

Forum: ECOSOC

Issue 1: The question of restructuring sovereign debt crises in countries such as Sri Lanka, Zambia, and Ghana

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The question of restructuring sovereign debt crises in countries such as Sri Lanka, Zambia, and Ghana

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Key Terms

Sovereign debt: money borrowed by a country's government from its creditors

Debt distress: a financial situation where a country struggles to fulfill its financial obligations and repay its debts

Debt restructuring: the process by which a country and its creditors renegotiate the terms of their debt agreements, with the aim to improve financial stability and avoid default

Bilateral investors: an individual or company that makes a foreign direct investment in another country

Multilateral investors: international financial institutions whose membership includes multiple member governments or states

Private investors: non-governmental entities such as commercial banks, institutional investors that hold a country's debt

Overview

Introduction:

Sovereigns, or national governments, borrow from various lenders, including domestic lenders, international capital markets, private sector entities, or other governments or international organisations. When they struggle to repay their debts, governments face debt distress. Debt restructuring becomes necessary, involving negotiations between creditors and sovereigns to minimise losses while sovereigns can restore market confidence.

In recent years, several developing countries have experienced severe sovereign debt crises, among which significant examples include Sri Lanka, Zambia, and Ghana. The crises in these countries have emerged from a combination of various factors, including the COVID-19 pandemic, tax cuts, exchange rate mismanagement, global inflation.

The situation in these countries reflect the insufficiency of existing international sovereign debt restructuring frameworks, which are so far unable to coordinate the actions of sovereigns and creditors. Thus, discussing this issue in ECOSOC provides an opportunity for the international community to cooperate in order to strengthen debt restructuring frameworks, with the aim to promote sustainable economic recovery and growth.

Background and context:

There can be many causes of the sovereign debt crises, mainly including policy weaknesses and external economic shocks. Governments' debts may increase due to excessive borrowing, poor fiscal management, inefficient public spending, or sometimes corruption. Government revenues may also reduce, and could be influenced by global recessions, pandemics, natural disasters, commodity price fluctuations, and rising interest rates.

Further, borrowing in foreign currencies could also create risks, especially for developing countries. When a country's local currency depreciates against major international currencies, such as the US dollar, repayments can tend to become more expensive, which can be showcased in the debt crises experienced by Sri Lanka, Zambia, and Ghana.

Beginning in the 20th century, many sovereign debt crises have arisen in the world. For example, the 1930s Great Depression, the 1980s debt crisis in Latin America, and the European Sovereign Debt Crisis starting in 2008. More recently, debt vulnerabilities have been worsened by pandemics and wars. Pandemics have slowed down global economic activities, reduced government revenues and increased government expenditures, while wars have increased commodity prices and global interest rates, which further increased the debt-servicing costs for many developing countries. Thus, debt distress has become a growing concern, especially for low- and middle-income countries.

Sri Lanka, largely impacted by the COVID-19 pandemic, experienced a significant decline in tourism. Along with tax cuts in 2019, its government revenue declined to a historical low of 8% of GDP, leading to suspension in external debt repayments in 2022, its first sovereign default.

Zambia has been heavily dependent on copper exports. When copper prices fell, it began to experience debt difficulties. Later with the impact of droughts and the economic effects of the COVID-19 pandemic, there was a further reduction in government revenue. Along with high foreign borrowing costs, Zambia resulted in a default in 2020.

Ghana experienced relatively strong economic growth before 2022. However, due to the lagging effect of the pandemic, fiscal policy challenges, and the rise in global interest rates, it began to face a debt crisis after this date.

Current situation:

There has been much progress in restructuring the debts of Sri Lanka, Zambia and Ghana, supported by the International Monetary Fund (IMF).

Sri Lanka has mostly completed its debt restructuring process with bilateral and private creditors. With support from the IMF, it has made improvements in its economic growth and inflation control policies. However, there are still concerns regarding its long-term debt sustainability and its vulnerability to future shocks.

In Zambia, although some negotiations have been slowly achieved, improvements have been slow, with some difficult impasses still needing to be resolved. Challenges still remain regarding complex negotiations and coordination between multiple creditor groups.

