ACET African Center for Economic Transformation

Economic Management and Governance

Advancing African Agency Through Borrower Coordination

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DEVELOPMENT REIMAGINED

AFRICATALYST

The **African Center for Economic Transformation (ACET)** is a Pan-African economic policy institute supporting Africa's long-term growth through transformation. We produce research, offer policy advice, and convene key stakeholders so that African countries are better positioned for smart, inclusive, and sustainable development that improves lives.

Based in Accra, Ghana, we have worked in nearly two dozen African countries since our founding in 2008.

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ABOUT THIS REPORT

The African Center for Economic Transformation (ACET) led the development of this report with generous support from the Open Society Foundations (OSF), as part of ACET's broader efforts to advance reforms to the global financial architecture. In this regard, in April 2022, African ministers of finance asked ACET and other partners to help them prioritize global financial architecture reforms that best position Africa for successful economic transformation. This resulted in the Marrakech Declaration and Marrakech Action Framework.

This report was a collaborative effort between three international development organizations—ACET, Development Reimagined, and AfriCatalyst—drawing upon a wide range of experts and stakeholders through interviews and dialogues. It is intended to inform next steps on strengthening borrower coordination, particularly for African countries. The recommendations outline important actions that will bring more rigor to borrower coordination efforts, align activities, and create new opportunities for engagement.

The interviews and dialogues that informed the report were undertaken under modified Chatham House Rules. Therefore, the report does not provide attribution.

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About Development Reimagined: Development Reimagined is an independent international development consultancy working with clients to develop innovative solutions to poverty and challenging environmental issues. The consultancy is headquartered in Beijing and has offices in Kenya and the UK. Development Reimagined employs a team of established leaders in the development, diplomacy, environmental and public relations fields. They are experts with a mission to deliver sustainable development and poverty reduction in a dynamic and complex world.

About ACET: ACET is a leading pan-African policy institute undertaking analysis and research, advising African governments, and advocating for economic transformation across the continent. Addressing global financial architecture challenges is core to ACET's programming with programs on concessional finance, debt, and increased voice for Africa in its global finance agenda.

About AfriCatalyst: AfriCatalyst is an independent, global development advisory firm working to promote innovative, evidence-based solutions to Africa's development challenges through partnerships between local and global actors. It undertakes this mission using a pool of experts with accomplished careers in global development.

Executive summary

The global financial architecture has long been creditor-centric. For borrowers, sovereign debt comes at a premium, with conditionality and unsustainably expensive repayment terms. Additionally, there are negative connotations about debt that contribute to subjective risk perceptions about borrowers and their capacities to repay creditors. Consequently, low- and middle-income countries (LMICs) often have large development finance gaps given their limited access to affordable capital.

This can be addressed, in part, through improved coordination among borrowers, including collective action on debt restructuring and new development finance. That said, there is a need for leaders from borrowing countries to be more proactive and for synergies among existing initiatives to be realized. Borrowing countries also need to increase their capacities for debt management and negotiation.

For creditors, the practice of convening, coordinating, and aligning positions on debt treatment is well established. As far back as the 1950s, creditor groups such as the Paris Club gathered to discuss and resolve debt repayment challenges faced by borrowers. However, borrowers are largely excluded from these discussions, meaning that debt resolution terms created by the large group of creditors are imposed on borrowers. Additionally, the exclusion of borrowers robs them of their agency and negotiating power on sovereign debt issues.

On the other hand, borrowers have mostly engaged with creditors in silos. Borrowers have not developed a comprehensive collective practice of knowledge and experience sharing from their creditor engagements, thereby promoting a non-collaborative culture among borrowers on sovereign debt management. However, there has been a renewed sense of urgency in shifting such trends among borrowers recently.

This research analyzes ongoing efforts by borrowers to collaborate and secure change. It mainly focuses on African borrowers and on resolving their sovereign debt challenges. It also delves into the urgent need for structural change to the global financial architecture.

The paper finds 32 borrower coordination initiatives with the following characteristics:

- Twenty-five of these initiatives target ministries of finance and their debt management offices; four focus on central banks; one often has both heads of state and ministries of finance represented, while another targets heads of state, ministries of finance, and central banks.
- Out of the 32 initiatives, 14 include creditors as part of the coordination.
- The majority of the 32 initiatives are platforms for advocacy, and some also focus on capacity building.
- Of the 18 that are borrower-only forums, only one has the instruments to enable debt relief or raise fresh finance.

The research also finds potential overlaps between the initiatives and that many African finance stakeholders do not have sufficient capacity to participate in numerous initiatives,.

It is therefore important to prioritize, and potentially merge or leverage, the activities of some initiatives. African finance stakeholders must also identify remaining gaps. The criteria used in the assessment of the 32 initiatives includes the following:

- Regional representation of borrowers;
- How borrowers convene to transform the global financial architecture;
- The extent to which creditors are involved and can influence collaborative efforts by borrowers;
- The ambitiousness of each initiative in securing transformative global financial architecture change, relative to other borrower coordination goals defined in this research;
- Value-addition by each initiative without duplication of existing contributions made by other borrower initiatives; and
- Feasibility of progressing as an initiative from structural and operational points of view.

This research concludes with the following recommendations for borrowers and the stakeholders they partner with for operational, strategic, and technical considerations:

- With the support of non-creditor organizations, **borrowers should expand capacity building for negotiations with creditors when seeking debt relief or fresh financing.**
- **Governments should explore how they can add value through their own experience and collective action.** They should make financial contributions when possible and advocate for borrowers' positions.
- **A borrower coordination community of practice should be established.** This community of practice can share knowledge among borrowers and borrower coordination initiatives, convene stakeholders around key borrower coordination issues, and continue to address overlaps and gaps.
- **Non-creditor institutions should work with borrowers to further define what types of "safe space" convenings would be most useful,** and to pilot such engagements with a select number of ministers of finance or central banks.
- **Borrowing governments and borrower coordination initiatives should explore options for merging and re-aligning some initiatives or activities.**
- **Stakeholders should seek to identify a few influential figures who can serve as champions and advocates for borrower coordination.**

Introduction

The formative structures of some of the most influential global financial institutions have largely remained unchanged, with resource access and decision-making influence skewed towards a handful of the institutions' founding member-states (Bretton Woods Project, 2019). With the evolution of creditor profiles, private creditors have not only scaled-up their participation in sovereign lending but have also gained considerable influence in the broader global financial architecture.[1]

Creditors are highly incentivized to shape the architecture in their favor, creating an asymmetrical sovereign debt market designed with creditor interests in mind both before lending to borrowers, as well as in the inevitable debt restructuring engagements that arise from unsustainable borrowing terms. As a result of structural imbalances embedded within the global financial system, access to much-needed development finance for low- and middle-income countries (LMIC) has been severely constrained, with high interest costs underpinned by biased risk perspectives.[2]

International bond markets have been an alternative source of development finance for some countries; however, sovereign bonds often have significant costs associated with high interest rates.[3] Ethiopia recently defaulted on a scheduled Eurobond payment, partly because of the high debt service cost (the default also occurred because the country was meeting payment obligations to its other creditors).[4]

For LMIC sovereign debt, shared loan characteristics include non-concessional loan terms made up of unsustainably high interest costs and tight repayment timelines (Development Reimagined, 2021). Due to high debt service costs, debtor countries are compelled to make trade-offs between national priorities (such as human development or infrastructure) and paying back international lenders. In the decade since 2014, the IMF estimates that the burden of external debt service costs on government revenues has surged from 6 percent to 12 percent in some countries, and from 9 percent to as much as 25 percent in others.[5] Additionally, recent data indicates that net financial transfers to LMICs have declined to $51 billion in 2022 from a peak of $225 billion recorded in 2014. At the same time, external debt service costs have surpassed the net financial inflows countries receive.[6] Consequently, debtor countries work to secure new loans to meet debt service timelines, rather than for funding domestic development interests.

Even when debtor countries seek loans from the World Bank and IMF for domestic development, the loans may not achieve this purpose because they are given with pre-requisites such as austerity measures and spending cuts that hinder economic growth.[7,8] Recent interventions such as the Debt Service Suspension Initiative (DSSI) relieved debt service payments amounting to $12.9 billion for 48 of 73 eligible LMICs (Debt Justice, 2021). However, this too was an insufficient measure considering that private creditors were not obligated to participate in the debt service suspension, thereby reducing the positive impact of halting debt service during the COVID-19 pandemic.

Additionally, the relief effort was short-lived, only spanning the period from May 2020 until December 2021 (Bretton Woods Project, 2022). The end of DSSI brought back the issue of unsustainably high debt service obligations, once again revealing structural flaws within the global financial system. As a follow up to the DSSI, the G20 established the G20 Common Framework. Created to address debt repayment challenges from debtor countries to global creditors, this creditor-centric framework is modeled around the Paris Club with borrowers not at the table, concentrating control in the hands of creditors.[9]

Context of lender and borrower coordination

When it comes to managing debt, the current global financial architecture is creditor-centric. It is designed with the rationale that borrowers require careful management. The primary objective of this creditor-centric design is to avoid “moral hazard.” The premise is that if people, firms, or even countries get debt relief easily, they will spend again, and will do so recklessly. The creditor-centric design is much like European bankruptcy laws of the 1500s, which prioritized creditors.[10] The narrative that creditors themselves are financially constrained, despite being charitable, has also been promoted. However, not all systems in the past have cast debtors in a harsh light. Some had stricter oversight over creditors due to their presumed ill motives. Such financial systems were designed because creditors took advantage of the poor and were believed to be unscrupulous.

Debt is a valuable component in managing national economies. It can allow productive investment and help address fiscal cycles. It is also critical when responding to emergencies. The IMF promotes the use of public debt to finance development. In many instances this can be twinned with domestic revenue mobilization, a strong business and investment environment, and efficient government spending. Unsustainable debt can lead to economic stress or crisis. Countries should therefore ensure that they are borrowing within fiscal and debt frameworks. They should also assess expected returns from debt versus the cost of debt. If employed well—for infrastructure and other productive needs, for instance—debt can generate higher incomes.

