

*[The purpose of this illustrative template Memorandum of Understanding (MoU) is to demonstrate the basic contours of a sovereign debt treatment from official bilateral creditors. We hope its publication will help advance transparency on the official creditor process among borrowers, creditors, and other stakeholders. The template is modelled on recent debt treatment cases and lessons-learned. This template is not a binding document—not all provisions are universally applicable, and the template does not preclude further evolution of terms in future cases. Official Creditors Committees (OCCs) will continue to tailor debt treatments on a case-by-case basis]*

## **Illustrative Template**

### **MEMORANDUM OF UNDERSTANDING ON DEBT TREATMENT UNDER THE COMMON FRAMEWORK**

#### **I. PREAMBLE**

1. The debtor country formally requested from its official bilateral creditors on [debt treatment request date] a debt treatment under the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative (Common Framework), endorsed by the G20 and the Paris Club on 13 November 2020. Representatives of the official bilateral creditors of X, Y and Z (Participating Creditor Countries) recognized that the debtor country was eligible to the Common Framework, and formed on [formation of the OCC date] an Official Creditors Committee (OCC). X and Y (Chairs) co-chaired the OCC meetings with support of the OCC Secretariat (Secretariat). References to the OCC refer to all Participating Creditor Countries acting together. Representatives of the International Monetary Fund (IMF) and the World Bank attended OCC meetings as observers.

2. A Staff-Level Agreement (SLA) was reached between the IMF and the debtor country on a new IMF-supported economic program on [SLA date]. After several meetings with the representatives of the debtor country, the OCC provided financing assurances on [OCC financing assurances date], paving the way for the approval of the Arrangement under the Upper Credit Tranche (UCT) IMF-supported program (IMF-supported program) by the IMF Executive Board on [IMF-supported program approval date].

3. The OCC proposed in a term sheet the main terms of a quantified debt treatment to the debtor country on [OCC offer date], consistent with IMF-supported program parameters and in accordance with Common Framework principles of joint action and fair burden sharing. The debtor country accepted the proposed terms on [Agreement-in-Principle (AiP) date]. The OCC and the debtor country reached consensus on the content of this Memorandum of Understanding (MoU) on [agreement on MoU date].

4. The debtor country committed to seek from all its other external creditors in the scope of the debt treatment<sup>1</sup> a debt treatment with terms at least as favorable to the debtor country as the one reached with the OCC, in adherence with the principle of Comparability of Treatment (CoT). The debtor country committed to submit to the OCC the proposed terms of any agreement-in-principle (AiP) with other

---

<sup>1</sup> Other external creditors in the scope of the debt treatment (or “other external creditors”) refer to: external private creditors; other official bilateral creditors that are not part of the OCC; official international institutions, except the IMF and Multilateral Development Banks (MDBs) that provide net and quantified positive flows to the debtor country over the IMF-supported program period. The inclusion of non-resident holders (NRH) of domestic debt will be assessed on a case-by-case basis, including by taking into account burden-sharing implications. The debt of these other external creditors refers to loans having an original maturity of more than one year and if applicable, arrangements with an original maturity of less than one year but which have since been rolled-over and extended beyond one year, which were extended to the debtor country or its public sector or entities benefitting from their guarantee, as defined in the IMF-World Bank Debt Sustainability Analysis and the OCC’s collective assessment, regardless of the signing date of the contract.

external creditors prior to entering into binding agreements, with a reasonably sufficient time to allow the OCC to review them to ensure compliance with CoT. The debtor country committed to hold all external creditors in arrears until an agreement is reached that complies with CoT.

## **II. RECOMMENDATIONS ON TERMS OF THE DEBT TREATMENT**

In view of the debt vulnerabilities faced by the debtor country, the OCC and the debtor country reached consensus on the terms of a debt treatment based on the needs identified by the IMF-World Bank Debt Sustainability Analysis (DSA) and the OCC's collective assessment, and consistent with the parameters of the current IMF-supported program<sup>2</sup>.

