such changes could lead to delaying tactics. Creditors have also introduced complex contractual clauses to manage such uncertainties (see below), the specification of which can add to timelines.

19. There have been discussions that could support the use of parallel processes to speed up restructurings. It is up to the authorities to decide how they would like to sequence their negotiations; for example, they can choose to have the PSI and OSI process run in parallel. That said, sovereigns could prefer a sequential process, including because they may have limited capacity to run parallel discussions with both the official and private sector creditors. Recent GSDR discussions supported the idea of a debtor convened meeting of official bilateral and private creditors early in the process, and engagement with the OCC co-chairs and members of the private sector at key points (GSDR 4th Cochairs Progress Report; GSDR Compendium), which could further strengthen information sharing, enhance official-private coordination and thus support parallel negotiations.³⁸

SECTION V. DEVELOPMENTS IN THE CONTRACTUAL FRAMEWORK

20. Developments in debt markets and restructurings have led to some evolution in the contractual framework. These evolutions relate to the emergence or increased use of certain contractual features in recent external bond restructurings, relating to: (i) clauses dealing with uncertainties; (ii) clauses relating to burden sharing; and (iii) information provision clauses (i.e., with the greater importance being placed on debt transparency). Lastly, there have been proposals on

³⁷ Please refer to IMF 2024c for additional details. There is also a shared objective to improve OSI timelines – see the GSDR Compendium.

³⁸ The OCC will still have to make a COT assessment, though negotiations with private sector and official sector creditors can occur at the same time. Beyond this, certain commentators have suggested moving towards a fully coordinated framework where the OSI and PSI processes can run fully parallel. Such a framework would have a contingency mechanism that would enable “a decision to accept an offer by one committee to be made contingent on the acceptance by the others.” See Hagan and Setser, 2024.

statutory mechanisms, as a complement or even an alternative to the contractual framework. Annex III provides additional details on each of these contractual features.

A. Contractual Clauses Dealing with Uncertainties – SCDIs and LRCs

21. State Contingent Debt Instruments (SCDIs) used in the recent sovereign debt restructurings have been different from those used in the past. Except for Suriname, contingent features have been a core part of the new debt instrument, embedded within the bond itself. Recent SCDIs in Zambia, Sri Lanka, and Ukraine debt restructurings have a front-loaded one-off upside trigger. The “one-off” trigger eliminates the need to have multiple tests at regular intervals, and in practice, transforms the SCDI into a standard fixed income instrument after the trigger date. Market participants highlight that SCDIs have helped to speed up the restructuring negotiations, since investors do not have to wait for some of the uncertainties to resolve (e.g., by waiting for further Fund program reviews to conclude), which would have resulted in longer and more protracted defaults. They essentially bridge the differences between the creditors’ projections and the macro framework and DSA underpinning the Fund program. The consensus from GSDR discussions similarly notes that SCDIs can help bridge the gap between borrower and creditors in certain restructuring negotiations where uncertainty is high, but highlights that they should not be the norm in debt restructurings (GSDR Compendium).

22. The evolution of SCDIs has increased market acceptability, but there are potential issues of concern. A key feature of the SCDIs used in Zambia, Sri Lanka, and Ukraine is that they are index eligible, given their new design features. Credit rating agencies have also reassessed their methodologies towards SCDIs,³⁹ having not rated them previously. These changes are important since they broaden the demand for the instruments, as they can be held by most institutional investors, including passive investors through ETFs. Such real money investors – typically longer-term investors – could also be more stable source of financing for the EM asset class. Nonetheless, many market participants still prefer plain vanilla debt instruments, and SCDIs continue to raise some concerns including complications in debt sustainability and CoT assessments, and legal risks (Box 3).

³⁹ Moody’s have rated Sri Lanka’s MLB at the same level as its sovereign, although Fitch and S&P did not. The GLB has been rated by all three rating agencies. Suriname’s oil-linked VRI is not rated by major credit rating agencies.

Box 3. Potential Issues of Concerns in SCDIs

The use of SCDIs complicates the debt sustainability assessment. The effects of the one-off upside triggers (coupon increase, principal increase or maturity shortening), if they materialize, will be fixed for the remaining life of the instrument. This gives rise to the risk that temporary positive shocks could lead to a permanently higher debt burden – lasting for many years until the bond matures – that may be harder to carry once the positive shock dissipates. The impact of SCDIs on the principal amount, maturity and coupon of the restructured debt vary in each case, but can be significant (Box 3, Table 1).¹

These risks can be evaluated in the IMF’s DSA framework—using newly developed tools—although SCDIs involving macro factors such as GDP can be complex. In Zambia, the SCDI mapped directly into the LIC-DSF framework, since it focused on exports, fiscal revenues and on changes to the Debt Carrying Capacity. In Sri Lanka, a market access country relying on the SRDSF, staff developed a new methodology to assess debt sustainability risks from the SCDI, by checking its impact on the likelihood of exceeding debt sustainability targets, the link between the SCDI triggers to real improvements in debt carrying capacity, and the impact on tail risks. Using this methodology, staff was able to evaluate a range of preliminary SCDI proposals and whether they met debt sustainability requirements.²

Evaluation of the latest SCDI designs suggests that more complex (e.g. two or more) triggers may be required to preserve sustainability. The size, correlation and types of shocks to which an economy is subject to is relevant to the design of the SCDI triggers, to minimize the risk of adverse off-baseline outcomes. This could lead to more complex SCDI triggers. Indeed, in Sri Lanka, a dual trigger was adopted, requiring both the nominal *and* real GDP levels to exceed a range of different thresholds. A downside trigger, where the principal amount of the bonds will be reduced in the event GDP underperforms relative to the baseline scenario can further reduce risks. However, a member’s economy could be such that the complexity of the trigger needed to adequately preserve sustainability undermines the benefit of the instrument (e.g., by reducing prospects for index eligibility).

There could also be complications with the CoT assessment from official bilateral creditors, though parameters for that assessment are developing.³ When SCDIs are proposed by private creditors, official bilateral creditors need to be consulted since they decide whether their CoT requirement is respected. A key question is whether they perceive CoT to be met ex-ante, or whether they will assess it based on the ex-post payoffs. CoT can be assessed on an ex-ante basis when there is sufficient clarity on triggers, two-side contingent adjustments, and appropriate caps on the payoff. In the absence of such conditions, CoT could involve the use of ex-post clawback clauses. The cases have been dealt with in different ways thus far, reflecting the idiosyncratic circumstances in each case.⁴ Importantly, lack of clarity can impact the DSA assessment as an assumption that all creditors receive CoT ex-post becomes necessary.

Finally, SCDIs appear more prone to legal challenges, compared to traditional debt instruments.⁵ SCDIs are complex instruments in terms of their economic effects and design. Since many of these instruments are often bespoke and novel, there are limited market standard precedents to guide the drafting of key definitions and operational clauses. For example, issues such as how the variable is calculated (e.g., GDP and rebasing), information and data sources to verify the trigger of the variable (and backups in the event such sources are unavailable) and the party determining the calculations are all relevant considerations. These have given rise to litigation (see Annex II).

Box 3. Potential Issues of Concerns in SCDIs (concluded)**Box 3. Table 1. Impact of SCDIs on Principal, Maturity and Coupon of Restructured Debt**

Principal	Pre restructuring	Post restructuring		
	US\$ Million	Baseline	Upside case	Downside case 1/
		US\$ Million		
Sri Lanka	13,958	10,967	12,384	9,872
Ukraine	20,482	15,219	15,577	
Zambia	3,890	3,083	3,083	
Average principal reduction rate		24%		
1994-2020 Past Average		43%		
Average Time to Maturity	Years	Baseline	Upside case	Downside case 1/
		Years		
Sri Lanka	4.2	9.2	9.2	9.2
Ukraine	7.9	9.8	9.9	
Zambia	4.1	16.3	7.0	
Average maturity	5.4	11.8	8.7	
1994-2020 Past Average	6.2	13.1		
Average coupon	Percent	Baseline	Upside case	Downside case 1/
		Percent		
Sri Lanka	7.15	4.61	5.20	4.56
Ukraine	7.42	7.45	7.46	
Zambia	7.62	3.38	6.88	
Average coupon rate	7.40	5.15	6.51	
1994-2020 Past Average	6.98	6.90		

Suriname ^{2/}	Pre-restructuring	Post-restructuring Payments	
		Baseline	Upside case
		No trigger on VRI	Trigger on VRI
Restructured with one bond and a Value Recovery Instrument (VRI)	US\$ Million	US\$ Million	
		949	1,609

1/ Including past due interest (PDI). In addition, "Downside case" of Sri Lanka's means average GDP in 2025-2027 in USD below \$86.7bn and cumulative growth below 11.5%.

2/ Total cash flow is shown for Suriname where a detachable VRI was issued. The baseline depicts the scenario where no upside value recovery is triggered (i.e., only payments from the bonds issued in the debt restructuring). The upside depicts the scenario whereby the maximum amount under the VRI (and from the bonds) is paid out.

Source: IMF staff calculations.

¹ Note that in Sri Lanka, a symmetric trigger was added; the principal will be reduced for the remaining life of the bond, if the downside scenarios are met. See Annex III for further details.

² See the discussion in IMF 2025b. See also Breuer, Dhungana and Li (forthcoming).

³ See the GSDR Compendium.

⁴ In Sri Lanka, the Paris Club has assessed that CoT was met on an ex-ante basis. There are no SCDI-related CoT issues in Zambia, since the official sector has also included a SCDI in their terms. In Ukraine, the official sector has not yet begun the process, with the private sector proceeding first on the restructuring.

⁵ See for example, The Bretton Woods Committee, 2024, "State-Contingent Debt Instruments: Prospects for Enhancing Growth" (the "Bretton Woods Paper"). Annex II also discusses some ongoing litigation relating to SCDIs.

Loss Reinstatement Clauses

23. Loss Reinstatement Clauses (LRCs) have been used sparingly historically, but have been increasingly utilized in recent restructurings. Historically, LRCs have generally been used in countries which have undergone multiple restructurings (see Annex III). These clauses allow holders of the restructured bonds to increase the principal amount of their debt claims, upon the occurrence of certain events which are likely to result in a subsequent restructuring (e.g., a payment or moratorium event of default). Therefore, LRCs provide private creditors with the chance to “reset” negotiations, should a subsequent restructuring occur. This has been especially relevant in recent restructurings, which involve a significant share of official debt (and where official creditors have delivered relief through maturity extensions and interest rate reductions, not writedowns of principal).⁴⁰ In such cases, LRCs maintain the share of the private creditors’ claims vis-à-vis the official creditors, in the event of a future restructuring, by restoring the nominal value⁴¹ of the bondholders’ claim to the *pre-restructuring* state (Table 4).⁴² This could give creditors additional comfort to proceed with a restructuring, even if there is uncertainty as to whether a subsequent restructuring is required.

Table 4. Original Principal Reduction and Possible Principal Loss Reinstatement

	Baseline case original debt relief	New principal amount	Principal increase from LRC	Principal increase from LRC/ debt relief	Principal increase from LRC/New principal
	(USD Million)	(USD Million)	(USD Million)	(in percent)	(in percent)
	(A)	(B)	(C)	(C)/(A)	(C)/(B)
Ghana	4,644	9,402	4,829	104	51
Sri Lanka	3,051	10,962	3,031	99	28
Zambia	807	3,083	850	105	28

Source: Invitation memoranda and staff calculations.

Note: Figures for Ukraine’s LRC are not included, since such calculations are based on when the LRC is triggered.

⁴⁰ For example, Lazard notes that such clauses were to ensure that “[private creditors’] consent for nominal haircuts would not reduce their weight in the debt stack in the case of a future credit event compared to official creditor which have preserved the nominal value of their claims”. See Lazard 2025.

⁴¹ Unlike other cases, the LRC in Ukraine restores not just the pre-restructuring nominal amount, but aims to place the bondholder in *exactly* the same position as if the exchange did not take place *and the original bonds remained in default up to the LRC trigger date*. This could be due to the idiosyncratic circumstances of Ukraine’s restructuring. See Annex III for further details.

⁴² It is important to note that even if the LRCs are triggered, the amount of recovery that private creditors receive in a restructuring depends on other factors such as the payment capacity of the borrower and DSA targets, rather than the nominal amount of the debt.

24. The design of these LRCs can raise issues, while their systemic impact is unclear:

- **Recent LRCs have included triggers that go beyond the debt servicing ability of the sovereign.** Typically, a new restructuring will be very likely when LRCs are triggered. However, broad triggers – for example, linked to information obligations or cross-defaults – may result in LRCs being triggered even when the sovereign may still be able to service the bonds. This is further exacerbated where the triggering of the LRCs result in automatic acceleration of the bonds, leaving no room for bondholders to waive the activation of the clause. How this would unfold in an actual case remains to be seen.
- **The systemic impacts of such clauses are unclear.** There is a risk of LRCs diluting future (new) private creditors, since it increases the principal amount of the initial debt exchange bonds in the event of a restructuring, which would consequently reduce the proportional amount of the claims of new creditors. This could be merely a *theoretical* risk if the life of the LRC clause is relatively short (e.g., corresponding to the length of a Fund arrangement). To the extent there is an impact, it could be reflected in higher borrowing costs (IMF 2005), although the borrower can choose to refinance bonds with the LRCs with proceeds of new issuances. It is also unclear how LRCs will interact with CoT issues with respect to official creditors; if triggered, LRCs entail a reversal of all or part of the debt relief provided by the bondholders, which could pose similar CoT challenges with respect to the debt relief provided by official creditors. How this issue would be dealt with in a future restructuring has received limited attention and discussion thus far, especially since an LRC has not yet been triggered.

