

Research Report

Foundations for a Multilateral Sovereign Debt Mechanism

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“There is nothing immutable in the current approach to resolving sovereign debt crises. It arose in the political and economic environment created after World War II, and the need to develop a better system remains on the international policy agenda.”

2009 Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System (the Stiglitz Commission)

Global Governance Innovation Platform

In January 2025, the United Nations University Centre for Policy Research launched the Global Governance Innovation Platform (GGI), a multi-year initiative to help United Nations Member States design new multilateral mechanisms that can help address pressing global challenges – from chronic underdevelopment to new planetary risks. This project is made possible through the generous support of the German Federal Ministry for Economic Cooperation and Development (BMZ).

The platform identifies, explores and visualizes innovative governance practices that can serve as templates for new multilateral mechanisms or inspire reforms to existing ones. The project asks and answers the question, “What can be borrowed, replicated or scaled from existing governance models to address complex transnational challenges?”

Multilateral mechanisms are frameworks for cooperation and collective action. They are indispensable in the fight against poverty, climate change, food insecurity and other transboundary challenges. Their distinct rules, procedures and governance structures reveal remarkable ingenuity and diversity. Many mechanisms incorporate novel institutional design features that improve cooperation, transparency, trust and accountability. This in turn shapes how participants in multilateral mechanisms evaluate and address global challenges.

The United Nations Secretary-General has called for new ideas to help Member States and other stakeholders develop effective multilateral solutions to complex and interdependent challenges. One major obstacle to this transformation agenda is that governance innovations

are not systematically gathered, centralized, studied or shared. Rather, they are often known only to a limited number of experts, limiting possibilities to scale past innovations. Institutional design and reform efforts will be more successful if States have access to a range of governance analogues and adaptable governance templates.

Institutional analogues have played an important role in the design of cooperation mechanisms. They have informed solutions to global challenges like plastics pollution, artificial intelligence and public health. For example, the Intergovernmental Panel on Climate Change has inspired close to a dozen proposals for new institutions that mimic its science-policy interface in areas as diverse as artificial intelligence risks, chemical pollution and biodiversity loss.

The GGI Platform identifies governance practices that diplomats, experts and other stakeholders can adapt to issue areas lacking a robust cooperation framework. It will lead to the creation of an online interface that uses data visualizations to illustrate past innovations in global governance and show how specific models have shaped responses to transnational challenges. Building on this database of governance mechanisms, the platform will explore how past innovations can improve cooperation in still ungoverned spaces and will support participatory modelling exercises with experts and Member States. Through a growing network of expert contributors and regular engagement with States, the platform will inform policy processes and debates in and around the United Nations system.



Introduction

The Fourth Financing for Development (FFD4) conference spotlighted calls for a new sovereign debt restructuring or “workout” mechanism. FFD4 co-facilitators (Mexico, Nepal, Norway and Zambia) released the first draft of the FFD4 outcome document on 10 March 2025. The negotiation document captures an ambition to develop a multilateral sovereign debt mechanism to address shortcomings in the sovereign debt restructuring regime:

Building on existing work, the review of the sovereign debt architecture envisioned in the Pact for the Future and the United Nations Secretary-General’s update on progress and proposals, we will initiate an intergovernmental process at the United Nations, with a view to closing gaps in the debt architecture and exploring options to address debt sustainability, including but not limited to a multilateral sovereign debt mechanism (Para. 43[e]).

Efforts to launch a multilateral sovereign debt mechanism are not new.¹ Nor is this the first time this matter has been brought before the General Assembly for action.

In 2014, the General Assembly adopted resolution 68/304 to launch intergovernmental negotiations on a multilateral legal framework for sovereign debt restructuring processes. That process, however, fell short of establishing a new international legal framework for sovereign debt.

There has been considerable debate and scholarly work on the contours of a sovereign debt mechanism. The United Nations Conference on Trade and Development (UNCTAD) has explored new frameworks and mechanisms since the late 1970s.² It proposed its own models in 2015 and 2023, which are elaborated later in this paper. The proposal by the International Monetary Fund (IMF) for a sovereign debt restructuring mechanism (SDRM), spearheaded by Anne Krueger in the early 2000s, aimed to address the “gaping hole” in the international system for handling sovereign debt crises by creating a legal framework for more orderly and systematic debt restructuring, involving both private creditors and international institutions.³ More recently, civil society

¹ Canadian political scientist Eric Helleiner traces such efforts back to the 1930s: “Some of the first significant proposals for an international mechanism for sovereign debt restructuring were put forward during the Great Depression. Discussions of the potential benefits of such a mechanism were particularly active in Latin America because almost every government in Latin America defaulted on their external debts in the early 1930s.” At the December 1933 Pan American Conference in Montevideo, Mexico’s foreign minister, José Manuel Puig, called on the conference to explore “the possibility of establishing public international organizations to take care of debts negotiations and agreements, in order to exclude thereby the intervention of Bankers’ Committees and to look for the interest of both debtors and creditors”. Coordination between debtors was also a challenge. While some Latin American Governments supported the proposal, others “immediately made it clear that they were not willing to support the Mexican proposal because of a fear that this support would undermine their creditworthiness in the eyes of foreign investors”. These ideas were revived in the lead-up to the 1944 Bretton Woods conference by a number of United States officials and economists concerned about postwar sovereign debt, including Harry Dexter White, Jacob Viner and Alvin Hansen. Eric Helleiner, “The mystery of the missing sovereign debt restructuring mechanism”, *Contributions to Political Economy*, vol. 27, No. 1 (March 2008).

² For a detailed history of UNCTAD’s advocacy for a sovereign debt restructuring mechanism in the 1970s, see Quentin Deforge and Benjamin Lemoine, “The Global South debt revolution that wasn’t: UNCTAD from technocratic activism to technical assistance”, in *Sovereign Debt Diplomacies: Rethinking Sovereign Debt from Colonial Empires to Hegemony*, Pierre Pénét and Juan Flores Zendegas, eds. (Oxford, UK, Oxford University Press, 2021). The authors explain: “During the preparation of the UNCTAD conference in Lima in 1971, proposals for a debt restructuring mechanism were discussed for the first time but were quickly rejected by developed countries represented in the Group B coalition ... Under a resolution adopted in 1973, UNCTAD formed a Group of Experts on the debt problems of developing countries. Two separate rounds of meetings took place in Geneva between May 1974 and March 1975 and between July 1977 and October 1978. A US delegate who attended the 1974–75 consultations reported to Washington that the delegates from developing countries voiced the ‘proposition that there exists a general debt problem requiring international remedies’, a proposition which the US delegate said produced only ‘little dialogue’ with developed countries. Developing countries were calling for ‘guidelines for debt relief and a new institutional framework for monitoring such guidelines’ and were adamant that, debt being a structural problem, institutional remedies were required as well as international forums to discuss the possibility of debt relief as a way to limit structural inequalities” (p. 238).

³ Anne Krueger, “A new approach to sovereign debt restructuring”, speech delivered at the National Economists’ Club Annual Members’ Dinner, American Enterprise Institute, Washington, DC, November 26, 2001. Available at <https://www.imf.org/en/News/Articles/2015/09/28/04/53/sp112601>.

groups have put forward proposals through the FFD4 consultation process. In the United States during 2023 and 2024, frustration with the slow progress addressing concerns first raised over 50 years ago prompted the development of new legislation in New York that might lead to faster and more comprehensive debt relief for sovereign borrowers with debt governed by state law.

Expert analyses consistently highlight the limitations of the current sovereign debt restructuring regime and underscore the need for a systemic, internationally coordinated response to sovereign debt distress.⁴ Senior United Nations leaders share this view, calling the current global debt framework unsustainable.⁵ In a February 2024 press conference in Addis Ababa, the Secretary-General issued a call to action: “We need to look seriously into the debt question. Many African countries are drowning in debt, and there is no effective mechanism of debt relief. It’s important to create that mechanism of ... effective debt relief.”⁶

While debt restructurings are historically common, many countries today are reluctant to pursue formal restructuring processes due to concerns over stigma and potential increases in future borrowing costs.⁷ Moreover, the fragmented debt architecture can feel like it delivers too little relief, too late for borrower countries facing liquidity constraints.

Creditors have also historically worked in like-minded groups. Public creditors have coordinated through forums such as the Paris Club and Group of 20 (G20), often in collaboration with the IMF and the World Bank.⁸ Private creditors, meanwhile, have collaborated through their own London Club and other forums.

At the same time, tensions between public and private creditors have also intensified as the composition of sovereign lending has shifted from traditional bank loans to bond financing over time. The evolving composition and shifting influence of different creditor classes remains a major challenge to debt restructuring – many resist haircuts and instead assert their preferred creditor status.⁹

While the path forward remains uncertain, there is broad consensus that addressing unsustainable debt is essential to securing long-term financing for development – it is a key component of any strategy aimed at improving global development prospects and the principal reason for including a sovereign debt mechanism in the FFD4 process.¹⁰

Currently, 3.3 billion people live in countries where interest payments exceed public spending on either health or education. At the same time, international support for debt-related interventions, including relief, swaps and restructuring, has fallen to its lowest level on record. With the global development agenda faltering, poverty reduction trends reversing and the costs of adverse climate impacts escalating, the need to reform the sovereign debt restructuring regime has never been greater.

Yet overhauling the sovereign debt regime is far from simple. It is multilayered and shaped by the diverse interests of public and private creditors, as well as global and domestic stakeholders. While there has been some progress in supporting countries with heavy debt burdens, the sovereign debt architecture remains fragmented, slow and unpredictable – particularly from the perspective of debtor countries.¹¹

⁴ Chris Humphrey, “What makes an MDB an MDB? Southern-led multilateral banks and the sovereign debt crisis”, Working Paper (London, ODI Global, 2025).

⁵ The current sovereign debt crisis has roots in pandemic-era borrowing, which has been exacerbated by geopolitical crises and runaway inflation. The escalating trade war is placing additional downward pressure on global economic prospects, which in turn is likely to undermine the debt servicing capacity of many trade-dependent countries.

⁶ António Guterres, “Secretary-General’s press conference in Addis Ababa, Ethiopia”, United Nations, 15 February 2025.

⁷ Research has quantified sovereign debt restructuring episodes globally, documenting more than 500 such cases since the 1950s. See Udaibir S. Das, Michael G. Papaioannou and Christoph Trebesch, “Restructuring sovereign debt: lessons from history”, in *Financial Crises: Causes, Consequences and Policy Responses*, Stijn Claessens and others, eds. (Washington, DC, IMF, 2014).

⁸ Despite the Paris Club’s declining share of official lending, it continues to exercise significant convening power in debt negotiations.

⁹ Humphrey, “What makes an MDB an MDB?”

¹⁰ UNCTAD, “UNCTAD inputs to the elements paper of the co-facilitators of the outcome document of the 4th International Conference on Financing for Development”, 19 October 2024, p. 4. Available at https://financing.desa.un.org/sites/default/files/2024-10/UNCTAD_inputs%20to%20FFD4%20elements%20paper.pdf.

