Committee: United Nations Economic and Social Council

Issue: Restructuring Global Debt Systems to Safeguard Intergenerational Equity in Developing Economies

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Introduction

Over two-thirds of developing nations are currently experiencing or are at a high risk of economic debt distress. When a developing nation is caught in a cycle of heavy debt servicing, its fiscal space lacks the capital to invest in Sustainable Development Goals (SDGs)—such as education, healthcare, and equality. Instead, national budgets are consumed by interest payments to external creditors, mainly because the interest rates frequently exceed what these fragile economies can sustainably generate. However, the burden of repayment is rarely borne by the generation that authorized the loan; rather, tomorrow's citizens are being handcuffed by the economic obligations of today, creating a profound intergenerational equity crisis. The primary, overarching ambition of developing nations is to industrialize and modernize into developed economies. However, this developmental trajectory is fundamentally derailed by the debt trap. Future generations inherit paralyzed domestic infrastructure, underfunded public services, and degraded environments because current budgets are siphoned off to satisfy foreign debt obligations. In lieu of accumulating capital to build competitive industries and transition into high-income status, these nations are forced into a state of structural economic stagnation.

This systemic flaw forces the Economic and Social Council (ECOSOC) to confront a critical structural question: How must the rules of the global financial architecture be restructured? To protect human progress, the international community must find mechanisms ensuring debt repayment remains productive and responsive to each nation's circumstances–with timely interventions to address this pattern before its effects become harder to reverse.

Beyond the macroeconomic metrics lies a fundamental ethical dilemma that the committee must address: Is it morally justifiable for current political leaders of developing nations to borrow extensive capital from developed nations and private entities when the generation tasked with paying it back has absolutely no say in the decision? This creates a severe governance deficit where future taxpayers are burdened with "taxation without representation" before they are even born. By intersecting immediate macroeconomic survival with long-term generational justice, this agenda urges delegates to look past short-term financial patches and design a completely overhauled, ethically grounded global debt system.

Definition of Key Terms

Sovereign Debt

Refers to any debt issued or guaranteed by the government of a sovereign state.

Bilateral Debt

Money one government owes directly to another government (as opposed to debt owed to multilateral institutions like the IMF or World Bank, or to private creditors like bondholders and banks).

Sovereign Debt Restructuring

An exchange of current sovereign debt contracts, such as loans or bonds, for new contracts through a formal process when the country cannot meet its payments. There are two main elements in a debt restructuring: debt rescheduling, defined as a lengthening of the deadline of the old debt, possibly involving lower interest rates; and debt reduction, defined as a reduction in the face value of the old debt. Both types of debt operations involve a loss in the present value the creditor claims.

Sustainable Development Goals (SDGs)

The 17 interlinked global goals adopted by all UN member states in 2015 as the centerpiece of the 2030 Agenda for Sustainable Development. The goals set targets in areas such as poverty eradication, health, education, gender equality, and climate action, all of which require predictable, long-term public financing. Because heavy debt servicing crowds out exactly this kind of investment, the SDGs and sovereign debt sustainability are now treated by the UN system as two sides of the same policy problem.

Intergenerational Equity

The ethical and administrative principle that current institutions must balance the immediate needs of today's generation with the long-term well-being of future generations. Deeply embedded in the UN 2030 Agenda for Sustainable Development, this concept dictates that current actions must not leave the future generation with irreversible planetary or economic ruin. In practice, governments operationalize this through long-term public debt management, ecosystem protection, and strategic territorial planning. However, short-term political calculations often dominate policymaking; the overspending and structural borrowing of the living generation severely restrict the economic options, infrastructure quality, and basic rights available for the next.

Fiscal Policy

The use of government spending and taxation to influence the economy. Governments typically use fiscal policy to promote strong and sustainable growth and reduce poverty. In the short term, governments may focus on macroeconomic stabilization such as expanding spending or cutting taxes to stimulate an ailing economy, or slashing spending or raising taxes to combat rising inflation, or to help reduce external vulnerabilities. In the longer term, the aim may be to foster sustainable growth or reduce poverty with actions on the supply side to improve infrastructure or education. Although these objectives are broadly shared across countries, their relative importance differs depending on country circumstances.

