December 2, 2025
Geneva

Ninth session of the Intergovernmental Group of Experts on Finance for Development

Necessary capacities for developing countries: focus on Africa

Engaging more effectively with private creditors—views from the IIF

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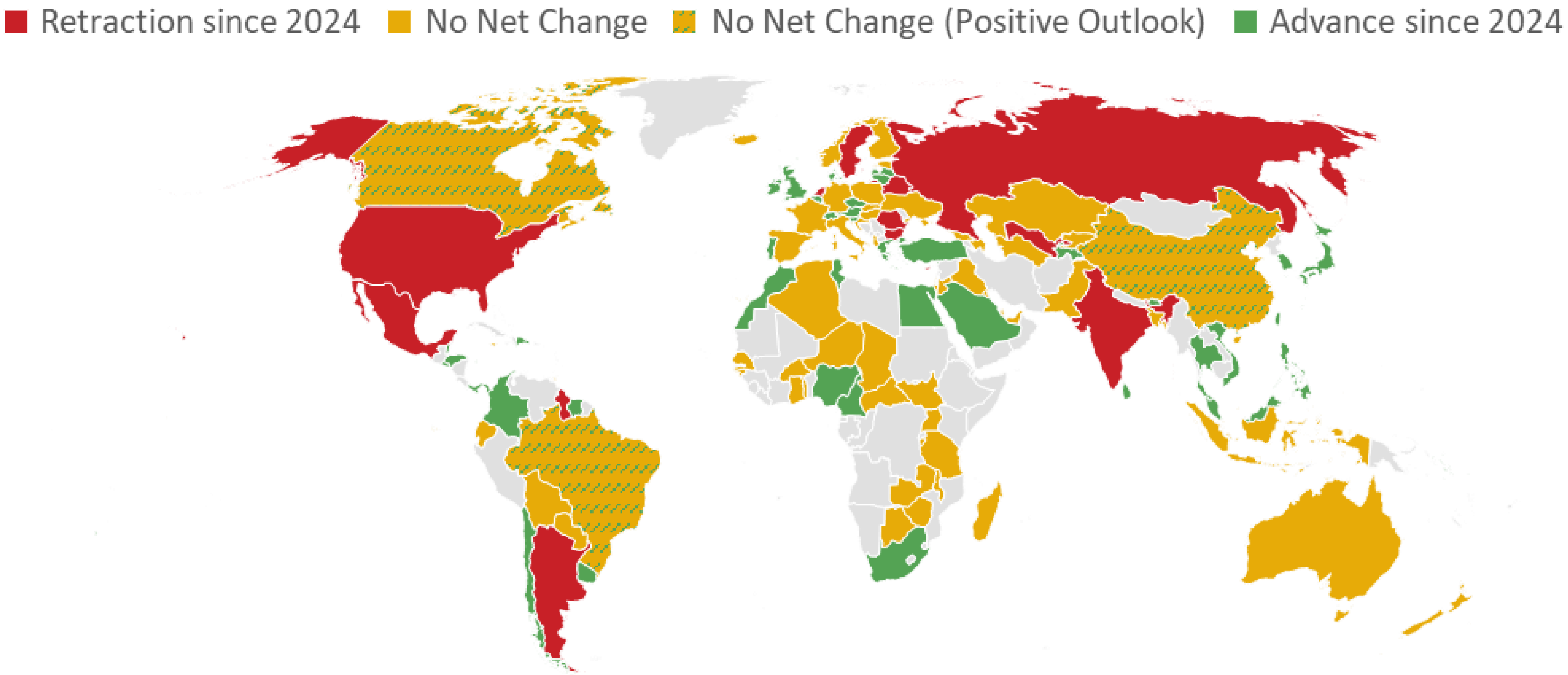
Overview

1. Changing Macroeconomic and Policy Landscape
2. Growing Debt Strains in Developing Economies
3. Cross-border Flows to EMDEs
4. Outlook for Development Aid
5. Vital Role of Investor Relations
6. From *Perception*-based to *Evidence*-based Credit Assessment
7. Reform of the International Financial Architecture

Changing global market and policy landscape is affecting the outlook for climate transition goals and sustainable development

Global climate ambition faces unprecedented headwinds, *as countries contend with an uncertain economic outlook, threats to the stability of the global trading system, increasing security concerns, and energy, materials, and commodity markets volatility*

Changes in countries' strategic positioning to climate and net-zero transition priorities, 2024-2025