¹¹ The sovereign debt restructuring regime has evolved to some extent in both policy and politics in response to these challenges. Notable developments include the widespread adoption and refinement of collective action clauses, as well as a shift from Paris Club-led processes to broader forums such as the G20 and the establishment of the Common Framework. Other areas of progress include the expansion of climate-resilient debt clauses, reviewing IMF surcharges, innovations in cost-of-capital structures and regional debt initiatives.

Since the release of the 10 March draft FFD4 outcome document, United Nations Member States have engaged in a vigorous debate over the proposal to launch a United Nations intergovernmental process to establish a sovereign debt mechanism. For supporters, a multilateral sovereign debt mechanism offers several important benefits. Depending on its final institutional design, it could help address a variety of needs, such as capacity-building, coordination, transparency, legitimacy and enforcement. While the proposals put forward are diverse, they all promise to bring greater order, consistency and predictability to a process that has long been ad hoc, fragmented and opaque.

Negotiations on the outcome document of the FFD4 ended abruptly on 16 June 2025, nearly two weeks before delegates were scheduled to gather in Seville. This marks only the second time in FFD history – after Doha in 2008 – that negotiations concluded prior to the conference, and the first FFD where the outcome document is likely to be adopted by vote rather than consensus, a significant procedural shift from Monterrey (2002), Doha (2008) and Addis Ababa (2015).¹²

Co-facilitators released the final draft document, the *Compromiso de Sevilla*, on 17 June 2025.¹³ While the call for a multilateral sovereign debt mechanism was removed

from the final text, the intergovernmental process based within the United Nations remains, leaving room for continued dialogue. The *Compromiso de Sevilla* reflects persistent political sensitivities surrounding the sovereign debt architecture but also signals a notable evolution in thinking and growing political support across many regions. Despite removal from the FFD4 text, a formal sovereign debt restructuring mechanism remains firmly on the international policy agenda.

This report presents the state of discussions on sovereign debt restructuring mechanisms. It opens with a brief history of the sovereign debt restructuring regime, including key milestones and reforms from the 1970s to the present. It outlines current Member State views on debt restructuring in the lead-up to FFD4, focusing on the positions of developed, emerging, small island States and least developed countries (LDCs). It then explores over two decades of proposals advanced by Member States, United Nations institutions and civil society experts, highlighting functions and trade-offs of each debt restructuring model. Finally, it examines intergovernmental processes that have tackled similarly complex challenges, drawing lessons and identifying models that could inform and inspire Member States' efforts to bring greater coherence to the sovereign debt restructuring architecture.

¹² See Global Policy, "Compromiso de Sevilla likely to be put to a vote", 17 June 2025. Available at <https://www.globalpolicy.org/en/news/2025-06-17/compromiso-de-sevilla-likely-be-put-vote>.

¹³ United Nations, Fourth International Conference on Financing for Development, "Compromiso de Sevilla for Action", 16 June 2025. Available at <https://financing.desa.un.org/sites/default/files/ffd4-documents/2025/Compromiso%20de%20Sevilla%20for%20action%2016%20June.pdf>.

Box 1. A brief history of the sovereign debt restructuring regime

The sovereign debt restructuring regime has evolved significantly since the 1970s, shaped by major milestones that include financial crises, multilateral initiatives and shifts in creditor composition.

1970s–1980s: The Latin American debt crisis and the Paris Club restructuring

- **1970s:** The first generalized sovereign debt crisis emerged as developing countries, particularly in Africa and Latin America, borrowed heavily in “petrodollars” amid oil and food price shocks.
- **1982:** The Mexican default, triggered by a sharp rise in United States interest rates that raised debt servicing costs, led to a regional crisis and debt restructurings facilitated by the **Paris Club** (for official bilateral debt) and the **London Club** (for private bank loans).
- **1989:** The **Brady Plan** introduced debt-for-bond swaps, enabling highly indebted countries to restructure commercial bank debt into long-term bonds.

1990s–2000s: Expansion of bonded debt and emerging collective action clauses

- **1990s:** The shift from bank loans to **sovereign bonds** complicated restructurings, as bondholders were more fragmented.
- **1996:** The **Heavily Indebted Poor Countries Initiative**, led by the IMF and the World Bank, provided debt relief for the poorest countries.
- **2001:** Argentina’s massive default highlighted the challenges of restructuring bonds held by diverse creditors.
- **2003:** The **IMF’s Sovereign Debt Restructuring Mechanism** was proposed but failed due to opposition from key stakeholders, including the United States and some emerging economies.
- **2003–2004:** The adoption of **collective action clauses** in sovereign bonds, starting with Mexico, facilitated orderly restructuring by enabling supermajority creditor agreements.

2010s: Eurozone crisis and strengthening of the sovereign debt restructuring regime

- **2012:** Greece underwent the largest sovereign debt restructuring, implementing **retroactive collective action clauses** to secure creditor participation.
- **2015:** The **United Nations General Assembly adopted principles for sovereign debt restructuring**, emphasizing fair and sustainable solutions, though lacking binding enforcement.

2020s: COVID-19, G20 initiatives and calls for reform

- **2020:** The G20 launched the **Debt Service Suspension Initiative**, which deferred payments for low-income countries, followed by the **Common Framework for Debt Treatments** to coordinate restructuring.
- **2022–Present:** The Common Framework has been criticized for delays, leading to calls for more efficient restructuring mechanisms, such as **enhanced collective action clauses, State-contingent debt instruments and legal reforms**.
- **2023:** A new forum for dialogue was co-created by the World Bank, the IMF and G20 – the **Global Sovereign Debt Roundtable**. Going beyond the traditional Paris Club countries, it includes a number of borrowing countries at various stages of debt negotiation. Its goal is to build common understanding and dialogue around challenges that impact borrowing countries.

Challenges and desired characteristics of a sovereign debt restructuring mechanism

Here, we examine the range of challenges that gave rise to calls for a new sovereign debt resolution mechanism. By viewing these challenges alongside the proposals put forward over time, one can better understand how each proposal aimed to address specific shortcomings in the existing sovereign debt regime. The table below summarizes common criticisms from a range of stakeholders over time, including Member States.

Table 1: Challenges to establishing a sovereign debt restructuring mechanism

Challenge	Explanation
Stigma and deterrence	Countries avoid pursuing restructuring due to reputational and market risks.
Disputes over participation/exemptions	Stakeholders disagree over which creditors must participate and how preferred creditors are treated, as well as protections for minority and majority creditors and public claimants.
Voluntary negotiations	No binding mechanism forces creditors to engage or cooperate.
Delays and prolonged uncertainty	Restructurings take too long, worsening economic and social costs.
Lack of clear rules	Absence of predictable processes undermines post-restructuring recovery and confidence.
Unequal treatment of countries	Smaller or less influential countries face worse restructuring outcomes.
Creditor bias	Restructuring frameworks favour creditors, limiting fair burden sharing.
Inconsistent application of rules	Similar debt situations are handled differently based on geopolitics or creditor interest.
Opaque debt data	Limited transparency around debt terms, volumes and creditors hinders coordination and effective decision-making. Debt sustainability analyses are often incomplete or based on inaccurate or outdated information.
Lack of trust in Bretton Woods institutions	Some perceive Bretton Woods institutions as creditor-aligned and lacking neutrality.
Jurisdictional conflicts in private debt	Legal fragmentation and home country bias complicate cross-border restructurings. Jurisdictions are unwilling to cede the right to restructure.

Challenge	Explanation
Weak political legitimacy	Current frameworks lack democratic legitimacy and broad buy-in, reducing compliance and effectiveness.
Capacity constraints	Countries lack expertise to engage constructively in debt restructuring processes, and have limited and uneven access to support facilities.
Perimeter of “legitimate” debt	Conflicts over how to define eligible debt among stakeholders obstruct debt restructuring processes.
Restructuring insufficient to offer fresh start	Debt restructuring is often too little, too late, failing to tackle a large enough portion of unsustainable debt to give countries the kind of fresh start that firms usually receive after bankruptcy.
Coordination and learning	A lack of sufficient forums for debtor country coordination impedes learning and overall effectiveness of debt restructuring.

The table above highlights the many persistent gaps in the current debt architecture that must be addressed to ensure a more reliable, effective and equitable process for managing debt crises. Given the considerable scope for improvement, it is striking that past efforts to establish such a mechanism have not succeeded. It is also notable that, at different points in history, efforts to establish a sovereign debt restructuring mechanism have been opposed by both creditor and debtor nations.

Scholars have examined the underlying reasons for the piecemeal institutional reforms observed over several decades. A survey by Canadian political scientist Eric Helleiner highlights several possible explanations that go beyond the conventional view of powerful creditor nations blocking debtor countries from gaining a stronger voice in shaping an international debt restructuring regime:¹⁴

- Transnational capital is better served by ad hoc debt restructuring mechanisms that reinforce the existing fragmented and uneven debt regime.
- In the absence of a collective commitment to a clear sovereign debt restructuring mechanism, individual private creditors have an incentive to quickly exit before other creditors do, and some prefer this possibility of a quick exit, as they retain recourse to a courthouse to enforce their right to repayment.

- A free rider problem disincentivizes private creditors to agree to clear rules concerning the restructuring of debts after a crisis has emerged.
- A free rider problem may also discourage debtor nations from advocacy. They may be unwilling to publicly champion a sovereign debt restructuring mechanism, fearing that such support could be construed as an indication of intent to default.

Experts generally agree that a more orderly debt restructuring process is in the interests of both creditor and debtor nations. A well-functioning sovereign debt restructuring mechanism increases the likelihood that a debtor will continue servicing debt obligations to all creditors, while helping to avoid major economic disruptions and setbacks to development. Writing in 2016, the economists Joseph Stiglitz and Martin Guzman observed, “There is consensus on the necessity of moving to a different framework, but there are different views on the table on how to move forward.”¹⁵ A decade later and on the doorstep of the Fourth International Conference on Financing for Development, that consensus seems more fragile than ever.

¹⁴ Eric Helleiner, “The mystery of the missing sovereign debt restructuring mechanism”.

¹⁵ Stiglitz and Guzman argued that efforts to establish an international bankruptcy framework have repeatedly been obstructed by the exercise of raw economic and political power, which has prevented the development of a more structured and reliable alternative to the current principle-based approach. Martin Guzman and Joseph E. Stiglitz, “Creating a framework for sovereign debt restructuring that works”, in *Too Little, Too Late: The Quest to Resolve Sovereign Debt Crises*, Martin Guzman, José Antonio Ocampo and Joseph E. Stiglitz, eds. (New York, Columbia University Press, 2016).

Member State perspectives

Member States' positions on sovereign debt management and restructuring in FFD4 negotiations generally reflect past North-South divisions on debt: developed countries prefer to handle debt issues on a case-by-case basis and within institutions where they have the most influence (e.g. the World Bank and the IMF), while many developing countries seek multilateral rules and a restructuring mechanism under the United Nations, where they have more leverage.