Fiscal Space

The flexibility in a government´s budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy. Fiscal space must exist or be created if extra resources are to be made available for worthwhile government spending. A government can create fiscal space by raising taxes, securing outside grants, cutting lower priority expenditure, borrowing resources, or borrowing from the banking system. But it must do this without compromising macroeconomic stability and fiscal sustainability, making sure that it has the capacity in the short term and the longer term to finance its desired expenditure programs as well as to service its debt.

The G20 Common Framework

A program created in November 2020 by the G20 and Western lenders to help low-income countries deal with debts they can no longer afford to pay back. This framework requires participating creditors such as traditional Western lenders, new major lenders like China, and private Wall Street banks to sit at the exact same table and negotiate under the same rules. It also requires private lenders to match whatever debt relief the governments agree to give. However, the program is highly criticized for being slow and narrow in scope.

Developing Economies

States that international financial institutions classify, generally by income level and structural characteristics, as having lower per-capita income, narrower industrial bases, weaker domestic capital markets, and therefore greater reliance on external borrowing to finance infrastructure and growth. These economies typically borrow at higher interest rates and shorter maturities than wealthier states, leaving them more exposed to global interest-rate shocks and currency depreciation.

Developed Economies

High-income, industrialized states with diversified economies, deep and liquid domestic capital markets, and the capacity to borrow internationally on favorable terms, often in their own currency. Within the global debt architecture, developed economies are predominantly creditors rather than debtors, and many sit on bodies such as the Paris Club that set the terms on which official bilateral debt is restructured.

The Paris Club

The Paris Club is an informal group of around 22 mostly Western creditor governments (France, the US, UK, Germany, Japan, etc.) that negotiates the rescheduling or reduction of official bilateral debt owed to them by struggling countries. Chaired by France, it dates back to 1956, when creditor governments first met to renegotiate Argentina's debt, and it operates by consensus on a case-by-case basis, typically requiring an IMF program as a precondition for relief.

Key limitation: it only binds its own members, not private bondholders or major newer lenders like China and Gulf states, which is why the G20 Common Framework was created to bring everyone to the same table. However, the G20 Common Framework still relies on voluntary participation and lacks a legal mechanism to force private bondholders to comply.

International Monetary Funds (IMF)

A 191-member specialized agency of the United Nations system responsible for safeguarding the stability of the international monetary system. The IMF monitors members' economic policies, provides short- and medium-term financing to countries facing balance-of-payments crises, and, jointly with the World Bank, produces the Debt Sustainability Analyses that determine whether a country's debt is sustainable and how much relief, if any, it should receive. Because most restructuring processes, including the G20 Common Framework, require an IMF-supported program before relief can be finalized, the Fund occupies a central, and frequently contested, position in the global debt system.

World Bank

A multilateral development institution that provides loans, grants, and policy advice to support development projects in low- and middle-income countries. Its concessional lending arm, the International Development Association (IDA), is the main source of low-interest financing for the poorest states. The World Bank co-produces the joint IMF-World Bank Debt Sustainability Framework and has recently taken on new roles in the global debt architecture, including hosting the Global Hub for Debt Swaps for Development launched at the 2025 Sevilla conference

Global Debt Systems

The combined set of institutions, legal frameworks, and creditor-debtor relationships through which sovereign states borrow, lend, and restructure debt. This system includes official bilateral creditors (organized loosely through the Paris Club and, since 2020, the G20 Common Framework), multilateral lenders (the IMF and World Bank), and private creditors such as bondholders and commercial banks, whose claims are governed by contracts typically issued under New York or English law. Unlike domestic bankruptcy law, there is no single, binding international court or statute governing sovereign debt restructuring, which is why crises are resolved case by case and often very slowly.

Macroeconomic Metrics

Quantitative indicators used by governments, the IMF, and the World Bank to assess a country's economic health and the sustainability of its debt. Commonly used metrics include the debt-to-GDP ratio, the debt-service-to-government-revenue ratio, and the debt-service-to-export-earnings ratio. These figures are used to classify countries as debt sustainable, in debt distress, or at high risk of debt distress, classifications that in turn determine eligibility for relief mechanisms such as the G20 Common Framework.