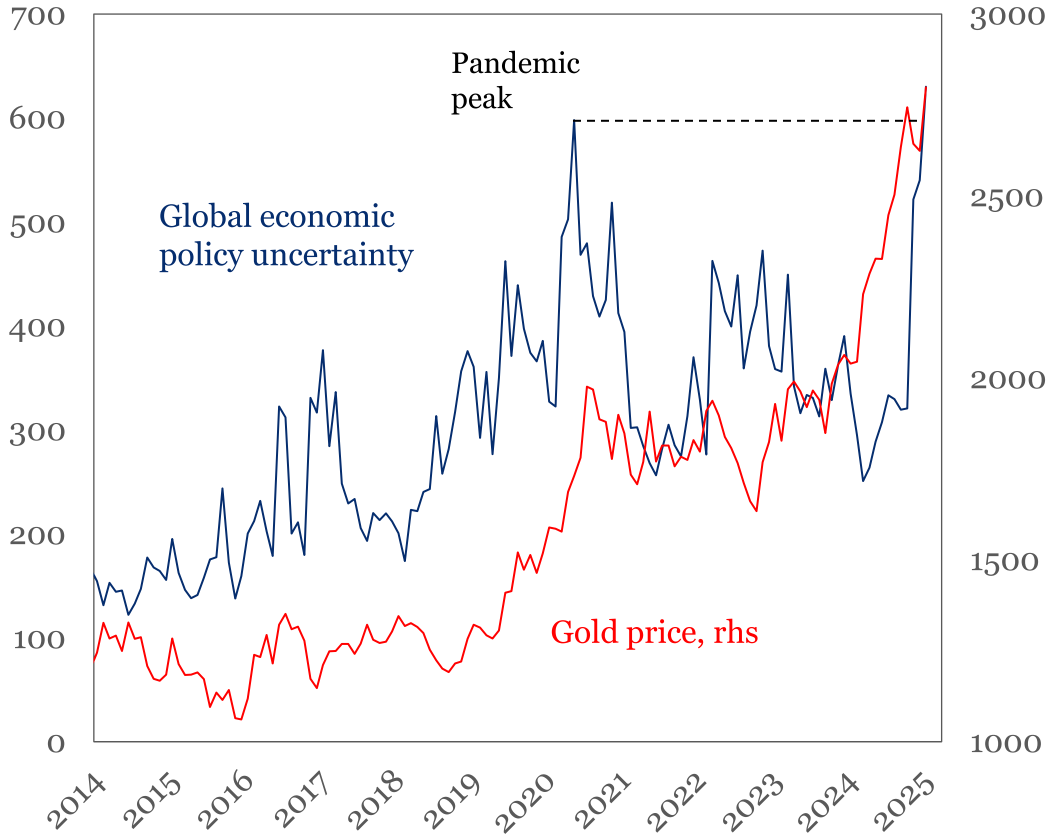


Source: IIF SFM, 2025

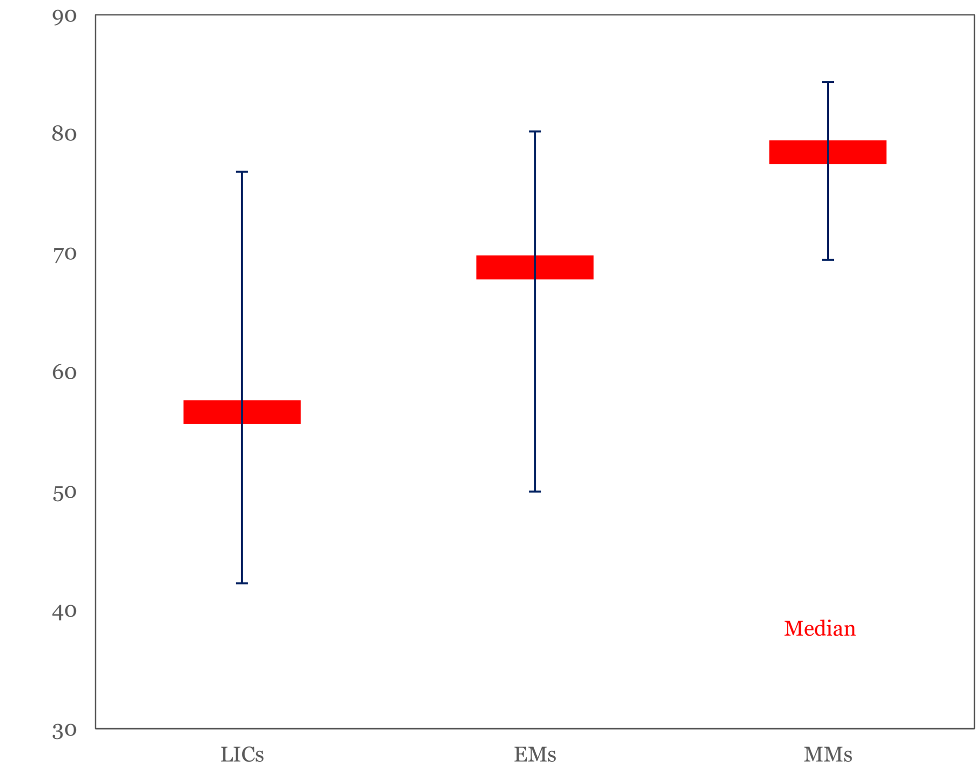
Methodological note: *This analysis draws upon a comprehensive review of recent policy developments and announcements to assess shifts in national climate ambition from January 2024 to April 2025. Using a multi-criteria framework, 122 countries - including all G20 and EU27 members - were evaluated and classified into three categories: Advance, Retraction, or No Net Change in climate ambition. The assessment considered a wide range of indicators, including energy mix trends, clean technology policies, fossil fuel expansion or phase-out, renewable energy deployment, sectoral policies, carbon pricing mechanisms, political signals, emissions trends, and updates to national targets and climate reports.*