However, there are notable distinctions within both developed and developing country blocs. For example, some emerging economies align with developed countries in stressing the importance of existing initiatives (namely, the G20's Common Framework) and preventative measures rather than a new mechanism. The Alliance of Small Island States (AOSIS) and LDCs, meanwhile, have expressed strong support for a new mechanism, and both groups have called for operationalizing the Small Island Developing States (SIDS) Debt Sustainability Support Service and expanding it to LDCs.

Key positions on a new sovereign debt mechanism

The **African Group** has supported a new mechanism, with specific principles. It has argued for a "multilateral sovereign debt workout mechanism aligned with sustainable development to provide a definitive solution for debt crises"; it also proposes to "establish a Global

Debt Authority to oversee the multilateral sovereign debt workout mechanism and promote statutory and contractual changes in sovereign debt management".¹⁶ Both would be established through an intergovernmental process at the United Nations.¹⁷

The **African Union** has also endorsed a mechanism, calling upon the African Union and other pan-African institutions to "advocate for strong, far-reaching reform of global debt architecture through the establishment of a UN Framework Convention on Sovereign Debt". The proposed convention would establish a legally binding, multilateral mechanism to prevent and resolve sovereign debt crises. It would ensure timely and adequate debt relief, guided by principles of inclusivity, transparency and development justice. Key features would include development-oriented debt sustainability assessments, recognition of illegitimate debt and the introduction of debt crisis prevention tools.¹⁸

The **LDC group** has supported a new mechanism under United Nations auspices "to facilitate timely and orderly debt restructuring".¹⁹ It reiterated this call in its response to the draft outcome document: "The recognition in paragraph 50 that the current debt architecture is not fit for purpose is crucial. We firmly support the call in paragraph 50.e to initiate an intergovernmental process at the United Nations to address gaps in the debt architecture and explore options for enhancing debt sustainability, including a potential multilateral sovereign debt mechanism."²⁰

¹⁶ African Group, "African Group inputs for Financing for Development (FfD4)", October 2024, p. 3. Available at <https://financing.desa.un.org/sites/default/files/ffd4-inputs/2025-02/African%20Group%20Inputs%20for%20FfD4%20Elements%20Paper.pdf>.

¹⁷ Representative of Burundi on behalf of the African Group, statement to the informal briefing of the preparatory committee for the Fourth International Conference on Financing for Development, New York, 22 January 2025. Available at [https://webtv.un.org/en/asset/k1n/k1nyxy84mk\(at%2000:45:02\)](https://webtv.un.org/en/asset/k1n/k1nyxy84mk(at%2000:45:02)).

¹⁸ African Union, "Declaration", African Union Conference on Debt, Lomé, Togo, 12–14 May 2025, p. 8. Available at https://au.int/sites/default/files/documents/44785-doc-EN_Draft_Zero_Declaration_AU_Conference_on_Debt_Final.pdf.

¹⁹ Group of the Least Developed Countries, "Inputs by the Group of the Least Developed Countries for the elements paper for the FfD4", October 2024, p. 6. Available at <https://financing.desa.un.org/sites/default/files/2024-10/LDCs%20inputs%20for%20the%20Elements%20Paper-final.docx>.

²⁰ Representative of Bangladesh on behalf of LDCs, "Consideration of the draft outcome document of the Conference Debt and Debt Sustainability", statement to the 6th informal meeting of the Third Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 13 February 2025. Available at https://financing.desa.un.org/sites/default/files/ffd4-statements/2025-02/LDCs_Intervention%20on%20debt%20sustainability%20-%2013%20Feb.docx.

The **AOSIS** has called for “establishing a mechanism where partial debt forgiveness for SIDS is tied to verifiable progress in climate mitigation, adaptation and biodiversity protection”.²¹ It also “welcomed the call to discuss a new mechanism in the UN” and proposed “to make the call stronger, clearer and more direct”, with a dedicated timeline for discussions (the 80th session of the General Assembly in September 2025) and an institutional framework: an “International Convention which includes a multilateral sovereign debt mechanism”.²²

Emerging economies outside the G20 have supported a new mechanism. A submission from Pakistan, Nigeria and Egypt calls for creating a “multilateral sovereign debt workout mechanism aligned with sustainable development to provide a definitive solution for debt crises”. Pakistan provided more details: “Our proposal in our submission with Nigeria and Egypt is the creation of a sovereign debt workout mechanism under UN auspices. This could include a standing intergovernmental platform or process as well as a sovereign debt authority.”²³

Emerging economies within the G20 have taken mixed or ambiguous positions on a new mechanism. On the supportive side, Brazil declared that “intensified action ... across three priorities: prevention and management, fiscal support and debt overhangs, and a more effective debt crisis resolution mechanism” were needed.²⁴ India has remained cautious, not speaking against the mechanism but “recogniz[ing] the importance of global consensus on

debtor and creditor responsibilities”.²⁵ South Africa has also remained neutral on a mechanism but has argued against involving multilateral development banks (MDBs) in debt relief, arguing this “would be tantamount to asking poor countries to bear the costs of debt relief ... It makes no sense to weaken MDBs while at the same time calling on them to do more heavy lifting on development.”²⁶

Of emerging economies, **China** is the only net lender and is a major creditor for many developing countries. China’s views on a new mechanism are scarce. In its latest comments on the outcome draft, it focuses on strengthening “debt crisis solutions ... with the full participation of international financial institutions and private creditors” and warns against “negative spillover effects” from economic policies in major advanced economies.²⁷

Developed countries have generally opposed the creation of a new mechanism and questioned the utility of new processes led by the United Nations to discuss the global sovereign debt architecture. The United States has called for redrafting language on a United Nations-led process to “focus on promoting existing initiatives related to debt and appropriate fora and refrain from creating new or duplicative mechanisms”. Further, “the United States cannot accept text that calls for a UN intergovernmental process on debt or proposes a role for the UN and the global debt architecture for

²¹ AOSIS, “AOSIS submission call for inputs for an elements paper on financing for development”, October 2024. Available at https://financing.desa.un.org/sites/default/files/2024-10/AOSIS%20UPDATED_submission_Elements%20Paper%20on%20Financing%20for%20Development.docx.

²² Representative of Palau on behalf of AOSIS, statement to the 6th informal meeting of the Third Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 13 February 2025. Available at [https://webtv.un.org/en/asset/k15/k15ouc2qs\(at01:09:40\)](https://webtv.un.org/en/asset/k15/k15ouc2qs(at01:09:40)).

²³ Representative of Pakistan, statement to the 6th informal meeting of the Second Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 5 December 2024. Available at [https://webtv.un.org/en/asset/k1u/k1u1b87sbe\(at01:09:10\)](https://webtv.un.org/en/asset/k1u/k1u1b87sbe(at01:09:10)).

²⁴ Brazil, “FfD4 – call for inputs for an elements paper on Financing for Development”, October 2024. Available at https://financing.desa.un.org/sites/default/files/2024-10/Brazil_FfD4%20-%20Elements%20Paper.docx.

²⁵ Representative of India, “Consideration of the draft outcome document of the Conference – debt and debt sustainability”, statement to the 6th informal meeting of the Third Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 13 February 2025. Available at https://financing.desa.un.org/sites/default/files/ffd4-statements/2025-02/India_7.%20Debt%20%5E0%20Debt%20Sustainability.pdf.

²⁶ South Africa, “Third FfD4 PrepCom comments by South Africa on the zero draft of the FfD4 outcome document”, February 2025, p. 7. Available at <https://financing.desa.un.org/sites/default/files/2025-02/SOUTH%20AFRICA%20STATEMENTS%20FFD4%203RD%20PREP-COM%20.docx>.

²⁷ People’s Republic of China, “China’s inputs to Element Paper of the outcome document of the 4th International Conference on Financing for Development”, October 2024, p. 2. Available at https://financing.desa.un.org/sites/default/files/2024-10/China_inputs%20to%20FFD4.pdf.

which it is not mandated or equipped".²⁸ Australia also registered its opposition to a new United Nations-led process, recalling that language in the Pact for the Future specifies a review led by the IMF, not the United Nations: "The initiation of a new intergovernmental process at the United Nations runs counter to this, as the process is not yet complete."²⁹

The **European Union** as a collective has not shared an official stance on a new mechanism, but statements focus on progress under the Paris Club and reforming the Common Framework to include middle-income countries in debt distress – a position broadly accepted across

developing countries.³⁰ It has also suggested, in place of the United Nations-led process, an annual dialogue between the United Nations, the Paris Club and other official creditors, with the IMF and the World Bank as observers. Other countries including Switzerland, Canada and Japan have opposed the mechanism and emphasized reforms to the Common Framework.³¹ Notably, the United Kingdom "acknowledge[s] the need to strengthen debtor voice and would welcome discussions on further proposals outside of the proposal for a new convention", suggesting openness to alternative arrangements.³²

Table 2: Member State perspectives in FFD4 on sovereign debt restructuring

Group/ Country	Position on new sovereign debt mechanism	Preferred forum(s)	Key points or statements
Developed countries (general)	Opposed.	IMF, World Bank, Common Framework, Global Sovereign Debt Roundtable.	Favour case-by-case handling of debt; prefer forums where they have influence; oppose United Nations-led restructuring discussions and new mechanism.
United States	Strongly opposed.	IMF, World Bank.	Rejects both process and mechanism; asserts United Nations is "not mandated or equipped" for debt architecture reform.

²⁸ Representative of the United States of America, statement to the 6th informal meeting of the Third Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 13 February 2025. Available at [https://webtv.un.org/en/asset/k15/k15ouc2qs\(at 01:25:00\)](https://webtv.un.org/en/asset/k15/k15ouc2qs(at 01:25:00)). On 17 June 2025, the United States withdrew from the FfD4 negotiating process, citing that several provisions crossed "long-standing red lines," including, inter alia, proposals for a United Nations-led intergovernmental process on debt. Jonathan Shrier, the U.S. representative at the talks, stated: "Colleagues, on the matter of debt, we must be clear, the proposals that envision a role of the U.N. in the global debt architecture are unacceptable. Creditors and borrowers themselves should remain at the core of sovereign debt discussions, supported by expert advice of the [International Monetary Fund] and the World Bank." Colum Lynch, "US abandons Financing for Development conference," Devex, 18 June 2025. Available at <https://www.devex.com/news/us-abandons-financing-for-development-conference-110321>.

²⁹ Representative of Australia, statement to the 6th informal meeting of the Third Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 13 February 2025. Available at [https://webtv.un.org/en/asset/k15/k15ouc2qs\(at 01:40:10\)](https://webtv.un.org/en/asset/k15/k15ouc2qs(at 01:40:10)).

³⁰ European Union, "Input from the EU and its MS to the FfD4 elements paper", 15 October 2024, p. 9. Available at https://financing.desa.un.org/sites/default/files/2024-10/EU_FFD4_contribution-FINAL_clean.pdf.

