The London
Coalition

London Coalition on Sustainable Sovereign Debt

One year in review

SEPTEMBER 2026

Acknowledgements

As Secretariat, the Sustainable Sovereign Debt Hub extends its sincere thanks to all members of the London Coalition on Sustainable Sovereign Debt for their engagement, expertise and contributions throughout the Coalition's first year.

We are especially grateful to HM Treasury for its leadership and partnership in establishing and advancing the Coalition. We also extend our thanks to the Coalition's co-chairs: the Economic Secretary to HM Treasury, for providing steadfast public sector leadership throughout the year, and Dr José Viñals, the private sector co-chair, for his generous commitment of time, expertise and guidance.

Our sincere thanks also go to Clifford Chance, and in particular Deborah Zandstra, who serves as Legal Counsel to the London Coalition Secretariat, for her exceptional dedication to the initiative, and to the Children's Investment Fund Foundation for its support to the Secretariat.

The London Coalition Secretariat is housed within the Sustainable Sovereign Debt Hub, part of NatureFinance. The Secretariat team is led by Starla Griffin and includes Oyindamola Hussain, Mario Huzel, Barbara Oldani, Eva Sirp and Martina Tamvakou. We are grateful for their dedication and hard work, as well as the ongoing collaboration and support of colleagues across NatureFinance.

SUSTAINABLE SOVEREIGN DEBT HUB

Foreword

On 20 February 2025, the former UK Chancellor announced the formation of the London Coalition on Sustainable Sovereign Debt, bringing together public and private sector stakeholders to develop practical solutions for more sustainable sovereign debt financing in developing economies.

We are doing this in an increasingly shock-prone world, where climate disasters, health emergencies, conflict and economic disruption are becoming more frequent and severe. We need to help the most vulnerable prepare and ensure the international system can respond quickly and predictably when things go wrong.

As co-chairs of the Coalition, we have been clear about one thing: this must be about delivery, not declarations. What is in shorter supply are tools that work in real negotiations, under time pressure, across a wide range of countries and creditor types.

"The London Coalition was created to focus on delivery: practical tools that work in real negotiations, under time pressure, across a wide range of countries and creditor types."

Dr. José Viñals
Co-Chair of the London Coalition

In its first year, the Coalition has made progress in two areas where practical improvements can make a material difference.

First, the Coalition published an Implementation Guide to Restructuring Private Sector Sovereign Loans. Bonds tend to dominate the discussion, but for many sovereign borrowers in developing countries, bank loans and other non-bond commercial claims are a significant part of the creditor landscape. The guide is voluntary and non-binding, but designed to be used: a practical reference to support more orderly and efficient restructuring discussions between sovereign borrowers, banks and other non-bond commercial creditors.

Second, the Bondholder Working Group has advanced the design of a “pause clause” for sovereign bonds: a contractual feature that would allow temporary deferral of debt repayments when a developing economy is hit by a major shock. The purpose is straightforward: to create a predictable, rules-based way to provide short-term breathing space in circumstances such as severe natural disasters, health emergencies, conflict or major external economic dislocations.

This work builds on the leadership of countries such as Barbados and Grenada, which have pioneered disaster-related clauses in sovereign debt instruments. Over the past year, the Coalition has held iterative discussions with sovereign issuers, investors, official sector stakeholders, rating agencies and other market participants to test whether a pause clause could be framed in a way that is clear enough to be used, standard enough to be understood across the market and broad enough to cover a wider range of shocks.

Publication is not the end of the process. The next phase is about uptake: using the Implementation Guide as a common reference in live cases, and building on the work already done on pause clauses so that standardised deferral features can be considered in routine issuance planning.

We have seen over the past year that shocks are becoming more frequent and more disruptive. We cannot simply hope they will fade away. The right response is to improve the processes and contract terms that govern sovereign borrowing, so that when the next shock hits, the system is better prepared to deal with it.

Dr. José Viñals
Co-Chair of the London Coalition

Lucy Rigby MP KC
Economic Secretary to the Treasury
Co-Chair of the London Coalition

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About the London Coalition

Sovereign debt markets are being tested by more frequent and severe climate disasters, conflict, health emergencies and economic disruption. These shocks can place immediate pressure on public finances, particularly in countries already facing limited fiscal space or elevated debt risks. Yet the tools available to sovereigns and creditors have not always kept pace.