B. Contractual Features Relating to Burden Sharing

25. Most Favored Creditor clauses (MFCs) have been increasingly utilized.⁴³ MFCs are clauses where the sovereign issuer agrees not to pay or reach an agreement with other creditors at a later date (the “future restructuring creditors” at the “future restructuring date”) which will provide better recoveries for such creditors, unless they “top up” the creditors holding the restructured bonds (the “participating creditors”). In practice, the latter option would entail additional financial costs on the sovereign and the clause thus provides a strong incentive for sovereign issuers not to provide a better recovery for future restructuring creditors.⁴⁴ The MFC clauses in recent bond contracts have been focused on commercial creditors who restructure their debt after the bondholders and are seen as less cooperative or as having greater leverage over the sovereign.

26. There are a number of challenges in specifying MFC clauses. These include defining the creditors (or groups of creditors) excluded, recovery comparisons, and how to enforce such clauses

⁴³ MFCs have been used on a limited basis in previous debt restructuring cases, most prominently in Argentina’s 2005 debt restructurings.

⁴⁴ See Buchheit and Gulati 2022: “An MFC clause seeks to achieve the same result as an outright prohibition by making it practically and politically impossible for a country to bestow a holdout creditor’s richer terms upon all of its other commercial lenders.”

(see Box 4). There is not yet any history of the recent versions of MFCs triggering and/or any related litigation to understand how such uncertainties may play out.

27. Overall, MFC clauses may prove useful, although market reaction is mixed. This is mainly because the MFC clause is not the only element determining intercreditor equity. Outside of the MFC clause, the sovereign will still need to comply with the CoT requirement from the official sector creditors.⁴⁵ In many situations, the CoT requirement is sufficient to ensure that the sovereign issuer does not give other commercial creditors an overly favorable recovery, since any recovery of a restructured claim that satisfies the CoT requirement will also likely satisfy the MFC clause requirement.⁴⁶ However, market participants also noted that the MFC clause gives the bondholders their own enforcement mechanism, rather than relying on the official sector creditors to enforce their CoT.⁴⁷

Box 4. Issues in Designing MFC Clauses

Defining the Creditors (or Groups of Creditors) excluded

In general, the perimeter of entities covered by MFCs will be driven by the specific commercial circumstances in each case. This issue can be particularly challenging in two scenarios

- **New and Emerging Lenders:** A key issue has been whether certain new and emerging lenders, which may have a mix of sovereign and/or non-sovereign members, should be excluded from the MFC clause. In this context, Ghana has specifically included “IFIs” which lend exclusively on non-concessional terms or do not provide net new financing to Ghana in the MFC clause; the claims of such entities will have to be settled on comparable terms as the participating creditors.¹
- **Litigation:** Sri Lanka includes an exclusion for payments to creditors due to final court judgments. This was included because of the ongoing litigation involving Hamilton Bank, as discussed above. In this scenario, there is a tension between allowing litigious holdout creditors to receive a better recovery and ensuring that Sri Lanka can comply with court judgments.

Addressing Recovery Comparisons

The MFC clause works by comparing recovery percentages between the participating creditors and the future restructuring creditors. The recovery percentages are generally measured by past and future cashflows received (as a result of the deal reached in the restructuring) divided by the total amount of the creditors’ claim, as measured on a present value basis. However, the clauses are designed differently, across cases with the present value of the claims measured on different dates. In certain cases, the MFC clause is designed to become less binding as time passes.²

⁴⁵ Therefore, even if a particular creditor is carved out of the MFC clause, it does not mean that the particular creditor will be outside the restructuring perimeter and/or not be subject to debt treatment. Lastly, regardless of whether a particular creditor can obtain a preferential recovery, the sovereign will also have to comply with any debt targets set under the IMF DSA.

⁴⁶ The official sector uses a discount rate of 5 percent for LIC-DSF countries, while two or more discount rates are used for other cases (e.g., 5 and 9 percent). The MFC clauses use a comparatively higher discount rate of about 12–14%. The NPV of any debt treatment at a lower discount rate will be a higher amount, relative to using a higher discount rate. Therefore, the CoT requirement will likely be much tighter compared to the MFC clause.

⁴⁷ Furthermore, the MFC clauses calculate comparability using a recovery ratio based on the PV of the restructured claims, while the Paris Club and other official creditors use a broader calculation of comparability – as explained on the [PC website](#).

Box 4. Issues in Designing MFC Clauses (concluded)**Costs to enforce the MFC**

Market participants also noted that there are costs to the bondholders in enforcing the MFC clause. Enforcing the clause would likely precipitate another restructuring, which is a factor bondholders will have to weigh carefully against others (e.g., whether there is a significant breach).

¹ Note that the term “international financial institution/IFI” is undefined in the bond provisions. As a point of comparison, under the Fund’s policies, IFIs are defined as financial institutions with at least two sovereign members and no non-sovereign members. See paragraph 38 of IMF 2024b.

² See Annex III for further discussion.

C. Debt Transparency and Information Provision Obligations

28. The importance and need for greater debt transparency from sovereigns is widely acknowledged and highlighted by market participants, especially in the context of debt restructuring processes. Low debt transparency hampers creditors’ ability to assess comparable treatment in a debt restructuring and delays the process; higher debt transparency has longer term benefits, including lowering bond spreads (IMF 2023a). Despite efforts to enhance public debt transparency in recent years, there is still a clear case for continued work to enhance public debt transparency.⁴⁸

29. In the recent debt restructurings, creditors have pushed for the inclusion of information provision obligations in new instruments. Unlike corporate bonds or loans, where information provision obligations are market standard,⁴⁹ sovereign bonds typically do not carry information provision obligations.⁵⁰ Importantly, with the inclusion of SCDI and MFC clauses in restructuring, bondholders also need data to objectively determine if such clauses have been complied with.

⁴⁸ See IMF 2023a for a more in-depth discussion of the importance of public debt transparency, its benefits, and roles to be played by borrowers, creditors and the Fund to improve debt transparency. It should be noted that, under the Fund’s policies in preemptive debt restructuring cases and Lending Into Arrears, debtors are expected to share relevant information, with a focus on debt transparency, with creditors. See IMF 2022.

⁴⁹ For example, in the US, corporate issuers of registered securities may have to comply with Sections 13 and 15(d) of the Securities Exchange Act of 1934, which require periodic reports to be filed with the SEC. In corporate loans, market practice on such clauses have been guided by standardized provisions from the Loan Market Association (in the UK) or the Loan Syndications and Trading Associations (in the USA). These provisions include obligations to provide quarterly and annual financial statements and other information such as compliance certificates, presentations to lenders and other information requested.

⁵⁰ Most enhanced CACs include some information provision obligations for an issuer before it can make a proposal for modification. See for example, the ICMA model CACs’ information requirements, available [here](#).

Table 5. Summary of Information Provision Obligations

Country	Information on SCDI	Information on MFC	Broader Debt Data	Remedies
Ghana	N/A (no SCDIs)	Yes	Public Debt Information	Event of Default
Zambia	Yes	No	Public Debt Information	Event of Default
Sri Lanka	Yes	Yes (including key terms of agreements reached with creditors)	Public Debt and Guaranteed Public Debt, with semi-annual investor calls	Only failure to publish information on the SCDI triggers an Event of Default
Ukraine	Yes	No	No	Event of Default

30. Information provision clauses have varied across cases (see Table 5; Annex III, Table 4). For example, Sri Lanka has relatively more extensive information provision obligations, though it is balanced by relatively lighter remedies. As discussed in Annex III, Sri Lanka has also issued governance-linked bonds where coupon payments are reduced if Sri Lanka meets certain governance performance indicators, including satisfying the information provision obligations. Whether this alternative incentive-based approach is scalable – in terms of amount or market uptake – remains to be seen. Overall, the variation reflects the trade-offs that should be carefully considered in each individual case (and e.g., may lead to the inclusion of information obligations that are not linked to an event of default, or alternatively the use of incentives) to strike a balance between transparency, capacity and legal risks. Certain stakeholders have also proposed standardized information provision clauses, which may be helpful to set market expectations.⁵¹ Standardized clauses may require adaptation and tailoring in each specific case, since each sovereign has varying levels of capacity. While standardized clauses are fairly common in the corporate context, it remains to be seen if they will have similar uptake in the sovereign context and be acceptable to both sovereigns and creditors.

D. Legislative Tools

31. The situation regarding the existence and use of legislative tools remains unchanged. As discussed in the 2020 Paper, potential statutory approaches span a wide spectrum, ranging from sovereign debt restructuring procedures, legislation limiting recovery, to actions taken at the

⁵¹ For example, industry groups have proposed model investor relations and debt transparency clauses. See for example, the “Model Clauses for Transparency Covenants”, Emerging Markets Investors Alliance, available [here](#).

national or international level, with each approach having its distinct legal and policy implications. Existing legislative tools in UK, Belgium and France are still in place but have never been invoked.

32. Recently, there has been a vigorous debate about new potential legislative initiatives in key jurisdictions. The most well-known are the three bills put forward to the state legislatures of New York, proposing to: (i) create a statutory mechanism for restructuring sovereign debt under New York law; (ii) limit private creditor recoveries on sovereign claims governed by New York law; and (iii) reinstate the champerty defense for sovereign debtors and reduce the statutory interest rate (the “Champerty Bill”).⁵² Also, in the UK, a bill was put forward which proposes to cap the amount of recoverable debt in UK courts to the amount a creditor would have received had it participated in a debt treatment under the Common Framework or other multilateral initiative. None of these proposals have been adopted to date.

33. These legislative initiatives seem to have motivated creditors to insist on changes to the governing law and jurisdiction of debt instruments in some of the recent cases, to avoid the application of any new legislation (if passed). As a response to the broader legislative initiatives in New York, creditors in two recent restructurings have requested the inclusion of provisions to change the governing law and jurisdiction of the bonds. In Suriname, the change of governing law and submission to jurisdiction (in connection with a change of governing law) was removed as a reserved matter⁵³ to facilitate such changes, i.e., a simple majority of bondholders is sufficient to make any such changes. In Sri Lanka, a special provision was included allowing the governing law and jurisdiction to be changed in the New International Bonds, upon the request of at least 20% of the holders of each series of bonds.⁵⁴ There is no evidence of a shift away from these jurisdictions for new issuances so far.

SECTION VI. STAFF ANALYSIS AND CONCLUSIONS

34. The contractual framework for sovereign debt resolution has continued to evolve. The 8 debt restructuring cases involving privately held sovereign debt during 2020 - 2025 – while a small sample – have provided additional evidence on the operation of CACs and the process for restructuring non-bonded and collateralized debt. New contractual features salient for future

⁵² The statutory interest rate in New York is currently 9 per cent, which was set in 1981. Market commentators (Makoff, Setser and Weiss, 2024) have noted that interest rates were higher in 1981. The Champerty Bill proposes setting the rate as the weekly average one-year constant maturity treasury yield.

⁵³ Typically, any proposal to change the governing law or submission to jurisdiction clauses of a bond is a reserved matter, which would require the consent of more than a simple majority of bondholders.

⁵⁴ The governing law and jurisdiction may be changed to English law and English Courts (from New York law and courts), subject to meeting certain voting thresholds. A *subsequent* request to change the governing law and jurisdiction again to Delaware law and New York courts, can be again made by at least 20% of the holders, subject to the same voting thresholds. Sri Lanka is required to initiate a consent solicitation if the requisite holders make such a request, and implement such modifications, if they are approved. Failure to do so will constitute an event of default.

restructurings have been introduced which, although not yet triggered, present both potential costs and benefits. Staff will continue to monitor developments as part of its ongoing work program.

35. The contractual framework for sovereign debt resolution remains effective for bonded debt. It has delivered very high creditor participation rates in restructurings with only one case of a holdout.⁵⁵ There continues to be a very high uptake of enhanced CACs in new issuances under English or NY laws, although not under other jurisdictions. The stock of outstanding bonds without enhanced CACs is steadily decreasing, though it will still take some time for all such bonds to mature. However, almost all international sovereign bonds include some form of CACs.