³¹ Representative of Switzerland, statement to the 6th informal meeting of the Third Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 13 February. Available at [https://webtv.un.org/en/asset/k15/k15ouc2qs\(at 02:09:10\)](https://webtv.un.org/en/asset/k15/k15ouc2qs(at 02:09:10)); Representative of Canada, statement to the 6th informal meeting of the Third Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 13 February. Available at [https://webtv.un.org/en/asset/k15/k15ouc2qs\(at 02:06:40\)](https://webtv.un.org/en/asset/k15/k15ouc2qs(at 02:06:40)); Representative of Japan, statement to the 6th informal meeting of the Third Preparatory Committee for the Fourth International Conference on Financing for Development, New York, 13 February. Available at [https://webtv.un.org/en/asset/k15/k15ouc2qs\(at 01:54:55\)](https://webtv.un.org/en/asset/k15/k15ouc2qs(at 01:54:55)).

³² United Kingdom, "UK – overarching statement on FFD4 zero-draft", statement made at the 3rd PrepCom addressing multiple Action Areas, 10–14 February 2025. Available at <https://financing.desa.un.org/sites/default/files/2025-03/UK%20Statement%20on%20FFD4%20Zero-Draft%20addressing%20multiple%20Action%20Areas.pdf>.

Group/ Country	Position on new sovereign debt mechanism	Preferred forum(s)	Key points or statements
Australia	Opposed.	IMF.	Argues that a United Nations–led process contradicts the Pact for the Future, which mandates an IMF-led review.
European Union	Ambiguous/ opposed.	G20/the Paris Club.	Supports Common Framework reforms and suggests annual dialogue between the United Nations, the Paris Club and other official creditors instead of process.
United Kingdom	Ambiguous/ opposed.	G20, IMF/World Bank.	Supports Common Framework reforms and operationalization of IMF-World Bank three-pillar approach. Open to exploring proposals beyond a new convention.
Switzerland, Canada, Japan	Opposed.	G20.	Emphasize reforming current initiatives like the Common Framework rather than establishing a new mechanism.
African Group	Strongly supportive.	United Nations.	Advocates for a multilateral debt workout mechanism and Global Debt Authority, both to be created through a United Nations intergovernmental process.
African Union	Strongly supportive.	United Nations.	Calls for a United Nations Framework Convention with specific functions, for example, development-oriented Debt Sustainability Analyses.
LDCs	Strongly supportive.	United Nations.	Support United Nations–led intergovernmental process; reiterated this in official response to draft outcome document.
AOSIS (SIDS)	Strongly supportive.	United Nations.	Support linking debt forgiveness to climate/ biodiversity goals; propose dedicated United Nations Framework Convention and mechanism.
Emerging economies (non-G20)	Supportive.	United Nations.	Pakistan, Nigeria and Egypt propose a United Nations–based sovereign debt workout mechanism and debt authority.
Brazil (G20)	Cautiously supportive.	Unclear, Common Framework.	Supports “more effective” resolution mechanisms; calls for action on prevention, fiscal support and debt overhangs.
India (G20)	Ambiguous.	Unclear, Common Framework.	Recognizes the importance of global consensus on debtor/creditor roles; neither explicitly supports nor opposes a mechanism.
South Africa (G20)	Ambiguous.	Unclear, Common Framework.	Opposes involving MDBs in debt relief; cautious stance on new mechanisms.
China	Ambiguous/ opposed.	Existing institutions.	Emphasizes full participation of international financial institutions and private creditors; warns of spillover effects; does not endorse a new United Nations–led mechanism.

Other relevant proposals in the FFD4 draft text

Several proposals concern other parts of the sovereign debt architecture and enjoy broad support from Member States:³³

- **Create independent expert group on responsible borrowing/lending:** Request the United Nations Secretary-General to convene an expert group to consolidate and monitor responsible sovereign debt principles (e.g. the UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing and the G20 Operational Guidelines for Sustainable Financing), reporting by the 2026 and 2027 Financing for Development Forums.
- **Establish a global debt data registry:** Consolidate existing debt databases into a single global registry housed at the World Bank to improve transparency and reduce reporting burdens.
- **Operationalize SIDS Debt Sustainability Support Service:** Fully operationalize the Debt Sustainability Support Service to provide legal, financial and technical assistance to SIDS for immediate debt vulnerability and long-term sustainability. Possible expansion to LDCs.
- **Expand debt “pause clauses”:** Continue to expand State-contingent or climate resilient debt clauses in official lending and encourage international financial institutions to help mainstream such clauses into commercial debt contracts.
- **Institutionalize liquidity and liability support:** Continue efforts to provide new liquidity and liability management tools through the three-pillar approach proposed by the IMF and the World Bank. Strengthen and systematize this support by finding an institutional home within an existing facility, such as the Debt Reduction Facility of the World Bank.
- **Reform the Common Framework:** Expand access to middle-income countries, improve comparability tools and formalize debt suspension during restructuring.
- **Develop law on debt restructuring:** Request the United Nations to develop a model law to guide national legislation on debt restructuring, including anti-holdout provisions, for adoption in key jurisdictions.
- **Reform credit rating agencies:** Urge credit rating agencies to adopt longer time horizons, better account for investment and sustainability impacts, and stop penalizing voluntary restructurings. Encourage public institutions to issue transparent, comparable credit assessments to counterbalance private credit rating agencies.

³³ United Nations, “First draft: outcome document of the Fourth International Conference on Financing for Development”, 10 March 2025. Available at <https://financing.desa.un.org/sites/default/files/2025-03/FFD4%20Outcome%20First%20Draft.pdf>.

Survey of proposals for a sovereign debt mechanism: approaches, functions and trade-offs

Over the last 25 years, United Nations Member States, multilateral institutions and civil society actors have made calls, proposed plans, issued declarations and launched processes concerning a sovereign debt “restructuring mechanism”, “workout mechanism”, “legal framework” or global “authority”, usually but not exclusively under the auspices of the United Nations.

The abridged tables below (full versions are available in the Annex) present a diverse set of institutional models, from legally binding frameworks like the IMF’s original SDRM proposal to voluntary mechanisms driven by private sector coordination. They also include hybrid institutional designs, such as a United Nations subsidiary body or an independent global authority, as well as regional- and national-level legal interventions.

These models have been proposed by a wide range of actors, including international organizations, United Nations agencies, private creditors, civil society groups, and national and subnational policymakers. The tables provide a basis for comparing models and evaluating trade-offs across different approaches.

Approaches and functions

Proposed mechanisms for global sovereign debt restructuring can be categorized into four types: legal frameworks and courts, mediation and arbitration services, technical guidelines and support, and market-based interventions.

Legal frameworks aim to establish binding authority, including through statutory courts, national legislation and treaty-based institutions. The sovereign debt restructuring mechanism proposed by IMF Chief Economist Anne Krueger just after the turn of the century offered a structured, binding process based within the IMF but faced resistance from private creditors and emerging economies.³⁴ The international debt restructuring court proposed by the Stiglitz Commission (as the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System is commonly known) and UNCTAD’s Debt Workout Institution with an accompanying tribunal would also provide binding legal authority – through an international court and treaty-based arbitration, respectively.³⁵ A more recent domestic approach is New York State’s 2024 legislative proposal to govern sovereign debt contracts. This proposal aims to improve coordination among creditors and strengthen debt restructuring processes by embedding key provisions – such as majority voting clauses and restrictions on disruptive holdout litigation – directly into New York-governed bond contracts. Because so many sovereign bonds are issued under New York law, reforms at the state level could have a significant global impact by setting new standards for more orderly and equitable sovereign debt workouts.³⁶ Civil society-led proposals, such as the European Network on Debt and

³⁴ Anne Krueger, “A new approach to sovereign debt restructuring”, IMF, April 2002.

³⁵ Joseph E. Stiglitz and Members of a United Nations Commission of Financial Experts, *Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System* (New York, United Nations, 2009); UNCTAD, *Sovereign Debt Workouts: Going Forward Roadmap and Guide* (2015).

³⁶ United States of America, New York State, Assembly Bill 2970A, Sovereign Debt Stability Act, 2023–2024 Regular Session, as amended 6 March 2024. Available at <https://www.nysenate.gov/legislation/bills/2023/A2970/amendment/A>. For an overview, see Melissa Butler, Ian Clark and Dimitrios Lyratzakis, “New York’s proposed ‘Sovereign Debt Sustainability Act’: an overview”, White & Case, 15 May 2024.

Development's model for a UN framework convention, suggest establishing legally binding global rules under United Nations auspices, a more inclusive but politically challenging path.³⁷

Mediation and arbitration mechanisms provide forums for dialogue, with or without formal enforcement powers. The "global institution as honest broker" model (as outlined by Barry Herman, José Antonio Ocampo and Shari Spiegel) draws inspiration from the World Trade Organization dispute settlement system.³⁸ The international mediation service proposed by the Stiglitz Commission would offer softer mediation support alongside formal processes. The sovereign debt forum – an idea developed by the United Nations Department of Economic and Social Affairs (DESA) and later elaborated upon by the Centre for International Governance Innovation (CIGI) – would create a standing independent body to facilitate negotiation.³⁹ The independent mediator for climate-linked debt restructuring proposed by the Vulnerable Group of 20 (V20) is a voluntary, climate-responsive mechanism in which a mediator nominated by the United Nations facilitates debt negotiations based on debtor-led Climate Prosperity Plans.⁴⁰ Proposals for a strengthened Common Framework, as referenced in the Secretary-General's *Our Common Agenda* (2023), call for extending eligibility to middle-income countries and creating a legal mechanism to enforce comparability of treatment.⁴¹

Technical and advisory models offer guidance and coordination support, usually without binding obligations. Early examples include the Principles for Stable Capital Flows and Fair Debt Restructuring, first issued by the Institute of International Finance in 2004, which promote voluntary norms for creditor behaviour.⁴² One variation of UNCTAD's proposed Debt Workout Institution would function as a United Nations subsidiary body offering both technical guidance and legal mechanisms. UNCTAD's more recent proposal for a Global Debt Authority envisions a soft law advisory platform supported by a coalition of willing States.⁴³ These models aim to standardize and depoliticize debt workouts, though they depend heavily on broad political support to be effective.

Market-based mechanisms use financial engineering to support debt relief. The multilateral debt buyback facility, proposed by Joseph Stiglitz and Hamid Rashid (and expanded by Bradlow, Zucker-Marques and Gallagher), would create an IMF-administered trust to purchase distressed bonds at a discount and refinance them on improved terms.⁴⁴ The DOVE Fund for Africa proposes a private investment vehicle to alter power dynamics in African sovereign debt markets.⁴⁵ José Antonio Ocampo has proposed similar market-based approaches embedded within the World Bank or regional development banks, offering refinancing or guarantees under more development-friendly terms.⁴⁶ These models are less confrontational for creditors but often rely on donor funding and are difficult to scale across countries.