### **1. Debt concerned**

The debts to which this treatment applies are the following<sup>3</sup>:

a) Loans from the Governments or appropriate institutions<sup>4</sup> of the Participating Creditor Countries having an original maturity of more than one year and arrangements having an original maturity of less than one year but which have since been rolled-over and extended beyond one year, which were extended to the debtor country or its public sector or entities benefitting from their guarantee, as defined in the DSA and by the OCC's collective assessment<sup>5</sup>, pursuant to a contract or an agreement signed and disbursed on or before [OCC cut-off date].

b) Commercial credits guaranteed or insured by the Governments or appropriate institutions of the Participating Creditor Countries, having an original maturity of more than one year and which were extended to the debtor country or its public sector or entities benefitting from their guarantees, as defined in the DSA and by the OCC's collective assessment, pursuant to a contract or an agreement signed and disbursed on or before [OCC cut-off date].

Disbursements taking place after [OCC cut-off date] and stemming from contracts described in Article II-1 a) and b) above are not included in the scope of the debt treatment. Debt service associated from these disbursements is to be repaid according to the original contractual payment schedule.

The debts to which the treatment described in Article II-2 below applies are all debts as described in Article II-1 above, on which the OCC have reached consensus (see indicative Annex A).

### **2. Terms of the treatment**

*[Stock treatment refers to a debt treatment on the outstanding principal and sums in arrears, with a new amortization schedule and interest rates applied on this stock. Flow treatment refers to a debt treatment on maturities falling due during a specific period. Maturities falling due before and after the flow treatment period are not covered by the debt treatment and are contractually due. A combination of treatments can be provided, with a first-phase flow treatment to be followed by a second-phase stock treatment.]*

a) Relevant Principal

---

<sup>2</sup> As described in the IMF Country Report, "Debtor country: Request for an Arrangement under the Extended Credit Facility", as updated.

<sup>3</sup> All debts covered under Article II-1 a) and b), including those with security arrangements, shall be subject to the treatment.

<sup>4</sup> Institutions designated by the corresponding government.

<sup>5</sup> The inclusion or exclusion of certain facilities (even those signed and disbursed before the Cut-Off Date) from the scope of the debt treatment is at the discretion of the OCC.

[*Stock treatment*] The Relevant Principal includes: (1) the outstanding amount of principal remaining due as of [consolidation date] as estimated at the moment of the signature of the respective bilateral agreement; (2) 100% of the amounts of principal and contractual interest (including, if applicable, other charges and fees) due and not paid as of [day before consolidation date] inclusive (Arrears); (3) late interests on the Arrears (including, if applicable, other charges and fees) due and not paid as of [day before consolidation date] inclusive.

[*Flow treatment*] The Relevant Principal includes X% of the amounts of principal and interest of the debt referred to in Article II-1 falling due during [flow treatment period].

Debt service falling due before or after the flow treatment period is due according to their original contractual terms. All arrears (including late interests and, if applicable, other charges related to the arrears) accumulated until [day before beginning of flow treatment period] inclusive on loans defined in Article II-1 a) and b) are to be repaid by the debtor country upon the signing of the MoU.

#### b) Terms of the treatment

1) The treatment consists of a rescheduling of the Relevant Principal on the terms described below.

i) X% of the balance of relevant principal is to be rescheduled or refinanced.

ii) Amortization of Relevant Principal: payments by the debtor country are to be made, in percentage of the Relevant Principal, in X successive annual or semi-annual payments, as below:

- X% on [first principal payment date]
- X% on [second principal payment date]
- ...

iii) Interest rates: the applicable interest rate per annum on the Relevant Principal depends on the original contractual rate of the facility:

- For Relevant Principal from facilities with a contractual interest rate less than A%, a X% fixed interest rate per annum will apply.
- For Relevant Principal from facilities with contractual interest rate equal or greater than A% and less than B%, a Y% fixed interest rate per annum will apply.
- For Relevant Principal from facilities with contractual interest rate equal or greater than B%, a Z% fixed interest rate per annum will apply.

To determine the applicable interest rate for facilities with a floating interest rate in the original contract, the original interest rate shall be calculated based on the value of the floating rate as of [consolidation date].

The applicable interest rate on the Relevant Principal should be applied with effect from [consolidation date]. The first interest payment will be due on [first interest payment date] and interest will then be payable annually or semi-annually. Interest will be due in-full on the following schedule:

- [first interest payment date]
- [second interest payment date]
- ...

