OHCHR's Inputs to the 2026 Review of IMF and World Bank Debt Sustainability Framework for Low Income Countries (LIC-DSF)-Public Consultation

Q: We would welcome your views on the main reform proposals. In your response, you may consider the questions below (10,000 characters):

1. The central parameter, i.e. the debt-carrying capacity in the DSA, primarily reflects repayment considerations and does not reflect other obligations, including international human rights obligations that include the rule of law. Country specific indicators are welcome, but reform efforts need to address the fundamental challenges that remain.

The debt-carrying capacity lacks a degree of transparency. While the methodology is publicly documented, the application of the classification relies on IMF staff judgement, which is not always disclosed and can affect the validity of risk assessments. Once the debt carrying capacity is set, it carries implications on which policy thresholds apply. This can have important consequences for a country's borrowing, including policy advice, extent of debt relief, the fiscal adjustment path it must follow, as well as the level of concessional financing it can access. For example, Zambia's restructuring terms include a contingency clause on the insistence of Eurobond holders. If the country's DCC improves from "weak" to "medium", i.e. the country outperforms the IMF and World Bank DSA assumptions for two consecutive reviews, this would trigger higher debt repayment. The second trigger is tied to exports and fiscal revenues exceeding IMF projections. Needing only one of the two triggers, if Zambia's economic performance and policymaking justify an upgrade to "medium", this will lead to accelerated principal payments and higher interest payments – putting the level of debt relief achieved even in a G20 Common Framework LIC-DSF administered-restructuring under question.

Staff also hold a degree of discretion over which framework to use, despite a country's income classification or market access. LIC-DSF has been applied to countries with more market access such as Ghana, compared to others covered by the market-access country (MAC) framework such as Sri Lanka who had lesser market access in comparison. Sri Lanka despite temporarily becoming IDA-eligible in 2022 after defaulting, was assessed under MAC. This meant the country's restructuring was not only outside the G20 Common Framework, but also that a smaller share of haircuts was accepted by creditors, opening the country to a much harsher fiscal consolidation that in turn negatively impacted its ability to meet human rights obligations.

Introduction of country-specific measures can partially address the over-reliance on GDP growth as a proxy for repayment capacity. GDP growth fails to capture structural vulnerabilities (e.g. gender, as prioritizing heavy debt servicing that disproportionately affects women and girls), exposure to shocks, diversified creditor base (rise in private external debt), rising debt-service pressures, export capacity or the fiscal space needed to meet development needs and human rights obligations. Debt sustainability itself becomes problematic when it is assessed largely in terms of whether growth is sufficient to sustain repayment, rather than

whether a country can continue servicing its debt while also achieving its sustainable development goals and the realization of all human rights.

Country-specific indicators should incorporate large shocks such as COVID-19 pandemic impacts, geo-economic disruptions/ escalations in the form of broad cuts to development cooperation, unilateral economic measures including trade tariffs and the subsequent scarring effects i.e. the entire cycle of a shock experienced by a country which impacts its needs for resilience and reconstruction. These disproportionately affect a country nearing distress or in a situation of distress as well as the country's ability to recover. The DCC of countries that are highly exposed to external shocks with little control may be overly optimistic.

2. The introduction of mechanical signals based on overall public debt can be seen as a useful improvement, as it reflects the growing importance of domestic debt and broader fiscal pressures, which have become increasingly significant in low-income countries. It is equally useful to re-evaluate debt-to-GDP, without exclusively moving towards mechanical signals such as public gross financing needs that only take the size of the domestic financial system into account over a country's capacity to generate foreign reserves. Mechanistic signals on their own are insufficient, as they are "blind to the social impacts of adjustment paths". The framework relies heavily on mechanistic indicators interpreted through IMF staff judgment, which is not always transparent, and may still classify debt as sustainable even when human rights obligations are not met. Complementing these signals with broader, rights-based considerations of debt sustainability, such as the obligation of non-retrogression of human rights in all stages of a sovereign debt cycle, would be a more balanced approach.

3. The domestic debt module warrants a more systematic approach that does not exclude the explicit focus on external debt which is central to current LIC-DSF. The framework could benefit from incorporating considerations of the impact of the growing private external debt, absorption of private risks by the government in the event of a crisis and increased external repayment pressures for a country. By increasingly incorporating public debt dynamics, domestic debt diagnostics, etc. the LIC framework may i) prioritize short-term solvency over long-term public investment, ii) misdiagnose risks or lead to distorted policy advice and iii) risk reproducing or duplicating existing gaps within the market access country framework.