³⁷ Iolanda Fresnillo, "UN framework convention on sovereign debt: building a new debt architecture for economic justice", European Network on Debt and Development, October 2024.

³⁸ Barry Herman, José Antonio Ocampo and Shari Spiegel, "Towards a comprehensive sovereign bankruptcy regime", Initiative for Policy Dialogue Working Paper Series (New York, Initiative for Policy Dialogue, 2008). Available at https://ipdcolumbia.org/wp-content/uploads/2024/08/Ch17_Herman_Ocampo_Spiegel.pdf.

³⁹ DESA, "Sovereign debt restructuring", 25 October 2012; Richard Gitlin and Brett House, "A blueprint for a sovereign debt forum", CIGI Papers, No. 27 (Waterloo, Canada, Centre for International Governance Innovation, 2014).

⁴⁰ V20 Presidency, "V20 statement on debt restructuring option for climate-vulnerable nations," 27 April 2021.

⁴¹ United Nations, *Our Common Agenda Policy Brief 6: Reforms to the International Financial Architecture* (New York, 2023), pp. 12-13. Available at <https://www.un.org/sites/un2.un.org/files/our-common-agenda-policy-brief-international-finance-architecture-en.pdf>.

⁴² Institute of International Finance, "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets," 22 November, 2004. See also "The principles for stable capital flows and fair debt restructuring, April 2022 update", 28 April 2022.

⁴³ UNCTAD, *Trade and Development Report 2023: Growth, Debt and Climate: Realigning the Global Financial Architecture* (New York, United Nations publication, 2024), pp. 133–136.

⁴⁴ Joseph Stiglitz and Hamid Rashid, "Averting catastrophic debt crises in developing countries: extraordinary challenges call for extraordinary measures", CEPR Policy Insight No. 104 (Paris and London, Centre for Economic Policy Research, 2020); Daniel Bradlow, Marina Zucker-Marques and Kevin P. Gallagher, "Bringing Buybacks Back: A Known Debt Restructuring Tool with a Principled Twist", Boston University Global Development Policy Center, 13 September 2024.

⁴⁵ Daniel Bradlow, "A proposal for a new approach to restructuring African Eurobonds: the DOVE Fund and principles", Southviews No. 242, South Centre, 4 November 2022.

⁴⁶ José Antonio Ocampo, "The urgency of sovereign-debt restructuring", Project Syndicate, 18 April 2024.

Table 3: **Legal mechanisms** focus on establishing binding authority, including through court decisions.

Mechanism	Explanation	Authority	Appeal	Challenges
IMF's SDRM (Krueger, 2002)	Influential model in which debtors initiate, creditors approve, independent judges handle conflicts.	Statutory, requires amendment to IMF Articles.	Orderly, comprehensive, credibility with markets and donors, complements the Paris Club/G20.	Opposed by private creditors, IMF shareholders, emerging economies, concerns on impartiality.
Sovereign Debt Dispute Resolution Forum (Krueger, 2002)	Core part of SDRM, provides binding decisions on debt settlements.	Part of SDRM under the IMF.	Binding, facilitates settlement.	Private creditors need class approval for binding decisions.
International Debt Restructuring Court (Stiglitz Commission, 2009)	International court for debt restructuring, mediation first, arbitration if needed.	Statutory, must be recognized by national courts.	Formal, binding process, encourages coordination.	Political challenges, enforcement issues, resistance from debtors/creditors.
Debt Workout Institution (UNCTAD, 2015)	Treaty-based body with arbitration tribunal for debt workouts.	Statutory, enforceable under international law.	Predictable, rules-based, strengthens coordination.	Political resistance from key creditors, enforcement challenges.
National/Subnational Mechanism (New York State, 2024)	United States-based mechanism with domestic legislation on sovereign debt.	National law, with impact on financial jurisdictions.	Potential for global impact, precedent of local legislation influencing global markets.	No debtor participation, opposition from Wall Street and creditors, potential for higher borrowing costs.
UN Framework Convention (European Network on Debt and Development, 2024)	Mechanism negotiated under a United Nations Framework Convention on sovereign debt.	Statutory, under international law once ratified.	Equal voice for debtors, inclusive, evolving.	Lengthy negotiation, creditor resistance, limited enforcement without universal participation.

Table 4: Mediation mechanisms help facilitate dialogue, often without binding authority.

Mechanism	Explanation	Authority	Appeal	Challenges
Global Institution as Honest Broker (Herman, Ocampo, and Spiegel, 2008)	Single global institution mediates, with panels of independent experts.	Statutory if modelled on World Trade Organization, decisions could be binding.	Neutral platform, encourages voluntary negotiations.	Potential conflict of interest, voluntary participation may limit effectiveness.
International Mediation Service (Stiglitz Commission, 2009)	Soft law mechanism, mediates without binding authority.	Informal, voluntary, collaboration with IMF/World Bank/regional development banks.	Facilitates creditor coordination, offers mediation as alternative to arbitration.	Voluntary, lacks binding authority, may not compel creditors to negotiate.
Sovereign Debt Forum (DESA, 2012; CIGI, 2014)	Led by independent experts, permanent space for negotiations.	Informal, no statutory authority.	Encourages early engagement, independent from debtors/creditors.	Lack of binding enforcement, requires broad buy-in from stakeholders.
Debt Workout Institution (UNCTAD, 2015)	Private non-profit led by Member States, voluntary participation.	Decisions could be binding for signatories.	Least costly, could be run by debt management offices.	Requires political will, subject to political override.
Independent Mediator for Climate-Linked Debt Restructuring (V20, 2021)	Debtor country drafts Climate Prosperity Plan; mediator proposed by United Nations Secretary-General and agreed by debtor and majority of creditors; has tie-breaking vote.	Unclear or hybrid (debtor and creditors must agree to join; outcome could be binding).	Climate Prosperity Plans are debtor-led; could issue sustainability-linked debt post-restructuring; leverages IMF and World Bank tools.	Effectiveness depends on party participation; challenges in mediator selection; holdouts may ignore outcomes.
Strengthened Common Framework (Our Common Agenda, 2023)	Non-binding Memoranda of Understanding between debtor and creditor.	Non-binding, bilateral.	Accelerates restructuring, includes middle-income countries and private creditors.	Resistance from some G20 members, struggles with private creditor inclusion.

Table 5: **Technical and advisory mechanisms** offer non-binding guidance and guidelines for sovereign debt restructuring.

Mechanism	Explanation	Authority	Appeal	Challenges
Code of Conduct for Debt Restructuring (Trichet, 2002)	Voluntary guidelines for sovereign debt restructuring, proposed by the IMF.	Informal, soft law.	Widely welcomed by G7/G20, facilitates SDRM process.	Voluntary, enforcement and free-rider issues, legitimacy concerns with non-G20 countries.
Principles for Stable Capital Flows and Fair Debt Restructuring (Institute of International Finance, 2004)	Voluntary guidelines negotiated with Institute of International Finance, underwriters and emerging market debtors.	Informal, soft law, but has hybrid monitoring mechanism.	Includes role for the IMF, broad market legitimacy.	Voluntary, ambiguous, does not prevent holdouts, excludes SIDS/LDCs.
Debt Workout Institution (United Nations Subsidiary Body) (UNCTAD, 2015)	Technical advice and independent tribunals for restructuring.	Voluntary, subsidiary organ of United Nations General Assembly.	Collaborates with existing mechanisms, like the Paris Club.	Limited mandate, Member State interest unclear.
Global Debt Authority (UNCTAD, 2023)	Advisory body established under non-binding charter by small group of States.	Informal, soft law, arbitration may become binding.	Independent, politically feasible, faster setup.	Requires financing, needs backing from influential actors.

Table 6: **Market-based mechanisms** offer debt relief through purchases of distressed debt at discounted rates and new bond issuance.

Mechanism	Explanation	Authority	Appeal	Challenges
Multilateral Debt Buyback Facility (Stiglitz and Rashid, 2020; Bradlow et al., 2024)	IMF facility to buy distressed bonds at a discount, resell to debtor countries on favourable terms.	IMF-administered, could be trust/facility.	Market-friendly, avoids statutory changes, incentivizes engagement.	Requires donor commitment, may face creditor resistance, moral hazard.
DOVE Fund for Africa (Bradlow, 2022)	Private investment fund for distressed African sovereign bonds.	Private investment vehicle, operates within market frameworks.	Promotes fair outcomes, rebalances creditor-debtor dynamics.	Lack of statutory power, depends on investor buy-in, financial markets may respond negatively.
Mechanism inside MDBs (Ocampo, 2024)	Mechanism inside World Bank or regional development banks.	Authority determined by MDB boards.	Aligns with development objectives, can issue new bonds with guarantees.	Impartiality concerns, unclear shareholder support, potential restrictions for middle-income countries.

Trade-offs

Efforts to improve sovereign debt resolution involve a series of trade-offs, which help explain why proposals differ in design and political traction. These include:

- **Legal authority vs. political feasibility:** Statutory approaches (e.g. an international court or treaty) offer predictability and enforcement but face strong political resistance, particularly from major creditor Governments concerned about losing discretion or inviting legal risk. Soft law or voluntary approaches, while more feasible to establish, rely on incentives and moral suasion.
- **Debtor voice vs. creditor coordination:** Mechanisms led or heavily shaped by borrowing countries – such as one inside a United Nations Framework Convention – can empower the Global South but may face pushback from creditors wary of losing control over restructuring terms. In contrast, creditor-led forums (e.g. an IMF-based vehicle or an enhanced Common Framework) may speed coordination but risk excluding debtor perspectives.

- **Global legitimacy vs. jurisdictional anchoring:**

Proposals rooted in United Nations institutions or global treaty processes offer broader legitimacy and inclusivity but may move slowly or struggle to gain traction. Jurisdiction-specific solutions – like New York State legislation – can be faster but risk fragmentation or legal inconsistency.

These trade-offs are not static. Some mechanisms could evolve from voluntary platforms into binding systems as norms consolidate, suggesting a possible phased pathway from feasibility to ambition. Similarly, certain models may coexist or interact; for example, national legislation could complement a multilateral mediation service or a debt registry.

Finally, political traction depends heavily on creditor incentives. Private creditors worry about legal uncertainty, precedent-setting rulings or debt dilution. Official creditors (including China, Gulf States and MDBs) bring divergent interests and may be cautious about ceding flexibility to new multilateral mechanisms. Understanding these dynamics is essential to identifying coalitions for reform and institution-building.

Innovative institutional templates for a multilateral sovereign debt mechanism

The previous section reviewed a range of proposals from the past 25 years for establishing a sovereign debt restructuring mechanism. These proposals span statutory and soft law models, involve both multilateral and private sector-led initiatives, and operate at global, regional or national levels. Some explicitly draw on existing organizations that in their structure or origins have successfully confronted challenges to international cooperation similar to those faced in sovereign debt restructuring.

