Working Paper

Country platforms in the context of rising sovereign debt levels

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November 2025

Key messages

Country platforms can support debt sustainability over the long term when they deliver well-planned investment packages and associated policy reforms that boost growth and resilience.

In the short term, country platforms can support debt sustainability by securing access to finance on better terms than otherwise on offer, through positive signalling and commitment to long-term goals and by optimising the financial resources and instruments available.

A country platform should be designed according to the national context and the sustainability of the debt burden, making sure to fully integrate fiscal assessments and to use financial instruments appropriate to the risk of debt distress.

National ownership and leadership is fundamental to the success of a country platform, and therefore also to any positive impacts on a country's debt sustainability.

Online ISSN 1759-2917
Print ISSN 1759-2909

ODI Global, 4 Millbank, London SW1P 3JA, United Kingdom

Online ISSN 1759-2917
Print ISSN 1759-2909

How to cite: Gilmour, A., Steadman, S., Cano Prentice, A, Kammourieh, S., Colenbrander, S. and Kessler, M. (2025) 'Country platforms in the context of rising sovereign debt levels'. ODI Global Briefing Note. London: ODI Global (https://odi.org/en/publications/country-platforms-in-the-context-of-rising-sovereign-debt-levels)

Acknowledgements

The authors wish to thank Crispian Olver of South Africa's Presidential Climate Commission, Neha Kumar, Magali Van Coppenolle and Lily Burge from the Climate Bonds Initiative, and Michael Jacobs, Sierd Hadley and Tom Hart at ODI Global for reviewing this paper. Special thanks also to Scarlett Moore, Matthew Foley and Garth Stewart for help with the paper's production. Any errors are the responsibility of the authors alone.

This publication has been made possible through a sub-grant from Climate Bonds Initiative (CBI) and CIFF and is part of a project that aims to help unlock finance for India's transition to a resilient, Paris-aligned economy.

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As the impacts of climate change become more frequent, more severe and harder to ignore, closing the colossal gap between current and required investment to prevent further emissions and adapt to a changing world only becomes more urgent. At the same time, investment in broader sustainable development challenges in emerging markets and developing countries is no less pressing. Yet many of these same countries are at increasing risk of debt distress. Only with greater access to cheaper finance will the world be able to respond effectively to climate change without jeopardising debt sustainability.

Over the past few years, a new – or renewed – approach to financing and delivering country priorities has been gaining momentum: country platforms. These mechanisms for driving low emission and climate-resilient development hold promise for improving coordination of both international and domestic partners while also unlocking private investment. However, country platforms have so far relied heavily on new debt, predominantly public rather than private. They will therefore have significant effects on a country's fiscal situation, and will require careful design and implementation to ensure that they support a country's debt sustainability rather than add to its burden. This will be especially important for those countries exploring the platform concept that are at higher risk of debt distress.

Each country's fiscal situation varies, and so each country platform must be tailored. The financing strategy will likely depend on some combination of expanding sovereign borrowing, deepening domestic markets and attracting foreign direct investment (FDI). The appropriate balance will be different for each country. Some middle-income countries have ample access to international capital markets, for example, but face various constraints such as debt limits, thin domestic markets or vulnerable credit ratings. Low-income countries, lacking access to international capital, may depend on development partners for highly concessional loans or even grants, or on domestic banks for commercial loans. The country platform objectives will affect the strategy, too: expanding renewable energy generation capacity may only require targeted incentives to attract commercial capital, whereas investments in building long-term resilience or to ensure a just transition may need greater support from public budgets or development partners.

Ultimately, a country platform may support debt sustainability if it improves either the country's growth rate or the terms on which a country can access finance. When well-designed, a country platform may do both: by taking a programmatic approach to sectoral transformation that includes policy reforms as well as project pipeline development, it is not only more likely to succeed in implementing its goals (which may be growth-enhancing), but the signal to the private sector of its intended direction will help to attract more financing at better rates. By fully understanding the available financing instruments and terms on offer, and layering them into optimal 'capital stacks', a country can stretch scarce concessional resources further by

lowering average interest rates and crowding in new financing. Indeed, in certain contexts, a country platform may even be the vehicle for actively reducing a country's debt burden – through rescheduling, refinancing or debt swaps.

If a country platform is to have these positive effects, it must first set out clear aims and then demonstrate meaningful progress progress towards them. To do so, it is of the utmost importance that the platform is led and owned by the country itself. The best way to lower regulatory and political risk is for these long-term investments to align with a country's credible long-term vision, backed up by appropriate policies and investment plans. This is only truly achievable when the platform is designed and led by the country itself, with political support from the highest levels of government, relevant industry and financial stakeholders, and affected communities. The ministry of finance has a central role in fiscal assessment and planning, given the salience of country platforms for debt sustainability.

This paper lays out a set of recommendations for countries interested in developing their own platform, and for partners to support the process.

1. Countries building a country platform should integrate fiscal assessments into their design. This is particularly important for countries at risk of debt distress. Given enormously different national contexts and risks of debt distress, simply replicating the design of existing country platforms will likely be inappropriate – though there are many lessons to be learned from the frontrunners.
2. Countries exploring the platform concept should consider targeted and relatively narrow platform objectives at first to improve the chances of early success, even if they further expand their platforms or build additional platforms at a later date.
3. Countries should seek to optimise the capital stack underpinning their platform: making best use of all available instruments and financing sources, including guarantees and insurance.
4. Country platform financing plans should take on sustainable levels of new sovereign debt to enable more ambitious platform goals and larger investment programmes, which – so long as the other recommendations are followed – should enhance the debt sustainability effects of the country platform.
5. Low-income countries at high risk of debt distress should design the bulk of a country platform around non-debt instruments or around debt management plans like refinancing, rescheduling or debt swaps.
6. Middle-income countries at high risk of debt distress should concentrate on non-sovereign financing strategies, including expanding foreign direct investment and/or encouraging the mobilisation of domestic capital markets.

Debt sustainability is a concern shared among all stakeholders. While much of the country platform design and launch should be driven and owned by the country itself, international partners can take further action to support these platforms in ways that can improve debt sustainability for the country.

7. International development partners should assist countries to design and implement platforms that support debt sustainability, playing to their distinct competencies and strengths. All donors should work on harmonising their processes to reduce transaction costs and on improving their coordination to ensure the platform does not jeopardise debt sustainability and that scarce grant resources are allocated most effectively.
8. International development partners should continue to pursue reform of the global financial architecture to increase the quality and quantity of grants and concessional resources that can underpin country platform financing plans. They should also adapt and diversify their instruments, such as credit enchancement tools, to maximise financing in a platform while lowering its cost.
9. Creditors should support options to reschedule, refinance or swap debt as part of a country platform investment programme.

Country platforms are not the solution to every development challenge. They are highly complex to design and implement, and if they are deployed in support of ambitious, large-scale sectoral transformation they will probably depend on substantial new loans. Nonetheless, in different ways in a range of debt contexts, a carefully designed country platform may help countries to avoid or resolve debt crises in the ways described in this report, and set them on a path toward more affordable investment.

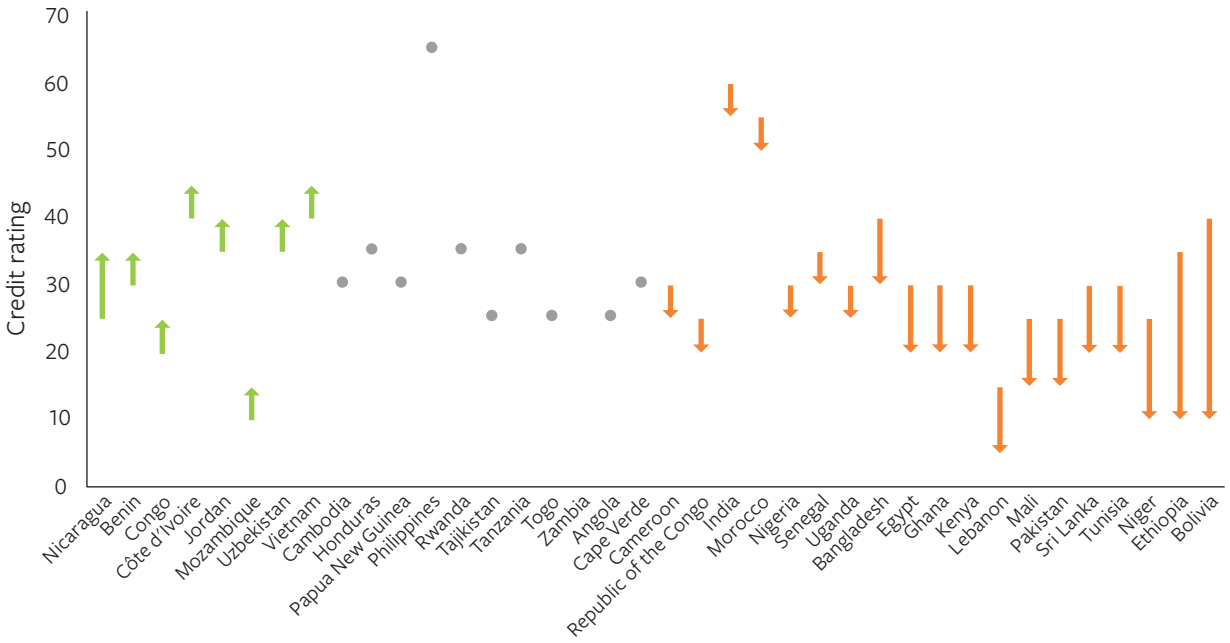
1 Introduction

The scale of investment across emerging markets and developing countries (EMDCs) excluding China must increase by more than fourfold by 2030 just to achieve climate and nature goals, relative to 2022 levels. Spending on other Sustainable Development Goals (SDGs) must almost double (Bhattacharya et al., 2024). Annual investment needs are estimated at $2.4 trillion, which includes $1 trillion in external financing of all kinds (from private to concessional finance) and $1.4 trillion in domestic resource mobilisation.