Record global policy uncertainty exacerbates financing gaps

Global policy uncertainty at record highs, prompting search for safe havens

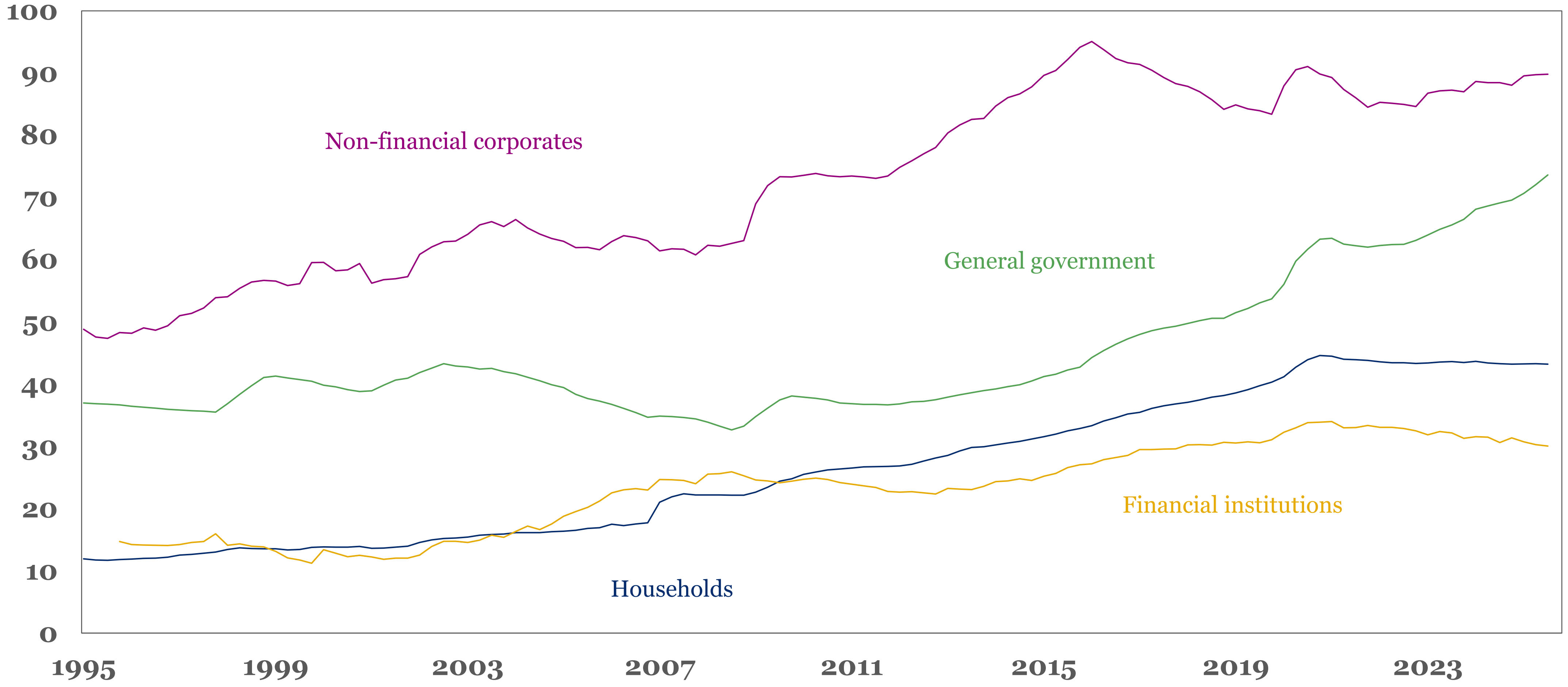


Low-income countries are furthest behind on sustainable development goals



Government debt is rising rapidly across emerging markets

% of GDP, EM-71 (excluding Lebanon, Ukraine, and Venezuela), Q3 2025 is the latest