36. The contractual framework has been less effective in resolving non-bonded debt, with only piecemeal solutions available. So far, the proportion of non-bonded debt in the overall debt stock has been relatively small and in the recent restructuring cases, the remaining unstructured non-bonded debt has also been relatively small. However, if there are increasing constraints on liquidity due to global economic developments, there could be increasing use of non-bonded debt from a broader range of creditors, including private credit or commodity-related loans, which would exacerbate this issue. In this respect:

- Contractual provisions such as MVPs and MFCs can be helpful in certain circumstances. However, MVPs are limited only to syndicated loans and lack an aggregation mechanism across loans. To date, they have not been adopted, although recent initiatives, such as the London Coalition, aim to examine the potential for increased adoption. MFCs set clear parameters for the terms for residual non-bonded creditors, rather than giving room for different terms and burden sharing disputes. They can only affect incentives in the negotiations, rather than binding holdout creditors to restructuring terms, so they are not a comprehensive solution in the restructuring of non-bonded debt.
- Better coordination and information sharing (including among non-bonded creditors) may help accelerate negotiations with non-bonded creditors. One option to this end would be debtor-convened meetings of creditors to allow their concerns to be flagged - and solutions explored - early in and throughout the process. Another would be to examine ways to facilitate the formation of non-bonded creditor committees.⁵⁶

⁵⁵ Recent restructurings involved write downs that were in line with historical experience. However, extreme conditions where very large write downs are required to restore debt sustainability may arise. It remains to be seen how the contractual framework will perform under such circumstances.

⁵⁶ For example, in the late 1970s and early 1980s, restructuring of bank loans were coordinated by the "London Club", which usually consisted of major Western Banks. See Das, Papaioannou and Trebesch 2014. However, given the more diverse nature of creditors and instruments in non-bonded debt, multiple creditor committees may have to be formed, if indeed possible.

- Increased transparency on both the stock of outstanding non-bonded debt and terms reached with other non-bonded creditors should also be explored; related information provision obligations under bond contracts may help inform such an approach.⁵⁷
- Exploring ways to facilitate earlier restructuring of non-bonded debt is also a topic of discussion at the GSDR, and work is continuing on this front (GSDR Compendium).

37. Restructuring of sovereign domestic debt poses unique challenges. The recent domestic debt restructurings were executed successfully through burden sharing mechanisms based on the investors' loss absorptive capacity and delivered debt reductions without making use of domestic law to aggregate domestic debt instrument holders. This reaffirms the findings in IMF 2021b, which notes that sovereigns considering a DDR should anticipate its impact on the domestic financial system, limit the use of legislative or executive acts unless it is necessary, and put in place policy measures that mitigate the costs of a domestic debt restructuring from relevant creditor groups. Importantly, a fair and transparent process that encourages participation, accommodates creditor preferences to the extent possible can reduce the costs of the domestic debt restructuring operation.

38. The emergence or increased use of certain contractual features presents both costs and benefits requiring a careful and tailored approach to their use. SCDIs, LRCs and MFCs can all help to facilitate and speed up restructurings, but the rationale for their use needs to be suited to the specific problem these clauses aim to solve, and care needs to be taken in their design.

- **SCDIs.** SCDIs come with significant risks and concerns (Box 3), but can help bridge gaps and avoid costly delays, so there is a potential role for them. While past applications of detachable VRIs involving macro factors have generally produced poor outcomes,⁵⁸ the recent MLB design, with the constraints imposed by index-eligibility, is a more promising route (since the required simplicity and fixed income features help cap exposures and avoid the designs of prior detachable VRI instrument that led to unintended consequences in the past). Nevertheless, the MLB triggers required to ensure debt sustainability may still be too complex for some country cases. If an SCDI is adopted, it would be important for a sovereign issuer to build up capacity in its Debt Management Office to monitor compliance with payment and information provision obligations. Separately, proposals relating to the introduction of broader debt pause clauses are still under discussion, and staff will continue to engage with relevant stakeholders and monitor developments on such issues.
- **LRCs.** While LRCs may help to speed up a current restructuring, they could complicate a subsequent restructuring, if needed, and slow down negotiations. To minimize risks, the

⁵⁷ For example, a bond may include obligations to publish a list of agreements to pay other creditors as well as key terms to show compliance with the MFC clause in the bonds. Such published data – while for the benefit of the bondholders – can be obtained by non-bonded creditors.

⁵⁸ For example, see Annex II, Box 1 on litigation involving GDP-linked securities. Sovereigns may underestimate the potential economic impact and the total amount of payments that have to be made under the VRIs, given the complexity in their design, including whether there is a cap on payments.

effective period of LRCs should be carefully considered: parties should aim to identify a specific time where the creditors should not be restored to their “pre-restructuring status quo”, e.g., if “enough” time has passed from the date of the restructuring. In general, the shorter this period, the less the risks. Separately, LRCs designed with broad triggers – especially if non-payment related – need to be used judiciously. They could have unintended effects and precipitate a restructuring, even when the sovereign is able to service its debts.

- **MFCs.** MFCs could help speed up the bond restructuring process by giving participating bondholders assurances about the treatment of the future restructuring creditors. They could also provide the sovereign issuer with additional leverage when negotiating with future restructuring creditors by effectively setting the ceiling of the debt relief that can be provided. Some standardization around recovery comparisons and exclusions *could* be helpful. However, the formulation of these clauses are often deal-specific, and more analysis and market consultation will be needed to determine if this would be a helpful reform. As regards exclusions, carve-outs to MFC clauses should be considered carefully to balance the need to provide assurances to bondholders, and the cost of reaching a MFC-compliant debt terms with a residual creditor, which may be high in certain circumstances (e.g., litigation, or if the amounts involved are small). In addition, some of these residual creditors may play an important role in providing essential financing, such as trade finance, to sovereigns.

39. Contractual clauses on information provision are a potential tool for improving debt transparency. There are important benefits for sovereigns in having greater debt transparency, which information provision obligations can help with. However, such obligations impose a cost on the resources and capacity of the sovereign, with potentially serious consequences if such obligations are not met. Sovereign issuers should thus be clear as to the extent of these obligations and whether they will be within their capacity to prevent any technical defaults, and tailor the clauses appropriately to the specific data that can be produced on a timely basis. At the same time, sovereign issuers should continue to strengthen their legal frameworks, capacity and data quality and management systems (IMF 2024a) by e.g., providing adequate resources to their debt management and statistical offices. Lastly, while debt transparency is primarily the responsibility of the borrower, creditors should also avoid limiting sovereigns’ ability to disclose their debt through confidentiality clauses (IMF 2023a; Maslen and Aslan 2022).

40. On statutory approaches, it is important to understand the circumstances under which they are needed to effectively complement the contractual framework and to get design right. The cost and benefit analysis, together with the need for appropriate design of any legislative tools, is a high bar to meet:

- Statutory tools, by design, impact and likely undermine creditor rights. As noted in the 2020 paper, overreliance on statutory tools could undermine key principles of a commercial law system related to the enforceability of contractual rights. Such overreliance could increase the ex-ante costs of debt issuances, and may undermine the secondary market in sovereign debt, affecting liquidity. Other related costs include resources to carry out analytical work and market

consultations, and the necessary political capital required in implementing legislation. In general, the broader the legislation (in terms of scope and/or effect), the greater the costs.

- Therefore, legislative tools should only be used when sufficient benefits justify the costs and when clearly needed. For example, there could be a systemic sovereign debt crisis or idiosyncratic circumstances which necessitate actions at the national or international level.^{59,60} On the other hand, there could be targeted scenarios where legislative tools could complement the contractual framework (e.g., the existing legislation in the UK which keys off the HIPC initiative).⁶¹ At the same time, any benefits would likely be limited unless coordinated across jurisdictions, as parties may respond by changing the governing law of any affected debt instruments. Furthermore, when evaluating possible benefits, stakeholders should also consider that the contractual framework remains flexible and capable of innovations to help address gaps when they arise (e.g., the introduction of MFCs to resolve issues of burden sharing on non-bonded debt).
- If there is a circumstance where relevant stakeholders see a case for using legislative tools, any such legislation would have to be very carefully designed and tailored. Key concepts, such as burden-sharing standards, legal protections, and harmonization of existing laws would have to be carefully analyzed and defined, and such proposals would have to carefully balance creditor-debtor, systemic and architectural considerations. The scope and time would also need to be appropriately ringfenced. Legislative measures that are not appropriately designed, could in fact slow down and complicate the debt restructuring process.⁶² These issues could be exacerbated if legislative proposals are put forward in multiple jurisdictions without the necessary coordination.

⁵⁹ For example, in 2020, Fund staff noted that if a COVID-related systemic sovereign debt crisis *materializes that cannot be effectively addressed by the existing resolution toolkit*, then *time-bound* legislative or executive actions could be used as a *last resort*.

⁶⁰ The discussion in this note largely focuses on legislative tools at the national level, given recent developments. However, there have been actions taken at the international level – IMF 2020 discussed the UN Security Council Resolution passed in 2003, to create immunity for Iraq’s oil assets against attachment and other forms of legal actions. Clearly, the process and stakeholders will be different in terms of actions taken at the national and international level.

⁶¹ For example, see IMF 2014, paragraph 61. In 2014, in the context of certain New York court decisions which found Argentina in breach of the *pari passu* clause in its defaulted bonds, staff noted that if such decisions were interpreted broadly and in a manner that seriously undermines the process, consideration could also be given to addressing issue through legislative action. This issue has generally been resolved, with the adoption of revised *pari passu* clauses as part of the enhanced CACs, and further clarifications from the New York Courts – see IMF 2020. In addition, some commentators (Makoff, Setser and Weiss, 2024) have also argued that the Champerty Bill, including the change to the statutory interest rate, could help to reduce creditor litigation and thus support an orderly restructuring.

⁶² See for example, Butler and others (2024), noting that the proposed NY restructuring mechanism could have added layers of complexity and uncertainty to the Zambia debt restructuring process, rather than making the process quicker and more efficient.

For these reasons, broad acceptance of key stakeholders, facilitated by a consultative process, would be important in the design and implementation of any such legislative measures.⁶³

41. Sovereign litigation and arbitration, and the use of collateralized (or collateral-like) arrangements continue to present potential challenges in the framework. However, their impact has been limited thus far. Only one holdout litigation was initiated in the recent restructurings. Outside the restructuring context, a number of high-profile lawsuits or arbitrations against sovereigns or their enforcement were observed between 2020 and 2025. Overall, creditor litigation and enforcement actions have generally not impeded the successful restructuring of private sovereign debt so far. The recommendations in the 2020 paper remain appropriate. The issuance of bonds under trust structures provides additional protection against disruptive holdout enforcement actions. Separately, while most sovereign debt is still unsecured, use of collateral (or collateral-like) arrangements has increased overall during the period and has been shown to hamper restructurings in a few cases. As the 2020 paper recommended, more rigorous enforcement of negative pledge clauses could disincentivize the excessive incurrence of new collateralized debt. IMF and World Bank 2023 fully discusses key policy recommendations regarding collateralized transactions – similar to debt transparency, borrowers, lenders and IFIs all have a role to play, with borrowers enhancing technical capacity to evaluate the cost and benefits of entering such transactions and improving governance, while lenders and IFIs can further promote transparency.

42. Outside of the contractual framework, coordination between OSI and PSI is becoming more agile with experience, though more progress is needed. Given the new creditor landscape – with increasingly diverse traditional and non-traditional lenders both on the official and private sector sides – and the lack of cases involving significant simultaneous PSI and OSI in the recent past, coordination practices between official and private creditors were subject to some growing pains but have been improving with experience in recent cases. As discussed above, official creditors have committed to enhanced transparency and information sharing, and better processes such as a debtor convened meeting of creditors early in and throughout the process can promote information sharing. A parallel process, as discussed above, could also speed up the restructuring process. Overall, positive developments have been started on this front, but there is room for further improvements.

43. More broadly, the Fund can facilitate the smooth operation of the contractual framework, including on information sharing between the Fund and private creditors. The Fund has specific policies on lending into arrears which incentivize the restructuring process and on information sharing in the context of sovereign debt restructurings (IMF 2024b). For example, the DSA is prepared to underpin the Fund’s decision to provide financing and, as such, Fund staff does not “negotiate” the DSA with creditors or other third parties, and can lend into arrears under well-defined circumstances. It is important for staff to consistently explain its assumptions, at the outset and at each program review, at the request of the member and under the appropriate confidentiality

⁶³ See Makoff 2024b, where the author notes that a consultative process, where feedback from the market and various experts were incorporated in the formulation of the Champerty Bill, was helpful.

undertakings. In cases where an SCDI is proposed due to a significant divergence of views on the macro-framework, Fund staff can further develop its communication with creditors (including availability of tools) – in line with its policies – which could help to mitigate such issues where possible. It could be important for Fund staff to meet with private creditors (with the member’s consent) early in or at regular intervals in the process to listen to their views, which can inform staff’s assessment.⁶⁴ Finally, the Fund can continue to use its good offices to convene debtor-creditor meetings, at the debtor’s request with creditors’ consent, to facilitate information sharing and creditor coordination.⁶⁵

44. Going forward, the Fund has a rich work program on sovereign debt relevant to supporting the contractual framework:

- Implementing and updating Fund guidance of sovereign debt policies, particularly on the role of the Fund in debt restructurings. A review of the policies is scheduled for 2027 (FY28).
- Engaging with international initiatives developing contractual features, such as the London Coalition.
- Supporting the work of the GSDR, particularly on creditor coordination issues.
- To support the proper use of SCDIs, reviewing and/or providing updated guidance and software on the Bank-Fund Debt Sustainability Framework for Low Income Countries (LIC-DSF) and Sovereign Risk and Debt Sustainability Framework (SRDSF).
- To support information provision clauses, strengthening ex-ante debt management and capacity building on debt transparency and improved debt data management systems through continued technical assistance.