History

Sovereign debt crises are not a new phenomenon, but the institutions used to resolve them have evolved unevenly, layering new mechanisms on top of old ones rather than replacing them outright.

The modern era of coordinated debt relief began in 1956, when a group of major creditor governments first convened informally in Paris to renegotiate Argentina's external debt. That meeting became the Paris Club, an informal forum of mostly Western creditor states that has since negotiated hundreds of bilateral debt rescheduling agreements. The Paris Club's influence, however, has always been limited to its own members; it has no authority over private bondholders or over creditor states, such as China, Gulf states, or India, that have never joined.

The 1980s produced the first true global debt crisis of the post-war era. Aggressive interest rate increases by the United States Federal Reserve, intended to curb domestic inflation, sharply raised the cost of the variable-rate bank loans that many Latin American and African governments had taken out during the 1970s. Mexico's 1982 announcement that it could no longer service its external debt triggered a wave of defaults across the developing world. The response, the 1989 Brady Plan, converted commercial bank loans into tradable bonds, allowing roughly $130 billion of debt to be swapped by fifty countries between 1985 and 1996. The Brady Plan resolved the immediate liquidity crisis and created today's sovereign bond market, but it did not address why countries had over-borrowed in the first place, and it left the poorest, most heavily indebted countries, many of them in Africa, largely untouched.

For those countries, relief came later and more slowly. The Heavily Indebted Poor Countries (HIPC) Initiative, launched by the IMF and World Bank in 1996 and enhanced in 1999, established the first formal, multilateral mechanism for canceling the debt of the world's poorest states in exchange for poverty-reduction commitments. In 2005, the G8 supplemented HIPC with the Multilateral Debt Relief Initiative (MDRI), under which the IMF, the World Bank's IDA, and the African Development Fund cancelled all remaining eligible debt owed by countries that completed the HIPC process. Together, HIPC and MDRI delivered debt relief to roughly three dozen countries, most of them in Africa, but the process for each country typically took years, and several recipients began accumulating new unsustainable debt soon after graduating.

The next major institutional development came not from a new lending or relief mechanism but from the courts. After Argentina's 2001 default, a group of holdout bondholders led by NML Capital pursued more than a decade of litigation, ultimately winning rulings in U.S. courts that disrupted Argentina's later payments to other creditors. The episode exposed the absence of any binding, predictable process for restructuring debt once a country defaults, and it prompted the UN General Assembly, in September 2015, to adopt Resolution 69/319, the Basic Principles on Sovereign Debt Restructuring Processes. The resolution set out non-binding principles, including sovereignty, good-faith negotiation, transparency, and majority restructuring, but the United States, the United Kingdom, Germany, and Japan all voted against it, and it has had limited practical effect on how restructurings are actually conducted. As most bonds are governed by English law, the municipal courts in NYC and London have no incentive nor obligation to enforce UN guidelines on private lenders.

The COVID-19 pandemic triggered the most recent wave of reform. In April 2020, the G20 and the Paris Club launched the Debt Service Suspension Initiative (DSSI), which temporarily suspended bilateral debt service payments for the poorest eligible countries through the end of 2021. Because the DSSI excluded private creditors and only delayed rather than reduced payments, the G20 followed it in November 2020 with the Common Framework for Debt Treatments, intended to coordinate a much wider range of official creditors, including China, around a single set of restructuring principles, and to require private lenders to match whatever relief official creditors provided. Zambia and Suriname defaulted that same year and became among the first countries to seek treatment under the new framework.

The years since have been defined by the slow, contested implementation of the Common Framework alongside growing recognition that it is not enough. Sri Lanka defaulted in April 2022, the country's first sovereign default in its history, but as a middle-income country it was ineligible for the Common Framework and had to negotiate its restructuring separately. Ghana defaulted in December 2022. That same year, the IMF, World Bank, and the G20 presidency convened the Global Sovereign Debt Roundtable to bring creditors and debtors together informally and unblock stalled negotiations. By the end of 2024, three landmark bondholder restructurings had finally concluded: Ghana and Zambia under the Common Framework, and Sri Lanka outside it, alongside further progress for Suriname and Ukraine. Ethiopia and Chad, the other two Common Framework participants, remained stuck in negotiation years after applying, illustrating how uneven the framework's results have been.