Here, we revisit some of the core challenges of international cooperation on sovereign debt and explore how institutions in other domains have tackled analogous problems.

1. Achieving technical cooperation with Member State control. UNCTAD examined the Bank for International Settlements as a potential structure for its Debt Workout Institution. Established in 1930 as a private-law corporation headquartered in Switzerland, the Bank for International Settlements is governed by a small group of member central banks and finance ministries yet operates with significant autonomy and technical focus. It is not a United Nations body and was not established by treaty, but instead functions as an international financial institution under Swiss private law, with State actors as its shareholders. This hybrid structure – formal independence combined with official Government membership – allows it to act as a trusted convener, data aggregator and standard-setter in global monetary and financial governance.

UNCTAD suggests that a similar model could be used to create a Debt Workout Institution: an independent, non-profit body governed by private law, composed solely of States and managed at the

technical level by representatives from domestic Debt Management Offices. This structure could give the institution credibility and practical relevance while retaining oversight in the hands of its member Governments. A General Assembly resolution could express broad international support, encouraging cooperation without requiring a binding treaty. As with the Bank for International Settlements, the institution's influence would be grounded in the quality of its analysis, its ability to coordinate national authorities and its capacity to support collective action without being seen as biased towards either creditors or debtors.

2. Reducing creditor bias while leveraging the IMF.

Acknowledging the difficulty of establishing an entirely new body from scratch, Herman, Ocampo and Spiegel recommend empowering an existing global financial institution to serve as an impartial adviser and “honest broker”, one that would facilitate, but not directly participate in, negotiations between debtors and creditors.⁴⁷ This institution could act as a mediator with the option of exercising arbitration powers and providing financial assistance where necessary, as the IMF has historically done. However, they caution that the IMF is unlikely to be perceived as neutral due to its dual role as a creditor and the dominance of creditor countries in its governance.

To address concerns of bias, Herman and colleagues propose that the IMF's role be limited to supporting a system of independent expert panels – modelled on the World Trade Organization's dispute settlement mechanism – which would be responsible for mediating negotiations and, if needed, rendering decisions based on agreed international norms and

⁴⁷ Herman, Ocampo and Spiegel, “Towards a comprehensive sovereign bankruptcy regime”.

guidelines. A hybrid approach may also be possible: “For example, the Fund or the independent panel could first seek to facilitate voluntary debtor/creditor negotiations for a limited time period, after which it would refer the case to the International Debt Court,” an approach also endorsed by the 2009 Stiglitz Commission.⁴⁸

3. Overcoming political inertia and growing over time. In its proposal for a Global Debt Authority, UNCTAD found inspiration in the origins and evolution of the International Atomic Energy Agency (IAEA). The IAEA was established in 1957 amid Cold War tensions through a non-binding charter negotiated by just 12 countries, including both major powers and neutral States. It was born not through universal consensus, but through a pragmatic recognition that a neutral, expert-led body was needed to manage nuclear energy and ensure peaceful uses of atomic technology. Over time, the IAEA expanded its legitimacy and membership by focusing on its core technical mission, building credibility through transparency, impartiality and expert knowledge.⁴⁹

Countries could proceed similarly to establish a Global Debt Authority. Rather than attempting to launch a treaty-based global mechanism from the outset, a Global Debt Authority could begin modestly, as an autonomous advisory and coordinating institution backed by a small group of committed Member States. Like the IAEA, it could build trust and authority incrementally by addressing practical challenges – for example, fragmented data, inconsistent workout processes and limited coordination – while maintaining neutrality between debtors and creditors. The IAEA’s success in navigating a politically fraught global issue with technical expertise and procedural legitimacy provides a useful model for the long-term development of a credible and effective sovereign debt authority.

4. Coupling inclusive governance with binding frameworks. Both small island States (acting as AOSIS) and civil society (e.g. the European Network on Debt and Development) have advocated for establishing a framework convention on sovereign

debt, which could house a new restructuring mechanism.⁵⁰ This approach draws on precedents like the United Nations Framework Convention on Climate Change and, more recently, the United Nations Framework Convention on International Tax Cooperation. Like these agreements, a sovereign debt convention would enshrine core principles and institutional arrangements while allowing detailed rules to evolve via protocols and annexes.

The European Network on Debt and Development argues that this flexible yet legally binding model is well suited to sovereign debt, where resistance to centralized authority has stalled reform. A convention could codify agreed principles – such as transparency, impartiality and timeliness – while deferring more technical or contentious elements (e.g. automatic standstills, dispute resolution, voting thresholds) to future negotiations. It could thus lower the political threshold for agreement and enable steady institutional development as consensus builds.

A United Nations-based convention could also help rebalance power in global debt governance. Existing creditor-led mechanisms like the Paris Club and Common Framework have been criticized for opacity and lack of debtor voice. In contrast, the European Network on Debt and Development’s proposed convention would give debtor countries and civil society a formal role in shaping the rules.

**Note: the following examples have not been suggested by others, but we (the authors) believe they may offer useful lessons for other challenges in cooperation on sovereign debt restructuring.*

5. Providing an institutional foundation for capacity-building. The African Legal Support Facility, established in 2008 and hosted by the African Development Bank, provides a regional model for addressing capacity deficits in sovereign debt management. Created in response to the rise in vulture fund litigation against African sovereigns, the African Legal Support Facility offers legal advice and technical assistance to African countries on complex commercial negotiations and related sovereign transactions.

⁴⁸ Stiglitz and others, *Report of the Commission of Experts*.

⁴⁹ UNCTAD, *Trade and Development Report 2023*.

⁵⁰ Polina Girshova and Iolanda Fresnillo, “Why do we need a framework convention on sovereign debt?”, European Network on Debt and Development, November 2024.

The African Legal Support Facility's capacity-building model emphasizes the transfer of knowledge and skills to national experts through workshops, conferences and seminars. In 2021, it helped Governments save \$14.8 billion through various transactions and provided training to 2,300 African lawyers and government officials.⁵¹ By providing financial resources for specialist legal assistance and focusing on real knowledge transfer, the African Legal Support Facility empowers African countries to negotiate more equitable terms in complex financial transactions. This approach not only addresses immediate legal challenges but also builds long-term institutional capacity, enabling countries to manage their debt more effectively and assert greater control over their financial futures.

This model could serve as a critical pillar in efforts to reform sovereign debt restructuring. A similar regional or global facility could provide debtor Governments with access to high-quality legal and financial advice during debt crises, reducing reliance on creditor-led processes and helping ensure that restructuring negotiations are conducted on a more level playing field. By embedding capacity-building within the restructuring process itself – and not just as post-crisis technical assistance – such a facility would support both fairness and sustainability, while reinforcing the principle of country ownership at the heart of effective debt governance.

6. Creating trust through accountability timelines.

The Fund for Responding to Loss and Damage offers a compelling model for overcoming institutional mistrust – an issue that has long plagued sovereign debt reform efforts. A central dispute in the Fund's creation was where to house it. Developed countries backed the World Bank for its financial and administrative capacity, while developing countries were wary of its past practices and preferred anchoring the Fund under the United Nations Framework Convention on Climate Change. The solution was a negotiated “pre-nup”

agreement: a binding, time-bound arrangement that allowed the Bank to serve as interim trustee under strict conditions.⁵²

This innovation succeeded where past efforts failed by turning political assurances into enforceable commitments. The agreement provided developing countries with an exit strategy if conditions were unmet, and it imposed reputational and procedural consequences for non-compliance. It worked because all parties had something to lose, and the process was anchored in a multilateral negotiation where power was more evenly balanced.

Scholars and Member States have highlighted the problem of creditor bias when considering the Bretton Woods institutions' roles in a possible restructuring mechanism. Similar to the Fund for Responding to Loss and Damage's pre-nup with the World Bank, conditional, time-bound hosting arrangements could be used to engage institutions like the IMF or the World Bank without ceding full control. Enforceable benchmarks – on transparency, participation or dispute resolution – could help overcome creditor scepticism and debtor mistrust. Most importantly, the Fund for Responding to Loss and Damage experience shows that, rather than circumventing consensus, structured accountability mechanisms can strengthen it and make political compromise possible.

7. Formalizing borrower participation in existing mechanisms (e.g. Common Framework).

Scholars Daniel Bradlow and Robert Wade argue that the G20's claim to be the “premier forum for international economic cooperation” is undermined by its lack of representation (members are mostly advanced and emerging economies) and transparency (discussions take place behind closed doors).⁵³ The G20's Common Framework for debt treatments reflects these weaknesses: it lacks institutional anchoring and excludes many debtor countries from meaningful participation.

⁵¹ “The African Legal Support Facility”, African Development Bank, 2021. Available at <https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/african-legal-support-facility>.

⁵² For an in-depth discussion of this process, see Michael Franczak, “Can the World Bank deliver on climate change? Testing the evolution roadmap through loss and damage”, International Peace Institute, April 2024, pp. 11–14.

⁵³ Danny Bradlow and Robert Wade, “G20 is too elite. There's a way to fix that though – economists”, The Conversation, 11 May 2025.

A more inclusive and structured model can be found in the Financial Stability Board, which was created by the G20 but operates as an independent institution housed in the Bank for International Settlements. Importantly, the Financial Stability Board institutionalizes engagement with non-members through six Regional Consultative Groups, each co-chaired by a member and a non-member. These groups offer a formal mechanism for sharing regional concerns, building consensus and reinforcing policy compliance beyond the core membership.

Applying this model to sovereign debt restructuring could enhance existing efforts to strengthen the Common Framework. Creating regional consultative bodies – with representation from debtor and creditor countries alike – could increase legitimacy, foster trust and enhance cooperation on technical challenges like debt sustainability analyses and comparability of treatment. This could bring greater legitimacy and transparency to restructuring under the Common Framework and assist its expansion to middle-income countries and other reforms. Over time, it could enable the Common Framework’s institutionalization as a permanent forum for restructuring.

Conclusions

This paper has examined the evolution of the sovereign debt restructuring regime over the past five decades, analysed Member State positions in the lead-up to the Fourth International Conference on Financing for Development and reviewed more than two decades of reform proposals. It has also explored institutional models from other domains of global governance to identify potential pathways for building a more effective and legitimate sovereign debt resolution architecture.

Several lessons emerge from this history.

First, every major debt crisis gives rise to new statutory reform proposals. From the IMF's SDRM in the early 2000s to the European Network on Debt and Development's recent Framework Convention proposal, these initiatives reflect the persistent ambition to create a binding, multilateral mechanism.

Second, reformers are increasingly drawing from institutional models that have worked in other areas of global governance. The Bank for International Settlements model of treaty-based technical cooperation, the World Trade Organization's dispute panels, the IAEA's phased development and the flexible treaty architecture of the United Nations Framework Convention on Climate Change have all informed proposals for a sovereign debt mechanism. Additional models and innovative governance features – for example, the Financial Stability Board's regional consultative groups – offer further opportunities for learning.