However, in many countries the ability to increase climate- and nature-related investment is constrained by high and often unsustainable external debt levels. These intersect with the climate crisis in cascading and compounding ways. Increasingly frequent and severe environmental shocks and stresses are forcing many countries to borrow more to finance disaster response and recovery. Those same shocks and stresses increase the cost of capital, as lenders introduce a higher risk premium, and slow economic growth, as scarce resources are devoted to disaster response and recovery instead of increasing productivity. Countries with high debt burdens and high borrowing costs then have less fiscal space to pursue low-emission, climate-resilient and nature-positive development paths. The Expert Review on Debt, Nature and Climate (2024) describes this as a 'vicious circle'.

These issues are compounded by the fact that EMDCs tend to have below-investment grade credit ratings (Bhattacharya et al., 2024), often due to policy uncertainty or a lack of transparency. This drives up their cost of borrowing, further constraining fiscal space and public investment capacity; it also dampens appetite for private investment and risk-taking in longer-term projects addressing climate and development needs. A series of external shocks – most notably the Covid-19 pandemic – have further pushed up borrowing and borrowing costs, leading to increasing debt levels and declining creditworthiness (Figure 1) (UNCTAD, 2024). A challenging global macroeconomic and geopolitical landscape characterised by increasing tariffs and declining aid – along with a general shift in aid composition from grants to loans – is likely to exacerbate indebtedness.

Figure 1 Credit ratings of low- and lower middle-income countries (2019 vs 2025)



Source: tradingeconomics.com

Note: Trading Economics assigns a numeric value to alphabetic credit ratings. For example, a credit rating of AAA is assigned a numeric value of 100 and a credit rating of C is assigned a credit rating of 5. A numeric value of 50 (BB+/ Ba1) signals the non-investment grade threshold.

Note: The grey dots represent countries' credit ratings which have not changed between 2019 and 2025.

As of March 2025, 13% of the poorest and most credit-constrained countries[1] are in debt distress and a further 39% are at high risk of debt distress (IMF, 2025). High levels of costly external debt have eroded the capacity of these countries to satisfy basic development needs, let alone raise the scale of finance necessary to meet the costs associated with adaptation plans and low-carbon transitions. In short, many countries will need to manage debt levels and borrowing costs to unlock the investment needed to address the climate crisis (Expert Review on Debt, Nature and Climate, 2024).

Country platforms are not a new concept, but they have taken various forms over time. Described by the G20 several years ago as 'voluntary country-level mechanisms, set out by governments and designed to foster collaboration among development partners, based on a shared strategic vision and priorities' (G20 Saudi Arabia, 2020: 1), there is strong consensus today that successful country platforms need to be country-owned and -led. They are increasingly seen as a promising way to unlock climate-compatible investment, including from the private sector. The combination of clear political signals, targeted policy reforms and more strategic use of scarce concessional finance is intended to create an enabling environment for climate- and nature-related investments

1 We include here the countries that are eligible for the IMF's Poverty Reduction and Growth Trust (PRGT), its main vehicle for providing concessional finance for low-income countries.

(Hadley et al., 2022; Gilmour et al., 2024). When well-designed, these investments could help spur more dynamic growth (as many low-carbon measures are proven to do (Batini et al., 2022)), or shield economic growth and public finances from significant setbacks (particularly with respect to adaptation and resilience investments).

Country platforms have gained international prominence since 2020, just as higher interest rates, increased spending needs and economic shocks have tipped low- and middle-income countries towards insolvency and illiquidity (World Bank, 2024). Yet there has been little attention paid to the relationship between country platform characteristics and countries' fiscal and debt position. Since much of the international investment in country platforms has so far come in the form of lending – often on concessional terms, but also at market rates – it will have a considerable impact on the debt profiles of countries that follow similar models.

In theory, country platforms could offer a strategic opportunity to improve debt sustainability for all countries – if carefully designed and delivered in a way that accounts for the country's fiscal position. The health of a country's fiscal position depends on various factors, but fundamentally hinges on its growth rate, and the interest rate at which a country can refinance maturing debt. When country platforms are set up to support not just a series of projects, but rather a programmatic and integrated approach to a country's investment needs, they can help countries identify and implement credible medium-term strategies for sustained growth. When country platforms are designed as a mechanism to credibly support the growth rate, this also helps drive down refinancing rates on capital markets – ultimately reversing the kind of vicious circle dynamic discussed above.

Since public and external debt are becoming much more binding constraints on the ability of governments to implement long-term plans, this paper seeks to provide some analytical clarity on when and how country platforms can contribute both to key development objectives and long-term debt sustainability. This may bolster the South African G20 Presidency and the Brazilian COP30 Presidency's ambitions to support the development of additional country platforms in the lead-up to their respective summits.

2 Debt for whom and for what?

A core objective of most country platforms is to secure additional finance for climate-compatible development. The intended recipients, terms and conditions of that finance may vary considerably depending on the country's motive in setting up a platform and its national circumstances, including its credit rating, debt profile and investment environment, i.e. a country's capacity to effectively absorb financing for and implement investment projects. These factors in turn all shape how a country platform may impact indebtedness.

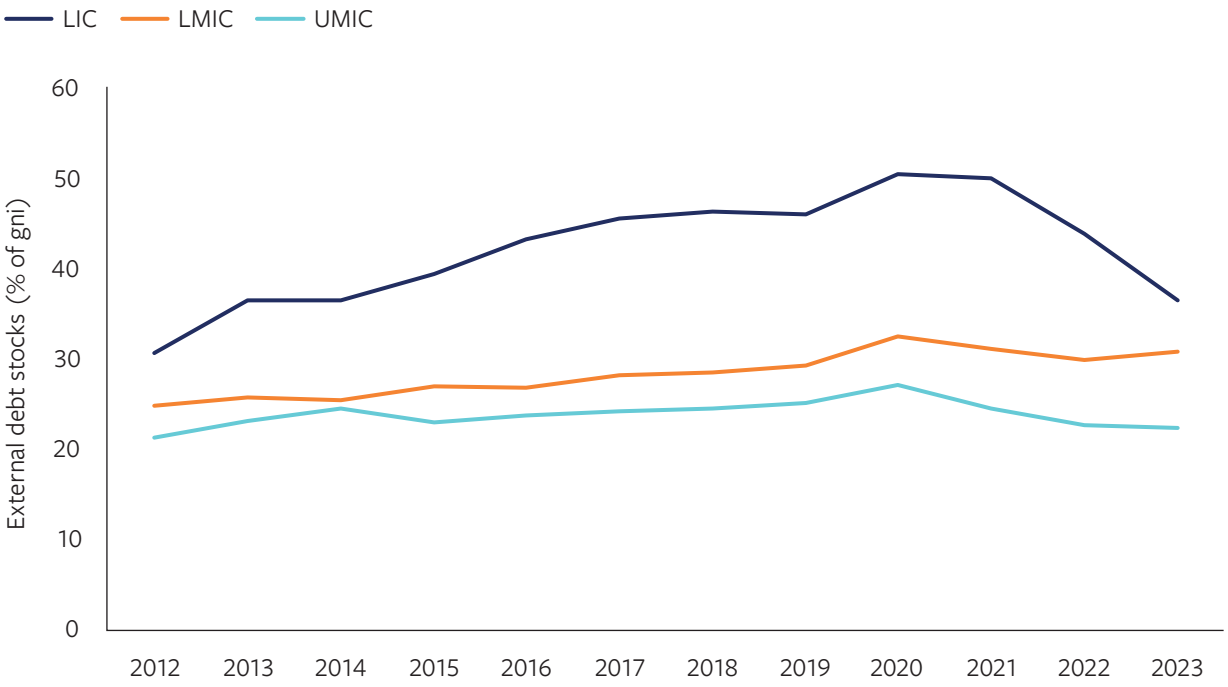
2.1 Who is borrowing?

There is consensus that there can and should be no 'one size fits all' approach to the design of country platforms (FDL, 2025). There are stark differences in political contexts between countries that may be considering setting up platforms (Kelsall et al., 2024); there can also be stark differences in financial development, in domestic institutions' ability to finance strategic projects, and in debt burdens (see Figure 2). These differences will affect many aspects of country platforms, not least how various elements of risk are shared among actors with different appetites – the so-called 'capital stack' (see Section 4 for further exploration of this concept).

For low- and lower middle-income countries, there has been growing pressure on external accounts in recent years. While their external debt stocks remain relatively low, net transfers on external debt have been declining, so that in 2023 less money was disbursed to countries than they paid in debt service (Expert Review on Debt, Nature and Climate, 2025). This capital flow reversal is driven mostly by higher interest payments (FDL, 2025).