The London Coalition was announced by the former UK Chancellor, Rachel Reeves, in February 2025 and formally launched in June 2025 to help address this gap. Developed as a time-bound public-private partnership, the Coalition brings together sovereign debt practitioners, investors, lenders, legal and restructuring experts, and public sector institutions to develop practical, market-based solutions that strengthen sovereign debt sustainability and build resilience to external shocks.

The Coalition is co-chaired by the Economic Secretary to the Treasury, on the public sector side, and Dr José Viñals, Chairman of the Council, London School of Economics and Political Science, and former Group Chairman of Standard Chartered PLC. Its Steering Committee includes institutions active across sovereign debt markets and the international financial architecture, including the International Monetary Fund (IMF), World Bank, Paris Club Secretariat and Institute of International Finance.

Two priorities for action

1

Improving and supporting sovereign debt resilience

By supporting practical tools such as pause clauses and other contractual innovations, the Coalition seeks to help sovereign issuers build greater resilience before shocks occur.

2

Supporting better restructuring outcomes

Sovereign debt restructurings can be delayed by coordination challenges among creditors and by the complexity of private sector debt arrangements. The Coalition works to identify practical solutions that can reduce frictions, support more predictable processes and contribute to faster, more orderly outcomes.

How the Coalition works

The Coalition's work is overseen by a multi-stakeholder Steering Committee and organised through two technical working groups. One group, the Bondholder Working Group, is composed of bondholders active in emerging market debt markets and focuses on sovereign bonds. The other, the Non-Bond Working Group, comprises banks, insurers and sovereign advisers, and focuses on private sector sovereign loans and other non-bond commercial claims.

Together, these groups support high-level policy objectives advanced by the International Monetary Fund, the World Bank Group, the Global Sovereign Debt Roundtable and the Paris Club, while building on the work of existing private sector forums such as the Institute of International Finance.

Through this model, the London Coalition provides a forum where public and private sector actors can move from diagnosis to delivery: identifying practical barriers, developing market-based solutions and supporting a more resilient sovereign debt architecture for emerging markets.

SteerCo

Co-Chairs: Economic Secretary to HM Treasury and José Viñals

Public Sector
African Union
The Department of Finance, Government of Canada
HM Treasury, UK Government
National Treasury, South African Government
The Paris Club

Observer
International Monetary Fund (IMF)
U.S. Treasury
World Bank

Private Sector
Amundi S.A
Citigroup Inc.
Clifford Chance LLP
Institute of International Finance
The International Capital Market Association
JPMorgan Chase & Co
Lazard Inc.
Rothschild & Co
Société Générale S.A
Standard Bank Group Limited
Standard Chartered PLC
T. Rowe Price, Associates Inc.
White & Case LLP, Legal Counsel

Bondholder Working Group

Co-Chairs: Abby McKenna (EMIA) and Ben Heller (HBK Asset Management)

Aberdeen Group Plc
Amundi S.A
Emerging Markets Investors Alliance
Federated Hermes Limited
GMO Asset Management
HBK Capital Management
Neuberger
Nuveen Investment Management
PPM America, Inc.
RBC BlueBay Asset Management
T. Rowe Price, Associates Inc.
White & Case LLP, Legal Counsel

Non-Bond Debt Working Group

Co-Chairs: Mark Cannon (Standard Bank) and Deborah Zandstra (Clifford Chance)

African Union
Ankura
Chubb Bermuda Insurance
Citigroup Inc.
Clifford Chance LLP, Legal Counsel
Federated Hermes Limited
ICBC Standard Bank Plc
Institute of International Finance
The International Capital Market Association
Legal & General
Loan Market Association
RBC BlueBay Asset Management
Renaissance Capital Africa
Standard Bank Group Limited
Standard Chartered PLC
UK Export Finance
UK Finance

The organisations listed include members of the Steering Committee, Bondholder Working Group and Non-Bond Debt Working Group that have agreed to be named publicly. The Coalition also benefits from the participation of other institutions that are not listed for compliance, confidentiality or other reasons.