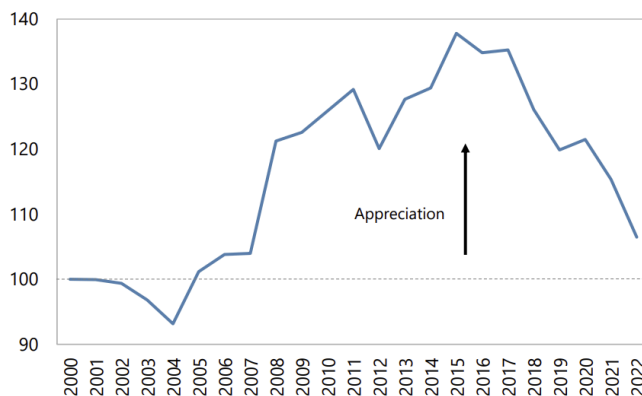
Ghana has made significant progress under IMF-supported programs, gradually restructuring its debt to establish economic stability. It is necessary for reforms and debt management to continue, in order to maintain sustainable economic growth in the country.

For all three countries, while progress has been achieved to some extent, significant challenges and difficulties in negotiations remain. First, the coordination of creditors remains difficult due to debts owed to a wide range of lenders, including governments, multilateral institutions, and private investors. Second, in many cases of sovereign debt crisis, debt transparency remains a concern, straining market confidence while making it difficult to accurately assess liabilities. Third, negotiations tend to be lengthy and complex, which are likely to discourage investment and economic activities.

Statistics & Infographics

Sri Lanka: Real Effective Exchange Rate

(Index, 2000 = 100)



Source: IMF staff calculations.

Figure 1: Sri Lanka: Real Effective Exchange Rate (Breuer et al., 2025)

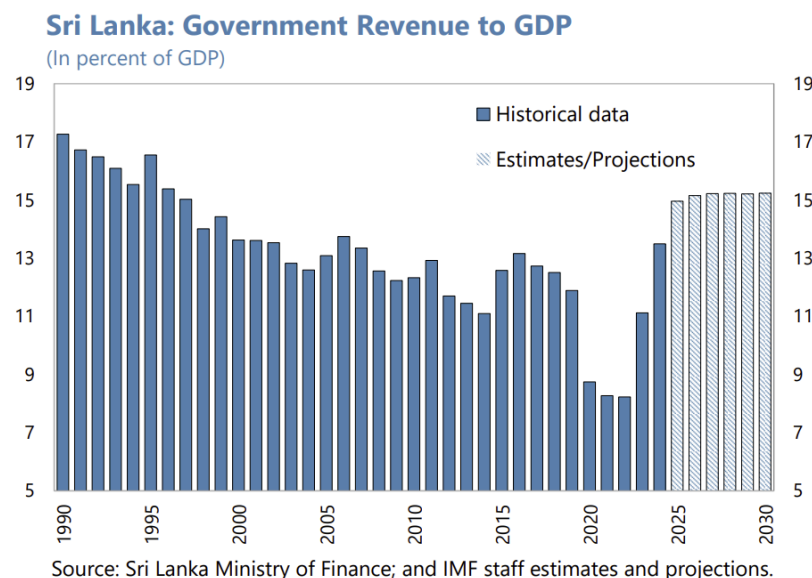


Figure 2: Sri Lanka: Government Revenue to GDP (Breuer et al., 2025)

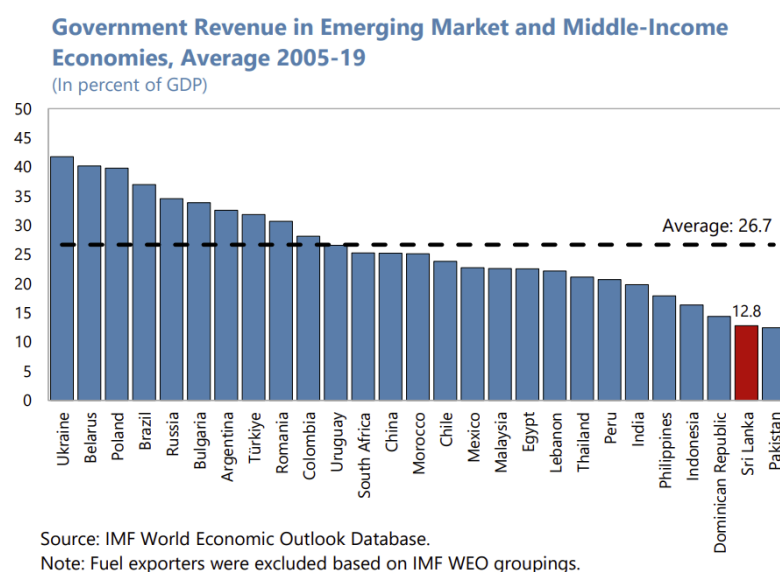


Figure 3: Government Revenue in Emerging Market and Middle-Income Economies, Average 2005-19 (Breuer et al., 2025)