⁶⁴ In addition, at certain stages of the process, Fund staff can consider sharing, with the authorities’ consent and subject to confidentiality safeguards, certain information on the financing envelope and key financing assumptions and explain assumptions and analysis that underpins the forecasts and the DSA. IMF 2024b, Appendix VIII, paragraph 13.

⁶⁵ This function is generally limited in scope and technical in nature, and can involve for example, offering a venue for official creditors and the debtor to meet, and reviewing the nature of the issue and general terms for the settlement of a dispute. See IMF 2024b, paragraph 116.

Annex I. Domestic Debt Restructurings

Domestic Debt Restructurings in Ghana and Sri Lanka, and Zambia's Divergent Path¹

1. **Domestic debt restructuring (DDR) was undertaken in Ghana (2023) and Sri Lanka (2023).** The two experiences diverged in their initial domestic debt conditions, which determined the perimeter, design, and implementation with different debt relief targets. The experiences show the need to tailor domestic debt restructurings according to the size, composition of investor base and the instruments they held, in light of risks that DDR can inflict on domestic financial stability, functioning of the debt market, and long-term growth.
2. **In the run-up to the DDR, domestic debt vulnerabilities increased.** As access to external market financing closed, and prior to IMF-supported programs, the authorities in Ghana and Sri Lanka resorted to domestic financing to meet its financing needs. However, as domestic investors began to see the mounting sovereign risks, access to their domestic bond markets also closed, and reliance on T-bills increased. Mounting T-bills increased the GFNs, while unmet financing needs were filled by arrears accumulation and/or central bank monetary financing, contributing to the inflation-exchange rate depreciation spiral.
3. **The buildup of domestic debt vulnerabilities contributing to the unsustainable debt assessment.** Recognizing external debt restructuring and fiscal adjustment alone could not restore debt sustainability and macroeconomic stabilization, the respective authorities embarked on a DDR. With the support of IMF arrangements, the DDR was anchored on debt targets, balancing the need to manage financial stability risks and protecting the vulnerable, taking account of domestic debt market dysfunction. and eventual economic recovery. Key features of the DDR included the following:
 - **Debt targets:** In Ghana, the LIC-DSF did not provide for an explicit debt target on domestic debt. The DDR was motivated by “the large share of domestic debt and the virtually frozen domestic debt market”; as such the debt service relief sought from the domestic component was “designed to reduce domestic financing pressures significantly.”² In Sri Lanka, the targets relevant for domestic debt under the SRDSF included total public debt to GDP (95 percent by 2032), a GFN target (average GFN between 2027-32 below 13 percent of GDP), and an FX debt service target (annual FX debt service below 4.5 percent of GDP in each year over 2027-32).
 - **Domestic authorization:** In both Ghana and Sri Lanka, the DDR was approved by the Parliament and was structured as an exchange offer. The DDRs were not implemented through

¹ This section draws upon on the forthcoming IMF working paper by Anthony, Myrvin, Hui Miao, Marie Kim, Joe Kogan, Kia Luo and Eriko Togo (2025). “Restructuring Sovereign Domestic Debt in Developing Countries: New Cases and Lessons”.

² See IMF Staff Report, Ghana: Request for an Arrangement Under the Extended Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Ghana, May 17, 2023.

legislation that changed the terms of domestic debt, nor legislation introducing retroactive CACs. The new bonds issued by Ghana incorporated the enhanced CACs.

- **Perimeter:** In Ghana, everything except T-bills were included. Debt issued by government special purpose vehicles and the Cocobills issued by the Ghana Cocoa Board (Cocobod) were also included. In Sri Lanka, commercial bank holdings of local currency T-bills and T-bonds were excluded (about 44 percent of total domestic debt), with the restructuring covering the rest of the domestic debt. However, commercial banks in Sri Lanka held Eurobonds that were restructured.
- **Duration:** Ghana's DDR took 0.75 years to complete, whereas Sri Lanka's took 1.3 years,³ as different terms with different investor types were negotiated in sequence.
- **Sequencing with External Debt Restructuring:** In both cases, the completion of the DDR preceded that of external debt restructuring. Both were pre-emptive restructurings.
- **Local Currency Sovereign Credit ratings:** Credit ratings (S&P) before the DDR in Ghana and Sri Lanka stood at CCC+ and CCC-, respectively, both a negative outlook, and both came out with a CCC+ stable outlook, while Fitch upgraded Ghana to B- in June 2025.

4. The outcome of the DDRs differed significantly. The weighted average NPV reduction in Ghana's DDR amounted to 32 percent, whereas in Sri Lanka it was 12 percent.⁴ In both cases, treatments differed by investor base. Such a bespoke approach was a result of different political and financial constraints facing the debtor country and the creditors.

5. Financial stability risks were mitigated during the debt restructuring process with the help of an enhanced financial safety net, regulatory flexibility and contingency planning for crisis management. Central banks improved their crisis management frameworks before the domestic debt restructuring to safeguard the stability of the banking sector. Deposit insurance schemes, emergency liquidity assistance and contingent capital planning were strengthened by the crisis management committee. Some regulatory forbearances such as the release of capital buffer for the affected banks also helped banks to meet regulatory requirements over time. A financial stability fund was established in Ghana, and the Central Bank of Sri Lanka expanded eligible collateral for emergency liquidity assistance beyond government securities. The capital adequacy ratio of Ghana's banking system fell but improved for Sri Lanka while return on asset increased for Ghana and declined for Sri Lanka. Real credit to the private sector decreased for both, amidst a significant increase in non-performing loans in the case of Ghana.

³ The duration for Sri Lanka is based on the announcement from the authorities on July 2022 on the need for DDR, to the completion of domestic bond exchange on September 2023. The restructuring of the guaranteed FX loans to Ceylon Petroleum Company was completed and settled in December 2024.

⁴ The NPV is derived from the reported losses based on local accounting standards in Sri Lanka and Ghana.

6. Restoring the functioning of the domestic debt market takes time. Nevertheless, net domestic financing needs remained positive post-DDR in both Ghana and Sri Lanka, which together with the rollover needs of T-bills exempted from the restructuring has meant that the gross financing needs remained elevated. T-bill issuance costs surged due to both high policy rate and sovereign risk premium during and immediately following the DDR partly offsetting the relief obtained from the DDR partly undoing the effects of the DDR. As of 3Q2025, Ghana has not resumed bond issuances (constrained by the “Limitation on Future Issuances” clause, in which Ghana cannot issue a new series of bonds for a period of three years after the settlement date) whilst the restructured bonds suffered stigma, with some banks refusing to accept them as collateral. Sri Lankan issuance of long-term bonds has slowly normalized in terms of cost and volume. For comparison, in the domestic restructuring cases that took place before 2020, following the second DDR in Jamaica in 2013, it took nearly three years to resume its bond issuance. Barbados resumed issuance 4 ½ years post-DDR, and Grenada took about three years to issue a 2-year T-bonds. In the interim, these countries relied on external official financing, which enabled them to stay out of the domestic bond market.

7. Ghana and Zambia are often compared for their divergent domestic debt treatments despite similarities in their domestic debt vulnerabilities prior to their sovereign debt restructurings (Annex I, Figure 1). While Zambia had higher overall public debt levels compared to Ghana, both had similar domestic debt levels as percent of GDP at end 2022. Both had very high gross financing needs and heavy domestic interest payment burdens. Both countries also faced high net domestic financing in 2022 and accumulated domestic arrears. The sovereign-bank interconnectedness was also similar, and among the highest in sub-Saharan Africa.

8. Divergence occurred with respect to the authorities’ willingness to continue paying high real interest rates and the consequent ability to continue domestic bond issuances. Bond auctions had been failing and had to be abandoned in 2022 in Ghana as investors, particularly non-resident investors, began to retreat from the Ghanaian market. The Ghanaian authorities abandoned the bond auctions, relied exclusively on T-bills, and resorted to monetary financing. In contrast, in Zambia, non-residents holdings increased between 2019-21, as Zambia continued to issue bonds at high real interest rates, although the subscription rates for bonds fell. They also diverged in the timing of the external default, whereas Ghana continued to service external debt obligations through 2022, Zambia had already defaulted in 2020, making the domestic debt market a lifeline for government financing until an IMF arrangement could be finalized.

9. Ultimately, the Zambian authorities determined that financial stability and macro-financial implications outweighed the benefits from domestic debt restructuring. Stress testing of the financial sector in Zambia indicated that domestic debt restructuring could be destabilizing. This shifted the focus to the possible treatment of non-resident investors which would not have had financial stability implications, but separating non-resident investors from the rest of the investor base proved difficult. In contrast, the Ghanaian authorities determined that the financial stability risk could be managed by excluding T-bills, containing losses commensurate with the loss absorptive

capacity of the banking sector, and by setting up mitigating measures that would minimize the financial stability risk.

Other Cases

10. In addition to Ghana and Sri Lanka, a number of other countries have treated their domestic debt since 2020. For example, domestic debt exchanges were carried out in El Salvador, Argentina, and the Republic of Congo, which were classified by rating agencies as distressed exchanges based on the likelihood of conventional defaults--absent participation of creditors--given the sovereigns' acute macroeconomic vulnerabilities, and on the assessment that they represented material reduction in terms via the extension of maturities. As a result, local currency issuer sovereign ratings of these transactions were lowered to "Selective Default (SD)." In the case of Gabon, rating agencies diverged in their assessments.

- In May 2023, El Salvador completed a debt exchange with private pension funds (about 28 percent of GDP). The operation included a four-year grace period on interest payments, which were capitalized with a new coupon rate of 7 percent (from 4.5 and 6 percent). Maturities were lengthened to up to 50 years, from the original maturities of 24 and 44 years. This operation reduced the short-term financing needs for the government. Fitch and S&P classified it as a distressed debt exchange.⁵
- In August and November 2022, January, March and June 2023, and March 2024, Argentina conducted a peso-debt exchange aimed at pushing out maturities (from a few months to up to three years) offering a mix of inflation-linked and dual (inflation- and exchange rate-linked) peso-denominated securities. Participants were mostly public-sector entities such as the public pension fund (FGS), social security institute (ANSES), Banco de la Nacion Argentina, and the central bank (BCRA), and to a lesser extent, private-sector participants. S&P considered these transactions distressed.⁶
- In October 2024, the Republic of Congo announced a debt exchange offer of CFA franc-denominated debt of about 25 percent of GDP and 45 percent of the domestic debt stock issued in its regional market. The old bonds were exchanged for new CFA franc-denominated bonds with longer maturities and unchanged coupon rates and principal amounts. Creditors received an upfront fee payment of 1 to 3 percent of the principal as an additional incentive. The Bank of Central African States (BEAC) granted the new bonds a 0 percent risk-weighting, making them more regulatorily attractive for banks to hold. Despite the unchanged coupons and

⁵ [Fitch Takes Rating Actions on El Salvador Following Local Law Securities Debt Exchange](#).

⁶ [S&P Global Ratings](#) Argentina Local Currency Rating Lowered To 'SD' On Another Distressed Exchange; 'CCC-' Foreign Currency Rating Affirmed, March 13, 2024; [S&P Global Ratings](#) Argentina Local Currency Rating Lowered To 'SD' On Another Distressed Exchange; 'CCC-' Foreign Currency Rating Affirmed. June 8, 2023.

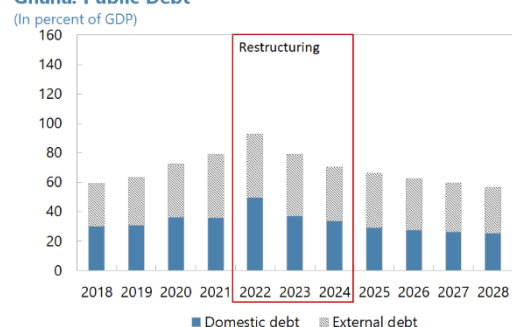
principal, the extension of maturities was considered a material reduction in terms, leading both Fitch and S&P to classify the transaction as a distressed debt exchange.⁷

- In April 2025, Gabon completed a local-currency debt exchange involving about 5.4 percent of GDP, or 34 percent of its outstanding regional market debt. 36 percent of T-bills and 27 percent of T-bonds were exchanged for bonds with longer maturities, backed by resources-linked escrow accounts, enhancing perceived safety. Fitch did not classify the debt exchange as a distressed debt exchange, since it only met one of two criteria (material term reduction, but not default avoidance). The exchange was limited in scale and not designed to avert default. However, Moody's classified the operation as a distressed exchange.

⁷ [Fitch Takes Rating Actions on Republic of Congo Following Local-Currency Debt Exchange.](#)

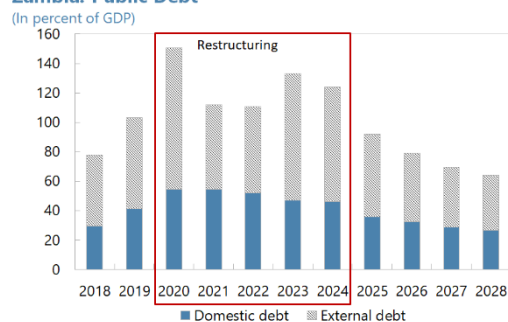
Annex I. Figure 1. Comparisons between Ghana and Zambia

Ghana: Public Debt

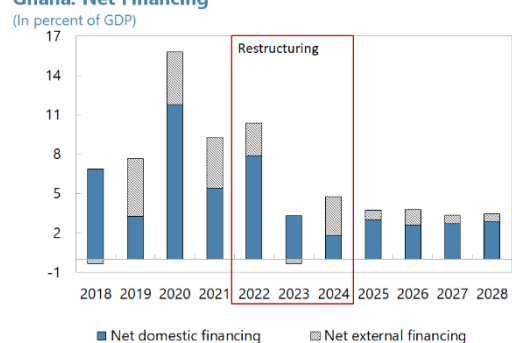


Source: IMF Staff Report Fourth Review of ECF, July 2025.