A year at a glance

JUNE 2025

The Coalition launches

More than 85 institutions join the hybrid launch meeting, with support from HM Treasury's Economic Secretary and Dr José Viñals as co-chairs.

JUNE–JULY 2025

Market and issuer consultation begins

Leading market participants, including Aberdeen, Morgan Stanley Investment Management, Neuberger Berman and T. Rowe Price, join the Coalition's bondholder work, while the Center for Global Development hosts a closed-door issuer roundtable on the evolving debt pause clause proposal.

SEPTEMBER 2025

Governance and workplans are agreed

The Steering Committee convenes public and private sector experts to guide the Coalition's mission and workplan, while the Bondholder Working Group and Non-Bond Working Group begin developing proposals on debt pause clauses, creditor coordination and private sector loan restructurings, respectively.

DECEMBER 2025

First set of proposals move into consultation

Co-chaired by the Economic Secretary to the Treasury, Lucy Rigby, and Dr José Viñals, the Steering Committee reviews progress on the pause clause proposal, prepared with White & Case as legal counsel of the Bondholder Working Group, and the draft Implementation Guide for Restructuring Private Sector Sovereign Loans, prepared by the Non-bond Working Group.

FEBRUARY–MARCH 2026

Technical engagement deepens

The Coalition discusses the Implementation Guide to Restructuring Private Sector Sovereign Loans with the Global Sovereign Debt Roundtable and Institute of International Finance, opens the pause clause proposal to wider market feedback, and works with the Paris Club, Institute of International Finance and UK Export Finance on export credit agency-backed lending.

APRIL 2026

Outputs launched at the Spring Meetings

The Implementation Guide to Restructuring Private Sector Sovereign Loans is launched during the International Monetary Fund and World Bank Spring Meetings, while a London Coalition meeting hosted at the International Monetary Fund brings together borrower representatives, investors and advisers to discuss the broader pause clause proposal and the Coalition's wider work on resilience and restructuring.

Fitch updates criteria on debt payment deferrals

Fitch clarifies that a debt payment deferral would not itself trigger a default where the mechanism and creditor protections are consistent with the bond terms, explicitly referencing the Bondholder Working Group's's term sheet.

MAY–JUNE 2026

From first-year delivery to wider engagement

The Coalition shares its work with the Commonwealth Secretariat, the United Nations Economic Commission for Africa and the World Bank Debt Management Facility Forum, advances consultation on export credit agency-backed lending, and marks one year of progress with its fourth Steering Committee meeting, co-chaired by the Economic Secretary to the Treasury, Rachel Blake, and Dr José Viñals.

Connecting actors across the international debt architecture

The London Coalition was created to develop practical, market-based solutions to persistent challenges in sovereign borrowing and debt restructuring. In its first year, it also began to establish a wider role: providing a credible forum where public and private sector actors can work through problems that cut across institutions, creditor classes and parts of the debt architecture.

What distinguishes the Coalition is its focus on practical tools and implementation. Many sovereign debt challenges do not sit neatly within one institution or market segment. Information and experience can remain fragmented across institutions, departments and creditor groups, making it harder to apply lessons from previous cases or build solutions that work consistently in practice.

Within its first year, the Coalition's work was referenced in the progress report of the Global Sovereign Debt Roundtable, a key international forum co-chaired by the International Monetary Fund, the World Bank and the G20 Presidency. This helped place the Coalition's work within broader international efforts to improve sovereign debt sustainability and restructuring outcomes. In addition, Fitch Ratings referenced the London Coalition's broad debt pause clause proposal in its revised sovereign rating criteria.

Many sovereign debt challenges do not sit neatly within one institution or market segment.

Creating space for inter-creditor exchange

The Coalition provides a platform for creditor groups across markets and geographies that do not always work closely together to compare experience, build a shared understanding of changing market practices and identify where better coordination is needed.

This matters because sovereign debt restructurings often involve several creditor classes, including bondholders, commercial lenders, export credit agencies and official creditors. Differences in documentation, internal processes and market practice can create friction and delay. Bringing these perspectives together earlier can help identify potential problems before they emerge in live restructurings.