While each financial system has its merits and drawbacks, the contemporary global landscape underscores the need for a paradigm shift. Countries today depend heavily on external finance to achieve the UN Sustainable Development Goals (SDGs), which encompass vital areas such as health, education, and infrastructure. Yet, they face significant financing gaps. The 2024 Financing for Sustainable Development Report (FSDR 2024) estimates SDG financing and investment gaps at between $2.5 trillion and $4 trillion annually. There is a significant opportunity, and indeed a pressing need, for borrowers to enhance coordination amongst themselves and for the financial system actors to reassess their criteria for evaluating borrowers.

From the 2018 Report of the G20 Eminent Persons Group on Global Financial Governance to initiatives like the Capital Adequacy Frameworks (CAF), the Bridgetown Initiative, and ongoing reforms in Multilateral Development Banks (MDBs), there is momentum building towards a more balanced and equitable financial system. In 2024, the United Nations hosted the Summit of the Future, which resulted in the Pact for the Future. The Pact, in the first instance, outlines key actions for development finance. Likewise, the United Nations’ decennial International Conference on Financing for Development (FFD) takes place in Spain in 2025 and will focus on development finance objectives for the next 10 years. These efforts further highlight the pressing need, and potential, for significant improvements in global financial governance.

The history of lender coordination

In today's global financial system, lenders are in a position of power. Lenders have come together in the form of "clubs" or "committees" to discuss to whom to lend, the terms and conditions of the financing, and if and how they will provide debt relief for borrowers. When debtor countries either default on debt payments or anticipate the need to do so due to liquidity challenges, these groups of lenders have established well-coordinated mechanisms of engaging borrower countries and prescribing remedial steps forward.[11]

Lender coordination is not a recent phenomenon. In 1944, when the IMF and World Bank—the "Bretton Woods institutions"—were established, high-income countries (creditors) already coordinated amongst themselves. In the resulting institutions, they gained more voting power and influence in decision-making. The IMF quota system, for instance, which is the building block of the IMF's governance and related financial architecture, was devised in a way that gave the wealthy nations of that time more shares, while low-income countries, most of which were still colonies at the time, received much fewer shares. This system allows today's lenders to have a disproportionate amount of power and influence over the financing that borrowers can receive, a situation reinforced by creditor coordination.

The Paris Club

This is a group of official creditors, comprised largely of former colonial powers. With twenty-two members, the Paris Club has provided debt treatment to 102 borrower countries in the form of rescheduling or concessional rescheduling, where the terms of a debt agreement are adjusted to provide the debtor with more manageable repayment terms. The Club meets monthly in Paris, totaling 10 times annually (excluding February and August) to discuss borrower country debt or challenges to debt methodologies.[12] The Secretariat of the Club is run by senior French Treasury officials. Meeting sessions are prepared by the Secretariat.

The Club, which was established in 1956 when Argentina agreed to engage with public creditors on restructuring, is one of the largest and most powerful forms of lender coordination. The operations of the Paris Club increased significantly during the 1980s debt crisis (which resulted from the oil shocks of the 1970s) and the subsequent introduction of the Heavily Indebted Poor Countries (HIPC) Initiative (see Box 1). As stressed by Cheng et al. (2016), from the 1950s–1970s, there were only 25 agreements by the Paris Club with 10 borrowers (amounting to approximately $40 billion), whereas from 1980 to 1989, there were 134 agreements with 49 different borrowers (amounting to over $180 billion of debt). While the Paris Club played a heightened role in debt restructuring during the 1980s, the amount of debt treatment was low averaging 1.3 percent of developing countries' external debt obligations from 1980 to 1989.

The Paris Club's engagement also differs across regions. From 1956–2016, the African continent received the highest number of debt resolution approvals at 258 agreements, followed by Latin America (94 agreements), Asia (39 agreements), and Europe (31 agreements).

Although the Paris Club was designed to exclude borrowers during deliberations or final decisions on relief, other non-Paris Club creditors such as China, India, and the multilaterals (i.e. the IMF and World Bank) sometimes join meetings as observers.[13] As observers, these entities can participate in discussions and offer technical advice. Borrowers are locked out of discussions while lenders

discuss and finalize the future of their debt. The borrower country is represented by the country's minister of finance, often with a delegation from the finance ministry and central bank.

A major challenge is how to share the debt burden fairly among creditors, known as the "comparability of treatment." However, there is also the question of the burden on the debtor. It is important that borrowers understand how far each creditor can go to reduce interest rates and maturities. This will of course be different for each creditor, depending on the parameters of the loan. Arguably, if a creditor has lent money for a very productive purpose, within a pool of less profitable projects lent to by others, that creditor should face less relief than others. This is a different concept of comparability, but an equally important one.

The Paris Club also faces constraints with innovative proposals to relieve debt. For example, in debt-for-development swaps, members of the Paris Club are only allowed to consent to debt swaps if the "IMF positively assesses that the debtor country's debt restructuring program helps stabilize international trade relations." This rule has sometimes made it difficult for the Paris Club countries to engage in debt swaps or other innovative instruments with their borrowers. Non-Paris Club lenders such as China or India, on the other hand, can participate in debt swaps more easily.[14]

Paris Club and the HIPC Initiative

The Paris Club also works in conjunction with the Heavily Indebted Poor Countries (HIPC) Initiative, launched in 1996 by the World Bank and IMF to reduce the external debt levels of select countries.[15] To join the HIPC program, borrower countries need to adopt and implement IMF and World Bank reform programs. Countries declared eligible for the initiative receive initial debt relief from the Paris Club, in addition to other creditors.

Throughout the program, Paris Club creditors may provide debt relief to borrower countries that show positive performance in their IMF reform programs during the time between the "decision point" and the "completion point" of the initiative.

The HIPC Initiative aims to ensure that no poor country faces a debt burden it cannot manage. There is, however, conditionality applied in terms of eligibility: borrower countries are required to demonstrate a commitment to poverty reduction through policy changes and economic reforms advised by the IMF and the World Bank. Additionally, the initiative directs what it considers as "sustainable levels" of debt, framed as a measure that allows eligible countries to increase expenditure on poverty reduction and social services instead of servicing external debt.

The collaboration between the Paris Club and the HIPC Initiative offers several lessons. First, it highlights the importance of international cooperation in solving global issues like debt crises. The success of such initiatives depends on the willingness of creditor and debtor countries to work together towards a common goal. Second, it underscores the potentially problematic nature of conditionalities, where austerity constrains growth and leaves countries worse off.

Through the lens of the Paris Club and the HIPC Initiative, addressing sovereign debt issues requires a multifaceted approach that combines financial relief with economic reform and conditionalities. However, this synergy remains creditor-centric and fails to address the underlying shortcomings of the global financial architecture, limiting its impact and benefits for borrowers.

The London Club

The term “London Club” is used to describe the case-by-case commercial debt restructuring by banks and debtor countries. Dating back to the late 1970s, the London Club has played an important role in supporting debt restructuring efforts.

As an ad hoc gathering, the London Club operates through a committee known as the Bank Advisory Committee (BAC) or Creditor Committee. This committee usually comprises 5–20 private sector banks with the largest exposure to sovereigns, and represents all banks affected by a particular restructuring of a country’s debt. The BAC’s role is crucial in the decision-making process, ensuring that the interests of all parties are considered.

Most London Club proceedings are instigated when debtor countries contact one or two major private sector creditors requesting the formation of an advisory committee (BAC) by the creditors. The committee then forms various sub-committees to discuss a multifaceted approach to finding solutions for both the country’s liquidity and solvency problems. The BAC then attempts to find solutions by restructuring loans, providing short-term liquidity support via rollovers or credit lines, as well as helping to find new financing for the countries.

After often long and complex negotiations, the BAC reaches an “agreement in principle,” which is signed between the representative BAC banks and government officials. After the agreement is signed, a process begins to convince all the other banks—which can number more than 1,000—with varying debt portfolios in the country. Chances of failure are sometimes high due to the requirement for unanimity. Once all the banks are in agreement, the Club initiates an additional process of implementation. Although the London Club is not a formal entity and often facilitates a long and tedious restructuring process, it is important to borrowers with high volumes of private debt.[16]

In the 1980s, the Paris Club and London Club worked together to grant both public and private debt relief, following the oil shocks of the 1970s. However, coordination of public and private debt relief became more difficult following the 1990s Brady Plan, when sovereign debt was often securitized.

Table 1. Comparison of Paris Club and London Club

Aspect	Paris Club	London Club
Members	Government or official creditors	Commercial bank creditors
Type of Debt	Public or official bilateral debt	Private or commercial debt
Eligibility	Countries need to have a payment imbalance and be IMF-approved	No formal set of eligibility criteria
Negotiation Process	Structured process with an emphasis on policy reforms	Flexible, case-by-case basis negotiations
Implementation	Debt relief can be in the form of rescheduling, reduction, or cancellation	Debt restructuring, possibly including write-offs
Example Countries	Cote d'Ivoire, Pakistan, Ethiopia	Mexico, Russia, Poland
Meetings	Regularly scheduled, often annually or as needed; sometimes aligned with global financial events	As required, no fixed schedule
Meeting Venues	Typically in Paris, France	Varies, often in financial hubs like New York or London
Decision-making	Consensus among members	Negotiated agreement among creditors
Chairperson	Rotating or appointed by member consensus	No formal chairperson - lead bank acts as coordinator
Conditionality	Linked to IMF economic reform programs, required to seek comparable debt relief from other creditors	Less stringent, focused on repayment capacity
Transparency	Meetings and agreements are officially documented and published	Less transparent, details often not publicly disclosed
Influence of IMF	High, closely coordinated with IMF programs	Moderate, IMF involvement varies
Typical Outcome	Long-term debt relief and restructuring	Short-term liquidity support and debt restructuring

The Debt Service Suspension Initiative (DSSI) and G20 Common Framework

The G20 set up the DSSI in response to significant economic challenges LMICs faced after the COVID-19 pandemic and at the request of the IMF and World Bank. The initiative temporarily halted debt service obligations from DSSI participating countries to their official creditors between May 2020 and December 2021. As a follow up to the DSSI, the G20 established a Common Framework for Debt Treatments beyond DSSI (Common Framework). This second phase targets sovereign debt repayment challenges faced by borrowers.