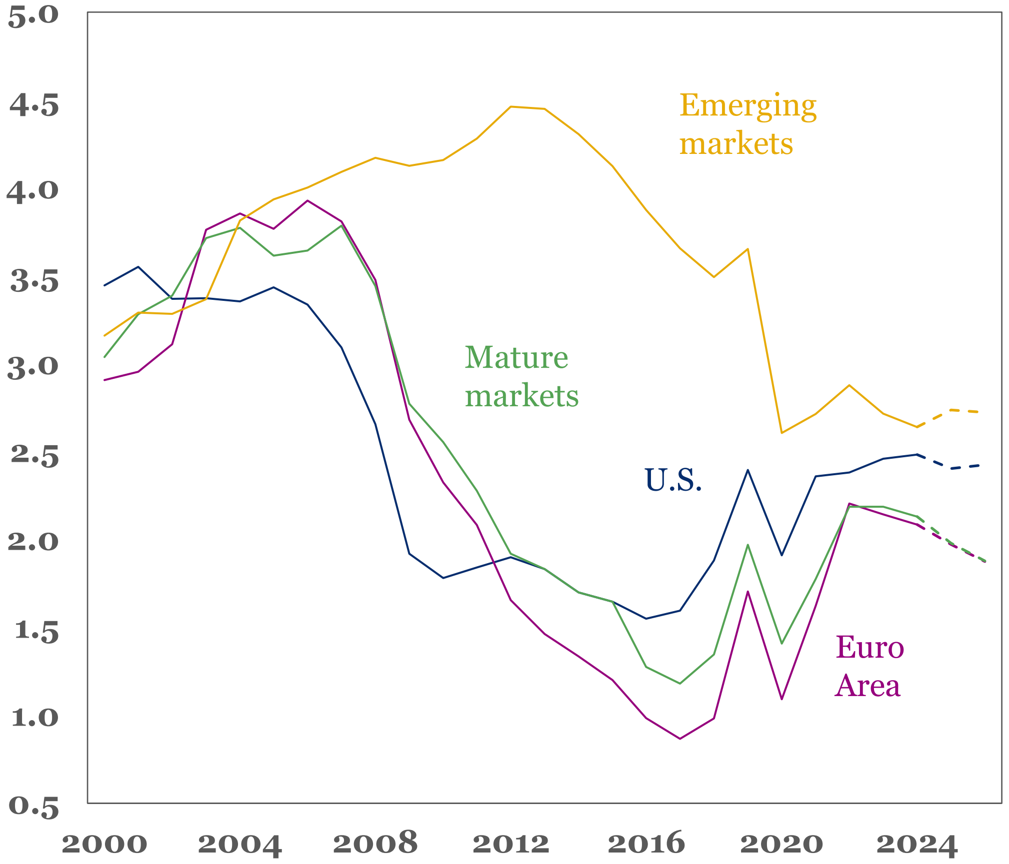


Source: IIF Global Debt Monitor

Emerging markets under record-high refinancing pressure

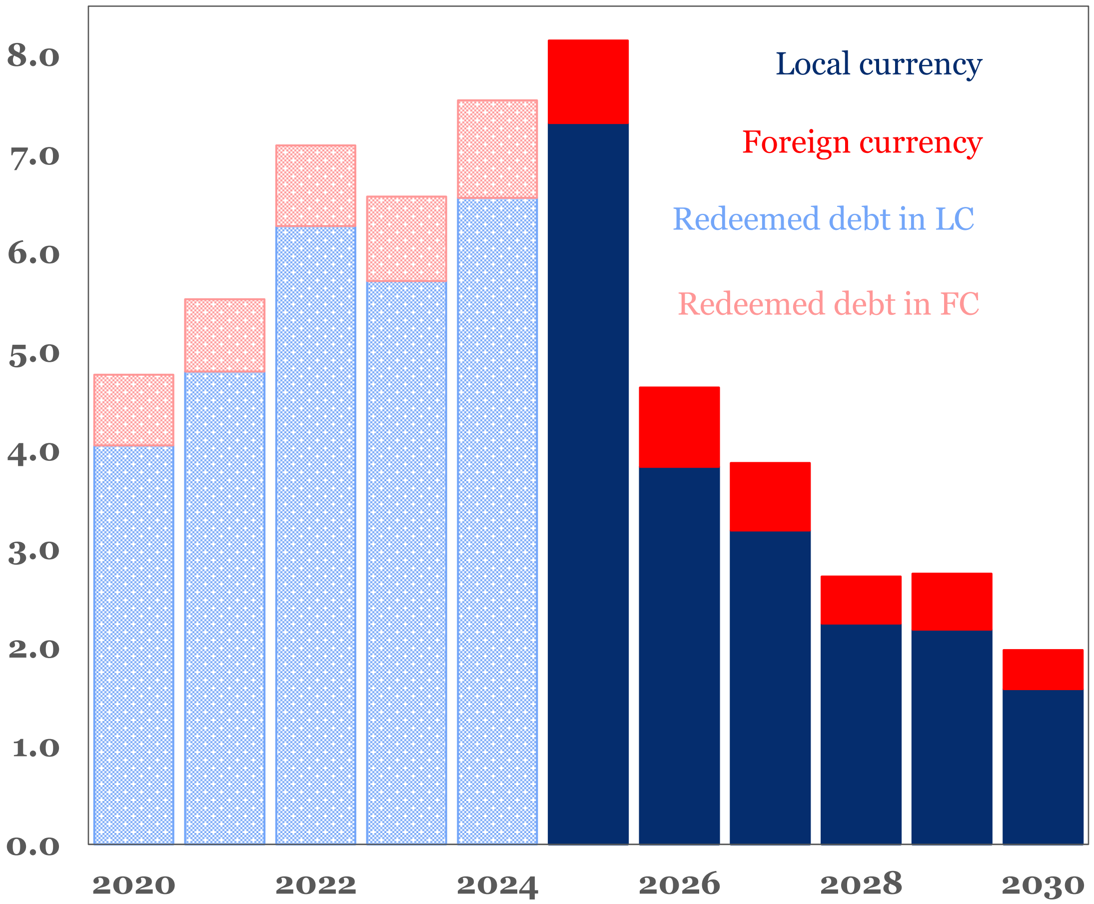
The growth differential between emerging