Ratio of national debt to GDP of Zambia from 2000 to 2025

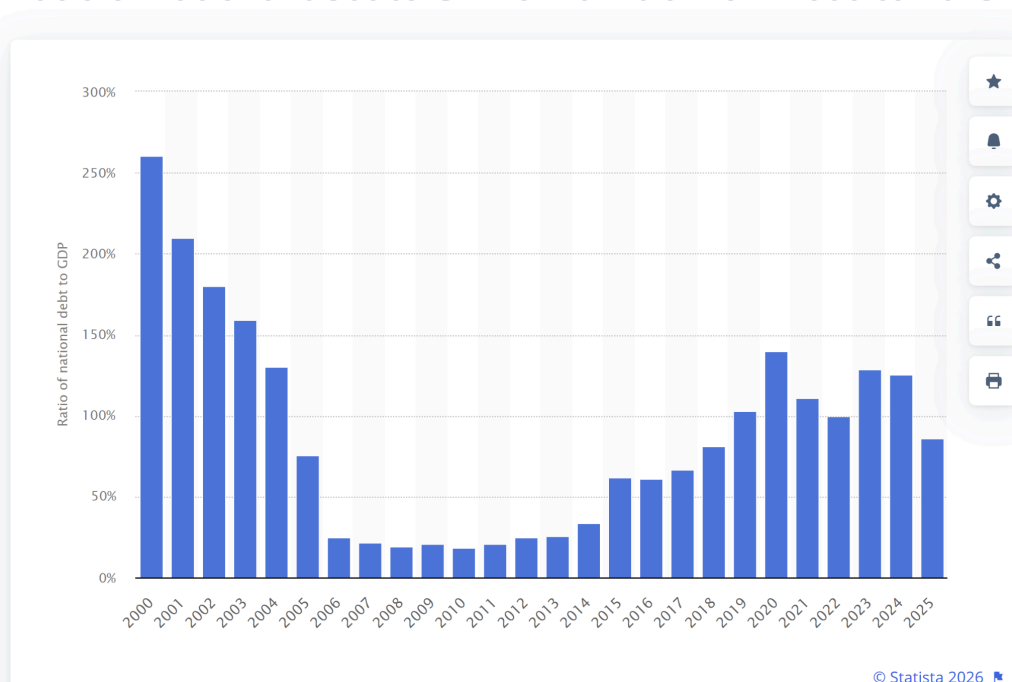


Figure 4: Ratio of national debt to GDP of Zambia from 2000 to 2025 (Breuer et al., 2025)

Ghana government debt to GDP from 2016 to 2025



Figure 5: Ghana government debt to GDP from 2016 to 2025 (Trading economics, 2025)

Timeline

1996	The Heavily Indebted Poor Countries Initiative (HIPC) was established by the IMF and World Bank in 1996. It aimed to provide debt relief for low-income countries with debt burdens through economic reforms and poverty-reduction policies.
2006	In 2006, the Multilateral Debt Relief Initiative (MDRI) built upon the HIPC, cancelling eligible debts owed to major multilateral institutions, and providing additional resources to help with their development.
2008	The IMF has provided financial assistance programs, including the Extended Fund Facility and Extended Credit Facility in order to ensure debt sustainability.
2019	- Economic vulnerabilities increased in Sri Lanka, with huge tax cuts and decline in government revenue - Zambia suffered from droughts, while struggling with high foreign borrowing costs - Ghana experienced relatively strong economic growth
2020	- The COVID-19 pandemic caused severe economic consequences worldwide - Zambia defaulted during the pandemic - Global financial pressures and debt burdens continued to increase
2020	In 2020, the G20 created the Common Framework for Debt Treatments, aimed to restructure sovereign debt by facilitating coordination between countries. This involved countries such as Ghana, Zambia, Ethiopia (ongoing cases). In doing so, it attempted to bring traditional Paris Club creditors and lenders such as China into one restructuring process.
2020-2022	The Debt Service Suspension Initiative (DSSI) was implemented by the G20 during the COVID-19 pandemic, which temporarily allowed eligible low-income countries to take a pause on their debt payment requirements.
2021	- Zambia applies for debt restructuring under the G20 Common Framework after its creation in late 2020
2022	- Sri Lanka defaults on its external debt - Ghana began restructuring its sovereign debts in December
2023	- In June, Zambia advanced its negotiations, reaching an agreement with official bilateral creditors to restructure its \$6.3 billion debt