But the structure of the Common Framework perpetuated the creditor-oriented mechanisms that do not prioritize the urgent needs of borrower countries or the need for structural reforms of the entire global financial system. Due to inherent challenges in the structure of the Common Framework, particularly the potential for credit rating downgrades, only four countries—Chad, Ethiopia, Ghana, and Zambia—have applied to the Common Framework. Additionally, there seems to be little political will among the G20 members and other stakeholders to reform the Common Framework. It is therefore likely to remain a sub-optimum option for highly indebted countries.

Alliance for African Multilateral Financial Institutions (AAMFI) – Africa Club

During the African Union Summit's Heads of State and Government Dialogue on 17 February 2024, the president of Ghana, Nana Addo Dankwa Akufo-Addo, in collaboration with the African Union and other heads of state, launched the Africa Club—the first-ever club of African financial institutions.[17] The Africa Club brings together African-owned and African-controlled financial institutions such as the Africa Export-Import Bank (Afreximbank), the Trade and Development Bank, the Africa Finance Corporation, and the African Reinsurance Corporation.

A key objective of the Africa Club is finding solutions to the continent's development finance constraints. This includes advocacy for global financial architecture reform, as well as innovative proposals like the rechanneling of IMF Special Drawing Rights (SDRs) to AFIs. Afreximbank serves as the secretariat.

The history of borrower coordination

Unlike creditor coordination, borrower coordination efforts have historically been limited. However, there have been several instances of coordination over the past few decades.

Coordination conferences by the Organisation of African Unity

The Organisation of African Unity (OAU) and the United Nations Economic Commission for Africa (UNECA) held African coordination conferences in 1984, 1985, and 1987. In 1987, a former president of Burkina Faso, Thomas Sankara, during a speech, stressed the need for an African Club—the Addis Ababa Club—that would convene for debt negotiations, as an alternative to creditor committees.[18] During these African coordination conferences, there was a call for an "International Conference on Africa's External Indebtedness" to take place in 1988. African heads of state and government took clear positions during these conferences. In 1987 for example, they declared, "Individual creditor countries which are members of the Paris Club should be allowed to negotiate and grant better rescheduling terms to African debtor countries than those obtainable within the framework of the Club."[19]

The discussions in these meetings emphasized the pressing need for a comprehensive approach to addressing Africa's external indebtedness, considering not just the continent's overall debt situation but also the severe debt servicing challenges faced by each country. The push for an International Conference on Africa's External Indebtedness highlighted during these coordination conferences sought to create a platform for meaningful dialogue between African countries and international creditors while exploring emergency and long-term measures to alleviate the debt crisis.

Unfortunately, the initiatives for borrower coordination, as envisioned by the OAU and UNECA, including the proposed 1988 International Conference on Africa's External Indebtedness did not materialize. The lack of substantial progress following the coordination efforts reflects the difficulties in securing broad-based support and agreement on the mechanisms for debt relief and restructuring among diverse stakeholders with differing needs.

The European Commission

The European Commission (EC) can in some ways be viewed as a borrower's club. Through the EU Treaty, the EC is allowed to borrow from international markets on behalf of the EU. This tends to be cheaper than individual EU countries borrowing on their own, as the EC has a higher collective credit rating, greater investor confidence, and less risk. The EC has borrowed from the market for various reasons, including supporting non-EU member-states, contributing to international organizations like the IMF, and supporting the EU's financial stability during the 2008 financial crisis. Just recently, in the wake of the COVID-19 pandemic, the EU resorted to financing from international markets to fund the EU's Support to mitigate Unemployment Risks in an Emergency (SURE) scheme, a program that cushioned the European job market during the COVID-19 pandemic.[20]

The EU's SURE scheme supported short-term employment schemes, keeping people in jobs during the crisis. By December 2022, the program had successfully disbursed €98.4 billion (approximately $104 billion) to 19 EU member states that requested support, directly benefiting approximately 31.5 million employees and self-employed individuals, as well as over 2.5 million firms in 2020. The scheme was praised for its rapid deployment and substantial impact in preserving jobs and for supporting economic recovery faster than previous crises.

Its success demonstrated the value of having a flexible and timely financial tool that serves a group of countries and can mobilize significant resources to address sudden economic shocks. The program's efficiency and popularity among member states and financial markets suggests the potential for similar mechanisms to be developed for future emergencies—emphasizing solidarity, rapid action, and social stability through "club-like" financing approaches.

Cartagena Consensus

In response to their shared challenge of high debt service costs following interest rate hikes in the United States and Eurodollar markets, 11 Latin American countries created a forum for sovereign debt discussions—initially through the January 1984 Quito Declaration and Plan of Action (Duran, 1986). This declaration was soon followed by the June 1984 Cartagena Consensus of Ibero-American Nations, a borrower-only forum for debt consultations.

The Cartagena group succeeded in several ways:

- Symbolically, the Consensus demonstrated to the region, the rest of the world, and most importantly, to creditors that borrowers could collaborate despite their individual economic challenges.
- The Consensus' forum developed an alternative perspective to the ongoing regional debt issue. The prevailing narrative had framed Latin American debt as a short-term liquidity problem that required a case-by-case approach by creditors. According to this narrative, the problem was largely the fault of borrowers.[21] However, the group, through its new debt forum, counterargued that creditors and the broader global financial architecture also contributed to the challenges faced by Latin America countries.
- The characteristics of challenges faced within the group differed from country-to-country, but the group reached a consensus on seven proposals to counter creditor positions on debt. These included developing a collective agreement on the proportion of export earnings to be committed towards debt restructuring, as well as an agreement to prioritize long debt repayment timelines with more favorable interest rates. Additionally, the group's proposals on debt resolution incorporated burden-sharing principles, shifting power away from creditors while encouraging them to be responsible.
- By forming a borrower-only alliance, the Consensus also indicated the potential to steer borrowing terms in the favor of member countries, as well as shift the balance of power away from creditors in the global financial architecture (Guzman et al., 2024).[22]
- The group met six times between 1984 and 1986, an unprecedented feat at the time for borrowers.

However, the Consensus failed in the following ways:

- Although the group met six times, the shared debt forum stagnated as solidarity gradually declined.
- Brazil's loss of trade finance support from creditors following its sovereign debt payment halt in 1987 had a negative impact on an already struggling economy and worsened domestic political stability. The country's ministry of finance later conceded that its debt service halt was a mistake, validating borrower expectations of potential creditor pushback. Similarly in Peru, access to short-term trade credits decreased, while difficulties in accessing medium-term private sector credit arose—in both cases, after the country's debt default in 1984.[23] Other group members interpreted this sequence of events as retaliation from creditors, therefore discouraging a unified position and the idea of confronting creditors.
- Creditors were faster and more strategically aligned when approaching individual Cartagena Group members. As a result, borrowers were incentivized to prioritize the short-term benefits of bilateral debt negotiations, which also had domestic political considerations. However, their acquiescence came at the expense of medium and long-term gains that could have resulted from acting as a harmonized group of borrowers able to shift negotiating power away from creditors.
- Lastly, the position of the group gradually weakened as individual members progressed in bilateral discussions with creditors.

The Committee of 10

Ten African ministers of finance and central bank governors in 2008 met in Tunis and established the Committee of 10 (C-10), a group that assessed the impact of the global economic and financial crisis on the African continent and worked towards devising concrete solutions to the continent's debt challenges. Members of the C-10 include Algeria, Botswana, Cameroon, Egypt, Kenya, Nigeria, South Africa, Tanzania, the Central Bank of West African States, and the Central Bank of Central African States.

When the C-10 was created, it had three main objectives:

- Monitoring the impact of the global economic crisis on the African continent, along with options for policy responses.
- Supporting greater African representation and participation in the governance of IFIs.
- Deciding Africa's economic priorities while developing a clear strategy of engagement with the G20.

Although the C-10 held several meetings between 2009-2014, the group did not have any more gatherings after its 8th meeting, which it held in Washington, DC in April 2014. It's unclear why the C-10 group became defunct. The departure of Donald Kaberuka—a key facilitator of the group—from his post as the African Development Bank (AfDB) president in 2015 may have been a factor. This is a good example of the need for strong, continuous, and effective leadership. These characteristics are crucial for the initiation, coordination, and sustained operation of multilateral initiatives. Additionally, sustainability planning plays an important role when coordinating multilateral initiatives.

The Heavily Indebted Poor Countries Capacity Building Program

The Heavily Indebted Poor Countries Capacity Building Program (HIPC CBP) was run by Development Finance International (DFI), an international development consultancy based in the UK, from 1999 to 2010. During this program, there was an emphasis on exchanging experiences among participating countries through inter-regional workshops and research. Overall, the program helped train over 2,000 officials on debt negotiations.

More recently, DFI has developed follow-on programs including a Low-Income Developing Country Finance Ministers Network (2011-2020), which focused on 28 Francophone developing countries. Like the HIPC CBP, training workshops were at the center of coordination efforts. More recently, Development Reimagined and DFI have designed a joint proposal to deliver a similar network-based initiative to carry this work forward. The initiative will coordinate ministries of finance for capacity building and collaborative advocacy towards reforms.