Parallel to these case-by-case restructurings, a broader push for structural reform has gathered pace. Barbadian Prime Minister Mia Mottley launched the Bridgetown Initiative in 2022, calling for climate-resilient debt clauses and a $1 trillion mobilization of development bank financing; a third version of the initiative followed in 2024. In June and July 2025, the UN's Fourth International Conference on Financing for Development in Sevilla, Spain, adopted the Compromiso de Sevilla, in which member states committed, for the first time, to launch a UN intergovernmental process aimed at closing gaps in the global debt architecture, though the United States declined to join the consensus. That commitment took early institutional form in October 2025 with the launch of the Sevilla Forum on Debt at UNCTAD's sixteenth quadrennial conference in Geneva. Most recently, the G20's Johannesburg summit in November 2025, held under South Africa's first-ever African G20 presidency, called for “strengthening” the Common Framework and endorsed, in principle, a legally binding global debt resolution mechanism at the UN, but civil society groups criticized the resulting declaration for offering no concrete new measures. As of mid-2026, no such binding mechanism exists, and the institutional landscape governing sovereign debt remains, as it has been since 1956, a patchwork of voluntary, overlapping, and frequently slow-moving arrangements.

Timeline of Relevant Resolutions, Treaties and Events

Date	Description of event
1956	The Paris Club is established to coordinate official bilateral debt rescheduling, beginning with Argentina's debt to creditor governments.
1982	Mexico's debt moratorium announcement triggers the Latin American debt crisis and a wave of developing-country defaults.
1989	The Brady Plan converts commercial bank debt into tradable bonds, creating the modern sovereign bond market.

1996	The IMF and World Bank launch the Heavily Indebted Poor Countries (HIPC) Initiative to reduce external debt to sustainable levels so nations can pay debts on time and fund basic health and education.
2001	Argentina's record sovereign default triggers more than a decade of holdout bondholder litigation (NML Capital v. Argentina).
2005	The G8 Gleneagles Summit launches the Multilateral Debt Relief Initiative (MDRI), cancelling remaining multilateral debt for countries completing HIPC.
10 September 2015	The UN General Assembly adopts Resolution 69/319, the Basic Principles on Sovereign Debt Restructuring Processes.
April 2020	The G20 and Paris Club launch the Debt Service Suspension Initiative (DSSI) in response to COVID-19.
November 2020	The G20 launches the Common Framework for Debt Treatments; Zambia and Suriname default.
February 2021	Zambia formally applies for debt treatment under the Common Framework.
August 2021	The IMF issues a record $650 billion allocation of Special Drawing Rights to boost global liquidity.
April 2022	Sri Lanka suspends external debt payments, its first sovereign default.
September 2022	Barbadian Prime Minister Mia Mottley launches the Bridgetown Initiative at the UN General Assembly.
December 2022	Ghana defaults on its external debt.
2022	The IMF, World Bank, and G20 presidents convene the Global Sovereign Debt Roundtable (GSDR).
January 2024	Ghana reaches agreement with its official bilateral creditor committee.
March 2024	Zambia reaches agreement with its Eurobond holders.
2024	Ghana, Zambia, and Sri Lanka complete landmark bondholder restructurings; Ethiopia and Chad remain unresolved.
30 June – 3 July 2025	The Fourth UN International Conference on Financing for Development (FfD4) adopts the Compromiso de Sevilla.
20–24 October 2025	UNCTAD16 in Geneva launches the Sevilla Forum on Debt.
October 2025	A ONE Campaign analysis finds Common Framework restructurings have reduced distressed countries' combined debt stock by only about 7 percent.
November 2025	The G20 Johannesburg Summit, under South Africa's presidency, adopts a declaration calling to “strengthen” the Common Framework and endorsing, in principle, a binding global debt mechanism.