Constraints are generally different for **upper middle-income countries**. In many cases, this category of countries will have significant external debt stocks and may not encounter difficulties in accessing international markets to refinance external debt. Their domestic market is usually significantly deeper and more important to the sovereign, and may make up a larger share of overall borrowing. Significant constraints on their borrowing may relate more to domestic debt levels and deficits than to access to international markets. Some of these broad distinctions are evident in Figures 2 and 3, and illustrated by the experiences of Egypt and Brazil in Box 1.

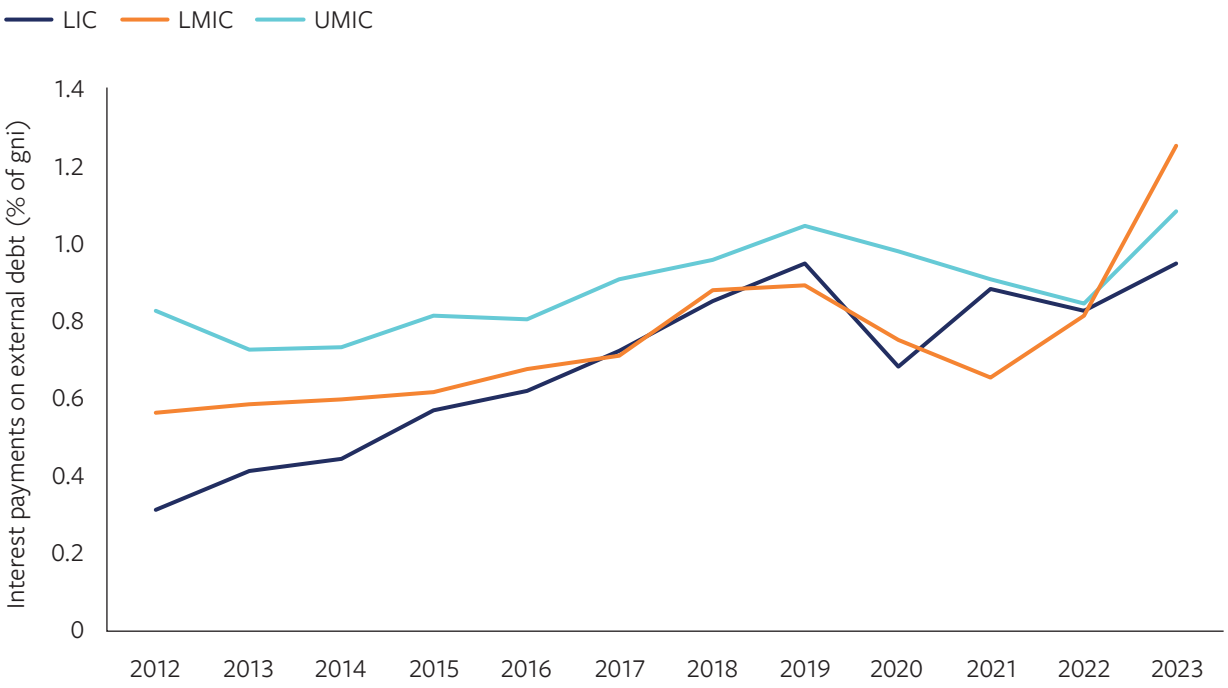
Figure 2 External debt stocks (% of gross national income(GNI)) (2012–2023)



Source: World Bank World Development Indicators (WDI)

Note: Low-income countries (LICs); lower-middle income countries (LMICs); upper-middle income countries (UMICs). The combined debt stock of LICs increased in 2023 in absolute terms, but the debt-to-GNI ratio decreased due to a combination of rising GNI and – for a subset of LICs – debt relief (World Bank, 2024).

Figure 3 Interest payments on external debt (% of GNI) (2012–2023)



Source: World Bank International Debt Statistics (IDS)

Box 1 Different borrowing constraints: lessons from Egypt and Brazil

Egypt designed and launched a country platform while grappling with continued pressures on both its external and fiscal accounts. Egypt is a lower middle-income country. Its country platform, the Nexus for Water, Food and Energy (NWFE), was launched in June 2022; in October 2022, it reached a $4 billion financial assistance agreement with the IMF, committing in exchange to a package of policy measures aimed at resolving imbalances and improving the country's resilience to shocks including a permanent shift to a flexible exchange rate, monetary policy tightening, fiscal consolidation and structural reforms. Currently, according to theInternational Monetary Fund (IMF)'s Debt Sustainability Analysis, Egypt's overall risk of sovereign stress is assessed as high, with high medium-term risks and moderate long-term risks (IMF, 2024).

Climate change can be expected to deepen Egypt's social and economic challenges, and a low emissions pathway is key to building economic resilience (World Bank, 2022). At the same time, investing in climate action would require a significant flow of investments, with implications on fiscal and external balances (Egypt's Climate Change Strategy 2050 estimates mitigation costs at 3.5% of GDP annually until 2035, and adaptation costs at 0.9% annually until 2050). The investment sought by Egypt's country platform would represent 4.3% of current GDP, which would make it macro-critical: in other words, of a size likely to significantly impact the country's macroeconomic strategy and main macro variables, including growth rate and strategy, and fiscal and external accounts. This reflects the scale of the challenges the country faces, both on the financial and the climate fronts. NWFE's capital stack logically taps into a wide range of financial instruments, starting with grants and concessional loans.

Brazil's situation differs, and reflects how differences in debt position – both domestic and external debt – may lead to different approaches to designing and financing a country platform. Brazil's constraints lie less with its external debt stock than its domestic debt stock and fiscal account: its total external debt stock stood at 33% of GDP in 2024, versus 87% of GDP for its public debt stock. The IMF's latest debt sustainability assessment for Brazil (which looks at both external and domestic debt) placed it at moderate risk, noting the country's strong domestic investor base, low external debt stock and the fact that the Brazilian central bank holds a large proportion of government securities (21% GDP) with automatic roll-over by law (IMF, 2025). The country adopted a new fiscal framework in 2023 and has ambitious fiscal consolidation goals. In this context, Brazil's approach to its country platform differs from Egypt's. First, it is smaller: projected investments under the platform amount to 0.5% of GDP. The country has been able to finance mitigation and adaptation goals domestically, and its approach to the platform is to select projects with risk/return profiles that cannot be domestically financed and require a blend of instruments. The platform's capital stack is a reflection of this approach, mixing private sector investment, international partnerships and some concessional financing.

Where debt is an important part of a country platform's financing package, another key distinction is whether such debt will be issued by a country's public or private sector.

In some country platforms, notably those of Brazil and Egypt, the motive is explicitly to attract cheaper capital into private-sector, climate-related projects (NWFE, 2023; BIP, 2024). Here, the effects on sovereign debt burdens will not be direct since additional borrowing will mostly be taken on by the private sector, an especially desirable outcome for countries like Brazil with a high ratio of domestic debt to GDP. However, this financing pattern is most likely to materialise for country platforms set up by upper middle-income countries with well-developed private sectors; even in these cases, there is often a role for national development banks (NDBs) and other state-owned enterprises in mobilising private investment through on-lending or direct guarantees, which add to the sovereign's debt burden or contingent liabilities.

More typically, public-sector borrowing forms a significant part of a country platform. This is particularly common when the state plays an important role in the sectors targeted by the platform. In all of the countries with platforms focused on an energy transition (Brazil, Egypt, Indonesia, North Macedonia, South Africa and Viet Nam), state-owned public utilities own and operate most of the country's generation capacity and grid. Indeed, maintaining the financial viability of these utilities has often led national governments to design tariff structures or regulations in ways that have actively curtailed private investment in cleaner alternatives. Smaller and lower-income countries are even less likely to have well-developed domestic private sectors, which therefore have commensurately limited capacity to absorb financing. Their ability to borrow is further limited by the so-called 'sovereign ceiling' effect, whereby the bond rating of domestic corporates cannot be higher than that of their sovereign; they have also struggled to attract FDI, which has in recent years been concentrated in largest economies (World Bank, 2025). Thus, much of the initial financial package associated with a new country platform is likely to go to government agencies and state-owned enterprises, typically with a sovereign guarantee. The resources will therefore affect the sovereign's debt burden or its contingent liabilities.

In some cases, public-sector borrowing under a country platform has the ultimate objective of creating a more enabling environment for private investment in climate-related projects. This is a priority in Indonesia and South Africa. A country platform may achieve this goal by enabling a national government to implement policy reforms or make public investments in infrastructure that facilitate private investments. For example, reforming tariff structures or upgrading national electricity grids can enable the rollout of large-scale commercial investment in new renewable generation.

2.2 What are they borrowing for?

When the underlying goal of a country platform is to stimulate economic growth, usually by shifting to a lower-emission and more climate-resilient trajectory, public-sector borrowing is generally used to facilitate private investment. Establishing a more reliable power supply would

revitalise South African industry, for example, while investments in urban transport in Brazil should boost productivity by connecting people more efficiently to jobs and services. Economic growth should then help improve a sovereign's fiscal position by increasing tax receipts (Cugat and Pizzinelli, 2023). Country platforms can help catalyse those sectoral transformations that cannot be approached on a project-by-project basis, requiring instead a system-wide approach led by governments (with adequate public funding but also coordination mechanisms) and complemented by private sector investment (Atiyas, 2025).