Why borrower coordination? Current state of affairs

Although the need for borrower coordination has existed since the 1970s, fiscal strains experienced by borrower countries during and after the COVID-19 pandemic triggered a renewed sense of urgency due to:

- Ten recent sovereign debt defaults by Argentina (May 2020), Belize (May 2021), Ethiopia (December 2023), Ghana (December 2022), Ecuador (April 2020), Lebanon (March 2020), Sri Lanka (May 2022), Russia (June 2022), Suriname (November 2022), and Zambia (November 2020).[24]
- Requests from Chad, Ghana, and Ethiopia to join the G20 Common Framework.[25]
- Indications of fiscal strain and potential challenges with sovereign debt repayments from countries like Egypt and Kenya.[26]
- The latest World Bank/IMF Debt Sustainability Analysis, which lists 68 low-income countries—24 of which are categorized as having a "high risk" of debt distress, while 11 are already in debt distress.[27]

New calls for borrower coordination have emerged from clusters of countries with a shared threat of climate change vulnerability. While the environmental and economic impact of climate change affects all countries around the world, some countries are more vulnerable than others. These countries therefore argue for intervention measures that prioritize climate-vulnerable countries, as well as the urgent deployment of such measures.[28] There is also a UN-coordinated effort to align borrower and creditor public and private sector investments and policies with sustainable development under the Finance for Development conference.[29]

Forms of borrower coordination can also help groupings of countries with pre-existing cooperation frameworks, such as trade blocs. There has been a renewed interest in borrower coordination from non-state stakeholders as well. These often complement efforts from countries and existing initiatives. For example, Development Reimagined organized expert panel discussions on borrower coordination during the 2022 IMF-World Bank Annual Meetings[30]; wrote op-ed pieces encouraging borrowers to unite and secure better terms with creditors[31]; and supported innovative proposals such as the Borrower's Club, put forward by the Organization for Southern Cooperation.[32]

For this analysis, we define two types of borrower coordination initiatives. Type one refers to formally structured, legally bound partnerships between two or more LMICs with one or both of the following shared objectives:

- **Collective bargaining on debt**, where borrowers target individual or multiple creditors while focusing on debt service suspension, debt restructuring, and/or debt cancellation.
- **Collective bargaining on new finance**, where borrowers work to secure new credit from individual or multiple creditors.

Two initiatives fall under this definition of borrower coordination. One has officially launched, and the other remains at the proposal stage.

Type two borrower coordination involves various collaborative platforms and initiatives that have been created for LMICs to align positions and creditor engagement strategies relating to sovereign debt. Some have only borrowers, while others have direct creditor membership or creditor involvement for financial, technical, and network support.

In the second form of borrower coordination, there are generally five objectives:

- Collaborative advocacy for global financial architecture reform. This may be specific and agenda-oriented such as IMF quota reform, or it may more broadly address multiple debtor pain points.
- Capacity building for financial sector management and sovereign debt management.
- Information sharing regarding bilateral and multilateral creditor negotiations. This may also involve bilateral and multilateral borrower-creditor engagement that clarifies debt positions and other technical considerations.
- Resource pooling by borrowers to offset sovereign debt constraints.
- Technical discussions between borrowers and creditors to develop a common understanding on sovereign debt positions.

The next section of this report explores these initiatives in more depth. First, it identifies and analyzes one active “Type 1” initiative and a second “Type 1” that is at the proposal stage. Second, it analyzes a subset of 10 of the most prominent, active, or proposed collaborative “Type 2” platforms and initiatives. In each section below, initiatives are listed in alphabetical order. The complete set of “Type 1” and “Type 2” initiatives are provided in Annex I and Annex II.

Type 1: Formal partnership initiatives

The two initiatives below fall under the first umbrella of borrower coordination, where collaborative bargaining is the guiding purpose of member states. The first initiative has been launched; the other is a proposal (overview of activities in Annex I and II).

Common Leveraging Union of Borrowers (CLUB)

Established by the Organization of Southern Cooperation (OSC) in November 2023, the CLUB is a union of borrower countries that pools the resources and capacities of member states to secure fresh financing and negotiate collective debt relief.[33] As the first-ever borrowers club, the CLUB promotes borrower coordination, with countries sharing their experiences and good practices to unlock new concessional finance and better loan terms. As of December 2024, OSC had 28 member states, comprised of its founding states from Africa (18), Asia (6), South and Central America (3), and Oceania (1). CLUB is therefore categorized as a Southern-led initiative operating on a demand-driven basis. CLUB members are represented by the member countries’ ministers of finance.[34]

Sovereign Debtors Club (SDC)

The SDC is a proposal announced in August 2023 by the African Climate Foundation (ACF).[35] Tentative structures indicate that this will be a borrower-only initiative that focuses on capacity building, debt relief, and securing fresh financing for the shared development of member states.

Type 2, Part 1: Active alignment and capacity building initiatives

Listed below (in alphabetical order) are borrower coordination platforms and forums that are active.

African Legal Support Facility (ALSF)

Established in 2008 and hosted by the AfDB, the ALSF is a demand-driven knowledge sharing and capacity building facility that specializes in litigation and the structuring of complex or sovereign transactions.[36] Although the ALSF's focus is on African countries, there is creditor involvement in the facility's work through the ALSF Board of Directors whose members may be creditors. Additionally, creditors are involved in the ALSF as a result of its financial partnerships with countries such as France and the United States, as well as regional blocs like the EU. An important distinction between ALSF and other initiatives listed is that its structure makes it a demand-driven initiative that is implemented on a country-by-country basis.

Commonwealth Secretariat

The Commonwealth Secretariat is a 56-member, voluntary association of countries from Africa (21), Asia (8), the Caribbean and Americas (13), Europe (3), and the Pacific (11).[37] As a mixed association of borrowers and creditors, its priorities include advocacy for topics like climate change and debt. An additional area of focus is the capacity building of member states. The Secretariat coordinates member country activities. The Secretariat is made up of a Board of Governors that oversees budgetary affairs, work plans, and the strategic direction of the Secretariat. Member countries are represented at the Board level by their High Commissioners.

Global Sovereign Debt Roundtable (GSDR)

The GSDR was formed in February 2023 and is co-chaired by the IMF and World Bank and the G20 Presidency (South Africa for 2025). The roundtable brings together both creditors and borrowers to discuss challenges to debt restructuring. Through technical discussions, borrowers and creditors in the G20 Common Framework develop a shared understanding of debt and debt treatment. Participants include six bilateral creditors, such as France (in its capacity as the host of the Paris Club); four private sector representatives; and six borrowers.[38] The conveners of the GSDR are the IMF and World Bank and the G20. The GSDR is therefore categorized as a multilateral development bank-led initiative that is supply-driven, given that only a select number of borrowers are represented. Meetings are held during the IMF/World Bank Spring and Annual Meetings, with other technical and preparatory convenings organized in between the meetings.

Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)

Founded in 1994, MEFMI is a 14-member intergovernmental organization undertaking capacity building in domestic financial sector management, as well as sovereign debt management, for East and Southern African countries.[39] Although membership is limited to borrowers, creditors are involved with MEFMI, either as financial cooperating partners, technical cooperating partners, or networking partners. Examples of such partners are the World Bank, IMF, and the Commonwealth Secretariat. Such institutions also provide free or subsidized technical support to MEFMI.

Sustainable Debt Coalition (SDC)

The SDC is an intergovernmental organization launched in November 2022 at COP27 in Egypt. It has a borrower membership of 16 countries (13 African borrowers and three Asian borrowers). However, creditors are included in consultations.[40] The SDC aims to raise development finance supply for borrowers, primarily motivated by climate and environmental impact causes. This initiative also advocates for sovereign debt architecture reform. Following the endorsement of the SDC's goals by the Conference of Ministers (COM) of the UN Economic Commission for Africa (during the COM's 55th gathering in March 2023), the SDC began advocating for transformational shifts to the global financial system, as well as the creation of more borrower-defined debt instruments for climate change vulnerabilities and borrowers' development priorities. UNECA is currently the secretariat for the SDC and is assessing the demand for this type of advocacy program.

The Bridgetown Initiative for the Reform of the Global Financial Architecture (Bridgetown Initiative)

The Bridgetown Initiative was unveiled at COP27 in 2022 and is championed by Mia Mottley, the prime minister of Barbados. It is a borrower-only action plan centered on climate vulnerability in an unbalanced global financial system.[41] At its core, the initiative focuses on collective advocacy by like-minded global leaders to unlock much-needed financing from international financial institutions to address high costs of living, expensive debt, and climate change vulnerability. Examples of action items include the re-channeling of $100 billion in IMF special drawing rights (SDRs) towards climate resilience work, as well as cheaper loans for LMICs.

The Vulnerable 20 Group (V20)

The V20 is an intergovernmental group established in October 2015. The Group includes 68 climate-vulnerable countries from Africa and the Middle East (32), Asia-Pacific (22), as well as Latin America and the Caribbean (14). The V20 has advocated for its inclusion in international events with peer status similar to the G7, G20, and G24. While the focus of the V20 is climate action, capacity building and joint advocacy strategies among member-states are also shared agendas. The V20 has also actively engaged in financial system reform advocacy, with the goal of unlocking climate finance for member states.

UNECA High-Level Working Group on the Global Financial Architecture (HLWG)

Having first convened in early 2022, the UNECA HLWG is an initiative established by UNECA in collaboration with African ministers of finance, alongside key African institutions such as the African Union (AU), AfDB, and Afreximbank. Creditor institutions such as the World Bank and IMF are also included in consultations.[42] The principal purpose of the HLWG is to discuss and advocate for reforms to the global financial architecture so that it works better for African countries. High on the HLWG advocacy agenda are reforms such as debt service suspension for countries entering the G21 Common Framework debt restructuring discussions, and the inclusion of private sector creditors in the Common Framework Creditor Committees.