Key Issues

The Comparability of Treatment

Most debt relief frameworks rest on a single principle: no creditor should walk away better off than the others. In practice, official bilateral creditors, especially Paris Club members, regularly accept a write-down or reschedule debt, but private bondholders, who often hold an equal or greater share of a country's debt, have far less incentive to participate, since they are dispersed across many funds and not bound by any single negotiating forum the way Paris Club governments are. When private creditors do not contribute relief comparable to what official creditors give up, a country's overall debt burden barely falls even after a formal restructuring, and official creditors are effectively subsidizing repayment to private bondholders. This unresolved coordination problem has slowed or complicated nearly every recent case, including Zambia's, where disputes over whether bondholders' terms were comparable to those accepted by official creditors delayed a final agreement for years.

Speed and the Cost of Delay

Even when restructuring eventually succeeds, the process now routinely takes years rather than months. Reaching just one intermediate step, the IMF's first programme review following a creditor agreement, took Chad more than a year and Zambia ten months in their respective cases. Time spent in negotiation is not neutral: countries typically lose access to international capital markets while a restructuring is unresolved and continue paying some debt service in the interim, deepening the very crisis the process is meant to resolve. For children and young people growing up during a multi-year restructuring limbo, the delay translates directly into years of underfunded schools, clinics, and infrastructure.

A Narrow Framework

The G20 Common Framework is open only to countries eligible for the World Bank's International Development Association, generally the world's poorest, low-income states. Middle-income countries in acute distress, such as Sri Lanka and Suriname, have had to negotiate restructurings entirely outside the framework, on an ad hoc basis, even though they face many of the same comparability and coordination problems. At the same time, only four countries, Chad, Ethiopia, Ghana, and Zambia, have ever formally applied to use the framework since its creation in 2020, suggesting that even the states it was designed for may see limited benefit in doing so.

Insufficient Relief Relative to the Scale of the Crisis

Even where the Common Framework has been used, analysis published by the ONE Campaign in October 2025 found that completed restructurings had reduced the combined external debt stock of high-risk, low-income countries in distress by only around 7 percent, with almost all of that relief concentrated in Ghana and Zambia while Ethiopia and Chad saw little or no measurable reduction. With developing countries now paying a record $921 billion a year in net interest on public debt, current mechanisms are addressing only a small fraction of the underlying problem.

No Binding Multilateral Mechanism

Unlike a corporation facing bankruptcy, a sovereign state has no court that can compel all of its creditors to accept a restructuring plan. Every existing mechanism, the Paris Club, the Common Framework, and ad hoc bondholder negotiations, is voluntary and depends on the goodwill or self-interest of individual creditors. The 2015 UN resolution on sovereign debt restructuring principles, though a notable normative milestone, remains non-binding and was opposed by several of the world's largest creditor states. The 2025 Sevilla Commitment took the modest step of committing to begin a UN-led intergovernmental process to examine this gap, but as of mid-2026 no binding mechanism has been created, and major creditor and debtor states disagree sharply over whether such a mechanism should sit within the UN, within the IMF, or remain purely contractual.

The Climate-Debt-Intergenerational Nexus

Many of the countries most exposed to debt distress are also among the most exposed to climate shocks. When a hurricane, drought, or flood strikes a heavily indebted country, the government must simultaneously fund recovery and continue servicing existing debt, often by borrowing still more. The Bridgetown Initiative and the broader push for climate-resilient debt clauses, contractual provisions that automatically pause repayment after a verified disaster, respond directly to this dynamic, but such clauses remain a feature of only a small share of outstanding sovereign debt. For young people in these countries, the practical effect is a double burden: inherited debt obligations layered on top of an inherited and worsening climate crisis, each compounding the other.

Transparency, Credit Ratings, and Information Gaps

Several of the largest bilateral creditors to developing countries, including China and a number of Gulf states, do not publish detailed loan terms, making it difficult for other creditors, or for the borrowing country's own citizens, to assess the true scale and structure of national debt before a crisis hits. Credit rating agencies have also been criticized for downgrading countries' creditworthiness at the precise moment market access is most needed, raising borrowing costs and accelerating the slide into distress. The Compromiso de Sevilla calls for credit rating agencies to refine their methodologies, but, as with most provisions in the agreement, implementation depends on voluntary follow-through rather than binding obligation.