In other platforms, achievement of the platform's goals may rest primarily on domestic and international public finance. Adaptation, for example, has traditionally been deemed insufficiently bankable to secure large-scale private investment, with some exceptions in the commercial and residential building sectors. While many resilience projects pay for themselves or provide economic benefits over the long term by reducing the cost of disaster response and recovery (Carter et al., 2025), they do not generate the predictable stream of revenues traditionally necessary to attract private finance, particularly debt. In other words, these projects may be economically viable but not commercially viable. Adaptation investments – even if fiscally prudent because the anticipated savings exceed the initial investment needs (Carter et al., 2025) – may be constrained by the limit to the additional debt obligations a country can incur with uncertainty about when those savings may be realised. In many sectors, adaptation will therefore continue to rely on a significant base of public finance, even though the next generation of platforms may be able to develop more sophisticated capital stacks to entice a larger degree of private investment. This can be achieved by employing a greater variety of financial instruments, such as blended finance mechanisms and guarantees, that could help de-risk adaptation projects and attract greater private sector investment (Gouett, 2023). At the same time, it is also possible to scale adaptation by focusing on underlying revenue streams and designing a pipeline of projects around them. For example, a mixed-use tunnel in Malaysia attracted private investment by combining storm water diversion with toll-based traffic infrastructure, showing how adaptation projects can be made financially viable (UNEP, 2023). Section 4 provides a more detailed discussion of capital stacks.

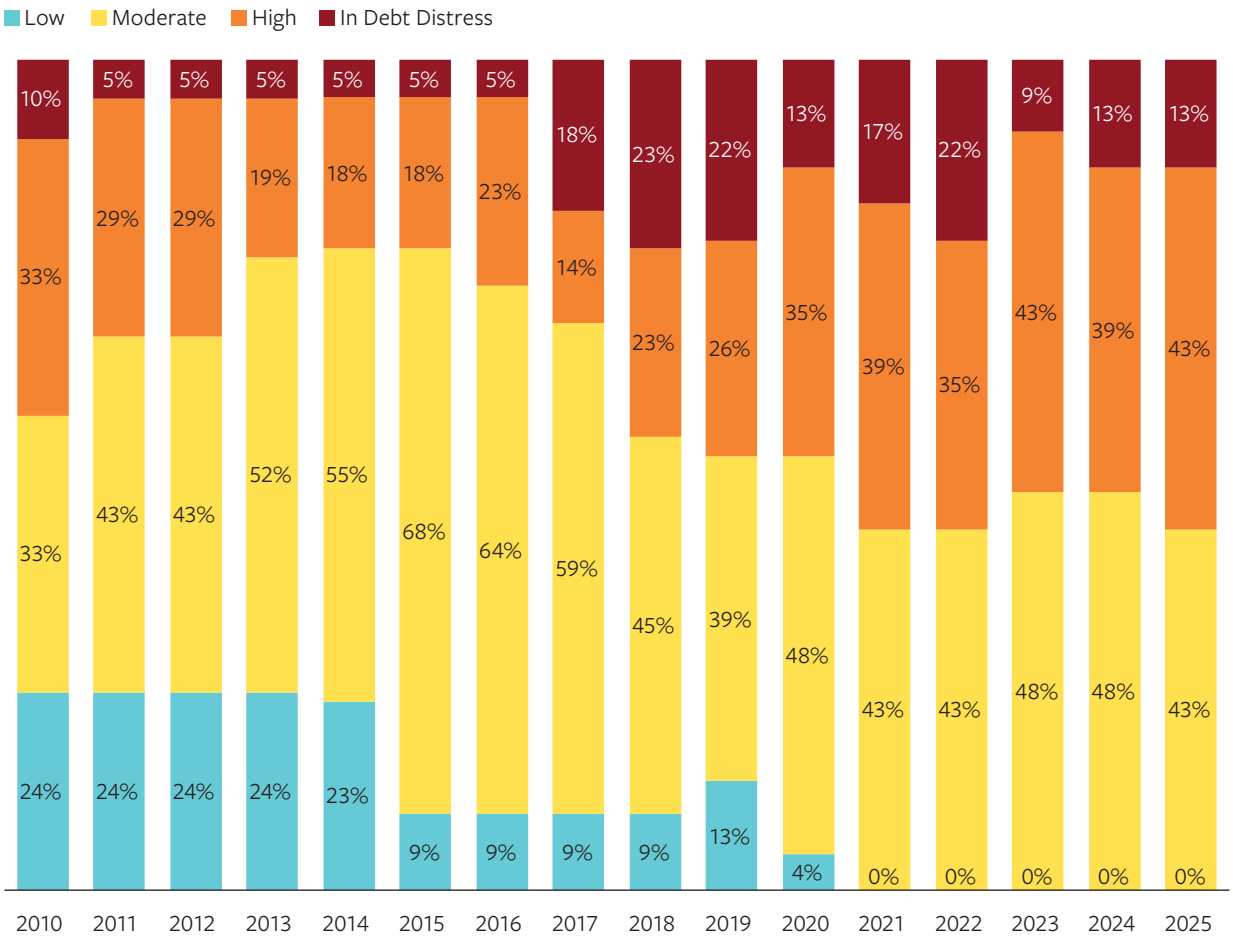
2.3 What is the country's starting point?

The design of any country platform anticipating significant public-sector borrowing must be informed by the sovereign's financial constraints: its debt carrying capacity and current debt stock, both domestic and external. The size of country platforms can be critical from a macroeconomic perspective, with existing country platforms often seeking investment estimated above 1% of annual GDP or more. Colombia's Socio-Ecological Transition Portfolio, for instance, is looking for investments worth 9.5% of GDP, while North Macedonia's JETP aspires to unlock investment worth 17% of GDP (Kammourieh et al., 2025).

The IMF and World Bank assess a country's debt carrying capacity based on its economic growth rate, foreign exchange reserves, institutional quality and remittances, as well as global

macroeconomic conditions.[2] If a country's current debt stock is high relative to its carrying capacity, that country has less scope to borrow sustainably and is at greater risk of tipping into debt distress (Graf von Luckner, 2024).

Figure 4 Risk of debt distress in low-income countries (2010–2025)



Source: WB-IMF Debt Sustainability Analysis (DSA)

Countries at low or moderate risk of debt distress, such as Indonesia, Viet Nam and South Africa, can consider taking on more debt where the associated investments would either stimulate economic growth or reduce the fiscal costs associated with disaster response and recovery. Those with market access will typically be wary of adversely affecting their credit rating, which would increase the cost of borrowing going forward. In addition, some countries have domestic fiscal rules which constrain their ability to engage in higher domestic spending, as is the case in Brazil (see Box 1).

2 For Lower-Income Countries (LICs), which typically meet their external financing needs mostly through concessional financing. Debt sustainability analysis methods differ for Market-Access Countries (MACs), who typically have significant access to international capital markets (IMF, 2023a).

Countries at high risk of debt distress have more limited scope to borrow except at highly concessional rates. They can be facing severe liquidity constraints without debt being unsustainable per se (in other words, they might be facing significant short-term refinancing difficulties). They may also be at risk of insolvency: more structural and persistent limitations in their ability to service their debt. The IMF judges a government to be insolvent if its current and future expenditure is greater than its current and future path of income (IMF, 2002). In practice this is a question of interpretation, and the methods and assumptions behind the calculations of discounted future values, but in principle solvency is about whether a country can honour its medium- to long-term debt obligations (Finger and Mecagni, 2007). Ultimately, a country facing solvency challenges has no economically feasible or socially acceptable policies that can be implemented to allow it to sustainably meet its debt obligations over the long term (Expert Review on Debt, Nature and Climate, 2024). The only option available in solvency crises is some form of debt restructuring or default.

Liquidity constraints mean that a government faces temporary difficulties in rolling over and refinancing its existing debt, regardless of whether it is considered solvent. In other words, liquidity constraints are possible even when – in the medium term – its debt burden is considered sustainable. They also imply a related but different challenge: the inability to finance long-term investments which would improve sustainability if implemented (Wiedenbrüg et al., 2024).

Currently, many low- and lower-middle income countries are solvent but face illiquidity due to a rise in global interest rates at the same time that many of their external debt obligations are due (Diwan, Kessler and Songwe, 2024). The result is that refinancing these obligations – rolling them over – is now much more expensive or even impossible (Diwan et al., 2024). This can turn liquidity problems into unsustainability, as debt becomes expensive. Liquidity challenges can have dramatic long-term effects even when economic fundamentals are judged adequate, as Chile found after the Russian partial default in 1998 (Calvo and Talvi, 2005). Sovereigns could even end up defaulting on maturing debt because they do not have adequate repayment or refinancing options, rather than because debt thresholds have been breached (Expert Review on Debt, Nature and Climate, 2025).

The IMF and the World Bank have adopted the so-called 'three pillar approach' to mitigate such situations: raising long-term ability to repay by enhancing domestic resource mobilisation and, in the short run, provide international financial support to lower refinancing costs (Pazarbasioglu and Saavedra, 2024). In practice, distinguishing between liquidity and solvency challenges is extremely difficult (Panizza, 2022), which makes it all the more important for IMF programmes – or a Development finance institution (DFI)-supported country platform investment programme – to help shift investor perceptions of the crisis from one of solvency to one of liquidity.