United Nations Conference on Trade and Development (UNCTAD)

While UNCTAD's initiative may be viewed as an extension of the Global Sovereign Debt Roundtable (GSDR), a differentiating factor is UNCTAD's work towards increasing borrowers' participation in the GSDR. As early as 2015, UNCTAD advocated for a centralized, transparent and inclusive borrower-creditor engagement forum with guiding principles both parties should abide by to improve sovereign debt negotiations. UNCTAD's initiative consequently involves both borrowers and creditors, with a focus on sovereign debt restructuring and advocacy for reforms to how these dialogues are conducted.

Type 2, Part 2: Proposed Alignment and Capacity Building Initiatives

Listed below (in alphabetical order) are proposed borrower coordination platforms that are not yet fully active.

Africa Fiscal Transformation Initiative (AFTI)

AFTI is a recently established, philanthropy-led initiative to bring together experts (both individuals and organizations) under a "technical partner hub." This hub will be used to support the implementation of programs by utilizing a roster of experts on different topics. It is a similar concept to the ALSF, as an on-demand mechanism. For example, the technical partner hub could be utilized in other coordination meetings (e.g., the V20 meetings) to provide in-depth expertise from a pre-established hub of experts. The initiative is still in concept stage.

AU G20 Secretariat

In September 2023, the AU secured permanent membership status in the G20. The full operationalization of an AU-G20 Secretariat will be a formative step in creating an Africa-focused borrower coordination initiative given that the AU is the apex representative body of its 55 member states. Within existing G20 structures, the AU G20 Secretariat is likely to use the Finance Track to advocate for global financial architecture reforms, as well as for debt relief for member states. Leadership and membership of the Secretariat will be borrower-only, but creditor involvement in the G20 Finance Track is inevitable given the G20's membership.

Sovereign Borrowers Network (SBN)

The SBN is a borrower-only proposal by Development Reimagined and Development Finance International. The network will focus on capacity building of LMICs, as well as advocacy on debt and global financial architecture reforms. In terms of leadership, an advisory group of stakeholders will have an influential role in facilitating technical training for borrowers on a demand-driven basis, as well as through SBN mandates. This network-based initiative plans to coordinate ministries of finance for capacity building and collaborative advocacy towards IFS reforms. Additionally, SBN targets impactful knowledge transfer between borrowers at national levels, inter-regionally, as well as globally.

Spectrum of borrower coordination

While there are already many borrower coordination initiatives, borrowers and other stakeholders are still proposing new platforms and initiatives. This analysis therefore concludes with an assessment of active and proposed frameworks from structural and strategic perspectives. The evaluation makes a distinction between these two parameters, focusing on collective bargaining for debt restructuring as well as fresh credit lines, and platforms for borrower or borrower-creditor engagement.

Key points of consideration are an initiative's purpose, its membership, as well as its potential to be successful and sustainable, from logistical and operational points of view (assessment criteria methodology outlined in Annex III). Each criterion below is subjective.

For equal comparability of assessment outcomes, six criteria are used in comparing borrower coordination initiatives:

- **Regional representation.** The challenge of accessing and servicing expensive sovereign debt is not exclusive to one country or region. Therefore, an initiative should include numerous LMICs to amplify impact and to mirror existing calls for global financial architecture reform. Additionally, financial capacities and abilities to leverage partnerships with non-state stakeholders differ among LMICs. The likelihood of succeeding may be higher when an initiative includes more countries and regions as members.

  The alternative structure of a small union of borrowers may have the advantage of fewer barriers to reaching consensus among borrowers, speeding up progress towards tangible outputs, and technical training on sovereign debt negotiations. However, other borrowers may gradually become interested in participating in such a union. If rejected, these borrowers may simply replicate desired elements of the small union of coordinated borrowers, leading to a duplication of structures, an inefficient use of already scarce borrower resources, and the semblance of exclusive creditor coordination mechanisms. This outcome would leave borrowers contradicting themselves, particularly with respect to advocacy calls for global finance reform.

- **Initiative's engagement type.** Does an initiative focus on one type of borrower issue such as debt and development constraints due to an unbalanced global financial system, or does it combine multiple agendas? Does it focus on individual goals like advocacy and capacity building, or does it have multiple goals? The latter may be more favorable because it would allow scarce resources to be employed efficiently and would be attractive to potential member states given the mandate's diverse range. The wide scope of engagement would also increase its potential to secure support from technical and financial partners.

- **Extent of creditor involvement.** An ideal union of borrowers excludes creditors from participating as members and observers. Borrowers should have full autonomy to shape solutions to the challenges they face—through their advocacy and capacity building—without interference from creditors. Involvement of creditors (bilateral or multilateral) creates room for pushback due to conflicts of interest and may dilute borrower positions into those that do not yield the outcomes needed by borrowers.
- **Ambitiousness of goals.** At their core, the initiatives aim for sustainable, long-lasting, and impactful solutions that shift structural imbalances in the global financial system. Therefore, those initiatives that target new or underdeveloped outcomes rank highly. Such initiatives may include collective bargaining for debt relief, as well as for fresh finance.
- **Value-addition of an initiative.** To what extent does an initiative contribute new insights and target new goals? Initiatives that duplicate already existing frameworks should be treated as having lower strategic consideration.
- **Feasibility of the initiative.** Considering the operational and logistical implications that come with bringing borrowers together, how likely is an initiative to be successful and sustainable? To some extent, feasibility also speaks to the ambitious pursuit of transformative financial system reforms and the ability of borrowers to forego individual interests or collective goals.

Table 2. Comparison of Active and Proposed Borrower Initiatives by Development Reimagined

	Regions Covered	Type of Engagement	Extent of Creditor Involvement	Ambition of Goals	Value Addition	Feasibility
AU G21 Secretariat	Africa	Advocacy	None	Low	High	High
Bridgetown Initiative	LMICs	Advocacy	None	Low	Low	Low
Commonwealth Secretariat	Africa, Europe, Asia, Oceania, Central and South America	Capacity building	Permanent	Moderate	Low	Moderate
Global Sovereign Debt Roundtable	Africa, Asia, Central and South America	Information sharing	Permanent	Low	High	High
MEFMI	Africa	Capacity building	Partial	Low	Moderate	High
OSC CLUB	Africa, Oceania, Asia, Central and South America	Capacity building, information sharing, collective bargaining (old and new debt), resource pooling	None	High	High	High
Sovereign Borrowers Network	LMICs	Capacity building, information sharing	None	Moderate	Low	Low
Sustainable Debt Coalition	Africa, Asia	Advocacy, capacity building	Partial	Moderate	Low	High
Sovereign Debtors Club	LMICs	Capacity building, information sharing, collective bargaining (old and new debt), resource pooling	None	High	Low	Low
V20	Africa, Asia, Central and South America	Advocacy, resource pooling, capacity building	Partial	Moderate	High	Moderate
UNECA HLWG	Africa	Advocacy	Partial	Low	Moderate	Moderate
UNCTAD	Africa, Asia, Central and South America	Advocacy, information sharing	Permanent	Moderate	High	High

The analysis concludes with an outlook that attempts to project the degree of difficulty in implementing all the identified initiatives and maps this against the potential impact of each initiative. Guided by the six types of borrower coordination assessed, the degree of difficulty is considered as a range from relatively easy to moderately challenging and most difficult. Impact, considered relative to the seven types of initiatives, factors into medium-term benefits for individual or multiple borrowers, fiscal burden reduction for borrowers, as well as prospects for transformative, long-lasting outcomes. Like difficulty, impact ranges from relatively low to moderate and high impact.

Relatively easy. Key considerations are the likelihood of creditor pushback hindering or stopping an initiative's work. The degree of difficulty is low for borrower-only initiatives and ones in which creditors have minimal influence on an initiative's guiding purpose and strategic direction. These include initiatives focusing on advocacy and capacity building. However, the impact of advocacy may be reduced where borrowers are not aligned on priority agendas. Additionally, successful advocacy compels creditor response but requires the additional step of creditors initiating change that accommodates borrower reform agendas. Furthermore, creditors may or may not choose to accommodate all borrower advocacy calls, further compromising advocacy impact. Therefore, the potential impact of advocacy may be hindered.

Moderately challenging. Judging from resource-pooling initiatives and those with heavy creditor influence at the leadership level, implementation success is only partially determined by borrowers coordinating well enough. Additionally, resource constraints among borrowers may limit the scale and potential impact of resource-pooling efforts. Despite the shortcomings of resource constraints, borrower partnerships accelerate the achievement of individual and shared development objectives.

Difficult. Historically and presently, debt relief and debt cancellation have been challenging for borrowers at bilateral and multilateral levels. Collaborative bargaining by borrowers in a unified bloc may be unfamiliar territory for creditors, raising the potential for pushback in the form of low willingness to participate and misalignment on comparability of debt treatment, among other creditor-centric considerations.

Collective bargaining for new finance spreads and lowers creditor risk concerns among several borrower countries, with the assurance of timely loan repayment. Therefore, this should be an appealing option for creditors and an impactful solution for borrowers. It may, however, be unchartered territory for both borrowers and creditors, making it difficult for all parties involved. Most importantly, an ideal borrower outcome would be a combination of debt relief or debt cancellation with the assurance of new, affordable finance. Debt relief or cancellation alone will temporarily lessen a fiscal strain, but borrower countries will still require an injection of new, affordable finance to achieve economic transformation.