Zambia: Public Debt

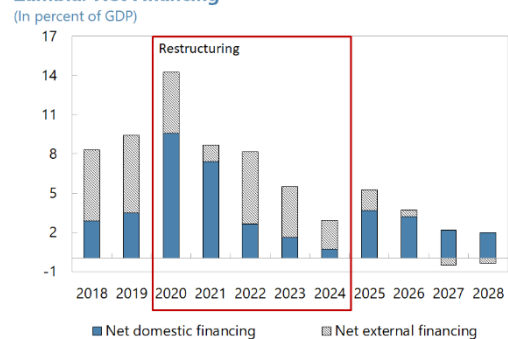
Source: IMF SR Fifth Review of ECF, August 2025.
Note: Domestic debt includes non-resident holdings.

Ghana: Net Financing



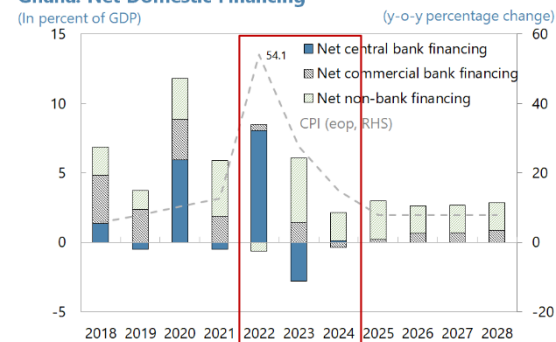
Source: IMF Staff Report Fourth Review of ECF, July 2025.

Zambia: Net Financing



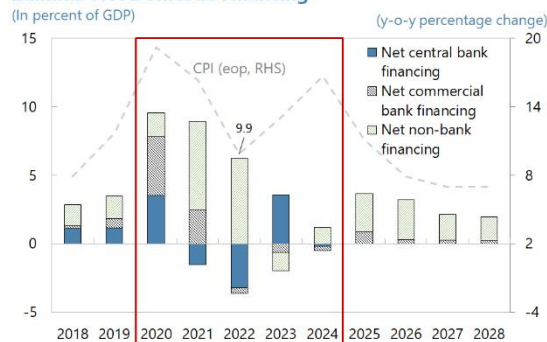
Source: IMF SR Fifth Review of ECF, August 2025.

Ghana: Net Domestic Financing



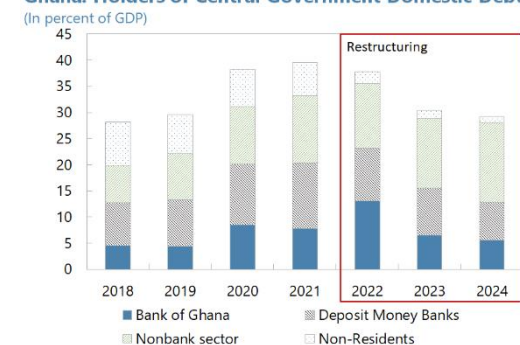
Source: IMF Staff Report Fourth Review of ECF, July 2025.

Zambia: Net Domestic Financing



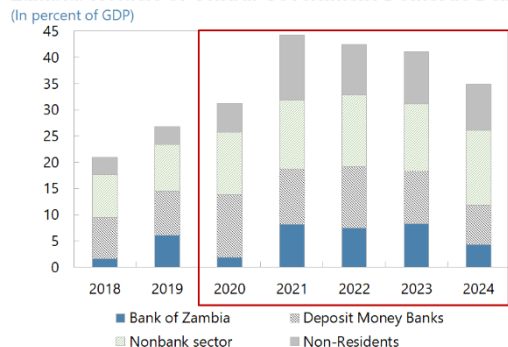
Source: IMF SR Fifth Review of ECF, August 2025.

Ghana: Holders of Central Government Domestic Debt



Source: Bank of Ghana, Statistical Bulletin.

Zambia: Holders of Central Government Domestic Debt



Source: Bank of Zambia, Annual Reports and MOFNP Debt Statistical Bulletin.

Annex II. Litigation and Arbitration Related to Sovereigns

1. This Annex aims to examine some of the key litigation and enforcement trends outside of the restructuring context. This Annex reviews a limited selection of sovereign debt-related litigation and arbitration between 2020 and 2025 outside the restructuring context. Only a small number of these cases have resulted in successful attachments of sovereign assets, pointing to the costly and uncertain nature of judicial enforcement.¹ At the same time, a few high-profile judgements or arbitral awards may result in significant contingent liabilities.²

2. While this annex only examines a limited sample size of cases, it aims to describe different categories of sovereign debt-related litigation and enforcement actions. It covers (i) litigation related to the law applicable in sovereign debt disputes, (ii) litigation involving state-owned enterprises (SOEs), and (iii) enforcement of arbitral awards or judgments by interrupting debt payments.

Litigation Related to the Law Applicable in Sovereign Debt Disputes

3. Recent jurisprudence in the US and the UK provides new insights into the applicability of domestic law for international sovereign debt instruments.³ While international sovereign debt agreements (especially Eurobonds) are generally governed by foreign laws and subject to foreign courts' jurisdiction, the issuer's own laws may be applicable to certain issues, such as debt authorization and validity.⁴ In recent litigation, the question arose whether the sovereign may invoke the failure of its own officials to comply with the pertinent constraints under domestic law as a defense in sovereign debt enforcement disputes (Weidemaier and Gulati 2021):

- **In 2023, the UK Supreme Court, the country's highest court, rendered a judgement in Russia's lawsuit against Ukraine related to the non-payment of interest and principal on a US\$3 billion Eurobond.**⁵ Russia had pursued claims for payment of interest and principal via its trustee in English courts following Ukraine's default in 2015. While the UK Supreme Court rejected the trustee's appeal and the litigation is still pending, it held that Ukraine's bonds were properly authorized under Ukrainian law because the Minister had ostensible authority to sign the contracts and thus validly bound the Republic.⁶
- **In a suit related to the enforcement of bonds issued by Venezuela's state-owned oil company, Petr6leos de Venezuela, S.A. (PDVSA), the New York (NY) Court of Appeals held**

¹ In two instances, creditors have obtained preliminary injunctions that blocked interest and principal payments related to their sovereign bonds, prompting the sovereign to satisfy their arbitral awards. See below.

² See discussion in IMF 2020, paragraph 29.

³ For a discussion of these two judgments, see Grund and Momtahn (forthcoming).

⁴ See Box 8 in Vazquez and others (2024).

⁵ *The Law Debenture Trust Corporation plc v Ukraine* [2023] UKSC 11.

⁶ *The Law Debenture Trust Corporation plc v Ukraine* [2023] UKSC 11.

that domestic (Venezuelan law) was determinative for the validity of the securities while foreign (NY) law controlled the consequences of any such invalidity.⁷ With respect to the implications for the international sovereign bond market, some observers have noted that future security issuers under NY law may need to provide a more robust legal opinion regarding the validity of the security under domestic (constitutional) law.⁸

Litigation Involving State-Owned Enterprises

4. State-Owned Enterprises (SOEs) have also become the subject or aim of private creditor litigation and enforcement. SOEs sometimes hold assets for commercial purposes abroad that may be targeted in the context of attachment procedures against the sovereign under the *alter ego* doctrine. Actions taken by the government in respect of its SOEs (e.g., nationalization), could also give rise to liability claims by foreign shareholders, resulting in judgments against the sovereign and/or the SOE. Two US court cases related to a Venezuelan and an Argentinian SOE underscore these legal risks:

- **Venezuela's state-owned oil company, PDVSA and its affiliate CITGO Petroleum, have been enmeshed in numerous lawsuits before US courts since the country's default in 2017.** These cases concern the enforcement of arbitral awards against Venezuela. However, in the absence of attachable Venezuelan assets, creditors have sought to attach CITGO, a US-based refining company and indirect subsidiary of PDVSA, arguing that PDVSA was Venezuela's *alter ego*. The Third Circuit Court of Appeals sided with the creditors in 2019.⁹ The court-supervised auction of CITGO shares to satisfy attachment creditor claims is currently underway.¹⁰
- **Following the 2012 nationalization of Argentina's state-owned oil company, YPF S.A., minority shareholders obtained a US\$16 billion judgement against Argentina in US courts in 2023.**¹¹ Plaintiffs asserted that Argentina had failed to make a tender offer for their shares as part of the SOE's nationalization, which amounted to a breach of YPF's By-Laws and the shareholders' expropriation. Following several years of litigation, a US court held that Argentina was liable for failing to offer to purchase the shares and granted a US\$16 billion judgement. Argentina has since appealed the ruling.¹²

⁷ *Petróleos de Venezuela S.A. v MUFG Union Bank, N.A.*, 2024 NY Slip Op 00851 (February 20, 2024).

⁸ Cleary Gottlieb, New York Court of Appeals Holds that Venezuelan Law Governs the Validity of PDVSA's 2020 Bonds, Client Alert Memorandum (February 27, 2024).

⁹ See *Crystallex Int'l Corp. v. Venezuela*, Nos. 18-2797 & 18-3124, Slip Op., (3rd Cir. July 29, 2019).

¹⁰ See *Crystallex International Corporation v. Bolivarian Republic of Venezuela*, No. 17-mc-151, D. Delaware.

¹¹ *Petersen Energía Inversora S.A.U. v. Argentine Republic*, 15 Civ. 2739 16 Civ. 8569 (S.D.N.Y. Mar. 30, 2023).

¹² In June 2025, the US District Court ordered Argentina to transfer its shares of YPF to a global custody account in BNYM in New York, after which such shares will be transferred to the plaintiffs in partial satisfaction of the judgment. The Argentine authorities appealed and in August, were granted a stay by the US 2nd Circuit Court of Appeals until the substantive appeal is decided. See *Petersen Energía Inversora, S.A.U. v. Argentine Republic*, No. 15 Civ. 02739, (S.D.N.Y. June 30, 2025).

Enforcement of Arbitral Awards or Judgements by Interrupting Debt Payments

5. Holders of enforceable court judgments or arbitral awards may seek to interrupt payments related to the sovereign's international debt obligations. By serving restraining orders or injunctions on third parties, such as fiscal agents or payment providers, payment streams between the sovereign debtor and international creditors may be disrupted. Two enforcement cases against Guatemala and Ecuador highlight this:

- **In November 2020, the Supreme Court of NY issued a restraining notice to freeze all accounts in NY used to make payments on Guatemala's international debt securities.**¹³ The restraining notice, based on a US judgment recognizing an ICSID award, prohibited Guatemala's fiscal agent from making any transaction related to property in which Guatemala had an interest, which caused it to miss a coupon payment and resulted in a rating downgrade.¹⁴ A few days later, Guatemala satisfied the judgment before the bond's grace period expired, and the plaintiff subsequently withdrew the asset restraint served on the fiscal agent.¹⁵
- **In July 2022, at the request of an award holder, a Luxembourg bailiff ordered banks to freeze all accounts held by Ecuador in Luxembourg.**¹⁶ The award holder had obtained a US\$412 million ICSID award against Ecuador successfully requested that 122 banking entities in Luxembourg freeze all assets in accounts used by Ecuador, including those used to make payments on international debt obligations.¹⁷ On December 22, 2022, the government announced that it had reached a settlement with the award holder and the freezing order was lifted.¹⁸

6. The disruption of sovereign debt payment streams through court orders or injunctions poses risks to the debtor and other creditors, creating challenges in overall debt resolution.

The above-mentioned payment interruption attempts in Guatemala and Ecuador suggest that this remains a potential legal risk. To this end, issuing bonds under trust structures provides some protection from disruptive enforcement actions targeted at the sovereign debtor's payment streams.¹⁹ While funds held by the fiscal agent are typically treated as belonging to the issuer,

¹³ *TECO Guatemala Holdings, LLC, v. Republic of Guatemala*, Case 1:20-cv-09559-LTS.

¹⁴ West 2020.

¹⁵ *TECO Guatemala Holdings, LLC, v. Republic of Guatemala*, Case 1-20-cv-09559-LTS Document 15.

¹⁶ Oliver West, Ecuador's clumsiness over Perenco payments is not harmless, Global Capital (August 10, 2022).

¹⁷ *Perenco Ecuador Ltd. v. Republic of Ecuador and Empresa Estatal Petróleos del Ecuador (Petroecuador)*, ICSID Case No. ARB/08/6; Rowena Edwards and Karin Strohecker, Luxembourg banks told to freeze Ecuador assets amid Perenco dispute, documents show, Reuters (August 1, 2022).