For some upper middle-income countries, financial constraints and stresses pertain more to domestic debt levels and refinancing rates, rather than external debt. Brazil may not have difficulty

tapping international markets for external debt issuance. However, its domestic debt stands at 87% of GDP, and the country has recently established deficit reduction targets and policy measures in its fiscal framework amidst pressures on its long-term sovereign yield.

All countries should fully integrate fiscal assessments in the design of their country platforms, but this is critical for countries at high risk of debt distress or needing to manage fiscal pressures. Their country platforms should orient whatever financial support is unlocked towards investments that could alleviate debt or liquidity pressures. South Africa's Just Energy Transition Partnership, for example, was strongly motivated by the need for a holistic approach to energy sector reform given the vast debt burden of the state-owned energy utility, Eskom. Indeed, it was originally conceived first as a debt for climate swap, and then as a concessional transaction to assist the South African government to bear the cost of recapitalising unbundled Eskom entities (Steyn et al., 2021), before taking its final shape. Given the constraints in taking on additional debt, a country platform in such contexts could be partially funded through refinancing expensive debt at a lower rate or rescheduling principal repayments (see Section 4 for further detail). Either could unlock fiscal space for climate- and nature-related commitments.

Any country currently in debt distress and facing a solvency crisis will not be able to consider a country platform that anticipates significant additional borrowing. First, such countries are not able to take on additional debt. Second, they may already be navigating complicated and contentious debt restructuring processes. Attempting to establish a country platform in parallel would likely challenge relations with donors and creditors. However, the debt restructuring programme demands that a country think critically about its development and spending priorities, which may well include enhancing resilience to climate impacts or economic competitiveness in a carbon-constrained world. A clear national vision and focused investment strategy can inform debt negotiations – particularly given other reforms under way in the international financial architecture that would support such countries to embed climate and nature considerations into their fiscal planning (for example, see Box 2).

Box 2 Reforms of the IMF and World Bank Debt Sustainability Frameworks

Debt Sustainability Frameworks (DSFs) assess the risk that a country may experience a debt distress event within a given time period. They are used to determine whether and on what terms a country can access financing from the IMF, World Bank and other development finance institutions, and to determine the extent of debt relief when a country is in debt distress.

Nature loss and climate impacts will increasingly affect countries' fiscal stability. DSAs that consider the adverse impacts of nature loss and climate change, along with the economic and fiscal benefits of investments that enhance resilience to such shocks, could help the borrower country and its creditors make more informed financing decisions.

The World Bank and IMF have made progress towards systematically including climate risks in both the Debt Sustainability Framework for Low Income Countries (LIC-DSF) and the Sovereign Risk and Debt Sustainability Framework for Market Access Countries (MAC-SRDSF). However, there is more to be done on climate risks, and nature loss remains entirely neglected.

The Expert Review on Debt, Nature and Climate provides several recommendations to the IMF and the World Bank on how to make Debt Sustainability Analyses (DSAs) climate- and nature-smart. First, it recommends that the IMF and World Bank continue to revise their DSFs by identifying the nature- and climate-related risks that could become macro-critical in each country, estimating the projected impacts on their macroeconomic and fiscal projections, and determining the potential returns on investments made to mitigate those risks. Second, it recommends that the IMF and World Bank should develop different climate and nature scenarios, including ones with early and ambitious investments in resilience, nature protection and avoided emissions, as these could illustrate how different financing sources and terms for those investments may affect debt sustainability time.

If these reforms are agreed, a country experiencing debt distress could benefit from greater relief from its creditors – if it commits to nature- and climate-related investments that can enhance fiscal resilience and thereby improve long-term debt sustainability. Meanwhile, countries that are not experiencing debt distress should be able to borrow more for climate- and nature-related investments that might stimulate growth or boost resilience.

Source: Expert Review on Debt, Nature and Climate (2025)

3 Can country platforms support debt sustainability?

If carefully designed and effectively delivered, country platforms have the potential to reshape debt dynamics and improve debt sustainability. Climate change mitigation-oriented country platforms ultimately seek to do this through enhancing economic productivity, enabling countries to grow their way out of debt. Climate change adaptation-focused country platforms (such as those recently launched in Bangladesh and the Caribbean) seek to do this through reducing the costs associated with disaster risk and recovery, thereby avoiding expensive borrowing at short notice and reducing economic volatility.

In the short term many of the desired features of country platforms could support debt sustainability, even if only marginally: greater political and policy certainty, greater policy coherence, better public investment planning and the transfer of investments to the private sector. Together, these should improve institutional quality, and the actual and perceived risks associated with lending to the country, thus driving down borrowing costs and improving access to capital. This will enable the country either to borrow more for the same debt servicing cost, closing the gap on investment needs, or to refinance their existing debt at cheaper rates and therefore lower their debt servicing costs.

Of course, important questions remain as to whether country platforms can live up to their promise: the track record of related experiments in development and climate finance (such as sector-wide approaches and National Adaptation Plans) has been mixed.

3.1 Greater political and policy certainty

One of the defining features of country platforms is that they should be nationally led and aligned with the country's overall development and economic strategy (Tanaka et al., 2025). Ideally, platforms will be characterised by ownership at the highest levels of government, and developed through extensive consultation and dialogue with key stakeholders, including affected and marginalised groups (Steadman et al., 2024).

Together, these factors can signal political agreement about a country's development trajectory and thereby offer some policy stability. This is an important factor in determining the cost of capital. The International Energy Agency (IEA, 2023) conducted a survey to identify the top risks that should be addressed to reduce borrowing costs in large emerging economies. Regulatory risk was perceived to be the top threat in India, Indonesia and Mexico; it was second in Brazil and Viet Nam. Private investors are especially concerned by changes in policy direction and regulation,

and therefore seek compensation for this risk with higher interest rates. A country platform that enhances policy certainty could therefore play an important role in driving down the cost of capital.

3.2 Greater policy coherence

Country platforms can create the political space for governments to undertake the challenging reforms often needed to improve fiscal sustainability and create a more enabling environment for private investment. These might include tax reforms that enhance domestic resource mobilisation; stronger debt management systems to prevent the build-up of contingent liabilities in state-owned enterprises; or tariff reforms that create a more level playing field for clean alternatives or improve cost-recovery in state-owned enterprises. Such measures can improve the government's fiscal position. Country platforms could also enable governments to pursue policy and regulatory reforms that facilitate lower-emission, climate-resilient or nature-positive investment by the private sector, effectively taking such investments off government books.

A country platform enables such reforms by providing a clear justification and – potentially – unlocking international concessional resources to mitigate impacts on affected households and firms. Changes to tax and spending policy will always create winners and losers, and governments may be reluctant to face the backlash from such decisions without some political cover – even if the reforms will boost economic productivity and enhance debt sustainability in the medium term (Kelsall, Colenbrander and Simpson, 2024).

Governments are taking advantage of their country platforms to begin difficult policy reforms that can improve public finances, either directly or by stimulating private investment and economic growth. For example, South Africa is liberalising its electricity market and reforming its electricity tariffs, providing independent power producers with greater certainty that they will be able to connect to the grid and recoup their investment. Indonesia's Comprehensive Investment and Policy Plan (CIPP) outlines reforms such as the temporary relaxation of local content requirements (LCR) in clean energy products to help reduce renewable energy costs and build domestic demand that can subsequently underpin a local manufacturing base. The CIPP also anticipates assistance with land tenure for renewable energy capacity and green procurement policies, which can de-risk prospective projects (JETP Secretariat, 2023). All of these may have significant and positive effects on debt sustainability, although these effects may take years to show through in headline growth figures.

3.3 Better public investment planning

The success of a country platform depends on sound and holistic public financial management (Hadley et al., 2022; Kammourieh et al., 2025), but a country platform can also enable institutional coordination within government that can strengthen public financial management. A core purpose of country platforms is to align key government stakeholders behind a specific vision

and coordinate their spending and investment decisions accordingly. By strengthening inter-ministerial coordination, country platforms have the potential to improve the efficiency of resource allocation, enhance institutional capacities and capabilities and ease administrative burdens (GCF, 2025). Inter-ministerial coordination structures and plans can also improve the efficiency of public spending by avoiding investments that are not aligned with long-term economic and climate goals, and ensuring that investments that go ahead deliver against multiple objectives. Greater efficiency and effectiveness is a boon for public finances, whether or not those projects are financed through debt.

Country platforms typically set up dedicated governance structures that enable better information flow and joint decision-making. These consist, for the most part, of an interministerial committee to provide direction and oversight from Cabinet and some form of secretariat to manage the coordination of national and international partners. The secretariat, often supported by international technical working groups, links project developers to financing partners, as well as ensuring that consultation with all relevant stakeholders continues throughout the programme (Gilmour et al., 2024). Alignment among government ministries and public agencies further manifests in a shared investment strategy with a clear project pipeline. Each JETP, for example, is accompanied by an investment plan identifying and prioritising energy-sector investments: South Africa's Just Energy Transition Investment Plan (JET-IP), Indonesia's CIPP and Viet Nam's Resource Mobilization Plan (RMP) (Robinson and Olver, 2025).