In its first year, the Coalition helped create a bridge between bondholders and commercial lenders involved in non-bond debt. One early exchange focused on issues that remain central to the international debt architecture agenda, including debt transparency and collateralised lending. Further meetings are planned to deepen this dialogue across creditor groups.

The Coalition is also facilitating conversations on transparency across the International Monetary Fund, World Bank, bondholders and non-bond creditors, while engaging the Institute of International Finance and consulting with the International Capital Market Association, UK Finance and the Loan Market Association to support wider market acceptance. In recognition of the changing international creditor landscape, the Coalition is also working to engage stakeholders that are not always represented in sovereign debt discussions, including relevant financial institutions from the Middle East and China.

Experiences from recent restructurings, including Sri Lanka, Ghana and Zambia, have informed the issues the Coalition is working on, including creditor coordination, transparency and the treatment of different debt instruments. The Coalition can help bring these lessons together and translate them into guidance, contractual tools and more consistent market practice.

Bringing borrower perspectives into market solutions

The Coalition is creating a more structured channel for engagement with borrowing countries, finance ministries and debt management offices. Borrower perspectives are also brought into the Steering Committee through the African Union.

During the development of the debt pause clause proposal, the Coalition engaged with debt management offices and former finance ministry officials in Africa, Latin America and the Caribbean. Borrowers raised a consistent concern: that including a pause clause could be misread by markets as a signal of future debt distress, potentially increasing borrowing costs or creating stigma.

These concerns directly informed the design. The proposal includes investor protection mechanisms intended to support market confidence and reduce the risk of unintended pricing implications. The Coalition also engaged with rating agencies, investors, sovereign advisers and other market participants to help ensure the tool is workable for issuers as well as investors.

From recognition to wider engagement

Recognition alone is not the objective. The value of the Coalition lies in its ability to connect institutions, capture practical knowledge and develop solutions that can work across the sovereign debt system.

The next phase will focus on deepening engagement on both sides of the market: working more closely with borrower groups to ensure proposals and their benefits are clearly understood, while continuing engagement with lenders and investors to support wider market understanding and uptake.

The Coalition is building a channel for borrower perspectives to shape market-based solutions.