Third, equity and development outcomes are playing a more central role in reform proposals. New initiatives go beyond addressing power asymmetries between creditors and debtors to include specific roles for civil society and links to broader goals such as climate resilience, social

protection and fiscal space. This suggests a growing convergence between sovereign debt reform and the wider sustainable development agenda.

Fourth, the proposed functions of a debt mechanism are expanding. While earlier proposals focused on legal authority and adjudication, recent models emphasize mediation, technical assistance, data transparency and capacity-building. Notably, mechanisms like UNCTAD's Debt Workout Institute aim to complement existing tools, not replace them, showing a more systemic and modular approach to reform.

Despite decades of debate and innovation, no single sovereign debt restructuring mechanism has achieved consensus. Instead, what exists today is a mosaic of overlapping proposals and initiatives – some complementary, others in competition. This landscape reflects the cyclical nature of debt crises, the enduring power asymmetries between creditors and debtors, and the persistent resistance of some creditor groups to deeper reforms. Yet it also reveals growing creativity in institutional design and a willingness to borrow from successful models in other areas of global governance.

At the same time, the creditor landscape has grown more complex. The rise of new bilateral lenders – most notably China – and the growing influence of diverse private bondholders make coordination more difficult and underscore the urgency of reform.

The upcoming FFD4 conference offers a rare chance to synthesize these trends into something durable. One lesson from the past 25 years is that bold reform proposals matter – but building legitimacy and political traction matter even more.

Annex: Survey of designs for a new global sovereign debt mechanism

Existing proposals can be grouped in different ways. Some of the proposed mechanisms complement each other, some are entirely new and others seek to replace existing mechanisms. Noting that some mechanisms perform multiple functions, we can classify these proposals by primary function:

Legal framework (statutory design and enforcement)				
The IMF's proposed SDRM (Sovereign Debt Restructuring Mechanism)	Influential model developed and proposed at the IMF by Anne Krueger (2001). ⁵⁴ IMF Board of Governors and Executive Board provide oversight. Only debtors initiate, creditors must approve with supermajority, and independent judges handle conflicts.	Statutory and binding authority under IMF Articles of Agreement; requires amendment and ratification by Member States.	Orderly and rules-based; could facilitate comprehensive agreement and prevent creditor holdouts; led by the IMF, so credibility with markets and donors; would coexist with the Paris Club and G20.	Was opposed by private creditors (concern for strategic defaults), key IMF shareholders (retaining decision-making control), and some emerging economies (feared losing access to capital markets); concerns about impartiality (IMF is itself a creditor); requires amendment to Articles of Agreement.
Sovereign Debt Dispute Resolution Forum (SDDRF)	Core component of SDRM. ⁵⁵ Would have been the ultimate decision-maker in sovereign debt settlements, subject to creditor class approval. Forum members selected by IMF Managing Director and a panel.	As proposed, SDDRF is part of SDRM, under IMF.	Provides judgement on decisions reached in SDRM; automatically binding on IMF members.	Private creditors need to agree to enter as a class for binding decisions.

⁵⁴ Anne O. Krueger, “A New Approach to Sovereign Debt Restructuring”.

⁵⁵ IMF, “Report of the Managing Director to the International Monetary and Financial Committee on a Statutory Sovereign Debt Restructuring Mechanism”, 8 April 2003. Available at <https://www.imf.org/external/np/omd/2003/040803.htm>; G 24 Secretariat, “Sovereign Debt Restructuring”, Briefing Paper No. 5 (2003). Available at <https://g24.org/wp-content/uploads/2024/06/Sovereign-Debt-Restructuring.pdf>.

Legal framework (statutory design and enforcement)

International Debt Restructuring Court	Per proposal in Stiglitz Commission (2009). ⁵⁶ National courts would have to recognize the legitimacy of the international court, and both creditors and debtors will therefore follow its rulings. Would be preceded by mediation in every case. Were mediation to fail or become unduly lengthy, the court should have the power to arbitrate.	Statutory and binding authority under international legal principles; national courts must recognize and enforce rulings.	Provides a formal, binding process for debt restructuring; encourages coordination between creditors and debtors; the IMF, the World Bank, or regional development banks would provide interim financing while the process unfolds.	Political challenges in establishing a neutral body with global authority; debtors and creditors may resist binding, court-driven process; concerns over enforcement and ability to address cross-border issues and private debt.
Debt Workout Institute (treaty-based organization)	As proposed by UNCTAD (2015). ⁵⁷ A treaty-based international organization which includes a tribunal for arbitration.	Statutory and binding authority under an international treaty; tribunal decisions enforceable under international law.	Would create a predictable, rules-based system for debt workouts; discourages holdout litigation; strengthens debtor coordination; increases legal certainty for creditors and debtors alike.	Ratification of an international treaty might be politically costly and take significant time to become operational; political resistance from key creditor countries and private sector; could face enforcement challenges with non-member creditors.
National or subnational (based on domestic law)	US-based mechanism as proposed in New York's "Sovereign Debt Stability Act" (2024). ⁵⁸ 43b calls for United Nations working group to develop model law for domestic legislation.	National or sub-national law applied to sovereign bonds issued in major financial jurisdictions.	A few financial centres underwrite most sovereign bonds; precedents of local legislation (GDPR, CBAM) moving global markets; contractual approach has been successful before (e.g., CACs).	No participation or accountability for debtors; fiercely opposed by Wall Street and creditors; could raise borrowing costs for developing countries. ⁵⁹ Could be seen as a way to circumvent 43b.

⁵⁶ Joseph E. Stiglitz and Members of a United Nations Commission of Financial Experts, *Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System*. See also Barry Herman, José Antonio Ocampo and Shari Spiegel, *Overcoming Developing Country Debt Crises* (Oxford, Oxford University Press, 2010).

⁵⁷ UNCTAD, *Sovereign Debt Workouts: Going Forward Roadmap and Guide*.

⁵⁸ "The Act would come into force as a new Article 8 of the New York Banking law, and would seek to (i) create a comprehensive mechanism to restructure sovereign debt and (ii) limit creditors' recoveries on their claims against a sovereign that participates in an international debt relief initiative to the recovery that would be obtained by the United States on its claims under such initiative." See Melissa Butler, Ian Clark and Dimitrios Lyratzakis, "New York's proposed 'Sovereign Debt Sustainability Act': an overview".

⁵⁹ Gregory Makoff, "The looming New York sovereign debt bill debacle", *Financial Times*, 22 April 2024.

Legal framework (statutory design and enforcement)				
UN Framework Convention	Mechanism negotiated under a new UN Framework Convention on sovereign debt (Eurodad 2024 proposal). Member States would negotiate both the convention and an operational mechanism. ⁶⁰	Statutory and binding under international law once ratified.	Equal voice and votes for debtors; formal commitments; inclusive participation of all stakeholders is required, including citizen representation of debtor; can evolve over time; global legitimacy beyond creditor-led clubs.	Lengthy negotiation and ratification; private creditors might refuse to comply; strong opposition likely from key creditor States (e.g. United States, European Union members, some emerging economies); limited enforcement without universal participation.

Mediation (structured, outcome-based forums)				
Global institution as “honest broker” or System of expert panels (like WTO)	Per proposal from Herman, Ocampo and Spiegel (2008). Single global institution acts as mediator. If entrusted to the IMF, supported by a system of independent panels of experts (comparable to WTO model) that can guide negotiations between debtors and creditors. ⁶¹	Panels operate under statutory authority if modeled on WTO; decisions could be binding if recognized by members.	More neutral platform for negotiations; offers mediation and arbitration powers; could encourage voluntary negotiations before moving to formal resolution process (e.g., referral to an International Debt Restructuring Court).	Potential conflict of interest if the IMF is involved due to its creditor status; voluntary entry requires buy-in from both creditors and debtors; arbitration decisions may be ignored or challenged unless additional enforcement mechanisms are introduced.
International Mediation Service	Per proposal in Stiglitz Commission (2009). ⁶² Interim step to the creation of an International Debt Restructuring Court. “Soft law” mechanism would facilitate the establishment of norms for sovereign debt restructuring through successful mediations.	Voluntary and informal (soft law); mediation without binding authority, but in collaboration with the IMF, World Bank and Regional Development Banks (RDBs).	Mediation would precede any judicial proceedings and could help creditors coordinate their positions across different classes of lenders; offers alternative to costly legal battles; if mediation failed, the service could transition to arbitration.	Voluntary participation; lacks binding authority, which could limit its effectiveness; may not compel creditors to negotiate, especially if they resist coordinated action; mediation could be ineffective if parties are unwilling to cooperate.

⁶⁰ “Why do we need a framework convention on sovereign debt?”, Eurodad, November 2024.

⁶¹ Barry Herman, José Antonio Ocampo and Shari Spiegel, “Towards a comprehensive sovereign bankruptcy regime”, Working Paper (Initiative for Policy Dialogue, 2008).

⁶² Joseph E. Stiglitz and Members of a United Nations Commission of Financial Experts, *Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System*; Barry Herman, José Antonio Ocampo and Shari Spiegel, *Overcoming Developing Country Debt Crises*.

Mediation (structured, outcome-based forums)

Sovereign Debt Forum (private institution led by experts)	“Sovereign debt forum” led by, e.g., independent experts, to provide support and permanent space for negotiations. “Neutral” forum proposed by DESA (2012) ⁶³ and CIGI/Gitlin and House (2014). ⁶⁴	Voluntary and informal (soft law); no statutory authority; operates through peer pressure and facilitation, but potential hosting by the IMF or Bank for International Settlements.	Encourages early engagement between debtors and creditors; independent from debtors and creditors; incorporates existing initiatives and groups (the Paris Club, Common Framework); alternative to international treaty; “permanent space for negotiations” goes beyond GSDR.	Lacks binding enforcement mechanisms; voluntary nature may limit effectiveness; requires broad buy-in from creditors and debtors; hosting by the IMF may be seen as partial to creditors.
Independent Mediator for Climate-Linked Debt Restructuring	As proposed by the V20 (2021). ⁶⁵ Debtor country drafts Climate Prosperity Plan linked to restructuring and mediator (proposed by UN Secretary-General and agreed upon by the debtor country and a majority of creditors) oversees negotiations. Mediator has a tie-breaking vote on the steering committee overseeing the process.	Unclear or hybrid (debtor and creditors must agree to join, but outcome could be binding).	Enhances fairness and balance in debt restructuring negotiations; Climate Prosperity Plans put debtor countries in the driver’s seat; could issue new sustainability-linked debt following successful restructuring; leverages existing tools within the IMF (Resilience and Sustainability Trust) and World Bank (World Bank Guarantee Facility).	Effectiveness depends on the willingness of parties to participate; potential challenges in appointing a universally accepted mediator (Secretary-General may resist role or countries and creditors may resist choice); non-majority creditors (holdouts) may ignore.
Strengthened Common Framework	Proposal from Our Common Agenda Policy Brief 6 (2023) for a “strengthened Common Framework as an interim step toward a new mechanism and international treaty.” ⁶⁶ Also supported by Ocampo (2025). ⁶⁷	Non-binding, bilateral MOUs between creditor and debtor.	Accelerates debt restructuring processes; expands scope to middle-income countries; includes private creditors in a more comprehensive way; some support in G20.	Currently non-binding; not all G20 on board; have had trouble including private creditors; not impartial; would need statutory measures to enforce.