Based on the above repayment schedule, on a case-by-case and voluntary basis, Participating Creditor Countries may apply flexibility to the specific payment dates to help the debtor with liquidity management, provided that each payment date shall remain within the respective quarter of the date specified in the MoU.

2) If the signature of the bilateral agreement takes place after any payment have become due, the bilateral agreement is to specify the payment schedule of these missed payments.

3) After signature of the bilateral agreement, in the event that any amount under the relevant bilateral agreement has not been paid by the debtor country, late interest of up to 5% per annum may be charged from the due date or any later date determined by the creditor, up to and including the date of the effective payment date and is to be immediately payable. This does not in any way constitute the right of the debtor country to defer any payment on the respective due dates under the bilateral agreement.

4) If, during further reconciliation exercise between the debtor country and the Government or the appropriate institution of a Participating Creditor Country at the time of the drafting of the bilateral agreement, it is found that debt service payments were remitted on debts covered by this MoU after [consolidation date], the debtor country and the Government or the appropriate institution of such Participating Creditor Country are to immediately inform the OCC. The Participating Creditor Country and the debtor country should jointly negotiate a solution to offset such payments, in line with the MoU and its burden-sharing arrangements.<sup>6</sup>

### **III. GENERAL RECOMMENDATIONS**

#### **1. Comparability of treatment**

a) In order to secure comparable treatment of its debt due to all its other external creditors in the scope of the debt treatment, the debtor country commits to promptly seek from such creditors a treatment on terms at least as favorable to the debtor country as those on which it reached consensus with the OCC, as set in this MoU. The debtor country commits to, on a quarterly basis, inform the OCC, through its Secretariat and Chairs, on the progress of negotiations with all other external creditors from the date of the AiP between the OCC and the debtor country.

b) The debtor country commits not to accord to any other external creditor a debt treatment assessed by the OCC as less favorable to the debtor country than the terms reached with the OCC. It also commits not to remit debt service payments to any other external creditors until it has entered into an arrangement with such creditors on terms at least as favorable to the debtor country as those reached with the OCC.

c) For the purpose of comparison between the arrangements reached by the debtor country with its other external creditors on the one hand, and with the OCC on the other hand, all relevant elements are to be taken into account to assess CoT according to the three criteria of the Common Framework. Relevant elements include the nature, characteristics and payment terms of the restructured claims, irrespective of the form they take, that are agreed between the debtor country and its other external creditors. The OCC is to assess CoT based on the three criteria of the Common Framework: (i) changes in nominal debt service over the IMF-supported program period, (ii) the debt reduction in net present value terms, (iii) the extension of the duration of the treated claims. For the purpose of assessing CoT, the OCC is to apply a X% discount rate when calculating net present value. The OCC will assess CoT as of [calculation date].

d) The OCC is to apply its CoT assessment to each AiP negotiated between the debtor country and a creditor or group of creditors negotiating collectively. To prevent the moral hazard of free riding, the

---

<sup>6</sup> E.g., by refunding the debtor country the amounts received, applying these amounts to missed instalments or future instalments due under this MoU, compensating through further efforts on another facility, or other possible ways that are acceptable to the debtor country and the Participating Creditor Country.

OCC is not to view an AiP as in conformity with this MoU if it does not satisfy the terms of CoT, even if the effects of pooling an AiP with other AiPs yields a collective average that satisfies the terms of the MoU.

e) Should other creditors seek to include a value recovery instrument (VRI) or other dynamic state-contingent debt instrument (SCDI) as part of an AiP with the debtor country, the OCC is to assess CoT of that AiP.

f) The IMF and the World Bank may, at the request of the debtor country and the OCC, provide technical support to facilitate the OCC's analysis of comparable participation of other external creditors in the debt treatment.