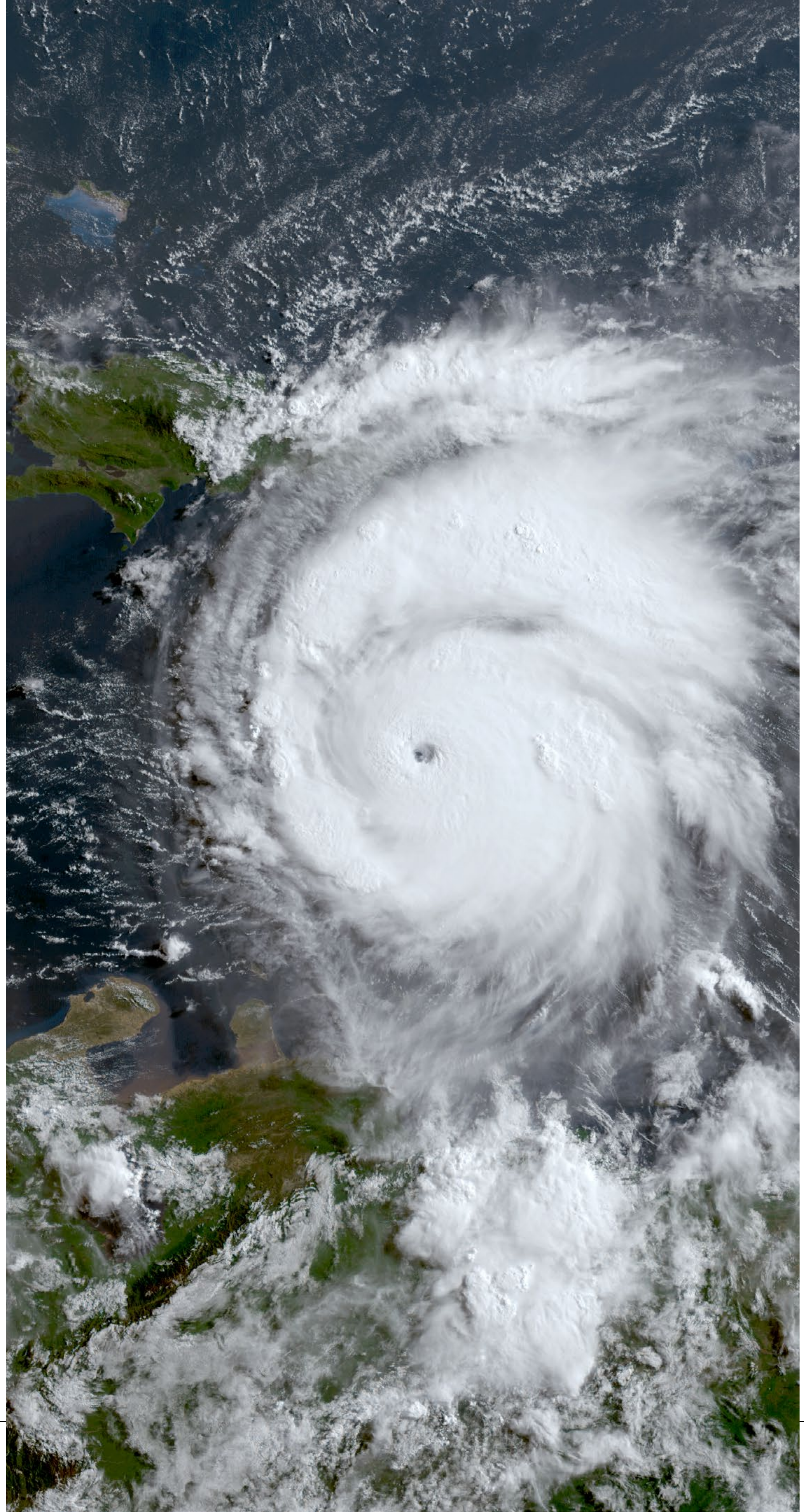
From shock clauses to scalable debt pause tools

External shocks are placing growing pressure on sovereign debt markets. For countries with limited fiscal space, a hurricane, flood, pandemic or other severe disruption can quickly become a liquidity problem, forcing governments to respond to urgent needs while debt service continues on fixed terms.

Early movers showed that debt contracts can be designed differently. Grenada pioneered hurricane clauses in its 2015 restructuring and, after Hurricane Beryl in 2024, became the first country to activate a disaster clause, temporarily suspending debt service when the contractual trigger was met. Barbados took the model further by embedding Climate Resilient Debt Clauses into parts of its debt stock, while The Bahamas also incorporated disaster-linked clauses following Hurricane Dorian.

These examples helped prove the concept: sovereign debt instruments can provide breathing space after severe shocks. But they also showed the limits of a fragmented market. Clauses were often bespoke, tied to specific hazards or geographies, and difficult to scale across different countries and bond issuances.

In 2024, Grenada became the first country to activate a disaster clause, temporarily suspending debt service after Hurricane Beryl.



Building a tool that issuers and investors could both use

The policy agenda has increasingly moved toward more systematic use of resilient debt features. At COP27, the UK Treasury-chaired Private Sector Working Group introduced Climate Resilient Debt Clauses, supported by an International Capital Market Association-published model term sheet. This helped turn the idea into a more replicable, net-present-value-neutral liquidity mechanism for sovereign borrowers.

Momentum has continued through wider international efforts, including Spain’s championing of the Debt Pause Clause Alliance during the Fourth International Conference on Financing for Development in Seville, which called for the systematic inclusion of relief clauses in public and commercial lending. The next challenge was to develop an approach that could work not only for defined climate or disaster events, but for a wider range of severe shocks, across a wider range of issuers. The London Coalition’s Bondholder Working Group took up this challenge.

That required balancing the needs of both issuers and investors. Issuers wanted a mechanism that would not increase their cost of capital, damage their credit ratings, trigger index exclusion or signal a reduced willingness to service debt. Investors wanted a framework that respected fiduciary duties, protected long-term claims, contributed to debt transparency and addressed the pricing implications of payment deferrals.