Figure 1. Borrower coordination outlook: degree of implementation difficulty mapped against impact

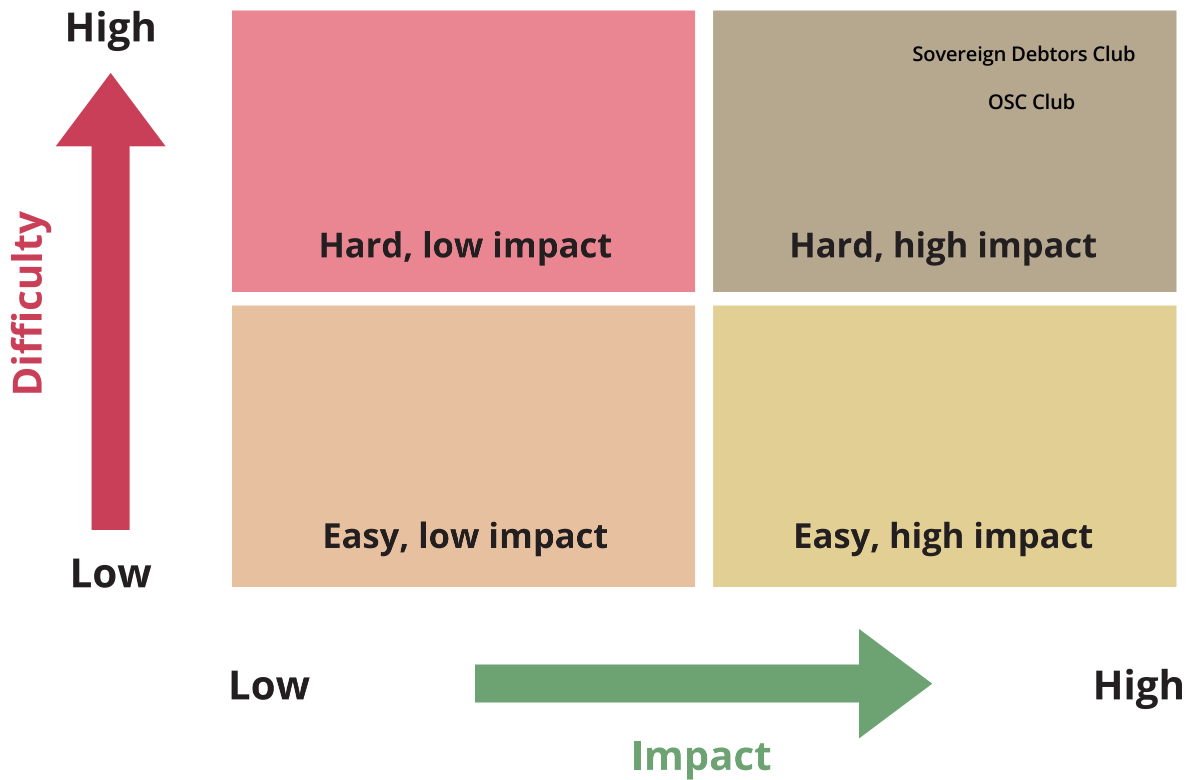
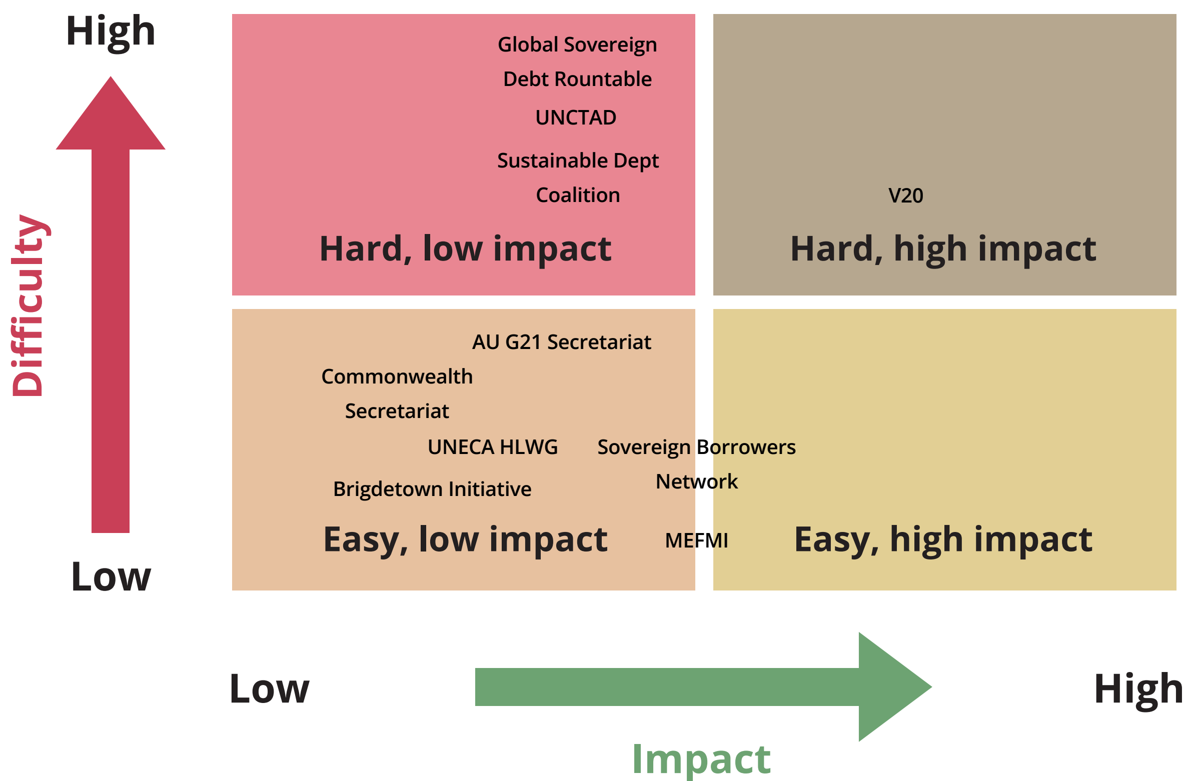


Figure 2. Borrower coordination platforms: degree of implementation difficulty mapped against impact



Stakeholder consultations on borrower coordination

Following preparation of the primary research, the team undertook a series of consultations to inform the analysis and validate key findings. The team initially held interviews with 10 global experts on debt, international development, and the LMIC agenda for global financial architecture transformation. Next, a policy dialogue titled "Advancing African Agency through Borrower Coordination" was held at the 2024 Annual Meetings of the IMF and World Bank Group.[43] Thirty-nine experts participated, including many from the initiatives outlined in the report, as well as former ministers and representatives from international financial institutions, think tanks, and civil society. Additionally, a virtual policy dialogue was organized in November 2024 as part of the "Amplifying African Voices" initiative of African think tanks. That dialogue included twenty-nine participants from African and European think tanks, as well as from three global organizations focused, in part, on borrower coordination.

Through these three sets of stakeholder consultations, the views and recommendations of both borrower and creditor-aligned institutions were incorporated. Feedback from the consultations is divided into eight sub-categories, namely research validation; political economy; risk management; value addition and active participation; representation; integration; creditor profile; and third-party support.

Research validation

The majority of stakeholders consulted generally endorsed the background analysis and concept of borrower coordination. However, they identified several gaps and shared recommendations to strengthen the concept of borrower coordination.

First, in the context of African borrowers, there is consensus around the need for changes to the current global financial system. Building on this foundation, more clarity is needed among borrowers on what these changes entail and how to incentivize borrowers to align on shared positions, as well as how to maintain medium- and long-term momentum. These could be topics for further consultation and research.

Second, while there is a recognized need for a unified response from borrowers to influential creditor initiatives like the Paris Club, some stakeholders noted that the absence of a framework for borrowers holds back progress towards borrowers uniting in the same ways creditors do. Third, uniting on issues related to international debt was identified as an opportunity for borrowers to also coordinate on related issues such as climate action or food sovereignty.

Lastly, certain African creditors cautioned about how the issue of borrower coordination is presented. They warned that if collective action led to an erosion of preferred creditor status (PCS) for institutions with this designation, it would translate into higher cost of capital for African borrowers.

Political economy

Although the key pillars of borrower coordination are economics and finance, stakeholders noted that politics within countries can be a real barrier to successful borrower coordination. There were strong views that ministries of finance, central banks, and ministries of trade in borrower countries should lead coordination efforts. On the other hand, borrowers should also work towards developing common laws governing external debt capacity, as well as enforceable treaties or other formal frameworks that borrowers and creditors sign and must adhere to. By doing so, borrowers will ensure that the technical recommendations from debt management offices are not divorced from the political realities facing heads of state and government.

Stakeholders considered a gradual and measured approach to borrower coordination as most likely to succeed, while a narrow focus on key technical issues was recommended as a way of accelerating and securing consensus among borrowers. This could translate into a union of a few borrowers targeting one or two shared priorities at a time, with other borrowers joining the formal borrower union after certain criteria have been met. In terms of leadership, there was a shared recognition of the importance of existing intuitions like Afreximbank, AfDB, the AU, and the G24 in leading or championing borrower coordination. Furthermore, there were recommendations to identify influential figures such as former heads of state and Nobel laureates to champion the idea of borrower coordination.

Experts, particularly former senior government officials, also emphasized the need for “safe spaces” for borrowing countries to share information and knowledge. This includes, for example, terms and conditions that may not be publicized. Currently, such opportunities arise on an ad-hoc basis. But a well-structured, reliable process where ministers of finance and other policymakers can learn from each other would be welcome.

Risk management

Stakeholders considered risk from two perspectives. The first perspective relates to efforts within African countries, regional groupings, and collectively as a continent. Past coordination efforts have failed to generate or maintain credibility in terms of borrowers achieving shared monetary, financial, social, and trade integration goals. The same applies to efforts at regional infrastructure development. Additionally, a history of poor coordination in response to crises has built a stigma around African borrowers and debt in general terms. For those borrowers that do move forward with coordination efforts, there needs to be clear incentive structures to hold borrowers together in the medium and long term. As a more outward-facing consideration, stakeholders recommended the adoption of a standardized approach to risk governance across the continent to harmonize domestic and external risk profiling. Additionally, experts noted the importance of establishing borrower coordination before crises emerge.

Some individuals, however, viewed risk primarily as a creditor-driven issue. In their view, the increased diversity in creditor profiles over the last 50 to 75 years has made debt transparency a challenge because creditors sometimes limit information exchange among borrowers through non-disclosure agreements. Additionally, creditor retaliation or pushback was considered a high-risk outcome in response to borrowers coordinating and progressing with shared goals.