Evaluation of Previous Attempts to Resolve Key Issues

Each of the mechanisms described in the History section addressed part of the debt crisis it was designed for, but none has proven capable of resolving the underlying problem: a sovereign debt system with no binding, universal process for restructuring debt fairly and quickly.

The Paris Club succeeded in giving Western creditor governments a standing, predictable forum for rescheduling official bilateral debt, and that forum still functions today. Its central limitation has always been its membership: it has no authority over China, Gulf creditors(such as, Saudi Arabia, Kuwait, and the United Arab Emirates), India, or any private bondholder, all of whom now account for a much larger share of developing-country debt than they did when the Club was founded in 1956. A restructuring agreed within the Paris Club therefore says little about whether a country's overall debt burden has actually become sustainable.

The Brady Plan is widely regarded as a genuine success on its own narrow terms: it ended the 1980s Latin American debt crisis and gave countries renewed access to capital markets by converting unmanageable bank debt into bonds. Its long-term legacy, however, is double-edged. By dispersing sovereign debt across thousands of bondholders rather than a handful of banks, it made future restructurings far harder to coordinate, a problem that is now central to the comparability-of-treatment disputes seen in Zambia, Sri Lanka, and elsewhere.

The HIPC Initiative and the Multilateral Debt Relief Initiative delivered substantial, real debt cancellation, tens of billions of dollars across roughly three dozen mostly African countries, and tied that relief explicitly to poverty-reducing spending. But the process for each country took years to complete, and several HIPC graduates, having had their debt slates wiped largely clean, went on to re-accumulate unsustainable debt within a decade, suggesting that one-off cancellation, without structural reform of how and why countries borrow, is not by itself a durable solution.

The 2015 UN resolution on sovereign debt restructuring principles was significant mainly as a precedent: it marked the first time the General Assembly had asserted any normative position on how sovereign restructuring should be conducted. Its practical impact has been minimal. It passed over the explicit objection of the United States, the United Kingdom, Germany, and Japan, the very states whose creditors and courts most often determine how restructurings actually unfold, and it created no enforcement mechanism of any kind.

The COVID-era DSSI and Common Framework represent the most ambitious attempt yet to coordinate the full range of modern creditors, but the record so far is sobering. The DSSI suspended several billion dollars in payments for dozens of countries, but only delayed debt service rather than reducing it, and excluded private creditors entirely. The Common Framework that followed has, after five years, attracted only four formal applicants, two of which (Ghana and Zambia) have reached agreement while the other two (Chad and Ethiopia) remain stuck, and independent analysis suggests it has reduced the combined debt stock of distressed low-income countries by only around 7 percent. Even its defenders within the IMF and G20 now openly acknowledge that it needs to be "stepped up."

The Global Sovereign Debt Roundtable, convened in 2022 specifically to unblock the Common Framework's bottlenecks, has had a more encouraging, if modest, record: the time needed to reach key milestones in the restructuring process has roughly halved between the cases that began in 2021 and those that began in late 2022. This suggests that informal, high-level coordination among the IMF, World Bank, and major creditors can meaningfully speed up an otherwise slow process, even without changing its fundamentally voluntary character.

The Bridgetown Initiative has been most effective as an agenda-setting exercise: climate-resilient debt clauses, once a niche proposal from Barbados and Grenada, are now offered by several major bilateral creditors and multilateral development banks. Yet such clauses remain a small fraction of total outstanding debt, address only payment timing rather than debt stock, and depend on each creditor's voluntary adoption rather than any binding requirement.

The 2025 Compromiso de Sevilla is the most recent and, on paper, most ambitious attempt: it commits UN member states to launch an intergovernmental process aimed at closing the gaps identified above. Whether that commitment produces a binding mechanism, or simply another non-binding declaration in the tradition of the 2015 resolution, will depend heavily on the willingness of major creditor states, several of which have so far resisted ceding authority to a UN-based process, to negotiate in good faith. As of mid-2026, that process has not yet produced concrete results, and the G20's own November 2025 declaration, despite calling in principle for a binding global mechanism, introduced no specific new measures.