Both sides needed something simple enough to use, standardised enough to scale and robust enough to remain relevant as the nature of shocks continues to evolve.

A model term sheet for broader pause clauses

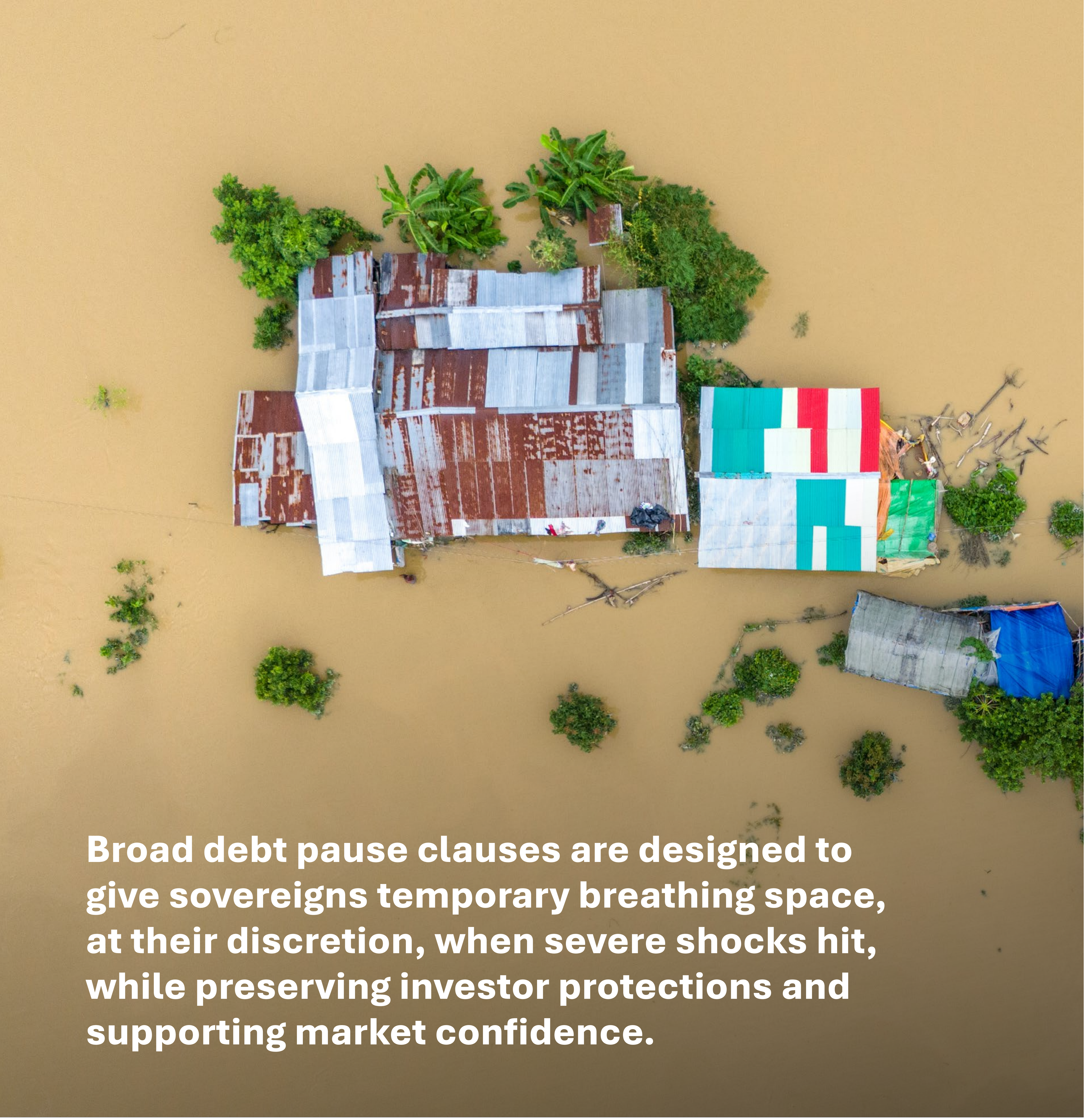
In April 2026, the London Coalition presented a model term sheet for broad debt pause clauses and enhanced debt transparency.