## **2. Information-sharing**

a) In order to allow the OCC to assess whether the terms of an AiP with other external creditors are at least as favorable as those reached with the OCC, the debtor country commits to providing the OCC with the relevant parameters<sup>7</sup> of the AiP to permit the assessment of comparability of treatment. The debtor country commits to informing the OCC of those parameters, through its Secretariat and Chairs at the latest when it reaches an AiP with its other external creditors in the scope of the debt treatment. The debtor country commits to submitting any AiP well in advance of its intended implementation, to allow sufficient time for the OCC to review it for compliance with CoT, and to await the OCC's assessment before implementing it. The OCC is to respond and provide a view on CoT within a reasonable timeframe of receiving the details of an AiP from the debtor country. Additionally, the debtor country commits to informing the OCC on an annual basis and in-writing of the payments made by the debtor country to its other external creditors in the scope of the debt treatment until the end of the treatment reached with the OCC.

b) The debtor country commits to providing to the IMF, the World Bank and the OCC key data on the its economic development, fiscal operations and debt management practices upon request, as well as the necessary information regarding all public sector financial commitments (debts), while respecting commercially sensitive information. The debtor country commits to complying with the relevant limit on external borrowing set under the current IMF-supported program.

c) Upon request of an OCC member, a debtor country, after having notified the Participating Creditor Country, is to provide the main parameters of its bilateral agreement with the Governments or the appropriate institutions of any Participating Creditor Country to the Secretariat, and the other OCC members.

d) Upon request of an OCC member, the debtor country commits to providing the OCC with copies of its agreements concluded with its other external creditors, no later than 30 days from the date of the request.

e) In order to facilitate information sharing and achieving CoT, the OCC is to support the debtor country's efforts to share information with other creditors, taking into account and aligning with the debtor country's negotiation and information-sharing strategy.

---

<sup>7</sup> The typical relevant parameters are the terms of the contract defined in Article II (amortization rate, interest rates, maturity, grace-period, additional fees and other financial terms) and relevant provisions necessary to assess the full implementation of CoT such as the inclusion of VRIs or SCDIs. Other relevant parameters also include, non-financial terms which could impact CoT, such as financial covenants, offers of collateral, negative pledge clauses, embedded options or other contingencies, and any other provision that confers or could confer a material benefit.

f) In accordance with its own domestic laws or regulations, a Participating Creditor Country may publish or provide a copy of the MoU or of its bilateral agreement with the debtor country to relevant domestic authorities or entities acting in accordance with such laws or regulations. It commits to informing the OCC before doing so.

g) The debtor country commits to updating the OCC, along with the IMF and the World Bank, on the economic and financial situation and debt sustainability of the debtor country semi-annually until the end of the current IMF-supported program and upon request of the OCC any time after the end of the current IMF-supported program.

### **3. MDBs' participation in supporting the debtor country**

The OCC welcomes the Multilateral Development Banks (MDBs)' net quantified positive flows over the IMF-supported program period aimed supporting the debtor country's development and encourages them to maximize their support for the debtor country to meet its long-term financial needs, including by drawing on past experiences to deal with debt vulnerabilities. The debtor country commits to, semi-annually until the end of the current IMF-supported program, or upon request of the OCC, inform the OCC on the progress of net positive flows of MDBs. The first report shall cover developments from the date of the AiP between the OCC and the debtor country.

## **IV- IMPLEMENTATION THROUGH BILATERAL AGREEMENT**

### **1. Bilateral agreement**

The detailed arrangements presented in this non-legally binding MoU for the rescheduling or refinancing of the debts are to be implemented by legally binding bilateral agreements, reflecting the terms and conditions of the debt treatment outlined in the MoU, to be concluded by the Government or the appropriate institutions of each Participating Creditor Country with the debtor country, its public sector or entities mentioned in Article II-1 a) and b) on the basis of the following principles:

a) The Government or the appropriate institutions of each Participating Creditor Country are to either reschedule (i.e., change the terms and conditions of the existing debt) or refinance (i.e., make a new loan bearing the conditions reached in the present agreement that is used to repay the existing debt), achieving the same net result for the debtor country under both options. On a case-by-case basis and in the event that a Participating Creditor Country has an existing agreement with the debtor country that is more favorable to the debtor country than the terms of this MoU, then such existing agreement may remain unchanged. The agreement, however, remains subject to the information-sharing provisions of this MoU as described in Article III-2 c).