markets and mature markets remains less pronounced

percent, median trend growth



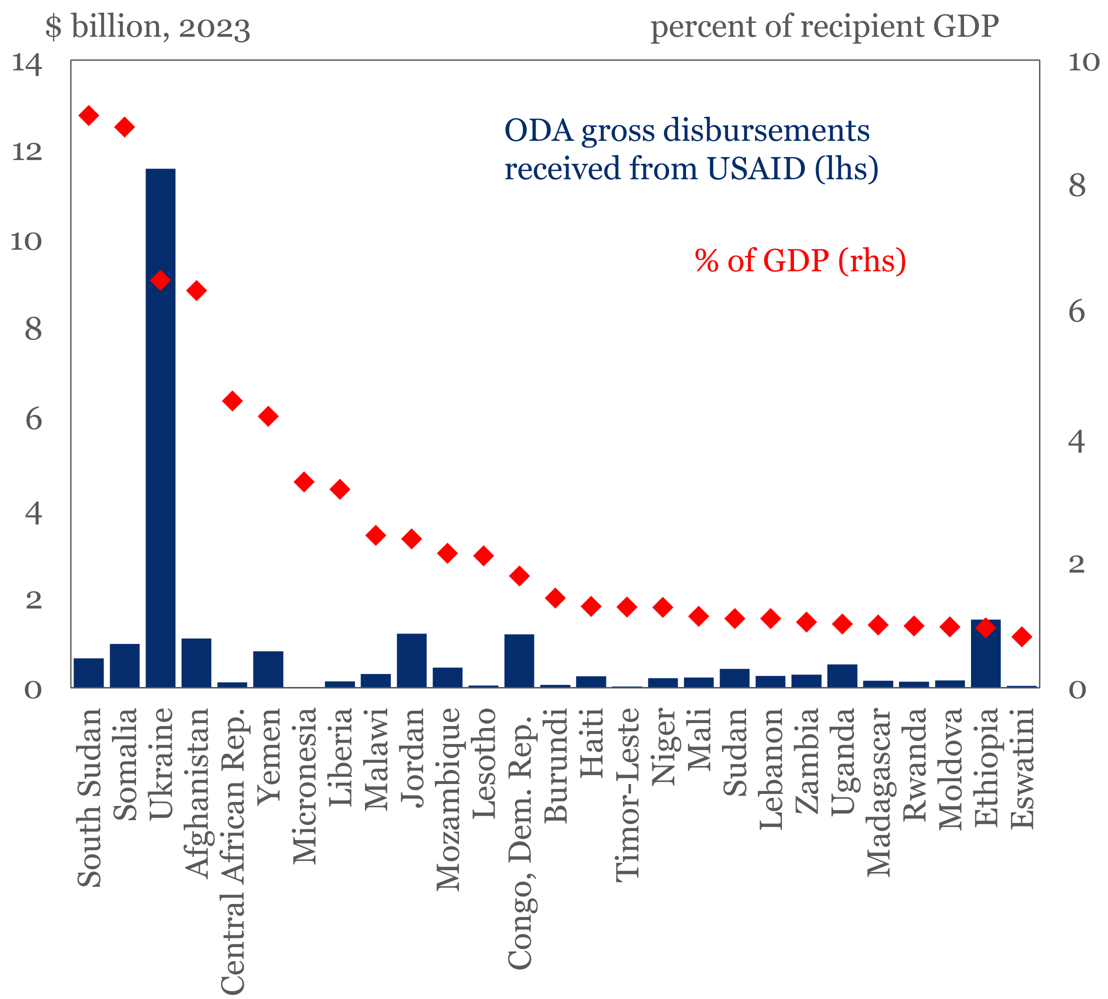
EMs face a record high of nearly $8.2 trillion in bond and loan redemptions in 2025