¹⁸ Republica del Ecuador, Gobierno Pone Fin A Disputa Internacional, December 22, 2022, <https://jusmundi.com/en/document/pdf/other/en-perenco-ecuador-limited-v-republic-of-ecuador-republic-of-ecuadors-press-release-on-the-payment-plan-agreed-upon-with-perenco-to-comply-with-the-arbitration-award-thursday-22nd-december-2022>.

¹⁹ Under an FAA, the fiscal agent serves as an agent of the issuer, and its main responsibility is making principal and interest payments to the bondholders. Under trust structures, however, a bond trustee acts on behalf of, and has a number of responsibilities to, bondholders as a group. While the majority of New York law-governed bonds are issued under trustee structures, only a minority of English-law governed bonds are. See IMF 2020, paragraphs 38-39.

putting them at risk of attachment, monies held by a trustee are generally considered the property of the bondholders, rendering attachment more difficult.²⁰

Annex II. Table 1. Selected Cases of Sovereign Debt-Related Litigation (2020-2025)					
Country	Case Name	Court Location	Status of Legal Action	Amount Claimed (Awarded)	Year Action Filed (Judgement Issued)
Litigation Related to Active Sovereign Debt Restructurings					
Sri Lanka	<i>Hamilton Reserve Bank v. Sri Lanka</i>	USA	Judgment pending	US\$250 million (N/A)	June 2022 (N/A)
Litigation Related to the Law Applicable in Sovereign Debt Disputes					
Venezuela (PDVSA)	<i>PDVSA v. MUFG Bank Union</i>	USA	On appeal	N/A	2019 (2024)
Ukraine	<i>The Law Debenture Trust Corporation v Ukraine</i>	UK	Remanded to trial court	N/A	2016 (2024)
Litigation Related to State-Contingent Debt Instruments¹					
Argentina	<i>Palladian Partners v. Argentina</i>	UK	Final judgment issued (not enforced)	EUR1.5 billion	2020 (2024)
Argentina	<i>Aurelius Capital Master v. Argentina</i>	USA	Amended complaint filed	US\$650 million	2021 (2024)
Litigation Involving State-Owned Enterprises					
Venezuela	<i>O.I. European Group v. Venezuela</i>	USA	Final judgment issued (not enforced)	US\$372 million	2011 (2024)
Argentina	<i>Petersen Energia Inversora v. Argentina</i>	USA	On appeal	US\$16.1 billion (US\$16.1 billion)	2015 (2024)
Enforcement of Arbitral Awards or Judgements by Interrupting Debt Payments					
Guatemala	<i>TECO Guatemala Holdings v. Guatemala</i>	USA	Settled	US\$46 million (US\$46 million)	2010 (2020)
Ecuador	<i>Perenco v. Ecuador</i>	Luxembourg	Settled	Currently unavailable.	2008 (2022)
1/ For a discussion of litigation related to SCDIs, see Box 1 below.					

²⁰ Lee Buchheit, Trustee versus fiscal agents for sovereign bonds, 13(3) Capital Markets Law Journal 410 (2018). Switching to trust structures may result in higher costs for the issuer, and has therefore been less attractive than issuing bonds under FAAs; IMF, paras 38-39.

Annex II. Box 1. Litigation Involving SCDI Instruments

Various ongoing litigation surrounding previously issued SCDIs highlights such legal risks inherent to SCDIs:

- **GDP-linked securities issued by Argentina in the context of its 2005 and 2010 debt restructurings.** In April 2023, the UK High Court of Justice rendered a EUR1.33 billion judgement against Argentina and in favor of a group of holders of its GDP-linked warrants, which was upheld by the UK Court of Appeal and the UK Supreme Court did not grant permission to appeal.¹ The claimants successfully argued that Argentina had breached the contractual agreement underpinning the securities by not making payments on the warrants in 2013 after rebasing its GDP.
- **Greece GDP-Linked Securities.** Greece has recently sought to repurchase all of its GDP-linked securities relying on a contractual provision embedded in such securities. However, creditors have challenged the exercise of such right and the pricing at which such securities will be repurchased.² The creditors have now formed an ad-hoc creditor group in response.³

¹ *Palladian Partners -v- Republic of Argentina*, [2023] EWHC 711 (Comm); *Palladian Partners -v- Republic of Argentina*, [2024] EWCA Civ 641. A similar case related to these securities is currently pending in US federal courts.

² See statement from Greek authorities ([https://www.bankofgreece.gr/RelatedDocuments/Greece-Notice to Holders-GDP linked Securities Claim.pdf](https://www.bankofgreece.gr/RelatedDocuments/Greece-Notice%20to%20Holders-GDP%20linked%20Securities%20Claim.pdf)), and as reported by various news outlets, such as Bloomberg (<https://www.bloomberg.com/news/articles/2025-05-13/greece-asks-uk-court-to-rule-on-dispute-over-gdp-warrant-buyback>).

³ See reporting from Reuters (<https://www.reuters.com/markets/europe/greek-warrant-holders-form-creditor-group-amid-government-buyback-2025-05-16/>).

Annex III. New Contractual Features – A Closer Look

There is no one-size-fits-all formulation given the limited sample size and case-by-case commercial considerations. However, this annex describes how such clauses have been formulated in the recent restructuring cases.

State Contingent Debt Instruments

1. State-Contingent Debt Instruments (SCDIs) link future debt repayments to the outcomes of pre-defined variables. The associated contractual adjustment may apply to coupons, the principal, or the maturity of repayments.¹ SCDIs can include CRDCs. SCDIs used in recent restructuring cases of Suriname, Zambia, Ukraine, and Sri Lanka, have taken the form of Value Recovery Instruments (VRIs) or Macro-linked bonds (MLBs) (Annex III, Box 1). Generally, the Fund is open to the use of SCDIs and, given its role of not micromanaging the debt restructuring processes, does not get involved in its specific design.²

Annex III. Box 1. Use of SCDIs in Recent Restructuring Cases

The broad market view is that SCDIs were used to bridge the differences between the creditors' projections and the macro-framework and DSA underpinning the Fund-support program. The divergent views were driven by different features in each case:

Scenarios with bimodal outcomes that could impact debt treatment:

- In Suriname, there were prospects of significant oil revenues, which could result in upside potential to its economic outcomes and payment capacity. However, when Suriname's Extended Fund Arrangement was approved in 2022, the DSA did not incorporate the impact of future oil production, since available information then did not provide assurances about the economic viability of the reserves.¹ A VRI in the form of an oil-linked security was included in the restructuring to avoid waiting for that uncertainty to resolve.
- In Zambia, there were prospects of a higher debt carrying capacity classification (i.e., medium) under the LIC-DSF framework, which could change the external debt burden thresholds and open up a significant amount of additional envelope for the negotiation. When Zambia's Extended Credit Facility arrangement was approved in 2022, the DSA classified Zambia's debt carrying capacity as low, based on the composite indicator.² A SCDI linked to the composite indicator reaching the medium threshold (together with an alternative test based on exports and revenues) was included.
- *Exceptionally high uncertainty* due to Russia's war in Ukraine. An SCDI linked to nominal GDP and real GDP was included. Unlike the other three cases, this SCDI represents more of a *sweetener*, with only a 2% reversal of the debt relief originally provided if the triggers are met (see Annex III).

¹ See IMF 2017a for a more detailed discussion.

² However, the Fund needs to evaluate whether a proposed SCDI is consistent with program financing and debt sustainability targets. See Appendix X of IMF 2024a. The GSDR Compendium sets out some elements for consideration in designing a SCDI.

Annex III. Box 1. Use of SCDIs in Recent Restructuring Cases (concluded)

- *Significant divergence of views on the macro-framework* in the case of Sri Lanka, particularly on the exchange rate path. A SCDI linked to USD nominal GDP and Real GDP Growth was included.

Ghana provides an example where, in the absence of a strong justification for an SCDI, investors agreed on plain vanilla debt instruments. An SCDI was originally discussed by the bondholder committee in Ghana's case. However, the Fund's macro-framework at the time of the Eurobond restructuring negotiation was viewed as generally fair and consistent with the creditors' views. In such a context, the use of an SCDI was not seen as an imperative to reach an agreement, as no uncertainty needed to be resolved. Combined with the lack of political appetite for an SCDI from Ghanaian authorities and the composition of the creditor committee which preferred plain vanilla debt instruments, an SCDI was not adopted.

¹ See the Staff Report for Suriname's [Request for an Extended Arrangement under the EFF](#). Following the Final Investment Decision in October 2024, the impact of the investment into the Block 58 oil project was incorporated into the baseline macroeconomic framework and the DSA (see e.g., Suriname's [Ninth Review under the Extended Arrangement under the EFF](#).)

² As of Zambia's [Fourth Review under the Arrangement under the Extended Credit Facility](#), Zambia's composite indicator score is 2.62, and remains below the cut-off for the medium debt carrying capacity of 2.69. The composite indicator is calculated using data from the April 2024 WEO and the 2023 CPIA, the latest available.

2. As described in paragraph 22, recent SCDIs have evolved to allow for index eligibility. In addition, developments in trigger design have also emerged:

- **Closer Link to Repayment Capacity.** In Suriname, the SCDI variable is designed to be closely tied to the repayment capacity of the sovereign - the payment amounts under the oil-linked securities will be 30% of Suriname's *net cash proceeds* (after marketing fees and taxes) received from the sale of certain sources of oil. However, other non-commodity linked SCDIs still rely on broader economic indicators which may be correlated, but less directly tied to actual repayment capacity compared to Suriname – Zambia's SCDI is based on the composite indicator under the LICDSF³ or exports/fiscal revenue, while Sri Lanka and Ukraine are based on GDP.⁴
- **Dual-limb Triggers for GDP-based variables.** With respect to GDP-based variables, both Ukraine and Sri Lanka adopt a dual-limb trigger, requiring both the nominal *and* real GDP levels to exceed certain thresholds. The nominal GDP level in USD can be volatile and higher levels may not correspond to higher repayment capacity as fiscal revenues may not be correlated with GDP in USD terms, especially if the exchange rate strength is only temporary or misaligned during the measurement period. The real GDP limb helps to mitigate this basis risk.

³ The composite indicator plays a role in classifying a country's debt carrying capacity and reflects the contributions of all the non-debt explanatory variables to the risk of debt distress. See IMF, 2017b.

⁴ See The Bretton Woods Paper, page 13, which notes the possible drawbacks of such triggers – "...an increase in GDP or gross export revenues do not translate on a one-to-one basis to a source of funds to repay creditors."

- **Downside Adjustment in Sri Lanka.** Sri Lanka’s MLB bonds also included a downside trigger, where the principal amount of the bonds will be reduced in the event GDP underperforms relative to the baseline scenario (see Annex III, Table 1).⁵

3. Other than the SCDIs discussed above, governance-linked bonds and other bonds linked to Fund arrangements have also emerged. For example, Sri Lanka’s restructuring also provided for a governance-linked bond, where coupon payments will be reduced if Sri Lanka meets certain governance performance indicators, an important area of reform of the Fund supported program. These are akin to certain climate-linked bonds in the market, where coupon payments are reduced if certain climate-linked indicators are met.⁶ More broadly and outside of the restructuring context, El Salvador has also recently issued notes where the coupon could increase or decrease, linked to its sovereign rating and agreements with the Fund on a potential arrangement.⁷

⁵ See also Eric Lalo, 2024, “[Important Innovations in Sovereign Finance: The Arrival of Macro-Linked Bonds \(MLBs\) and Governance-Linked Bonds \(GLBs\)](#)”.

⁶ For example, such climate-linked bonds have been issued by Uruguay and Chile. Sustainability/climate-linked debt have also been issued in the corporate context.

⁷ Generally, linking debt relief to certain Fund-related conditions should be discouraged. See paragraph 123 in IMF 2024b.

Annex III. Table 1. Key Features of SCDIs

	Suriname	Zambia	Sri Lanka	Ukraine
Securities which included the SCDI	Oil-linked Securities	New B Notes	New International Bonds ¹	2035 and 2036 B Bonds
Symmetric Adjustment?	N/A (Cash payout based on oil production)	No – Upside only	Yes – Upside and Downside	No – Upside only
Triggers for SCDI	Oil Warrants – 30% of annual royalty income from Block 58 (after the first \$100m, which goes to the sovereign). 9% accrual rate on principal of warrants (increasing to 13% under certain conditions). Capped at 2.5x of the initial notional amount (i.e., approximately US\$787 million).	<i>Either</i> (i) Composite Indicator ≥ 2.69 for 2 consecutive semi-annual periods <i>Or</i> (ii) 3-year average of Annual Exports > Projected Exports <i>and</i> 3-year average Annual Revenues > Projected Revenues.	<u>Upside</u> <i>Dual Conditions:</i> (i) Average USD Nominal GDP (for 2025, 2026, 2027) is greater than the IMF baseline (US\$88.6 billion), <i>and</i> (ii) Cumulative Real GDP Growth is greater than 11.50%. <u>Downside</u> <i>Dual Conditions:</i> (i) Average USD Nominal GDP is lower than the IMF baseline (US\$88.6 billion), <i>and</i> (ii) Cumulative Real GDP Growth is less than 11.50%.	<i>Dual Conditions:</i> (i) nominal GDP for FY2028 is $\geq 3\%$ higher than IMF projections at 4 th EFF Review, <i>and</i> (ii) real GDP for FY 2028 \geq IMF projections at 4 th EFF Review.
Effects of SCDI Trigger	Cash Payout under Oil Warrants	Maturity acceleration and coupon increase. <u>Original:</u> Coupon: 0.5% Principal: Amortizes from 2051 to maturity.	<u>Upside</u> Coupon Step-up <i>and</i> Principal Increase <i>Amounts increased depends on thresholds and/or maturity of bond series.</i>	Principal Increase (with interest). Principal Increase Amount is the 27.87% of the outturn between actual nominal GDP and 1.03 times of the projection, converted to USD at the 2028 annual average exchange rate) <i>plus</i> 3% interest on such amount from test date to actual issue date.