4. The long-term module should consider re-assessing a country's debt-carrying capacity, risks, debt targets and economic reforms in lending programmes using human rights benchmarks (such as ILO social protection floors etc.) while balancing fiscal discipline, borrowing needs and financial obligations. At the point of debt distress or when debt is deemed unsustainable, a set of indicators (e.g. related to the right to be free from hunger, the right to primary healthcare, free compulsory primary education, etc.) reflecting minimum core obligations as defined by the Committee on Economic, Social and Cultural Rights, could serve as a crisis-sensitive mechanism. This would allow countries to ring-fence fiscal space for the realization of economic, social and cultural rights, the right to development and the right to a clean, healthy and sustainable environment throughout the debt cycle, including during a stress-

event. Calibrated to country-contexts, DSAs should incorporate not only the multiplier effects of public spending on the progressive realization of human rights but also take into account minimum spending levels in line with countries' human rights obligations including during shocks or a distress event. Such safeguards would ensure resilience to changing global financing conditions and allow in-built countercyclical repayment for shock-vulnerable or prone low-and lower-middle income countries when a crisis hits.

Public spending on areas such as health, education, social protection or public infrastructure generates longer-term, positive impacts on a country's growth and sustainable development. These multiplier effects that can accelerate the progressive realization of human rights are not reflected in current DSAs. Moreover, counter-cyclical fiscal policies can help speed up recovery that is equitable, redistributive and sustainable, leaving no-one behind and reaching the furthest behind first. Rather than viewing public investment as a fiscal liability, DSAs should incorporate the positive impact of public investments, goods and assets on the country's growth, employment levels, productivity and future revenue generation as well as on the progressive realization of human rights particularly for groups in situations of vulnerability. Such an approach would also be consistent with the Committee on Economic Social and Cultural Rights' legal interpretation that fiscal consolidation measures should be a measure of last resort and should only be adopted after careful consideration of all alternatives, including measures aimed at increasing fiscal space. It is equally useful to address long-term repercussions of austerity and fiscal consolidation that can lead to rising inequalities, worsening poverty while balancing domestic realities and potential risks.

The LIC-DSF should include climate investments on adaptation, mitigation and resilience or the multiplier effect of making these investments. When accounting for necessary climate and development spending, many climate-vulnerable developing countries face debt trajectories that are significantly less sustainable than reflected in current assessments. In its landmark 2025 advisory opinion, the International Court of Justice emphasized that climate change is a common concern, and cooperation in this context is a legal obligation. It affirmed that States have legal obligations to provide financial assistance to vulnerable States, that the duty to cooperate is an obligation of conduct assessed by due diligence, and that the adequacy of financial commitments must be judged case-by-case in good faith. Risk scenarios in the DSA should incorporate climate-related risks, the costs of inaction, alongside indicative financing assumptions. This includes grants, highly concessional finance and other non-debt-creating instruments in line with the UN multidimensional vulnerability index for a given country, recognizing that countries with the greatest adaptation and loss-and-damage needs often face the most constrained access to affordable finance. Finally, debt distress owing to climate events, should be treated as a potential loss and damage impact. In this regard, DSAs should also incorporate loss and damage dimensions along with climate investment, in line with the right to a clean, healthy and sustainable environment.

Q: Do the proposed reforms strike the right balance between analytical rigor and ease-of-use? (1700 characters)

Reforms to the current LIC-DSF should ensure that the framework is predictable across the board, including for rights-holders. Concerns around transparency and the limited disclosure of key assumptions and staff judgments, especially during a restructuring, affect the credibility and reliability of the framework. Therefore, OHCHR recommends a more meaningful and systematic engagement with a broader range of stakeholders including judiciary, parliament, civil society, UN country presence and others. The participation of civil society is particularly important because it can bring independent analysis, country-level evidence and perspectives on how debt assumptions and policy choices affect individuals and groups, including implications on their right to development and disaggregated information on the impacts on vulnerable populations. In fact, advancing transparency in a DSA can strengthen systemic global responses towards debt vulnerabilities such as early warning, in line with the human rights obligation to take steps including through international assistance and cooperation.

Q: Please share any additional feedback on the LIC-DSF (3500 characters)

Part of the reform of the international debt architecture includes adopting a more comprehensive and multidimensional understanding of debt sustainability. The United Nations Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights has noted that:

"*A more comprehensive definition of debt sustainability incorporates economic, social and environmental sustainability, meaning that debt sustainability is only achieved when debt service does not entail intolerable sacrifices for the well-being of society, does not lead to violations of economic and social rights and does not prevent the attainment of international development goals.*"

OHCHR recommends complementing DSAs with human rights impact assessments that can inform program design, restructuring scenarios as well as sequencing economic reforms in line with the UN Guiding Principles on Human Rights Impact Assessments on Economic Reforms, particularly those that have negative impacts on the realization of human rights.