The proposal marks an important shift. Rather than tying relief to a narrow list of predefined events or location-specific triggers, the term sheet sets out a broader approach that can respond to a wider range of severe shocks. At the same time, it includes contractual protections designed to increase debt transparency and prevent opportunistic use of a pause.

This balance is central to the model: broader eligibility for issuers, paired with meaningful safeguards for investors. The result is a proposed liquidity tool designed to be standardised, simple to use, acceptable to the market and able to respond to a wider range of future shocks, including through net-present-value neutrality and investor protections.

What could this mean in practice?

Recent ODI analysis found that, had broad debt pause clauses been included across the bond stocks of seven countries, **governments could have deferred between 0.2% and 1.7% of GDP in bond interest payments after major shocks.**



Broad debt pause clauses are designed to give sovereigns temporary breathing space, at their discretion, when severe shocks hit, while preserving investor protections and supporting market confidence.

Why market acceptance matters

Broad debt pause clauses are designed to give sovereigns temporary breathing space, at their discretion, when severe shocks hit, while preserving investor protections and supporting market confidence.

A significant signal of market relevance came when Fitch revised its sovereign rating criteria, clarifying that, under well-defined conditions, a deferral of debt payments would not itself trigger a default where the deferral triggers and creditor protections are consistent with the bond’s terms.

For the London Coalition, this milestone demonstrates the value of bringing issuers, investors, rating agencies, official-sector stakeholders and market experts together to turn a recognised policy problem into a practical contractual solution.

Making private loan restructurings easier to navigate

Sovereign debt restructuring discussions often focus on bonds. But for many countries, commercial bank loans and other private sector non-bond claims make up an important part of the creditor landscape.

These debts can be harder to restructure. Unlike bonds, which tend to follow more established market processes, private sector sovereign loans may involve different lenders, bespoke contractual terms, legal structures and internal approval requirements. Coordination can therefore be slower and less predictable. Recent restructuring experience has shown that these coordination issues can mean private sector loans are addressed later in the restructuring process, limiting creditors' opportunity to provide input into restructuring terms and exit instruments.

Sovereign borrowers are also affected, as they cannot regain full market access when their loans remain in default. When the restructuring of non-bond debt is prolonged, sovereign borrowers' access to finance can be constrained, and new lending that could support recovery may be limited where affected banks are unable to lend while outstanding loans to the sovereign remain non-performing.

To address these issues, the London Coalition's working group is developing a set of guidelines, principles and contractual innovations that, when combined with other policy changes in the international financial architecture, can help bring non-bond creditors to the table with borrowers and other creditors earlier in the restructuring process, supporting a more efficient and effective outcome for all stakeholders.

The Implementation Guide: From principles to practice

The working group's first deliverable, the Implementation Guide for Restructuring Private Sector Sovereign Loans, sets out the steps that borrowers can follow, and how banks can respond, to support early engagement during a sovereign debt restructuring process. The guide covers practical issues that can create uncertainty at the start of a restructuring, including information-sharing between borrowers and lenders, the use of the International Monetary Fund's Good Offices, the formation of loan creditor committees and the management of restructuring timelines, among other practical considerations.

The guide does not prescribe a single outcome or replace contractual rights. Instead, it provides a common reference point to help parties understand the process, organise creditor engagement, improve transparency and reduce avoidable delays. This benefits borrowers seeking to restore debt sustainability and creditors seeking greater clarity around the process and recovery values.

What could this mean in practice?

Earlier creditor coordination, clearer information-sharing and fewer avoidable delays at the start of a restructuring.

Establishing the guide as a credible reference point

The Implementation Guide has gained recognition beyond the London Coalition. In its April 2026 Sixth Co-Chairs Progress Report, the Global Sovereign Debt Roundtable welcomed the guide and referenced it in the Global Sovereign Debt Restructuring Playbook. The Roundtable highlighted its value as a practical mechanism for strengthening creditor coordination where no established coordination framework exists. This recognition has helped establish the guide as a credible and increasingly recognised reference point, giving borrowers greater confidence that the approaches it sets out are consistent with emerging international practice and supported by a broad range of stakeholders.