Major Parties Involved and Their Views

State Actors

Debtor states across Africa, Asia, Latin America, and small island developing states form the core constituency pressing for systemic reform. Countries currently undergoing or recently completing restructuring, including Zambia, Ghana, Sri Lanka, Ethiopia, Chad, and Suriname, generally favor faster, broader, and more generous relief mechanisms, and many, through the African Union's Common African Position on debt, have explicitly called for a legally binding global debt resolution mechanism at the UN level rather than the current voluntary, creditor-led approach.

China has become the largest single bilateral creditor to many low-income countries over the past two decades, and it co-chairs official creditor committees, for example alongside France in Zambia's case, alongside traditional Paris Club members. China generally supports keeping debt restructuring negotiations bilateral and case by case rather than ceding authority to a binding multilateral body, and has been criticized by Western governments and civil society groups for limited transparency around its loan terms, though Chinese officials argue that Western-dominated institutions like the Paris Club have historically excluded China and other emerging lenders from rule-setting.

Traditional Western creditor governments, organized loosely through the Paris Club and chaired by France, generally favor working within and gradually strengthening existing mechanisms, the Common Framework chief among them, rather than creating new binding international institutions. The United States in particular has been reluctant to support stronger multilateral debt mechanisms; it declined to join the consensus behind the 2025 Compromiso de Sevilla and has historically opposed UN-level resolutions on sovereign debt restructuring, preferring that the IMF and World Bank, where it holds significant voting power, remain the central institutions managing debt crises.

South Africa, which held the G20's rotating presidency in 2025, the first ever held by an African nation, used the role to push debt reform up the international agenda, though the resulting Johannesburg declaration drew criticism from African civil society for falling short of concrete commitments. Barbados, through Prime Minister Mia Mottley's Bridgetown Initiative, and the wider Caribbean Community (CARICOM), have positioned themselves as leading advocates for climate-resilient debt instruments and broader financial-architecture reform, given their members' acute exposure to climate-related disasters. Spain has emerged as a key institutional sponsor of debt reform within the UN system, hosting the 2025 Financing for Development conference in Sevilla and subsequently launching the Sevilla Forum on Debt to sustain political momentum on the issue.

The Vulnerable Twenty Group of Finance Ministers (V20) and the wider Climate Vulnerable Forum represent climate-exposed developing and middle-income states that link debt relief explicitly to climate adaptation financing, arguing that debt sustainability and climate resilience cannot be addressed separately.

Non-state Actors

The International Monetary Fund occupies a uniquely powerful position: its Debt Sustainability Analyses largely determine whether a country is judged to need restructuring at all, and an IMF-supported programme is typically a precondition for relief under the Common Framework. The Fund has periodically acknowledged the Common Framework's shortcomings, including public calls from its own leadership to “step up” the framework, while continuing to defend the broader architecture of conditional, programme-based lending.

The World Bank provides concessional financing to the poorest countries through IDA, jointly produces the Debt Sustainability Framework with the IMF, and has recently taken on operational roles in newer initiatives, including hosting the Global Hub for Debt Swaps for Development launched at the Sevilla conference.

UN Trade and Development (UNCTAD) functions primarily as a research and advocacy body, publishing the annual “A World of Debt” report series that has become a key reference point for the scale of the crisis, hosting the International Debt Management Conference, and providing the secretariat support behind the new Sevilla Forum on Debt.

Private creditors, including bondholders, asset managers, and commercial banks, hold a large and growing share of developing countries' external debt. As a group they have resisted formal coordination mechanisms and binding comparability requirements, arguing that voluntary, market-based negotiation preserves countries' future access to capital markets better than mandated write-downs would; in several recent restructurings they have also negotiated value-recovery instruments that increase their payouts if the debtor country's economy outperforms forecasts. A smaller but disruptive subset of this area are the vulture funds and holdout creditors. These subsets buy distressed sourced sovereign debt at steep discounts and then refuse to participate in restructuring agreements accepted by the majority of creditors.

Instead, they pursue litigation or arbitration to recover the full face value of the debt plus interest. Because a single holdout can delay or complicate an entire restructuring, their presence is often cited as a key argument for binding comparability-of-treatment rules rather than purely voluntary frameworks.