1/ Sri Lanka's private external debt restructuring also included governance-linked bonds (GLB) which state that when both Sri Lanka's target and key performance indicators (KPIs), seen as indicating better governance, improve, the bond coupon will be reduced by 75 basis points from late 2028. This would reduce its interest payments by \$80 million over the remaining life of the instrument, which matures in 2035.

Annex III. Table 1. Key Features of SCDIs (concluded)

		<u>Trigger Activates:</u> Coupon: 1.5% till 2031 + 6% PIK interest. After 2031 - 7.5% interest cash pay. Principal: Maturity acceleration to 2035, amortization starts 2032.	<u>Downside</u> Principal Reduction Only <i>Amounts increased depends on thresholds and/or maturity of bond series.</i>	Capped at 12% of the nominal value of the notes.
Trigger Test Date	N/A (oil warrants issued at closing)	Multiple: 30 day period prior to each Interest Payment Date between Jan 1, 2026 – December 31, 2028	One time test date on November 15, 2028	One time test date on Nov 15, 2029.

Loss Reinstatement Clauses

History

1. LRCs were first used in Ecuador’s 2000 restructuring.¹ The 2030 exchange bonds in Ecuador included a “principal reinstatement clause”, where specified amounts of additional 2030 bonds will be issued if an interest payment default that lasted for more than 12 months occurred in the first 10 years of the bond. Creditors were concerned that if consecutive restructurings² were to occur, the size of their claims will get smaller and smaller (due to the repeated debt relief provided in each restructuring exercise), with this clause “returning the creditors to something approaching the status quo ante.”³ Subsequently, LRCs were included in Belize’s 2013 restructuring, which required Belize to issue additional exchange bonds if a payment default lasting more than 30 days occurred in the first 10 years of the bond.⁴ LRCs were also included in the bonds issued by Barbados in 2019, if a payment default lasting more than 30 days occurred within the time the 2018 EFF Arrangement was in place.⁵ LRCs have not yet been triggered: while Ecuador and Belize subsequently defaulted, Ecuador launched a buy-back of their bonds in 2009, while Belize completed a consent solicitation before the 30 day grace period was up.

Key Design Considerations

2. LRCs should be carefully designed to mitigate risks to the sovereign issuer. These clauses may pose risks to the sovereign issuer if they are triggered too broadly and/or inadvertently, especially given the severe financial consequences of such clauses. The following factors in designing a LRC – and their respective costs and benefits – should be carefully considered (Annex III, Table 2 summarizes the key features in each recent case):⁶

¹ See “How Ecuador Escaped the Brady Bond Trap”, Lee Buchheit, International Financial Law Review, December 2000.

² By 2000, Ecuador had already defaulted on its Brady bonds and Eurobonds, while Belize had already restructured its debt 3 times by early 2017.

³ See Buchheit, International Financial Law Review, where he notes that the purpose of this clause “was to assure the creditors that they would not be permanently prejudiced by granting Ecuador additional debt relief...if this transaction did not result in sustained debt servicing by Ecuador on the new bonds.”. Therefore, LRCs are intended to anchor the “unspoken bargain” that if a creditor provides debt relief on its original claim, its expectation should be that the sovereign will service the restructured debt.

⁴ See Asonuma and others, 2018.

⁵ LRCs were also used by Seychelles (2010) and St. Kitts and Nevis (2012), though their triggers were linked to the failure to implement the IMF arrangement. See “[The Sovereign Debt Restructuring Process](#)” Chapter 8, Lee Buchheit et al.

⁶ As noted above, these clauses are the product of complex negotiations between the creditors and the sovereign issuer, in the context of the commercial circumstances in each case; there is no one-size-fits-all formulation.

- **Penalty:** There have been some concerns⁷ that the courts may perceive LRCs to be a penalty instead, which may be unenforceable.⁸ This risk may also increase if LRCs are used to enforce the compliance of other (non-payment) obligations, as discussed below. Legal advice in each individual case should be considered.
- **Broad Triggers:** Given the rationale for the LRC and the potentially severe consequences of the LRC, there should be good justifications if triggers that are not directly related to the servicing of the bond are included. The earlier LRCs only included payment defaults as a trigger; a moratorium event of default⁹ is also included as a trigger in the recent cases, which is a relatively incremental expansion.¹⁰ However, triggers that are linked to non-payment obligations – such as information provision or cross-default triggers - links the performance of other obligations (in the case of cross-defaults, performance of obligations under other debt contracts) with the LRC clause; the performance of such obligations may not be linked to the debt servicing capacity of the sovereign under the bonds.
- **Grace Periods:** The LRC in Ecuador included a much longer grace period of 12 months, which could be linked to the onerous consequences from an LRC. In recent formulations of LRCs, triggers are usually linked to the occurrence of a specific event of default, which includes its own applicable grace period.¹¹ Creditors and the sovereign issuer should carefully consider the right length for a grace period with respect to LRCs.
- **Automatic Acceleration:** Issuers and creditors should also consider how the activation of the LRCs should be implemented. Ghana's and Sri Lanka's LRC requires the consent of 25% and 20% respectively of the noteholders for the LRC to trigger. In contrast, Zambia's Notes rely on an automatic acceleration approach: upon the occurrence of the trigger events, the B Notes are automatically accelerated *and* increased by the requisite amounts, due and payable immediately.

⁷ See Gulati and Weidemaier, "Is Sri Lanka's Loss Reinstatement Provision a Penalty", *Clauses & Controversies*, Ep. 149 (Podcast).

⁸ The enforceability of a clause will have to be evaluated by a court on a case-by-case basis, given the complexity of the laws relating to contractual penalties. In general, Section 356(2) of the *Second Restatement of Contracts* state that "a term in a bond providing for an amount of money as a penalty for non-occurrence of the condition of the bond is unenforceable on grounds of public policy to the extent that the amount exceeds the loss caused by such non-occurrence." See also *Cavendish Square Holding BV v El Makdessi and ParkingEye Ltd v Beavis* [2015 UKSC 67], for the perspective under English law.

⁹ Moratorium events of default typically occur when the sovereign declares a general moratorium on the payment of principal or interest on its *other* external indebtedness.

¹⁰ In practice, an issuer who has declared a moratorium on its debt obligations is also unlikely to also service its Eurobonds.

¹¹ The applicable grace periods for payment defaults typically range from 7 – 15 days for principal payments and 30 days for interest payments.

These contrasting mechanisms should be considered carefully by both bondholders and the sovereign issuers, especially given that acceleration is often a decision not taken lightly.¹²

- **Interaction with SCDI:** The interaction between the LRC (principal increase) and SCDI (which may result in a coupon or principal increase) could result in “double counting”; this complexity should be carefully handled. For example, the LRC could be no longer in effect at the time of the SCDI trigger date.
- **Life of LRC clause:** Depending on the maturity of the bond, the length of time the LRC should be in effect should be carefully considered. For example, the effective period of the LRCs in Ukraine and Zambia are generally linked to the IMF arrangement, while it is much longer in Ghana. Parties can consider if there is a specific time where the creditors should not be restored to their “pre-restructuring status quo”, e.g., if a considerable amount of time has passed from the date of the restructuring.

Different Design Elements in Ukraine’s Bonds

3. In Ukraine’s case, the LRC was included to mitigate the exceptionally high uncertainty, where the bondholders proceeded with the debt treatment first.¹³ Ukraine’s debt strategy proceeded first with the Eurobond exchange in 2024, while the official creditors (i.e., the Group of Creditors of Ukraine, or “GCU”) committed to a two-step process involving a debt standstill, coupled with a separate assurance to deliver a debt treatment sufficient to restore debt sustainability before the final review of the Fund-supported program. With the official creditors proceeding later, there is uncertainty as to whether further debt relief from the Eurobond holders is required.

4. Accordingly, the LRC in Ukraine’s case contains several unique elements. The trigger for the LRC is linked to a bespoke event of default – i.e., where Ukraine announces or declares a further commercial debt treatment due to the CoT assessment by the official GCU requires *and* there is a failure to pay or moratorium on debt. Furthermore, Ukraine’s LRC aims to place the bondholder in *exactly* the same position as if the exchange did not take place *and the original bonds remained in default up to the LRC trigger date*. The principal increase includes the interest that would have been paid on the original bonds and deducts any interest (on the exchange bonds) and consent fees paid to the bondholders who participated in the exchange (reversing the effect of the exchange). This entire amount will be subject to default interest at the higher interest rate of the original bonds. This is unlike the other cases, where the effect to simply restore the bondholders’ claim to the principal amount immediately before the restructuring date.

¹² For example, typically, during a usual event of default, 25% of bondholders is required to accelerate the bonds. Acceleration can also trigger cross-defaults in other debt instruments.

¹³ See e.g., Theo Maret, 2024, “[Zambia: Third Time’s a Charm](#)”, where the author notes that “[LRCs] can also be thought of as a way for bondholders to hedge against future uncertainty, which could be economic uncertainty, or related to the sequential aspect of the restructuring.”

Annex III. Table 2. Loss Reinstatement Clauses

	<u>Ghana</u>	<u>Zambia</u>	<u>Sri Lanka</u>	<u>Ukraine</u>
Securities which included the LRC	Long Term Disco Notes	New B Notes	New International Bonds	New Step-Up A and B Notes (multiple maturities)
Triggers for the LRC	<ul style="list-style-type: none"> • Payment EoD • Moratorium EoD • Issuer does not consent to publication of IMF staff reports • Liquidated Damages Event (i.e., where the Ghana Supreme Court finds that the Disco Notes are illegal, invalid or unenforceable under domestic law in certain circumstances). 	<ul style="list-style-type: none"> • Payment EoD • Moratorium EoD • Failure to Publish Adjustment Event Determination Notice EoD • Cross-Default EoD 	<ul style="list-style-type: none"> • Payment EoD • Moratorium EoD 	<ul style="list-style-type: none"> • CoT EoD (i.e., due to a CoT Assessment by certain official creditors, a further commercial debt treatment is announced or declared, and there is a failure to pay or moratorium event).
Cut-Off Date where LRC will be Effective	<ul style="list-style-type: none"> • Dec 31, 2032 	<ul style="list-style-type: none"> • Up to final disbursement made under current ECF Arrangement (current Availability Date for the final disbursement is October 1, 2025). 	<ul style="list-style-type: none"> • Governance-Linked Bonds: Nov 30, 2028 • Macro-Linked Bonds: (i) if adjustment event has not occurred, date of delivery of notice¹, (ii) if adjustment event has occurred, effective date of adjustment². 	<ul style="list-style-type: none"> • CoT Assessment will occur during or immediately after the expiry of Ukraine's current EFF Arrangement (currently end-March 2027).
Activation Threshold	At least 25% of Long/Short Term Disco New Notes (i.e., Short Term Disco Noteholders may provide instructions for the trigger, but do not benefit from the LRC.).	N/A – automatic acceleration.	At least 20% of the Holders.	N/A – automatic acceleration.

Annex III. Table 2. Loss Reinstatement Clauses (concluded)

Effect if LRC Triggered	Principal Amount Increase	B Notes are automatically accelerated and immediately due and payable upon trigger events occurring.	Principal Amount Increase	Step-Up A and B Notes are automatically accelerated and immediately due and payable upon trigger event occurring.
Amount of Principal Increase	37% of the principal amount plus accrued interest (up to end-Dec 2023) of the existing notes exchanged for the Disco New Notes	62.25% increase in nominal amount of B Notes ³	37% of the aggregate outstanding amount of New International Bonds <i>plus</i> 12.5% of the aggregate outstanding amount of the PDI Bonds (in each case, as of the date of the Loss Reinstatement Event)	Commercial effect of restoring the original claim of the Bondholders, as if the 2024 exchange did not occur. ⁴
Changes to LRC a Reserved Matter?	No	Yes	Yes	Yes

¹ In practice, this would be no later than 30 days following November 15, 2028.

² In practice, this would be the first Interest Payment Date for such series of Macro-Linked bonds occurring in 2029.

³ I.e., outstanding principal amount of B Notes plus accrued and unpaid interest *plus* US\$622.50 per US\$1,000 in nominal amount of B Notes are immediately due and payable.

⁴ The exchange notes will be due and payable in an increased amount, which will be, broadly, the outstanding principal of existing (pre-exchange) notes, together with accrued and unpaid interest from 2022 debt deferral up to date of the 2024 exchange bonds are issued, with a notional interest of 7.43% on such amounts, from such issue date to the Loss Reinstatement Date. Any interest and consent fees paid on the 2024 exchange bonds in the interim will be deducted.