Beyond inter-ministerial coordination, public investment planning can be strengthened through consistency in project preparation, authority to screen and reject proposals, an effective budget and procurement process to support implementation and a solid evaluation system (Miller and Hart, 2017). Some country platforms have entities dedicated to these functions: the Bangladesh Climate and Development Partnership envisaged a project preparation facility to be set up by ADB and the World Bank (IMF, 2023b). Often these functions are performed by NDBs, such as the Development Bank of Southern Africa (DBSA) and the Brazilian Development Bank (BNDES). The International Development Finance Club (IDFC) is pursuing arrangements to support NDBs ensconced within country platforms (Beloe, Salvado and Picchiottino, 2025).

3.4 Sharing investment needs with the private sector

Country platforms can potentially reduce future public investment needs by enabling new private sector finance to take on the investment. Section 2 outlined how all of the countries with platforms focused on an energy transition (Brazil, Egypt, Indonesia, North Macedonia, South Africa and Viet Nam) have large state-owned enterprises that own and operate most of the country's generation capacity and grid. Many of these utilities struggle with cost recovery; at the same time, many need to make significant investments in maintaining or increasing power supply and expanding or upgrading the grid. Many countries' transport, water and waste management systems face similar challenges.

Country platforms can help address this investment gap by facilitating greater private sector participation and supporting governments to mobilise private capital toward future infrastructure needs, which can help to reduce pressure on public balance sheets over time. Country platforms can therefore offer a mechanism for moving infrastructure investment from the public sector to domestic and international private actors. This does not necessarily imply the privatisation of public assets, but in some cases this could include mechanisms such as public–private partnerships (PPPs) that shift part of the financing and delivery risk from the public to the private sector, often without transferring ownership. However, while private sector participation in infrastructure can bring innovation, capital and efficiency, governments must also weigh the long-term implications of increased private ownership, and consider the suitability of private involvement, which may depend on the sector and project characteristics (OECD, 2010).

Earlier in this section, we discuss how country platforms can encourage greater private investment by providing greater political certainty and creating a more enabling policy environment, for instance through reducing regulatory barriers for independent power producers and reforming tariffs to enable cost recovery. Country platforms can also facilitate private sector activity through investment planning. This functions as a signalling mechanism of government direction, improving certainty and reducing risk, but it can also help to focus on the most efficient tasks, making potentially bankable projects visible and prioritising infrastructure bottlenecks that stymie private sector activity. For example, inadequate transmission networks stifle private investment in the power sector, since independent power producers cannot connect reliably. Poor transport networks deter private investment in industry, since firms cannot reliably get their goods to market. Removing such bottlenecks can make a country much more attractive to foreign direct investment.

3.5 Strategic use of different financing sources and instruments

Country platforms are typically financed using a combination of different sources and instruments: the capital stack. A capital stack refers to the layering of different financial sources and instruments to reflect different risk appetites, return expectations and time horizons – in other words, it refers to the different seniority of creditors' claims. The goal is to achieve the best outcomes at the lowest cost.

A capital stack is typically understood to apply at the project level, but country platforms offer an opportunity to adopt a more programmatic approach whereby different financing sources and instruments are carefully deployed to achieve platform goals. The preparation of a granular investment plan and financing strategy enables the institutional structures within country platforms (for example, the JETP secretariats) or national development banks (for example, PT Sarana Multi Infrastruktur (PTSMI) in Indonesia and Brazilian Development Bank (BNDES) in Brazil) to play key coordinating roles:

- Matching investors with different risk appetites, return expectations and time horizons to appropriate projects and within individual project stacks.
- Aggregating small projects into funds to achieve sufficient scale and appropriate risk-adjusted returns for institutional investors, which are typically set up to make fewer, larger transactions.
- Optimising the use of scarce concessional resources to sustain public support (for example, by funding just transition elements of a country platform), improve the bankability of projects or co-fund infrastructure with public good characteristics, such as transmission infrastructure.

More strategic use of different financing sources and instruments can potentially enhance debt sustainability in one of two ways. A country may be able to borrow less to achieve the same outcomes. Alternatively, a country may borrow the same amount but achieve better outcomes than it would without the coordination and planning functions of a country platform.

In the next section, we unpack what the capital stack for a country platform might look like and the implications for debt sustainability.

4 Building the capital stack for a country platform

4.1 What is the capital stack?

The capital stack for a country platform or for projects within a country platform will typically involve up to five financing instruments: grants, equity, debt, guarantees and insurance (Box 3). These financial instruments each have different roles in financing climate action based on the geography, sector and project; they can also be effectively used in combination (Mustapha, 2022). On the face of it, grants are the preferred instrument of most, if not all, recipient countries, but there is little grant funding available. The use of debt, equity and guarantee instruments can stretch scarce concessional resources further and crowd in private capital for climate action. Galvanising domestic and international private investment can in turn stimulate job creation and strengthen human capital, contributing to development goals and long-term resilience.

Box 3 Financial instruments potentially deployed in or alongside the capital stack for a country platform

Grants are transfers for which no repayment is required.

Debt is a transfer that requires the repayment of a principal and (typically) interest in the future. It offers creditors a comparatively low-risk position in return for a defined maximum payout. Debt can take the form of loans or bonds.

Equity is a transfer rewarded by co-ownership of the asset or company, and therefore the right to receive a proportion of its revenues or profits once lenders have been repaid. Equity investors face higher risks than debt investors because all loans must be repaid before they see any returns – but they also do not have any limits to the possible returns in case of project success.

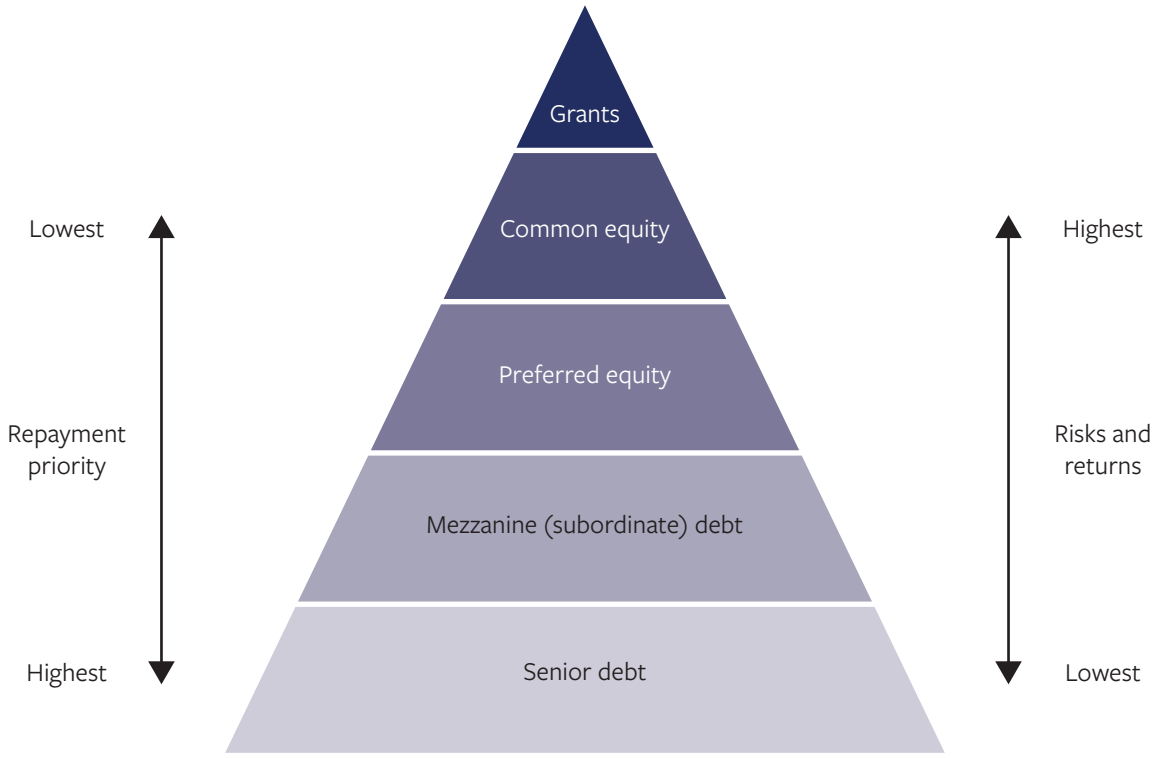
In addition, the following instruments can be deployed alongside investment to enable greater scale by mitigating risk:

Guarantees provide protection to one party if the other party fails to meet an obligation, for example non-repayment of a loan or loss of value of an investment. Guarantees are typically provided by a third party to enhance access to debt or equity finance.

Insurance is the provision of compensation for specified loss or damage in return for payment of a specified premium. Insurance can cut the cost of borrowing by reducing investor risk, and avoid a sharp increase in debt in the aftermath of a shock.

These different instruments can be layered together to fund and finance a country platform, combining instruments and projects to meet platform goals and the risk-adjusted return expectations of different investors (see Figure 4).