Stakeholders addressed these concerns by recommending that borrowers engage with creditors through universally binding frameworks that compel non-exploitative engagement. Additionally, two opportunities were identified as counter measures borrowers could use in response to anticipated creditor pushback: They could leverage the support of countries like South Africa in global forums such as the G20 (during its presidency in 2025), as well as groupings of borrowers not currently in liquidity or debt solvency predicaments.

Value addition and active participation

It was mutually agreed among all stakeholders that borrowers should not be forced to participate actively in coordinating groups or unions. Instead, a sense of trust and transparency should be created in the early stages through "low-hanging fruits" such as information exchange. Additionally, a layered structure was recommended, one that distributes tasks and levels of responsibility among debt management offices and civil service staff from different countries as a way of maintaining continuity during shifts in political cycles.

Regarding value addition, a guiding principle recommended by some stakeholders is to improve the agency of borrowers to negotiate better terms with creditors. Based on this principle, existing and proposed initiatives should assess the extent to which they contribute to, or duplicate work already being done by other initiatives. Borrowers should consider allowing groups of countries to continue coordinating in ways they see as addressing their needs, while having a single umbrella mechanism to connect the work done by all borrower initiatives. Such a system would ensure that initiatives regularly communicate, coordinate, and minimize duplication of work done.

Stakeholders drew from past borrower coordination examples in South America (such as the Cartagena Consensus) in their recommendation that there should be a framework for the collective response measures a union of borrowers takes in unfavorable scenarios like creditor retaliation. Through such binding measures and the gradual development of a borrower union, there would likely be an increase in the overall participation of borrowers. Where a clear connection can be identified between the level of contribution to a union and benefits secured, borrowers will remain committed and attract the participation of new members.

Representation

While many stakeholders saw merits in forming an Africa-only initiative, there was an equally high appreciation for the need to learn from South American and Asian borrower experiences. By collaborating and coordinating with countries beyond Africa, the rich and diverse borrower experiences pooled together should lead to better outcomes. Additionally, existing stigma or apathy from creditors towards African countries may be offset when larger economies like Brazil and Indonesia are included as members of a borrower initiative.

An alternative view recommended a more technical approach of grouping borrowers by the extent of shared creditor profiles instead of taking a geographical approach. This approach could naturally incentivize active participation by borrowers because of similarities in creditor experiences. At the same time, stakeholders more inclined to a technical approach also recognized the unifying role of regional organizations like the AU. There were strong views by

some stakeholders that inter-regional initiatives such as the V20 or Bridgetown Initiative have a particularly important role to play for countries that face similar challenges, regardless of geography.

Duplication and synergy

Three groups of opinions emerged among the stakeholders consulted. One group of stakeholders agreed that initiatives and their funders duplicate efforts. In addition, despite having clear similarities in structures, goals, and perhaps strategies as well, some borrower initiatives have overlaps that inefficiently draw from already constrained borrower resources. Therefore, there is a need to harmonize initiatives and end the duplication of work done by borrowers across Africa.

The other group of stakeholders recognized the existence of similarly structured initiatives in Africa, as well as the potential for duplication resulting from country participation across initiatives. However, these stakeholders held the opinion that such initiatives, despite appearing to be similar, may need to continue as standalone efforts because of niche value propositions that differentiate them, as well as the possibility of innovation emerging from supporting lots of different activities. As a counterproposal, this second group of stakeholders recommended a regular convening of initiatives focused on borrower coordination. Through such coordination, initiatives could share experiences, good practices, new insights, and opportunities for collaboration.

A third group of stakeholders recognized existing duplications but identified certain capacity building gaps yet to be filled. These gaps include debt management, modes of engaging creditors, and best practices in credit rating engagement.

The role of creditors

Similar to the discussion about potential duplication or synergies summarized above, stakeholders either saw a need for commercial lenders to be engaged by groupings of borrowers or proposed a staggered approach that leads to creditors eventually participating in a union of borrowers. In the first instance, stakeholders noted that commercial debt is playing an increasingly important role in African countries and creating a need for improved understanding between borrowers and this relatively new class of creditors on the continent.

A counterproposal suggested that borrowers start by aligning principles and positions related to creditor engagement and follow this with bilateral or group engagements with commercial or other creditors. The stakeholders recommended the AU as a coordinator between borrowers and creditors in this phased approach.

Third-party support

Opinions differed among stakeholders regarding the role of institutions such as the IMF, World Bank, and United Nations as financial or technical partners. Some stakeholders made a cautionary note about how difficult it may be for borrowers to exclude such influential institutions as the IMF and World Bank. In some cases, progress during creditor engagement requires having some form

of IMF support or approval, thereby indicating a potential barrier to borrower-only coordination. Additionally, other stakeholders highlighted the importance of periodic third-party support in the context of capacity building, reinforcing the importance of external support. Finally, in cases where borrowers do engage with third parties like the World Bank, the role of the African Executive Directors on the Board of the World Bank can be utilized and strengthened.

That said, stakeholders highlighted the importance of maintaining financial independence in borrower initiatives through a member-funded structure. They also noted that philanthropic partners and civil society organizations have a potentially significant role to play in providing financial support towards borrower coordination initiatives. However, considering the skewed shareholding structure of institutions such as the IMF and World Bank, or the influential role of a handful of countries in the UN, some stakeholders recommended minimizing or avoiding the involvement of such creditor-controlled institutions in borrower coordination initiatives. Some experts also suggested that borrowers adopt a flexible position towards third-party support. More specifically, this would involve IMF or World Bank support as technical partners for capacity building, while maintaining borrower independence for advocacy and any coordination targeting transformation of the global financial system.

Conclusions

There is strong interest in advancing the objectives of borrower coordination, particularly as part of the broader global financial architecture reform dialogue. The research found a surprising number of borrower coordination-related initiatives, some of which have overlapping goals. In assessing the gaps, overlaps, and synergies between these initiatives, it would be important to reflect on lenders' clubs such as the Paris Club, and on historical efforts at borrower coordination.

There was nearly unanimous agreement that more capacity is needed in borrower countries to more effectively engage with creditors, both at the borrower stage and the repayment stage. More technical capacity is also needed for issues such as debt management. Many stakeholders asked for more opportunities for knowledge sharing among borrowing countries. While there are some effective capacity building initiatives, there is generally a lack of adequate financial resources.

There was no unanimity on the need or urgency to merge existing initiatives, nor on the value of an African-only borrower coordination mechanism versus global or multi-regional efforts. Regardless, stakeholders generally felt that the current momentum for changes to the international financial architecture creates an opportunity to advance borrower coordination alongside goals such as rechanneling IMF special drawing rights (SDRs), multilateral development bank reform, and introducing new approaches to debt restructuring.

Despite the lack of unanimity regarding the need or urgency to merge existing initiatives, some common characteristics are considered valuable for borrower coordination. These include credible leadership of an initiative and the transformative ideas they champion, alignment between borrowers on objectives and shared practices, a culture of information and knowledge exchange, and integrated capacity building.

Recommendations

- With the support of non-creditor organizations, ***borrowers should seek to expand capacity building for negotiating debt relief or fresh financing from creditors***. This could also include a targeted initiative for African countries, to be applied in regional projects.
- Experience shows that passive membership in borrower coordination limits each initiative's success. ***Borrowing governments should therefore hold regular policy discussions on the role of borrower coordination***. They should explore how they can add value through their own experiences and collective action, as well as where they can make financial contributions and how they can advocate for borrowers' positions.
- ***A borrower coordination community of practice should be established*** in light of the large number of borrower coordination activities identified through this research and the need for continued and deepened capacity development for borrowers. This community of practice could share knowledge among borrowers and borrower coordination initiatives, and convene stakeholders around key borrower coordination issues while continuing to address overlaps and gaps.

- Stakeholders emphasized the need to create “safe spaces” for policymakers and leaders to share knowledge and information regarding creditor actions, terms, and conditionalities. The “safe spaces” would also provide an opportunity to strategize on borrower coordination activities. ***Non-creditor institutions should work with borrowers to further define what types of “safe space” convenings would be most useful and to pilot such engagements with a select number of ministers of finance***.
- Some efforts get duplicated among initiatives with similar goals. There is also competition for scarce resources among the 32 initiatives. ***Borrowing governments and borrower coordination initiatives should therefore explore options for merging and re-aligning some initiatives or activities.*** This might be addressed through the proposed community of practice or the “safe spaces” dialogues.
- The most transformative borrower coordination initiatives will need support from objective and neutral partners who are focused on broader development outcomes. These may include individuals and organizations with technical expertise or financial support. ***Stakeholders should seek to identify a few influential figures who can serve as champions and advocates for borrower coordination. These may include former heads of state, ministers, Nobel laureates, and other well-respected experts***.