$ trillion, includes principal repayments on ST/LT bonds/loans

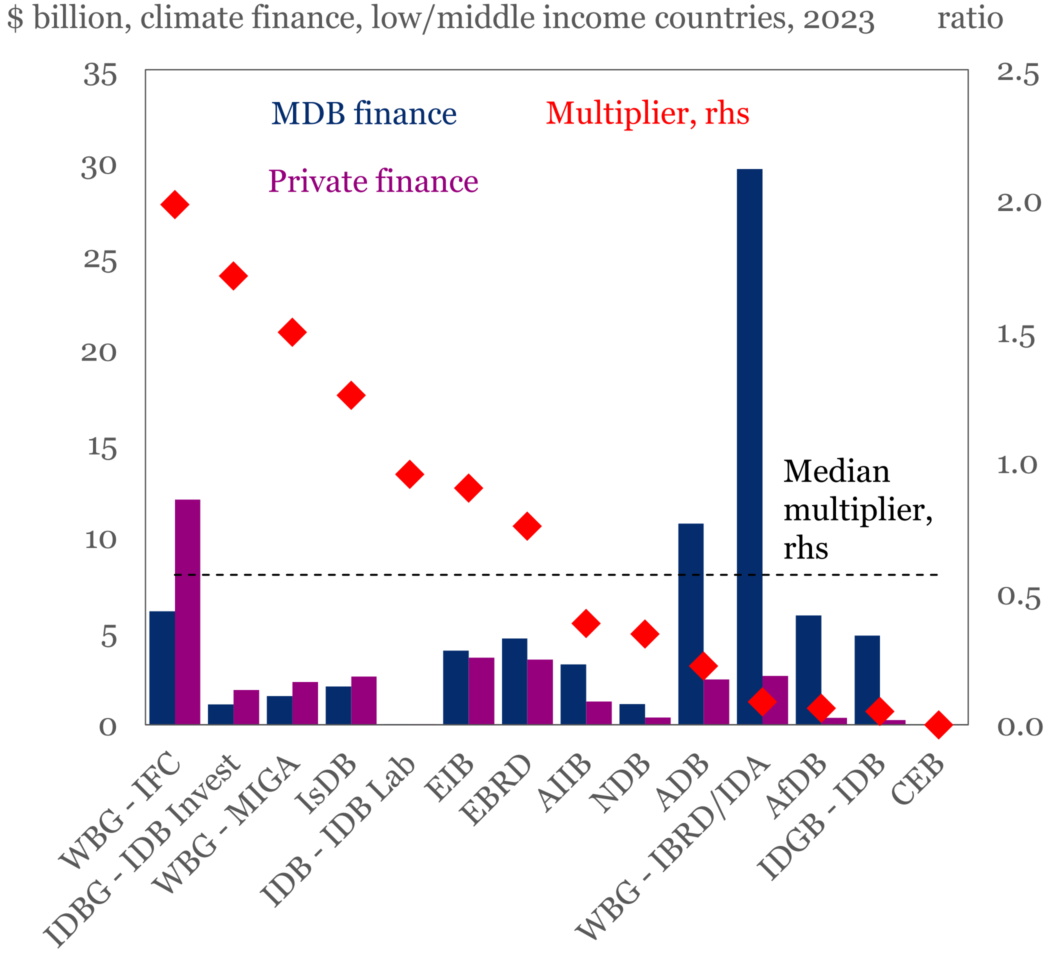


Cuts to development aid underscore need to mobilize private capital

USAID has been a major source of external funding for many emerging markets, including Ukraine