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	- IMF support programs continued for Ghana and Sri Lanka
2024	The IMF, World Bank, and the G20 established the Global Sovereign Debt Roundtable (GSDR), which coordinated and accelerated debt negotiations.
2024-Present	- Restructuring processes and reforms continue to evolve

Major Parties

International Monetary Fund (IMF) - It provides financial assistance to countries in debt, supporting financial restructuring negotiations between debtor countries and their creditors.

Governments of Sri Lanka, Zambia, and Ghana - Responsible for the implementation of economic reforms, negotiations with creditors, and the restoration of debt sustainability in their countries.

Paris Club Creditors - coordinates debt relief efforts for countries facing financial difficulties.

World Bank - It provides assistance to countries undergoing debt crises by conducting debt sustainability analysis. Along with the IMF, they support greater transparency and sustainable borrowing practices.

People's Republic of China - one of the largest bilateral lenders to developing countries, making it a major creditor in sovereign debt restructurings.

Group of Twenty (G20) - It supports countries facing debt sustainability challenges, mainly through the management of the Common Framework for Debt Treatments (CF).

United States of America - The largest shareholder in the IMF, having significant influence over international financial governance and debt relief discussions.

Japan - One of the world's largest official creditors and co-chaired Sri Lanka's creditor committee alongside France and India.

India - It has become an important creditor, and was heavily involved in Sri Lanka's debt restructuring process.

France - It is a leading member of the Paris Club, playing a prominent role in coordinating creditor negotiations.

Ethiopia - Another country seeking debt treatment under the G20 Common Framework.

Key Issues to Debate

- Effectiveness of current debt restructuring frameworks:

While frameworks such as the G20 Common Framework have facilitated negotiations, many restructuring processes remain lengthy and complex. How sufficient are existing systems to address the sovereign debt crises and what reforms could be necessary?

- Creditor coordination:

The increasing diversity of creditor groups, including bilateral, multilateral and private creditors, has made the process of debt restructuring significantly more challenging, with differing priorities and interests amongst each party. How can cooperation between these groups be improved, in order to ensure more efficient and equitable outcomes?

- Debt transparency:

How can transparency be improved for both creditors and debtors? If so, should countries and creditors be required to disclose all debt agreements and lending terms for greater transparency?

- Burden-sharing among creditors:

Concerns often arise in negotiations regarding the distribution of losses among different creditors. How should these losses be distributed fairly among creditors during debt restructuring? What regulations or requirements should be implemented to guide the process?

- Debt relief and development:

For governments, while aiming to restore fiscal stability through debt restructuring, they must also consider their countries' long-term development goals. How could these aims be balanced, and how could the debt restructuring processes be accelerated for the benefit of each country?

Possible Solutions

The ECOSOC in RCMUN 2026 should find solutions to strengthen international cooperation, protect sustainable development for countries, and create a more efficient and equitable framework for solving future debt crises. While this sovereign debt crisis mainly focuses on developing countries such as Sri Lanka, Zambia, and Ghana, it is important for UN member countries to be aware of the challenges facing the international financial system, hence recognise the importance of not only restoring economic stability within these countries, but also reforming the G20 Common Framework, enhancing debt transparency, and strengthening domestic debt management. In the meantime, more developed countries should consider how to aid developing countries in their pursuit of sustainable economic growth, in order to achieve their long-term economic goals, thereby helping them to better manage their debts.

Committee Objective

The goal of the ECOSOC at RCMUN 2026 is to foster productive discussion about the growing discussion about restructuring sovereign debt crises in countries such as Sri Lanka, Zambia, and Ghana. By noting major parties, possible outcomes and effects, and impact of this issue, this committee hopes to develop a long-lasting solution that all nations can benefit and agree upon to aid developing countries in managing their sovereign debts in order to pursue sustainable economic growth and their long-term economic goals. Bearing in mind all parties and their motives, the committee should strive for a fruitful debate working towards a common solution. To fulfill this goal, nations should examine existing treaties and frameworks, while working towards reforming them to create a viable solution for the issue of restructuring sovereign debt crises in developing countries.

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