b) Regarding commercial credits guaranteed or covered by insurance contracts (as defined by Article II-1 b)), in cases where a Participating Creditor Country considers that its ECA-support credits should be treated under the OCC debt treatment, Participating Creditor Countries or their institutions have two restructuring options, both of which will achieve broadly the same net result for the debtor country. Both options will ensure that the terms of treatment of the MoU will be consistent with IMF program parameters and provide for consistent treatment and comparable efforts from creditors under each option:

i) Reschedule the corresponding Relevant Principal as defined by Article II-2 a), effectively replacing the terms of the contract (interest rates, amortization rates, maturity, etc.) with the terms described in Article II-2 b).

ii) Reschedule each future principal and contractual interest instalments (a “contractual instalment”) individually at the time they are due, each contractual instalment becoming part of the Relevant Principal on its original due date at the time it is due, to be rescheduled according to the amortization rate and interest rate defined by Article II-2, starting from its original due date. This approach is to lead to an amount of capital remaining due at the end of the amortization schedule: in that case, the residual capital amount is to be repaid on top and together with the last planned instalment.

c) Should a Participating Creditor Country decide to provide additional efforts on a voluntary and bilateral basis, it is to inform the Chair and the Secretariat.

d) Other matters involving the rescheduling or the refinancing of the debts are to be set forth in the bilateral agreements with the debtor country. The representatives of the Governments of each Participating Creditor Country recommend to their respective Governments and appropriate institutions that they initiate bilateral negotiations with the debtor country at the earliest opportunity and conduct them on the basis of the principles set forth herein.

e) The representatives of the Governments of each Participating Creditor Country and of the debtor country recommend to their respective Governments and appropriate institutions that they negotiate and seek to conclude bilateral agreements as soon as possible (for example, absent specific circumstances and subject to applicable domestic processes on both sides, and ensuring that any delay does not, in principle, adversely affect the debtor country’s financial position, 12 months from the MoU agreement date). If a Participating Creditor Country and debtor country are unable to conclude a bilateral agreement within this reasonable period of time, both parties are to inform the Chairs and Secretariat and provide updates on the status of negotiations on a regular basis thereafter until the bilateral agreement is signed.

g) A Participating Creditor Country and the debtor country shall seek to resolve any amounts due and payable by the debtor country that are not covered by the debt treatment upon the signing of a bilateral agreement.

## **2. Claw-back clause**

The OCC is to assess the implementation of the present MoU, and if:

(i) The debtor country has failed to implement any of its commitments under this MoU, including information sharing obligations and compliance with its payment obligations under relevant bilateral agreements; or

(ii) The debtor country has failed to implement the IMF-supported program, approved on [IMF-supported program approval date], or, if relevant, any immediately subsequent arrangement approved by IMF, due to an action or inaction on the debtor country’s side; or

(iii) The OCC determines in good faith that the provisions noted in Article III-1 a) to d) in this MoU are not met; or

(iv) The OCC determines that one or more signed agreement(s) between the debtor country and any other external creditors in the scope of the debt treatment accords a debt treatment more favorable than the one provided by the MoU; or

(v) The debtor country remits payment(s) to its other external creditors in the scope of the debt treatment, prior to reaching (a) comparable debt treatment agreement(s) with them on terms at least as favorable to the debtor country as those reached by OCC members with the debtor country,

irrespective of subjective or objective causes, including pursuant to a judicial determination or contractual guarantee; or

(vi) The debtor country has failed to accurately report its fiscal revenue or adhere to the transparency commitments in Article III-2 in this MoU; or

(vii) The state-owned enterprises (SOEs) implicated in the debt treatment have failed to accurately report the relevant financial information and such other information necessary for the OCC to assess the implementation of this MoU; or

(viii) Any other action taken by the debtor country that the OCC determines, after consultation with relevant institutions, would have a materially adverse effect on the financial capacity of the debtor country to pay and fulfil its commitments under the MoU;

Then, after good faith engagement with the debtor country, the OCC<sup>8</sup> may declare the provisions set forth in the MoU ineffective. If the provisions set forth in the present MoU are declared ineffective, the date on which the OCC makes such declaration would be referred to as the “ineffective date”.