The guide has also been presented to debt management offices from Africa and the Caribbean, together with a broad range of market participants, including sovereign advisers, banks, asset managers, insurers, multilateral development banks and financial market standard-setters. These discussions have helped build a shared understanding among borrowers and creditors of practical measures that can improve transparency, facilitate coordination across creditor groups and support more efficient and predictable restructuring outcomes.

CREDIT: IMF PHOTO/NICHOLAS KARLIN

Part of a practical toolkit for faster coordination

The Implementation Guide provides the foundation for a broader toolkit the London Coalition is developing to improve the restructuring of private sector sovereign loans. By establishing a shared understanding of processes, roles and early engagement practices, it creates the basis for complementary initiatives, including high-level guidelines for the formation of loan creditor committees, a menu of contractual provisions to support earlier coordination between borrowers and lenders, and work to improve understanding of export credit agency-backed lending and its treatment in restructuring processes.

WHAT'S NEXT:

Moving from tools to implementation

The London Coalition's next phase will focus on moving the tools developed during its first year into practical use across different parts of the sovereign debt landscape.

Progress will be measured not only by the tools produced, but by their use in real transactions and restructurings

For sovereign bonds, the immediate priority is to progress from the model term sheet for broad debt pause clauses and enhanced transparency toward a first pilot transaction. The Coalition is engaging with sovereign issuers across the Caribbean, Africa and Latin America, while continuing dialogue with investors, debt management offices, rating agencies, debt capital markets desks at major investment banks and other market participants. This work will help address technical questions, build market understanding and explore how pause clauses could be incorporated into future sovereign bond issuances without undermining pricing, ratings or market access.

For private sector sovereign loans, the focus is on building out the tools and guidelines that, alongside the Implementation Guide, can help bring non-bond creditors into restructurings earlier in the process. These include the loan creditor committee guidelines currently out for consultation and a menu of contractual innovations designed to facilitate and incentivise faster action and better coordination among non-bond creditors.

A further priority is to improve understanding of export credit agency practices, where differences in creditor structures, documentation and internal processes can add complexity during restructurings. In collaboration with UK Export Finance, the Paris Club Secretariat and the Institute of International Finance, the London Coalition is continuing work on a practice note to provide greater clarity on how the non-export credit agency-backed portion of loans is treated by different export credit agencies, and to support better coordination among sovereign borrowers, commercial creditors and export credit agencies.

Across both areas, the Coalition will continue to strengthen information-sharing, debt transparency and coordination across creditor classes. Progress will be measured not only by the tools produced, but by their use in real transactions and restructurings: wider adoption, greater clarity for issuers and creditors, and more timely and predictable sovereign debt outcomes.

Reflection from the African Union

The African Union broadly welcomes the progress reflected in the draft Annual Progress Report and supports the Coalition's emphasis on moving from the development of technical instruments to practical implementation.

As the Coalition enters this next phase, particular attention should be given to ensuring that borrower countries are active partners in the design and implementation of solutions; that country ownership and voluntary participation are preserved; and that new instruments do not adversely affect borrowing costs, sovereign ratings or market access.

The African Union also encourages continued efforts to strengthen transparency and coordination across creditor groups, enhance the capacity of sovereign borrowers to engage effectively in complex debt processes, and establish clear measures for evaluating the impact of the Coalition's work.

Overall, the transition from "tools to implementation" provides an important opportunity to demonstrate that the Coalition's work can deliver practical improvements in the sovereign debt architecture. Continued and structured engagement with African sovereign borrowers will be critical to ensuring that these solutions contribute to more timely, predictable, equitable and sustainable debt outcomes, while supporting countries' broader development priorities.

Dr. Patrick Olomo
Head, Economic Policy and Sustainable Development, African Union Commission

The London Coalition

www.ssdh.net/london-coalition

SUSTAINABLE SOVEREIGN DEBT HUB

The Sustainable Sovereign Debt Hub serves as the Secretariat to the London Coalition.