Most Favored Creditor Clauses

1. A more technical aspect of MFC clauses is how the terms and/or recoveries offered to the future restructuring creditors will be valued and compared to the terms obtained by the participating creditors. The MFC clause works by comparing recovery percentages, generally measured by past and future cashflows received (based on the debt treatment reached in the restructuring) *divided by* the total amount of the creditors' claim, as measured on a present value basis. There are many different components that go into the calculation, warranting careful definition. For example, the amounts that creditors recover (i.e., the numerator), consists of not just the cashflows of the new instrument received, but could also include other elements such as consent fees, interim payments and original issue discount (OID). Similarly, the size of the total claim (i.e., the denominator), consists of not just the outstanding principal value of the claim, but could also include past due interest, default interest and other fees. Therefore, it is important to draft the clause with precision. The relevant treatment of all amounts such as payments in the interim, fees (consent fees, OID) should be specified clearly.

2. Furthermore, because future cashflows have to be discounted to the present value, the date at which the respective cashflows are valued will also have to be carefully considered.

The three cases of Zambia, Ghana and Sri Lanka all take different approaches, which could affect how the MFC clause operates.

- **MFC Clause Becomes Less Binding with the Passage of Time:** In Zambia, the PV of the future restructured debt is valued as of *the date of the exchange*. Since the PV of the future restructured debt is valued as of the date of the exchange, the *later* the debt is restructured, the *smaller* the PV of the cashflows will be, due to the greater discounting effect.¹ This would make it easier to satisfy the MFC clause as time passes. However, in Zambia's case, the recovery is compared against the *lower* of the total nominal value of the claim as of *the date of the exchange* or *the future restructuring date*.
- **MFC Clause Becomes Less Binding with the Passage of Time, with Larger Denominator:** Ghana shares Zambia's formulation, where the PV of the future restructured debt is valued as of *the date of the exchange*. However, the total outstanding claim is valued as of *the future restructuring date*, which will likely result in a larger denominator relative to Zambia's formulation.²

¹ For example, assume that the date of the restructuring is 2024. If the residual debt is restructured in 2027, the PV of the cashflows of the future restructured debt will have to be discounted back for 3 years. On the other hand, if the residual debt is restructured in 2029, the PV of such cashflows will have to be discounted back for 5 years, resulting in a smaller amount.

² This may be the case as more default interest and/or past due interest will accrue as time passes.

- **MFC Clause Does Not Change Over Time:** In Sri Lanka, the recovery ratio formula compares the present value of the future restructured debt with the total value of the outstanding claim, in each case, as valued *as of the future restructuring date*.

3. SCDI features could also add to the complexity in the operation of MFC clauses. SCDIs could result in a shorter maturity, increased coupon and/or changes to the principal amount, all of which would affect the present value of the cashflows received by the participating creditors (which would then affect the recovery percentages the bondholders receive, for the purposes of the MFC clause). The MFC clauses have dealt with this issue in a variety of ways. Both sovereigns and bondholders should aim to agree on how to resolve this issue, to reduce any uncertainty going forward.

- For Zambia, the mechanism typically assumes that the upside adjustment (leading to higher cashflows to creditor) will be triggered³, increasing the recovery ratio for the purposes of this calculation.
- For Sri Lanka, the exchange bonds include Marco-Linked Bonds and Governance-Linked Bonds. The recovery rate is deemed as 50.2% and 51.7% for existing bonds and commercial debt respectively, with the total scheduled payments under the macro-linked bonds being calculated “using a probabilistic approach.”
- On the other hand, Ukraine’s MFC did not specify how the SCDI component – which leads to a principal increase in the 2035 and 2036 B Notes - will be factored, when calculating the net present value of the exchange notes that are issued. This might be because Ukraine’s SCDI is more similar to a sweetener and the different features of Ukraine’s clauses, discussed below.

4. More broadly, similar to LRCs, Ukraine’s MFC clause has relatively different features, and should be considered separately. Ukraine’s MFC clause includes an outright prohibition on any payments on the existing bonds, commercial debt claims, guarantees to certain SOEs and the US\$3 billion Eurobond in dispute, in accordance with their contractual terms. However, it may enter into a settlement with the existing notes and commercial debt claims. The MFC recovery comparison threshold only applies if notes (which can include the exchange bonds) or cash are in the settlement. Otherwise, a majority bondholder vote is required. No settlement can be entered into with respect to the disputed notes.

³ The approach taken in Zambia might be more suitable when there is a single amount of adjustment from the trigger of the SCDI. For Sri Lanka, the adjustment amount varies depending on the thresholds met.

Annex III. Table 3. Most Favored Creditor Clauses

	<u>Ghana</u>	<u>Zambia</u>	<u>Sri Lanka</u>	<u>Ukraine</u>
Securities which included the MFC	All Notes issued in Exchange	All Notes issued in Exchange	New International Bonds	All Notes issued in Exchange
Parties Covered	Sovereign and Public Sector Instrumentality	Sovereign	Sovereign	Sovereign
Actions Covered	<ul style="list-style-type: none"> • Entering into any agreement or arrangement to pay, compromise or otherwise settle specified debt. • No exclusion for litigation. 	<ul style="list-style-type: none"> • Entering into any agreement or arrangement to compromise its obligations on specified debt. • No exclusion for litigation. 	<ul style="list-style-type: none"> • Entering into any agreement or arrangement to pay, compromise or otherwise restructure specified debt. • Settlement and payment of any judgment which is final and non-appealable is carved out. 	<ul style="list-style-type: none"> • Entering into any agreement or arrangement to compromise any obligations in respect of certain specified debt. • Amend or enter into any Settlement in respect of existing guarantees of certain SOE debt. <p><i>The below are not permitted, regardless of recovery obtained.</i></p> <ul style="list-style-type: none"> • Pay any specified debt or guarantees of certain SOE debt in accordance with its contractual terms. • Settle or pay certain disputed debt.

Annex III. Table 3. Most Favored Creditor Clauses (continued)

	Ghana	Zambia	Sri Lanka	Ukraine
Perimeter	All External Indebtedness owed or guaranteed by Ghana as of Dec 19, 2022, with specified exclusions.	Any External Indebtedness or guarantees with >1 year maturity, outstanding from March 31, 2024.	External Indebtedness owned (but not guaranteed) by the Republic as of the settlement date of the exchange, with specified exclusions.	Existing Sovereign Notes (i.e., the notes being exchanged) and Commercial Debt Claims (i.e., Non-concessional External Indebtedness (35% grant element) that are not bonds/notes or securities that could be listed).
Key Exclusions from the MFC	<ul style="list-style-type: none"> IMF, World Bank Any IFI with more than one country as shareholder, excluding IFIs that lends exclusively on non-concessional terms or provided financing to Issuer exceeding debt service payments Issuer made. External Indebtedness included within PC MOU in June 2024 Concessional External Indebtedness (35% grant element) De Minimis Basket: Aggregate of US\$50m. 	<ul style="list-style-type: none"> IMF, World Bank Any IFI with more than one country as shareholder Concessional External Indebtedness (35% grant element) owed to Official Bilateral Creditors (sovereigns, entities where a government is a majority shareholder). De Minimis Basket: Aggregate of \$100m 	<ul style="list-style-type: none"> IMF, World Bank. Any IFI to which the IMF applies its NTP with respect to Sri Lanka. Sovereign governments (or ECAs and similar). De Minimis Basket: Aggregate of US\$75m (with \$30m limit per creditor). 	<ul style="list-style-type: none"> Commercial Debt Claims that benefit from a guarantee of an IFI, or insurance from a ECA or other public sector institutions. Concessional External Indebtedness (by definition above). No De Minimis Basket.

Annex III. Table 3. Most Favored Creditor Clauses (continued)

	<u>Ghana</u>	<u>Zambia</u>	<u>Sri Lanka</u>	<u>Ukraine</u>
Value of the Exchange Bonds - Definition	<ul style="list-style-type: none"> PV (12% Discount Rate) of the "Disco" Notes, valued at the Issue Date. Includes the consent fee and special consideration payments on the Disco notes. 	<ul style="list-style-type: none"> PV (12% Discount Rate) at the Issue Date to the total value of the Existing Notes as of the Issue Date. Silent on the treatment of the consent fees. For Note B (with SCDI) – if Settlement Date occurs before/during the time the SCDI test period, assumes Adjustment is triggered (i.e., results in a higher recovery ratio). If the SCDI clause is no longer effect (after SCDI test period), then the terms of Note B at such point will apply. 	<ul style="list-style-type: none"> For Existing Bonds, set as 50.2%. For Commercial Debt, set at 51.7%. Includes payment of the accrued consideration. 	<ul style="list-style-type: none"> PV (13-14% Discount Rate) of all New Notes as of the Issue Date. Includes payment of consent fees. Note that the ratio test only applies if notes and/or cash payments are issued in the settlement. If any other consideration is provided, majority consent of the bondholders is required.
Value of Future Restructured Claims - Definition	<ul style="list-style-type: none"> PV of all cash flows from the future restructuring, including any interim payments Does not mention treatment of fees specifically (but includes "any other payments") Valued at the date of the original bond exchange. <p><u>Divided by</u></p> <ul style="list-style-type: none"> Total nominal value of principal, past due interest, default interest, any other applicable fees Valued at the future restructuring date. 	<ul style="list-style-type: none"> PV of all cash flows from the future restructuring, including any interim payments Does not discuss treatment of fees specifically Valued at the date of the original bond exchange. <p><u>Divided by</u></p> <ul style="list-style-type: none"> Total nominal value of principal and any accrued interest The lower of such amount valued as of the original bond exchange or as of the future restructuring date. 	<ul style="list-style-type: none"> PV of all future cash flows from the future restructuring, including any interim payments Specifically includes fees payable. Valued at the date of future restructuring date. <p><u>Divided by</u></p> <ul style="list-style-type: none"> Total nominal value of principal, past due interest, default interest and other applicable fees Valued at the future restructuring date. 	<p>For settlement of existing notes:</p> <ul style="list-style-type: none"> PV of all new notes issued from settlement, including any interim payments Specifically includes consent fees and OID Valued at the date of future restructuring date <p><u>Divided by</u></p> <ul style="list-style-type: none"> Aggregate amount outstanding (principal and interest) as of future restructuring date.

Annex III. Table 3. Most Favored Creditor Clauses (concluded)

				<p>For settlement of Commercial Claims:</p> <ul style="list-style-type: none"> • PV of all cash flows for new debt facility provided, including any interim payments • Specifically includes consent fees • Valued at the date of future restructuring date <p><u>Divided by</u></p> <p>Aggregate amount of the relevant commercial claim (principal and interest) as of future restructuring date.</p>
Waiver	None	75% of all Notes.	None (unless EOD waiver of 50%)	50% (if Settlement is not notes/cash)
Changes to MFC a Reserved Matter?	No	Yes	Yes	Yes

Annex III. Table 4. Information Provision Obligations

	<u>Ghana</u>	<u>Zambia</u>	<u>Sri Lanka</u>	<u>Ukraine</u>
Securities which Include the Information Provision Obligations	All Notes	B Notes	New International Bonds	Step Up B Notes
Publication Obligations	<p><i>Semi-Annually:</i></p> <ul style="list-style-type: none"> Aggregate external indebtedness of Ghana and aggregate external indebtedness of certain Public Sector Instrumentalities (with details such as interest rates, maturities, amortization). A list of agreements or arrangements to compromise or otherwise settle with other creditors and statement if it complies with MFC. Outstanding amount of each debt subject to MFC. Consent to publication by the IMF of all staff reports and AIV reports. 	<p><i>During the Relevant Period:</i></p> <ul style="list-style-type: none"> Information related to whether the SCDI is triggered (information related to the Composite Indicator or certain export data). Total external indebtedness of Zambia broken down by class of creditors. 	<p><i>Semi-Annually:</i></p> <ul style="list-style-type: none"> Aggregate data on public debt and guaranteed public debt of Sovereign and Public Sector Instrumentalities (with details such as lenders, amount, currency, interest rate etc.) A list of agreements or arrangements to pay other creditors as well as the key terms to compute compliance with MFC. Outstanding amount of each debt subject to MFC. <p><i>Annually:</i></p> <ul style="list-style-type: none"> MOF Annual Report (including data on total revenue to GDP) Central Bank Annual Economic Review (data on Real GDP Growth and USD Nominal GDP) 	<ul style="list-style-type: none"> Ensure that the 2029 WEO database publishes information relating to the 2028 Actual GDP at Constant Prices and 2028 Actual Nominal GDP. If the IMF fails to publish the WEO, then Issuer shall publish such information. If GDP is rebased or restated, such information above should contain the data prior to rebasing or restatement.

Annex III. Table 4. Information Provision Obligations (concluded)

Investor Calls	None	None.	45 days following each semi-annual publication.	None.
Effect of Non-Compliance	Event of Default.	Event of Default.	<ul style="list-style-type: none"> • Failure to publish (other than the Annual Economic Review) or hold investor calls not an Event of Default. • Failure to publish Annual Economic Review (up to 2028) an event of default IF the IMF has not published the WEO or WEO does not contain sufficient data for the Macro-Linked Bonds. 	Event of Default.
Changes to Information Provision a Reserved Matter?	No	No	No	No

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