Civil society organizations, including the African Forum and Network on Debt and Development (AFRODAD), the European Network on Debt and Development (Eurodad), the ONE Campaign, and international trade union federations such as the ITUC, have been among the most consistent advocates for outright debt cancellation, full private-sector participation, and a binding, UN-based debt workout mechanism; their research, including the ONE Campaign's 2025 finding that the Common Framework has reduced distressed countries' debt stock by only about 7 percent, has shaped much of the public debate on the framework's adequacy.

Credit rating agencies, chiefly Moody's, S&P, and Fitch, influence borrowing costs and market access for developing countries and have faced sustained criticism, including in the negotiated text of the 2025 Compromiso de Sevilla, for downgrade timing and methodologies that can worsen a country's crisis just as it becomes most vulnerable.

Possible Solutions

1. Establish a permanent, UN-based sovereign debt workout mechanism. Echoing the 2015 UN resolution and the language adopted at Sevilla, delegates could propose a standing institutional body, independent of the IMF's governance structure, that all creditor types, official, private, and non-Paris-Club bilateral lenders, would be required to participate in once a debtor country requests restructuring. Proponents argue this is the only way to bind currently uncoordinated private and non-traditional creditors; opponents, including several major creditor governments, argue it would undermine the IMF and World Bank's existing authority and could discourage future lending to developing countries.
2. Expand Common Framework eligibility beyond low-income countries. Extending eligibility to vulnerable middle-income countries, which currently must negotiate restructurings entirely outside the framework, would close a significant coverage gap exposed by Sri Lanka's and Suriname's experiences, though it would also expand the pool of countries competing for a limited amount of relief and creditor goodwill.
3. Legislate mandatory private-sector participation in major creditor jurisdictions. Because most sovereign bonds are issued under New York or English law, the relevant legislatures could require private creditors to accept restructuring terms comparable to those agreed by official creditors, building on precedents some creditor states adopted to support HIPC debt relief in the early 2000s. This would directly address the comparability-of-treatment problem but requires political will from creditor-state legislatures that has so far been limited.

4. Build automatic, pre-agreed debt-service standstills. Rather than negotiating a standstill from scratch in every crisis, countries and creditors could agree in advance to suspend payments automatically once clearly defined trigger conditions, such as IMF programme approval or a verified natural disaster, are met. Climate-resilient debt clauses, already adopted by Barbados, Grenada, and a handful of bilateral and multilateral lenders, are one model; delegates could propose extending similar automatic triggers to economic as well as climate shocks.
5. Strengthen debt transparency requirements. Mandatory, standardized public disclosure of loan terms, especially for non-Paris-Club bilateral lenders, would let other creditors, the IMF, and citizens of the borrowing country assess total debt exposure before a crisis develops, building on existing tools such as UNCTAD's debt-management database.
6. Reform credit rating agency methodology and timing. Building on the language already included in the Compromiso de Sevilla, delegates could propose specific, monitorable standards requiring rating agencies to extend the time horizons used in sovereign credit assessments and to avoid abrupt downgrades immediately after a country requests restructuring, reducing the procyclical effect that current practices can have on a country already in distress.
7. Scale up debt-for-development and debt-for-climate swaps. The Global Hub for Debt Swaps for Development, launched in 2025, allows creditors to cancel a portion of debt in exchange for the debtor government committing the equivalent funds to agreed development, health, or climate-adaptation spending. Expanding the scale and standardizing the terms of such swaps could free up fiscal space without requiring creditors to accept an outright write-down.
8. Build explicit intergenerational safeguards into national and international debt rules. Delegates could propose that debt sustainability assessments formally account for a minimum protected level of spending on health, education, and other SDG-linked services, so that future debt service obligations cannot be allowed to crowd out the basic needs of children and youth, operationalizing the intergenerational equity principle introduced earlier in this report.
9. Increase and reallocate Special Drawing Rights (SDRs). Building on the IMF's 2021 allocation, delegates could propose a fresh, larger SDR issuance, paired with a more binding mechanism for wealthier countries to re-channel their unused SDRs to debt-distressed and climate-vulnerable states, providing liquidity without adding to traditional debt stocks.

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