Figure 5 Building the capital stack for country platforms



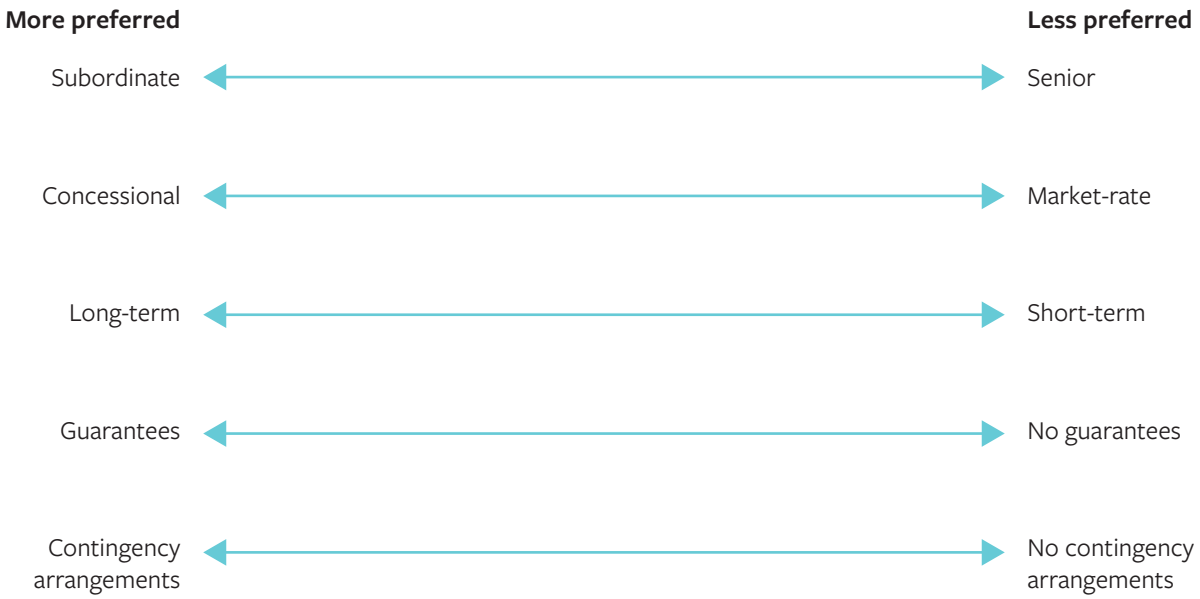
All country platforms announced to date have some international grant resources during the early stages of stakeholder engagement and programme preparation (7.2% of the country platform in Egypt is financed by grants, 2.8% in South Africa, 2% in Viet Nam and 1.4% in Indonesia). Thereafter, there is great variation in how individual countries have built their capital stack. Most are expecting some grants, particularly to cover just-transition elements of their investment plan. However, the availability of grant finance going forward is likely to fall given recent cuts to official development assistance (Huckstep et al., 2025). Some are expecting equity investments; for example, Viet Nam is anticipating $310 million in commercial DFI equity in its Resource Mobilisation Plan (Socialist Republic of Viet Nam, 2023: 8). However, international equity investment is often hard to come by in developing countries, in part due to the higher risks but also to the additional governance and assessment complications – for example, when investors should exit (Habbel et al., 2021). As a result, debt looks likely to be the primary instrument for financing country platforms.

4.2 Debt in the capital stack

The terms and conditions of debt instruments used in country platforms will vary widely. Debt can be senior, which means the lender has the first right to repayment, or subordinate, which means that the lender will only be repaid after all senior debt obligations have been fulfilled. Debt can be issued at market rates or with varying levels of concessionality. Debt can have varying time horizons. Access to credit can be enhanced through guarantees, which may be whole or partial

and applied to either the principal or the interest. Simple forms of contingency such as maturity extension clauses can provide borrowers with some protection against shocks and stresses. Borrowers and creditors have different preferences, illustrated in Figure 5.

Figure 6 Preferred characteristics of debt instruments from the perspective of borrower countries



Debt with borrowers' preferred characteristics – subordinate, concessional, long-term, guaranteed (especially non-sovereign guarantees) and with contingency arrangements – is most likely to be provided by development finance institutions seeking either to finance investments with public good characteristics or to de-risk investments and crowd in private finance (Crespin, 2024). Capital stacks thereby not only facilitate investment with different risk-return profiles; they can also be designed so that impact-oriented investors consciously take higher-risk positions (through holding subordinate debt or equity positions).[3] Structuring projects and blending finance in this way enables a government to leverage other capital on better terms, although it will still need to pay close attention to its overall debt burden and costs.

In all cases, country platforms must be carefully designed based on sound debt analysis, robust investment priorities and realistic financing strategies. This is essential to avoid sudden unsustainable debt accumulation. Given the potential impact of country platforms on a country's fiscal positions, each country platform's financing plan should at a minimum ensure adherence to the principle of 'do no harm', where the finance mobilised and its terms do not render the country's debt burden less sustainable.

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3 Grants can also be used in project capital stacks, and since no return is required, they can take the highest risk positions. In most cases, however, this will not be the most effective use of scarce grant resources; these are generally better deployed for investment needs without commercial revenue flows, like projects with 'just' elements (Steadman et al, 2024).

Only a handful of country platforms have published detailed investment plans or reported financing strategies to date: Egypt, Indonesia, South Africa and Viet Nam. These reveal that a significant proportion of each country platform's financial package is based on sovereign loans or sovereign-guaranteed loans, i.e. the central government is ultimately responsible for repayment even if the loan has been issued to a subnational government or state-owned entity. In the case of Indonesia, for example, $8.4 billion out of the $10 billion pledged by the International Partners Group is guaranteed by the sovereign (JETP Secretariat, 2023: 137); the figure is much lower for Viet Nam, which anticipates $2.2 billion in sovereign concessional loans out of the $8.1 billion pledged by the International Partners Group (Socialist Republic of Viet Nam, 2023).

4.3 Underutilised debt instruments that safeguard fiscal space

Three debt-related instruments have not yet been used at scale in country platforms, but could help manage debt vulnerabilities and safeguard fiscal space.

Debt re-financing and re-scheduling

In the past year, three sets of recommendations have been released seeking to address liquidity challenges before they become solvency crises. The IMF and World Bank take a 'three pillar approach' (Pazarbasioglu and Saavedra, 2024), the Expert Review on Debt, Nature and Climate (2025) has outlined a green debt re-financing initiative and the Finance for Development Lab and Columbia University have published an updated Bridge Proposal (Diwan et al., 2024).

There are important nuances across the three sets of recommendations, but at the heart of each is a combination of immediate refinancing of expensive debt or rescheduling of bunched debt repayments. Refinancing and rescheduling would be attractive to countries that have high but sustainable debt levels, but may lack enough cash or easily-convertible assets to both meet their near-term debt servicing obligations and make necessary investment – perhaps because rising interest rates have rendered pockets of debt more expensive or because a number of principal repayments fall at the same time. In such contexts, refinancing and rescheduling would ease the burden of debt servicing in affected countries, so that the inability to find ready cash does not turn into default. The Bridge Proposal also argues that it is in the interest of creditors themselves to provide refinancing/rescheduling.

Importantly, refinancing or rescheduling would be available to eligible countries on the condition that the associated savings are directed into a national investment programme that can enhance resilience or stimulate growth – in other words, a country platform. The Expert Review on Debt, Nature and Climate goes further, and explicitly links the proposed refinancing to nature- and climate-related investments.

Combining debt refinancing or rescheduling with a national investment programme – ideally one with strong green or resilience elements – is in the interest of all parties involved, including

creditors. The establishment of a national investment programme would stimulate credible expectations of higher growth rates (Diwan et al., 2025), potentially making lower-cost capital available before the programme secures its long-term transformation. A low-carbon investment programme is arguably particularly likely to yield such dividends, given the evidence that green measures like renewables have notably higher multipliers than conventional carbon-based measures, like fossil fuel power generation (Batini et al., 2022), although a programme targeting resilient infrastructure investment like transport systems could have similar effects. Faster growth improves debt sustainability, as the value of sovereign debt shrinks relative to government revenues or the national economy. Improved debt sustainability of the debtor country is in the interest of all its creditors.

Mitigation projects have the added advantage of having positive spillover effects, reducing global emissions and therefore the extent of climate change impacts on all other countries. Investments in nature can similarly contribute to global public goods, for example in forest conservation or afforestation for carbon sinks. This should be an added incentive for bilateral and multilateral creditors to participate in refinancing or rescheduling schemes that make space for low-emission investments. Adaptation investments, on the other hand, have positive returns that are mainly limited to the country where the investment is made, improving the country's resilience to the physical effects of climate change. While they do not present the global positive spillovers of mitigation investments, they are more narrowly in the interest of creditors as they improve the country's macroeconomic and fiscal resilience – and therefore its ability to repay debt. Investing in adaptation now means less stress on a country's fiscal space in the future and improved debt sustainability.

Debt-for-climate and debt-for-nature swaps

A 'debt-for-climate' or 'debt-for-nature' swap releases resources without increasing debt burdens. At its simplest, this can take two forms. One option is that a proportion of debt is exchanged for an equity stake in a venture that advances country platform goals, such as renewable energy installations. More commonly, debt swaps have involved a refinancing package at concessional rates in return for certain conditions, such as conservation of a specific area. For example, Ecuador announced a debt swap in 2024 that refinanced approximately $1.53 billion of its international bonds, and is expected to secure approximately $460 million to support the Amazon Biocorridor Program (Programa Biocorredor Amazónico) for the conservation of terrestrial and freshwater ecosystems in the Ecuadorian Amazon (The Nature Conservancy, 2024). Both debt-for-equity swaps and debt-for-nature/climate swaps have typically been undertaken at the project level, but could be deployed in a programmatic way under the auspices of a country platform.

