Timothy Adams
President and CEO

INSTITUTE OF INTERNATIONAL FINANCE

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Fernando Haddad
Minister of Finance
Brazil

Kristalina Georgieva
Managing Director
International Monetary Fund

Ajay Banga
President
World Bank Group

Dear Minister Haddad, Managing Director Georgieva, and President Banga,

Ahead of the 2024 Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group, ensuring an investment environment that supports sustainable and inclusive growth has never been more critical, especially for low-income and developing economies. The stark reality is that capital flows to emerging markets have declined sharply over the past 15 years, from about 9% of EM GDP to just 3.5% at present. If the investment environment remains uncertain and risky, private financing will remain sporadic and volatile, and insufficient to support capital formation for sustainable and equitable growth.

In this context, we are heartened by the progress being made by the Global Sovereign Debt Roundtable (GSDR) and honored to be representing private creditors and investors in this important work. Reflecting views from our global membership as well as the *Principles for Stable Capital Flows and Fair Debt Restructuring*, let me emphasize three key messages:

- **Better communication on all sides will expedite sovereign debt restructuring**: For the Common Framework to be successful, all stakeholders—borrowers, international financial institutions, official creditors and private creditors—need to be committed to faster, fairer debt restructuring. The GSDR should signal a clear expectation of **shorter timelines** for restructuring, with recommendations for best practices including:
    - **Simultaneous negotiations with official and private creditors**, with a mechanism for timely and regular communication between official creditor committees and private creditor committees.
    - **Timely information-sharing on key provisions of Memorandums of Understanding** with private investors— beyond the financial and legal advisors of the debtor and its creditors.
    - **Reaching early agreement on core parameters and assumptions underlying the IMF/World Bank Debt Sustainability Analysis** and communicating this information (and any subsequent changes) to key stakeholders including private creditors.

- **Clear and flexible "rules of the road" for comparability of treatment are vital:** Building consensus on how to assess comparability of treatment (CoT) has been a key goal of the GSDR. It is equally important to understand who is responsible for determining whether CoT has been reached. While the focus has been on bonded debt, we would stress that comparability is also essential for other forms of private credit provision including commercial bank loans and funding from non-financial commercial creditors (e.g. commodity exporters).

- **Improving the investment environment will support debt sustainability**: In line with the *Principles*, sound investor relations programs are a key component of effective debt restructuring. Such programs should include robust debt transparency practices, including regular dialogue between the sovereign debtor and its creditors. This will diminish the likelihood of future debt restructurings and facilitate predictable and orderly debt restructuring should it become unavoidable. Importantly, effective investor relations programs can also expedite a return to market access after debt restructuring.

Finally, we would reiterate the acute risks posed by proposed **statutory approaches to sovereign debt restructuring,** particularly the New York Sovereign Debt Stability Act. This unilateral initiative, if implemented, would jeopardize consultative global efforts to address debt sustainability and debt restructuring challenges—including the GSDR itself. Moreover, by introducing an unprecedented degree of uncertainty into the legal underpinnings of international capital markets, this legislation would raise risk premia and borrowing costs for the very countries it seeks to help. We continue to believe that well-crafted enhancements to the existing consensual and market-based approach for sovereign debt restructuring will enable faster, more effective debt resolution—which in turn will support debt sustainability and stable capital flows.

Sincerely,