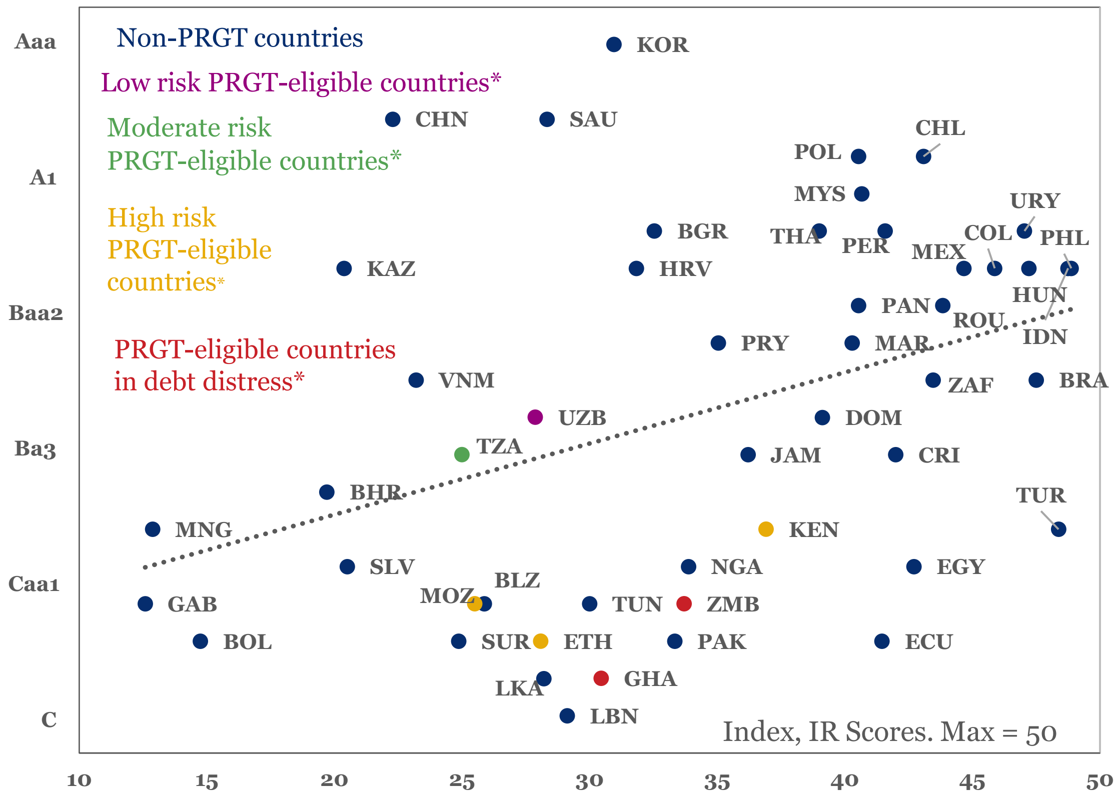


MDBs' ability to mobilize private capital to emerging markets remains limited



Improved debt transparency and investor relations practices can contribute to better credit ratings and lower risk premia