Should the OCC declare the MoU ineffective, the amounts of debt treated consistent with this MoU and in accordance with the binding bilateral agreement are to be restored to the payment arrangement prior to the debt treatment, i.e., the principal and interest, under the original payment plan, due and unpaid prior to the ineffective date would be due and payable immediately, and the principal and interest, under the original payment plan, due after the ineffective date would be repaid in accordance with the payment plan prior to the debt treatment.

In the event the OCC declares this MoU ineffective, restoring the terms of the original loan contract provisions, the OCC may charge compensatory interest of up to 5% on all outstanding arrears that would have been paid under the original contractual loan terms up to the ineffective date, on top of the contractual provisions for default interest in the underlying financing contract. Compensatory interest is to be charged, calculated retroactively on an annual compounding basis from the original effective payment date to the ineffective date, and due immediately. Any payments received by creditors while the MoU was effective should be deducted from the amounts due as per the ineffective date.<sup>9</sup>

The debtor country should make its best efforts to reach comparable debt agreements with its other external creditors in the scope of the debt treatment within 6 months, as per assessment of the OCC. If the debtor country is unable to reach comparable agreements within 6 months, it is to inform the Chairs and Secretariat, and continue to provide quarterly updates per Article III-1 a).

### **3. Condition-precedent clause**

To ensure CoT with its other external creditors in the scope of the debt treatment, this MoU is to become effective upon the occurrence of all of the following conditions precedent:

---

<sup>8</sup> As some Participating Creditor Countries may not, for legal reasons, be able to defer to an OCC determination via this non-binding MoU within their binding bilateral agreements, Participating Creditor Countries may include language in their bilateral agreements retaining unilateral determination of the claw back trigger. Nevertheless, any creditor that includes unilateral determination language commits to both 1) inform the OCC that it has included unilateral determination provisions and 2) good-faith adherence to the collective principles of the MoU (i.e. claw-back clause triggered upon consensus of the OCC).

<sup>9</sup> Should a creditor be unable to implement this clause due to operational constraints, limited adjustments may be agreed upon in the bilateral agreement.

(i) OCC members and the debtor country have signed the MoU;

(ii) The debtor country has submitted to its other external creditors in the scope of the debt treatment a formal offer on terms at least as favorable to the debtor country as those reached with the OCC; upon submission, the debtor country commits to immediately inform the OCC, via its Secretariat and Chairs, of the summary terms offered to its other external creditors in the scope of the debt treatment. The OCC should use its best efforts to confirm within a reasonable timeframe that the Condition Precedent is met, or alternatively, to explain the shortcomings.

(iii) By way of an official and public statement issued by the debtor country, and reaffirmed by this MoU in Article III-1 b), the debtor country commits to remain in arrears towards its other external creditors in the scope of the debt treatment until it has entered into an arrangement with such creditor(s) on terms at least as favourable to the debtor country as those set forth in this MoU.

The effectiveness date of this MoU is the date on which the OCC provides written notification to the debtor country that it deems the conditions precedent to the effectiveness of this MoU to have been fully satisfied.

The Participating Creditor Countries and the debtor country commit to signing the MoU or sending their signature on the MoU as soon as possible, preferably within 2 months from the date of the agreement on the MoU.

#### **4. Final considerations**

Any amendments and supplements to this MoU are to be made in written form and signed by duly authorized representatives of each party.

Annex 1 - Participating Creditor Claims – sample table or list

*[Stock treatment]*

Debt stock of Governments and their appropriate institutions treated by the MoU

*Based on figures presented to the OCC. Discrepancies may appear and would need to be reconciled before the signature of bilateral agreements.*

COUNTRY	Outstanding debt stock (in M USD) as of [day before consolidation date]

COUNTRY	Outstanding debt stock (in original currencies) as of [day before consolidation date]

*[Flow treatment]*

Flows of Governments and their appropriate institutions treated by the MoU

*Based on figures presented to the OCC. Discrepancies may appear and would need to be reconciled before the signature of bilateral agreements.*

COUNTRY	Principal payments (in M USD) due during the flow treatment period	Interest payments (in M USD) due during the flow treatment period

COUNTRY	Principal payments (in original currencies) due during the flow treatment period	Interest payments (in original currency) due during the flow treatment period