ANNEXES

Annex I. Borrower coordination mechanisms and platforms

Table 1. Active borrower coordination mechanism for collaborative bargaining

Initiative	Leadership	Key Dates	Goals	Membership
Organization of Southern Cooperation Common Leveraging Union of Borrowers (CLUB)	Intergovernmental	Broader group formed in January 2020; CLUB established in November 2023	Debtors pooling resources; securing new credit and collaborating on shared development	Debtors

Table 2. Proposed borrower coordination mechanism for collaborative bargaining

Initiative	Leadership	Key Dates	Goals	Proposed Membership	Initiative Status
Sovereign Debtors Club (SDC)	African Climate Foundation (ACF)	Announced in August 2023	Capacity building; debtors pooling resources; securing new credit and collaborating on shared development	Debtors	Proposal stage

Table 3. Active platforms and forums for borrower-creditor engagement

Initiative	Leadership	Key Dates	Goals	Membership
Commonwealth Secretariat	Secretariat's Board of Governors made up of High Commissioners (represent member states)	Meeting timelines not fixed	Through Commonwealth Public Debt Management Forum, advocate for global financial system reform and information-sharing among member states	Creditors and debtors
Global Sovereign Debt Roundtable (GSDR)	G20 (G21) Presidency (currently Brazil, South Africa from 2025); IMF; World Bank	Formed in February 2023; likely to continue meeting biannually at IMF-World Bank Spring and Annual Meetings	Pre-debt restructuring discussions to promote shared understanding on debt between creditors and borrowers	Creditors and debtors
Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)	Member state-composed Board of Governors (sets policy) and Executive Committee- all guided by MEFMI Constitution	Meeting timelines not fixed	Domestic financial sector management, as well as sovereign debt management	Mainly borrowers, creditors support as financial cooperating partners, technical cooperating partners, or networking partners
Sustainable Debt Coalition (SDC)	Intergovernmental	Launched at COP27 (November 2022)	Raise development finance supply, with focus on climate and environmental impact; sovereign debt architecture reform advocacy	Debtor membership, creditor inclusion in consultations

Initiative	Leadership	Key Dates	Goals	Membership
The Bridgetown Initiative for the Reform of the Global Financial Architecture (Bridgetown Initiative)	Steered by Barbados Prime Minister	Unveiled at COP27 (November 2022)	Advocacy focusing on high cost of living, high global debt cost and climate vulnerability	Borrower-only action plan
Vulnerable 20 Group (V20)	Intergovernmental	Established in October 2015	Climate action focused capacity building; joint advocacy initiatives	Climate-vulnerable countries, World Bank, IMF
United Nations Economic Commission for Africa (UNECA) High-Level Working Group for Ministers	UNECA; African intergovernmental ministers of finance	May 2023 announcement	Forum for global financial architecture proposal development	African debtor country membership, UNECA, AU, AfDB, Afreximbank, World Bank, IMF staff and Executives included in consultations

Initiative	Leadership	Key Dates	Goals	Membership
United Nations Conference on Trade and Development (UNCTAD) engagement with the Sovereign Debt Roundtable	UNCTAD	Aligned with GSDR developments	Bringing together GSDR debtor countries; inclusion of more debtors in GSDR	Creditors and debtors

Table 4. Proposed platforms and forums for borrower-creditor engagement

Initiative	Leadership	Key Dates	Goals	Proposed Membership	Initiative Status
Africa Fiscal Transformation Initiative (AFTI)		N/A	Capacity building and resource pooling	AU member states	Developmental stage (as of February 2024)
AU G20 (G21) Secretariat		September 2023-AU secures permanent G20 membership	Likely to advocate for global financial system reform and debt relief of member states	AU member states	Borrower-only
Sovereign Borrowers' Network	Intergovernmental; Development Finance International (DFI); Development Reimagined (DR)	N/A	LMIC advocacy on sovereign debt; capacity building	Debtors	Proposal stage

Annex II. Additional initiatives

Table 5. Supplementary list of coordination initiatives

Initiative	Leadership	Key Dates	Goals	Membership/ Participants	Initiative Status
African Financial Stabilization Mechanism	AfDB	Announced by AfDB in March 2021	Offsetting external shocks in African countries by aligning macroeconomic policies, principles, and by pooling funds	African borrowers	Proposal stage
Abuja Roundtable for Economic Transformation in West and Central Africa Declaration	World Bank Group; Government of Nigeria	Held in February 2024	Discussion of regional priority roadmap, shaping of IDA21 finance and policy package, and how best World Bank can support these	World Bank Group Governors; representatives from Benin, Cabo Verde, Chad, Ghana, Guinea, Guinea-Bissau, Nigeria, Senegal, Sierra Leone, Mauritania, and Togo	May have been a one-off

Initiative	Leadership	Key Dates	Goals	Membership/ Participants	Initiative Status
African Caucus	Chairperson of the Caucus; ministers of finance and economic development, and central bank governors	Formed in 1963; Caucus meets twice a year—in Chair's host country and at IMF-World Bank Annual Meeting	Amplifying African governors' voice in Bretton Woods institutions	African IMF and World Bank member states; secretarial services from offices of IMF and World Bank executive directors	Active
African Central Bank Governors Roundtable	African central bank governors	Meet periodically	Discussions around current affairs and multi-disciplinary effects on monetary policy planning	African central bank governors	Active
African Consultative Group	African finance ministers and central bank governors; IMF management	Formed in 2007	Supporting African Caucus-IMF policy dialogue	Fund Governors of a subset of 12 African countries belonging to the African Caucus (African finance ministers and central bank governors) and IMF management	Active

Initiative	Leadership	Key Dates	Goals	Membership/ Participants	Initiative Status
African Debt Managers Initiative Network	AfDB	N/A	Debt management capacity building and improve awareness of common areas for policy dialogue	AfDB regional member countries	Proposal
Association of African Central Banks	Assembly of Governors-member state central bank governors	First meeting held in February 1965	Facilitate communication and collaboration among African central banks	41 African central bank governors	Active
African Public Debt Management Forum	OECD	Launched in June 2011	Transfer and training on OECD debt management best practices to African borrowers	LMIC borrowers; creditors	Inactive
Caucus of African Central Bank Governors and Executive Directors of multilateral and regional development banks	African central bank governors; UNECA	First Caucus in 2015 (Abuja)	"Enhance the effective engagement of African central bank governors in the continent's development agenda"[44]	African central bank governors; UNECA; AU Commission	Active

Initiative	Leadership	Key Dates	Goals	Membership/ Participants	Initiative Status
Collaborative Africa Budget Reform Initiative (CABRI)	CABRI General Assembly-comprised of all member states	Informally started in 2004, first MoU signed in November 2005	Knowledge and experience-sharing among public debt managers; financial information and research distribution	17 African countries; 35 participant African countries	Active
Collaborative Training Program on Public Debt Management	Japan International Cooperation Agency (JICA) and Public Debt Management Office of Thailand	First training program held between Jan-Feb 2023	Needs-based debt management training; training on debt structure and financial portfolio management	Zambia, Ethiopia, and Ghana	Active
Debt Management Facility (DMF)	World Bank; IMF	Established in 2008, administered by IMF since 2014	Reducing debt-vulnerability, while strengthening debt management and transparency	80+ countries serviced	Active

Initiative	Leadership	Key Dates	Goals	Membership/ Participants	Initiative Status
Debt Management Roundtable on debt restructuring and social financing	Nigerian Economic Summit Group; Open Society Initiative for West Africa	Formed in 2021	Provide insights, evidence, and recommendations on debt management and sustainability in West Africa	ECOWAS countries	Active
EU-funded Regional Initiative	European System of Central Banks; European Central Bank	Inaugurated in February 2024	Capacity building and regional cooperation among African central banks	12 African central banks; European System of Central Banks; European Central Bank	Active
Kampala Initiative	Uganda; Government of Netherlands Ministry of Foreign Affairs; Overseas Development Institute (ODI)	Regional conference on debt management and sustainable economic growth held in Kampala in February 2020	Improve debt management coordination, collaboration, and capacity across Africa	18 African borrowers	Proposal
Public Finance Management Academy for Africa	AfDB	Approved by AfDB Board in June 2022	Macroeconomic, public financial and debt management training	African borrowers and public financial management officials	Active

Initiative	Leadership	Key Dates	Goals	Membership/ Participants	Initiative Status
Regional Debt Management Training Program	Bank of Central African States and the Central Bank of West African States	Initiative launched in 1995 and concluded in 2010	Improvement of macroeconomic and financial management of member countries	Central African Economic and Monetary Community and West African Economic and Monetary Union countries	Discontinued
West African Institute for Financial and Economic Management (WAIFEM)	WAIFEM board of governors; African Capacity Building Foundation	Established in 1996	Strengthening members' financial and economic management	Central banks of Ghana, Liberia, Sierra Leone, Nigeria, The Gambia.	Active

Annex III

Table 6. Assessment Criteria

Indicator/ criterion	Short description of criterion	Rationale for selecting this criterion
Regions Covered	This criterion considers geographical locations and borrower country income groupings they fall under.	Borrowers are impacted by an unbalanced global financial system to varying degrees but have a shared responsibility to develop and implement solutions. This criterion therefore assesses the extent of borrower participation in crafting solutions to a shared set of challenges.
Type of Engagement	This criterion defines the pillars of borrower coordination.	Unlike other bilateral or multilateral borrower cooperation, this framework focusses on core functions borrowers adopt when working towards transformational change in the global financial system.
Extent of Creditor Involvement	This criterion considers the level of influence creditors have on borrower initiative structure, operation, and strategic direction.	In evaluating risks and opportunities a borrower coordination initiative has, whether creditors are involved, and if the extent of their involvement has positive and negative implications that can support or deter progress in transforming the global financial system.
Ambition of Goals	Relative to other borrower coordination goals, this criterion assesses how radical each option for borrowers is, in the context of transforming the global financial system to become more inclusive and considerate of borrower needs.	To achieve the urgently, much-needed structural changes borrowers need in the global financial system, a change in the current “business as usual” approach is needed. This criterion evaluates the extent to which borrowers deviate from taking a “business as usual” approach.

Indicator/ criterion	Short description of criterion	Rationale for selecting this criterion
Value Addition	Also placed in the context of borrowers achieving transformational change, this criterion considers the contribution an initiative provides that may or may not already be provided by other existing initiatives.	A consequence of borrowers working in silos is that borrower coordination initiatives may be duplicated. This criterion therefore evaluates the degree of novelty an initiative provides from structural and strategic perspectives.
Feasibility	This criterion boils down structural and operational concerns to assess likelihood of an initiative making progress on shared borrower goals.	Having multiple borrowers comes as a challenge and opportunity when evaluating operational and logistical issues. This criterion considers how likely an initiative is to progress, given its diverse geographic membership, involvement or absence of creditor participation/ membership, and the financial capacity necessary to maintain an initiative's work.

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