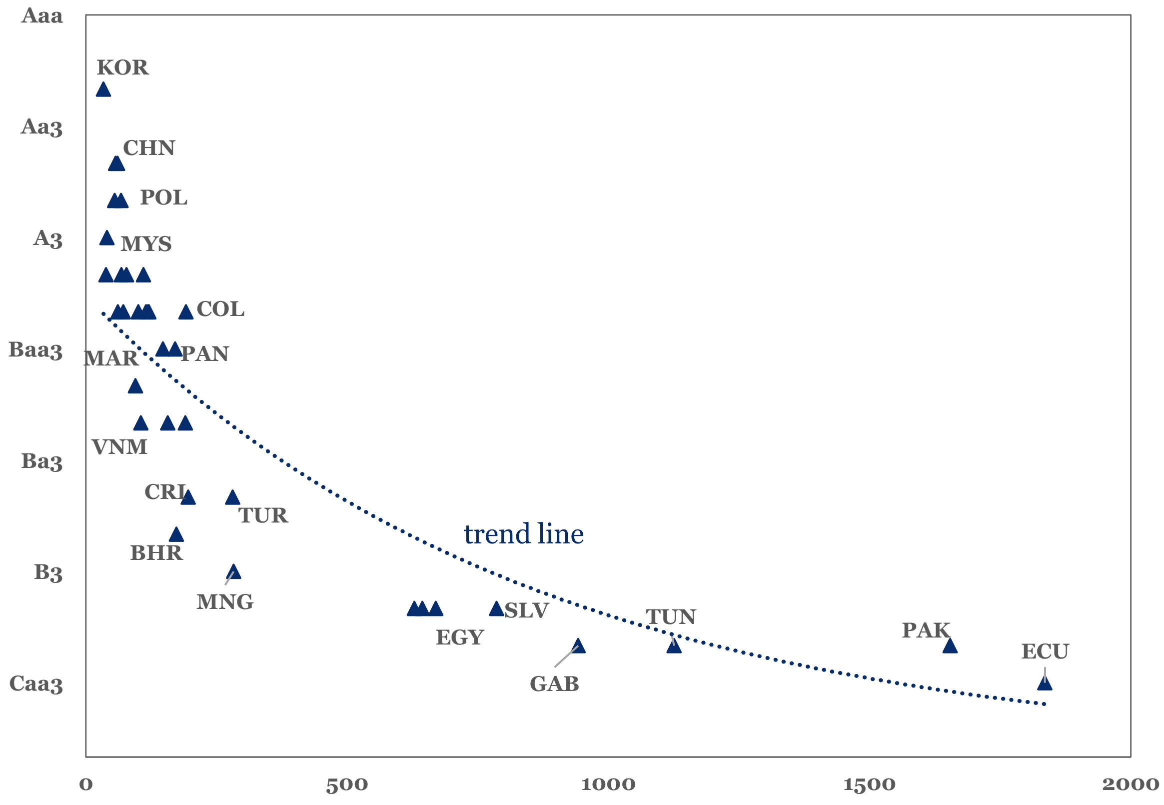
Investor Relations Scores and Sovereign Credit Ratings, by type of risk of external debt distress



- Risk of external debt distress according to IMF/WB assessment for Poverty Reduction and Growth Trust (PRGT) - eligible countries

Source: IIF, Moody's IMF

Improving investor relations can reduce sovereign spreads via stronger credit ratings



Source: Bloomberg, Moody's, IIF

bps, 5yr CDS spreads

The Global Sovereign Debt Roundtable (GSDR)

- Co-chaired by the G20, the IMF and World Bank, the GSDR **brings together debtor countries and creditors** to build greater common understanding among key stakeholders on **debt sustainability and debt restructuring challenges**—-and how to address them.
- The GSDR comprises **official bilateral creditors** (including Paris Club and non-Paris Club members such as China and other new creditors; **private creditors** and **borrowing countries**.
- As highlighted in GSDR discussions and in the Global Sovereign Debt *Playbook for Country Authorities*, **transparency around debt and fiscal policy, good governance and sound investor relations** are essential supports for engaging more effectively with all creditors–notably including the private sector. These same points are emphasized in the 2002 *Principles for Stable Capital Flows and Fair Debt Restructuring* as well as the 2012 UNCTAD Principles on Promoting Responsible Sovereign Lending and Borrowing.
- The importance of transparency can also be seen in more recent investor-led initiatives including the Impact Disclosure Taskforce: this in turn highlights the **role of investor relations in attracting responsible and impact investor flows**.

The London Coalition on Sustainable Sovereign Debt

A time-bound, results-driven, multistakeholder forum uniting private and public sector expertise to drive forward **pragmatic solutions** for **sustainable and affordable sovereign financing** for emerging and developing countries that

- **provides** a **structured avenue** for collaboration between **governments, policy-makers and the private sector** to address challenges in bonded and non-bonded debt and transparency
- **enables** private sector working groups to propose **viable market-based or contractual solutions** and work with public stakeholders to implement them
- **complements** policy discussions occurring in other venues, including the GSDR, serving as **an implementing forum** for private sector action
- **mobilises new coalitions** of stakeholders to design solutions that
    - lower cost of capital for emerging and developing economies
    - address debt distress by enhancing resilience features of debt instruments
    - improve restructuring timelines and outcomes