⁶³ UN DESA, “Sovereign Debt Restructuring”.

⁶⁴ Brett House and Richard Gitlin, “The Sovereign Debt Forum (SDF): A Snapshot”, G24 Policy Brief (CIGI, 2024); Richard Gitlin and Brett House, “A blueprint of a sovereign debt forum”.

⁶⁵ V20 Presidency, “V20 statement on debt restructuring option for climate-vulnerable nations”.

⁶⁶ United Nations, “Reforms to the International Financial Architecture”, Our Common Agenda Policy Brief 6 (United Nations publication, 2023).

⁶⁷ José Antonio Ocampo, “What Should Be on the Global Financial Agenda?”, Project Syndicate, 25 February 2025.

Mediation (structured, outcome-based forums)

Debt Workout Institute (private institution led by Governments)	As proposed by UNCTAD (2015). ⁶⁸ Private non-profit entity made up of Member States, potentially modeled on Bank for International Settlements (BIS). ⁶⁹	Establish under private law as a non-profit entity governed by Member States; voluntary participation.	The United Nations General Assembly could call States to join; least costly option; precedent of central bank cooperation in BIS; could be run by representatives of domestic Debt Management Offices, mitigating sovereignty concerns.	Less effective in preventing holdout litigation, except in cases where domestic legislation is supportive; requires political will from debtors and creditors; subject to political override by members.
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Technical and advisory (capacity-building and standard-setting).

"Code of Conduct" for debt restructuring	Proposed by Jean-Claude Trichet of the Bank of France (2002) at the IMF Annual Meeting. Called for devising a code of conduct on sovereign debt restructuring, to be embraced by the public as well as the private sector. Was meant to proceed alongside SDRM. ⁷⁰	Voluntary and informal (soft law); no binding authority, but endorsed by G7, G20, and finance ministers (via IMF's International Monetary and Financial Committee).	Was welcomed by G20, G7, and IMFC (2002-03) as well as private sector; could proceed while waiting for SDRM, which would take more time.	Process led by G20, G7, and IMFC could lack legitimacy with non-G20 emerging markets, LDCs, and SIDS; voluntary nature creates enforcement and free-rider problems.
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⁶⁸ UNCTAD, *Sovereign Debt Workouts*.

⁶⁹ Ibid.

⁷⁰ JeanClaude Trichet, Alternate Governor of the International Monetary Fund for France, "Statement by the Hon. JeanClaude Trichet, Alternate Governor of the Fund for France, at the Joint Annual Discussion", statement to the Annual Meetings of the Boards of Governors of the International Monetary Fund and the World Bank Group, Dubai, 23 September 2003. Available at <https://www.imf.org/external/am/2003/speeches/pr32e.pdf>. Trichet told the IMF: "Progress has also been made on the proposals put forward by the IMF Management for a new mechanism for restructuring sovereign debt, and we should be in a position to consider a concrete proposal at the next spring meeting. To contribute to reaching this objective, we should without delay build upon work already done to write down a code of appropriate conduct for concerted and informal debt restructuring. Indeed it has been our constant experience that agreed common principles have always been beneficial to global financial stability."

Technical and advisory (capacity-building and standard-setting).

Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets.	Was a direct response to Trichet's (2002) call. ⁷¹ Negotiated (2004) by Institute of International Finance (IIF) and International Primary Market Association (representing debt underwriters) and emerging market debtors. ⁷²	Voluntary and informal (soft law), but with monitoring and oversight through PCG; example of hybrid "networked governance". ⁷³	Market legitimacy from the IMF, G20, and G7 involvement; includes role for the IMF (though less than Krueger); monitors implementation via Group of Trustees; "Principles Consultative Group" is composed of (majority) emerging market Governments and (minority) private sector.	Criticized for being voluntary and sometimes ambiguous; soft law approach has not prevented continued holdouts; developed for and with emerging economies (i.e., leaves out SIDS and LDCs).
Debt Workout Institute (United Nations Subsidiary Body)	As proposed by UNCTAD (2015). ⁷⁴ Activities ranging from technical advice to independent tribunals for restructuring.	Establish as subsidiary organ reporting to General Assembly; voluntary principles guide activity.	Based on UNCTAD's voluntary principles; like SDRM, leaves intact (but collaborates with) existing coordinating mechanisms like the Paris Club.	Member State interest unclear; would have limited, technical mandate unless tribunal is added.
Global Debt Authority (independent United Nations entity)	As proposed by UNCTAD (2023), an international coordinating and advisory institution established through a non-binding charter by a small group of interested States, like IAEA. Initially staffed with a small team affiliated with an existing organization and relying on ad hoc committees of experts. Focused on coordination, advice, soft law development and database creation. ⁷⁵	Establish non-binding charter, with soft law influence over time. However, arbitration decisions could become binding.	Independent (neither borrower nor creditor); more politically feasible and faster to set up than a treaty-based body; can build credibility through expertise and usefulness, similar to the IAEA's early evolution. ⁷⁶	Requires financing for a secretariat; needs backing from influential actors; set-up process still lengthy.

⁷¹ Raymond Ritter, "Transnational Governance in Global Finance: The Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets", *Occasional Paper Series*, No. 103 (Frankfurt am Main, European Central Bank, 2009).

⁷² ICMA, "Principles for Stable Capital Flows and Fair Debt Restructuring in Emerging Markets", 22 November 2004. Voluntary code encouraged (1) information sharing and transparency, (2) close debtor-creditor dialogue and cooperation, (3) good faith actions in debt restructurings and (4) equal treatment of all investors in case of defaults.

⁷³ Regarding the Principles' legacy, Helleiner notes: "At the very least, the initiative is significant in the long history of efforts to regulate sovereign debt restructuring because it represents an effort by leading sovereign debtors, private financial actors, and creditor governments to agree to an international set of principles of engagement in this area. In a more specific sense, the negotiation, implementation, and monitoring of the Principles has already been creating a set of social networks that bring representatives of debtor governments, private financial interests, and creditor country governments into closer contact with each other. These networks were built first in the context of a relatively small 'club,' but they are now extending to include a much wider set of actors in all three groups." Eric Helleiner, "Filling a Hole in Global Financial Governance? The Politics of Regulating Sovereign Debt Restructuring", in *The Politics of Global Regulation*, Walter Mattli and Ngaire Woods, eds. (Princeton, 2009), p. 115.

⁷⁴ UNCTAD, *Sovereign Debt Workouts*.

⁷⁵ UNCTAD, *Trade and Development Report 2023*.

⁷⁶ IAEA emerged from a charter between 12 States.

Market- and investment-based (debt buybacks).				
Model	Explanation	Legal authority	Appeal	Challenges
Multilateral Debt Buyback Facility	As proposed by Stiglitz and Rashid (2020) ⁷⁷ and Bradlow, Marques and Gallagher (2024). ⁷⁸ New debt buyback facility housed in the IMF to act as “friendly” buyer of last resort: purchase distressed sovereign bonds at a discount and resell to debtor countries on more favourable terms (e.g. sovereign debt regime interest rates), using rechanneled sovereign debt regimes and donor funding.	Could be established as IMF-administered trust or facility, like PRGT or RST, with Executive Board approval.	Market-friendly approach that avoids statutory changes; uses existing precedents; provides incentive for debtors to engage constructively; does not require change to the IMF’s Articles of Agreement.	Still requires donor and sovereign debt regime funding commitments; may face creditor resistance to discounted buybacks; risk of moral hazard; would not address litigation from holdouts; potential perception of IMF overreach; depends on political will of major shareholders.
DOVE (Debts of Vulnerable Economies) Fund for Africa	Proposal from Bradlow and South Centre (2022). New investment fund would purchase distressed African sovereign bonds and participate in restructurings aligned with DOVE Fund Principles. ⁷⁹ Promoted as a way to rebalance creditor-debtor dynamics and promote fair outcomes.	Private investment vehicle; operates within existing market and legal frameworks. Guided by voluntary adherence to the DOVE Principles.	Enables coordinated and values-based investor participation in debt workouts; could deter vulture behaviour and holdouts; mobilizes solidarity finance from diverse actors, including CSOs and philanthropic capital; aligned with sustainable development principles.	Lacks statutory power to compel participation; depends on investor buy-in and willingness to adhere to voluntary principles; may face market scepticism.

⁷⁷ Joseph Stiglitz and Hamid Rashid, “How to prevent the looming sovereign debt crisis”, Policy Insight, No. 104 (Centre for Economic Policy Research, 2020).

⁷⁸ Daniel Bradlow, Marina ZuckerMarques and Kevin P. Gallagher, “Bringing Buybacks Back: A Known Debt Restructuring Tool with a Principled Twist”, Boston University Global Development Policy Center, 13 September 2024. Available at <https://www.bu.edu/gdp/2024/09/13/bringing-buybacks-back-a-known-debt-restructuring-tool-with-a-principled-twist/>.

⁷⁹ Daniel Bradlow, “A Proposal for a New Approach to Restructuring African Eurobonds: The DOVE Fund and Principles”, SouthViews, No. 242 (South Centre, 2022). Available at https://www.southcentre.int/wp-content/uploads/2022/11/SV242_221104.pdf. See also Daniel Bradlow, “Deterring the Debt Vultures in Africa”, Project Syndicate, 20 May 2020. Available at <https://www.project-syndicate.org/commentary/new-fund-can-deter-africa-sovereign-debt-vultures-by-daniel-d-bradlow-2020-05>; Daniel Bradlow, “A New Conceptual Framework for African Sovereign Debt: Finding an Optimal Outcome that Addresses Five Challenges”, *Journal of African Economies*, vol. 33, Supplement 2 (December 2024), pp. 66–77. Available at https://academic.oup.com/jae/article/33/Supplement_2/ii62/7929323.

Market- and investment-based (debt buybacks).

Model	Explanation	Legal authority	Appeal	Challenges
Mechanism(s) inside MDBs	Mechanism created inside World Bank, or regional mechanisms inside RDBs, as proposed by José Antonio Ocampo (2024). ⁸⁰	Authority determined by MDBs' Boards and Executive Directors; formal or informal depending on institutional design.	Could facilitate financing and align with broader development objectives; potential to issue new bonds with guarantees, similar to Brady Bonds.	Impartiality concerns (MDBs are also creditors); support from shareholders is unclear; like the IMF and World Bank's Heavily Indebted Poor Countries Initiative, may have eligibility restrictions for middle-income countries.

⁸⁰ José Antonio Ocampo, "The Global Economy's Unsolved Problems", Project Syndicate, 7 December 2023.

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