However, debt swaps have their own challenges. Creditors face the risk that debt relief may simply go to pay off other lenders unless they impose strict conditionality, which threatens the country's sovereignty and public support for the deal. Borrowers face the risk that a debt swap large enough to provide meaningful relief may negatively affect a country's credit rating, since it will be judged

as a default (Chamon et al., 2022). Both creditors and borrowers find debt swaps highly complex to structure, with many different permutations possible, which imposes a costly administrative burden. And timing is important, since the price of the debt will change depending on whether the purchase happens before or after the market realises that some debt will be forgiven (Chamon et al., 2022).

Despite these challenges, debt swaps may be appropriate under certain circumstances. First, when a country has pockets of high-yielding debt that it seeks to reduce, rather than a full-blown liquidity crisis. Second, when creditors are interested in advancing environmental goals but may not have the political or fiscal space to provide grants (Expert Review on Debt, Nature and Climate, 2025). Third, if a country faces a high enough risk of debt distress that debt is trading at a significant discount, enabling any debt relief to leverage significant domestic resources for agreed domestic investments. Regrettably, it is if this last condition is met that a debt swap is most likely to be treated as a default. In all cases, the establishment of clear norms and institutional frameworks for debt swaps will reduce transaction costs and make this tool a more powerful option for country platforms.

Equity-like debt repayment structures

Traditional debt instruments are not well suited to meet EMDCs' needs for investment in adaptation. These investments typically generate returns through long-term resilience savings, but usually require high upfront costs with uncertainty on when these savings will be realised. The Expert Review on Debt, Nature and Climate (2025) suggested the development of equity-like instruments to finance resilience, which could enable EMDCs to frontload such investments without adding to their debt burden. The proposition is that equity-like funds will be made available to vulnerable countries with DFIs acting as 'seed' investors. These funds will be directed towards investments in climate-resilient infrastructure. If the investment fails to provide measurable fiscal savings, in the form of avoided loss and damage, there will be no payout. However, if substantial fiscal savings materialise, the DFI could monetise this gain by selling part of the future receivables to private investors. This can generate returns that could be reinvested in future resilience projects.

4.4 De-risking instruments that enhance access to credit

Three de-risking instruments have been used to varying extents in different country platforms, and could enable countries with sustainable debt levels to access capital at lower cost or on better terms.

Guarantees

Guarantees play an important role in improving access to capital by providing a creditor with assurance that they will be repaid. The guarantee can improve the cost of capital both by immediately lowering interest rates (given reduced risk to the lender), and in the long term by

enabling entities to build up a record of repayment that strengthens their creditworthiness. Guarantees can cover the interest repayments or the principal, be full or partial, and for local or hard currency.

The existing JETP pledges have made some use of guarantees, especially from the UK in South Africa, Indonesia and Viet Nam. Members of the International Partner Group supporting Viet Nam's JETP have pledged $240 million in guarantees for commercial DFIs (Socialist Republic of Viet Nam, 2023: 8). Members of Indonesia's International Partner Group have pledged guarantees worth $1 billion for lending from the International Bank for Reconstruction and Development once Indonesia reaches its borrowing limit with that member of the World Bank Group (JETP Secretariat, 2023: 137).

Guarantees should be an attractive tool to DFIs and their shareholders because they are rarely called on and are not accounted as liabilities until they are. In practice, however, many DFIs have been constrained in their use of guarantees by accounting rules that required them to treat guarantees with the same caution as direct loans (Humphreys and Prizzon, 2014). Others have found guarantees complex to structure. However, a handful of DFIs – most notably the members of the World Bank Group and the US Development Finance Corporation – have extensive experience and expertise in using guarantees to mobilise private finance (OECD, 2023).

Guarantees are also made by the sovereign as the country's backer of last resort. This is a vital function of government financing, but can add significant contingent liabilities to the public balance sheet. This can be a challenge for debt sustainability, even more so when standing by guarantees is not planned but taken on by government as needed, with limited scrutiny and with significant consequences (OECD, 2023). The South African government has been called to assist with much of Eskom's debt in this way. DFIs can help by ensuring as much as possible that their guarantees are non-sovereign – it is after all less useful to have a DFI guarantee if it also must be guaranteed by the sovereign anyway. Further structures can help to do this and to bridge the gap: the government of South Africa is exploring a Credit Guarantee Vehicle with support from development partners that would provide clear limits to the amount the sovereign can be called on, and fill the rest of the gap with collective multilateral development bank capacity (Green Building Africa, 2025).

Risk insurance

Risk insurance performs similar functions to guarantees but is deployed in different ways. Namely, the investor generally takes out insurance separately to the transaction with the borrower and a payout is subject to arbitration to prove that the conditions were met before the insurer pays the investor. Risk insurance is critical to the capital stack but is generally managed by creditors rather than the country – although the country can indirectly affect insurance calculations calculations through policy reform, or by supporting national entities like NDBs to create insurance products

to sell to investors. Different forms of insurance cover political risk, payment guarantees (which, unlike credit guarantees, are also subject to arbitration), currency hedging and many factors that could affect the ability of the creditor to recover their investment.

Simple forms of contingency

Accelerated nature loss and climate change mean that countries are increasingly likely to face environmental disasters that demand significant spending on response and recovery (Expert Review on Debt, Nature and Climate, 2025). To prevent these kinds of exogenous shocks from tipping governments from sustainable debt levels into debt distress, simple forms of contingency can be introduced into all forms of debt. These could include maturity extension clauses that allow a borrower country to extend the maturity of its debt by two years at a pre-defined interest rate, and interest capitalisation clauses that allow a borrower country to capitalise the interest in the event of unexpected shocks (Expert Review on Debt, Nature and Climate, 2025).

By providing some flexibility to borrower countries, these contractually simple and transparent forms of contingency can avoid a rapid rise in debt costs in the immediate aftermath of an emergency. This also benefits creditors, as repayments are not reduced or cancelled but deferred, and the alternative might be a default and drawn-out restructuring (Expert Review on Debt, Nature and Climate, 2025). Given the increasingly frequent and severe impacts of climate change, including contingency clauses in all forms of debt will become more important over time.

5 Navigating sovereignty and conditionality

Country ownership is perhaps the most fundamental principle of country platforms, and is critical for their long-term success. This means that the country platform must be a vehicle for the implementation of national goals, as set out by the government in national development plans, Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), Country Prosperity Plans, sovereign transition plans and other long-term strategies (Gilmour et al., 2024). It also means that sovereign governments should have ultimate responsibility for the direction and oversight of the platform and should also manage the coordination and delivery of the platform partners and objectives – or at least delegate these responsibilities to appropriate partners and technical support while retaining authority over their mandates. This principle is not new: country ownership was emphasised in the 2005 Paris Declaration on Aid Effectiveness (OECD, 2005) and was the first principle adopted at the 4th High Level Forum on Aid Effectiveness in Busan (Busan Partnership for Effective Development Co-operation, 2011).

Ownership is most important in setting the priority and ambition of the country platform. In the design of the platform and the financing of different portfolios, the country must also take into account the responsibilities and concerns of prospective financiers if it is to secure support. National ownership and leadership are central to long-term political and policy stability, but an understanding of the needs of development, commercial and institutional financiers is critical to attracting international private finance (and indeed international public finance as this becomes an ever scarcer and more precious resource). Both bilateral and multilateral development finance institutions have a duty to ensure the agreed use of their funds and safeguard against corruption or fraud. Commercial banks, pension funds, asset managers, insurance companies and the like have fiduciary responsibilities to act in the financial interests of their clients. These duties mean that donors and creditors need robust and often binding assurances that their money will be used as intended.

In theory, country platforms should help to mediate between these two agendas by identifying policy reforms and projects that simultaneously advance national priorities and are conducive to mobilising private investment, and by matching different financing partners to appropriate projects. The financial package made available by international development partners can help to close the gap, if used well.

Yet tension between the sovereignty of the beneficiary country and conditionality imposed by donors and creditors remains a hallmark of the development sector. This has been true also of country platforms. From the borrowers' perspective, the promise of improved donor coordination and more flexible concessional finance remains unfulfilled: in South Africa, for example, the International Partner Group was said to 'act in concert but negotiate separately'

(Fakir, 2023), each donor stipulating different conditions for their pledge and requirements for monitoring and reporting. Such complications impose heavy administrative burdens on beneficiaries. From the creditors' perspective, the promise of much-needed policy reforms to manage risks and incentivise climate action has also been slow to materialise. Looking at South Africa again, promised reforms to improve the efficiency and integrity of procurement processes have not been implemented and the decommissioning of three coal plants – a key platform goal – has been delayed (Simone and Balasundharam, 2023; IMF, 2024). Some of this tension was resolved in 2025 as the Climate Investment Funds (CIF) approved an updated JETP plan, permitting the release of a $500 million pledge and the consequent unlocking of $2.1 billion in financing (Sguazzin, 2025).

The tension between sovereignty and conditionality is unlikely to disappear completely and must be managed in the design of a country platform. Some of the measures we identify in this paper should be attractive to borrowers and creditors in all cases, such as the inclusion of simple forms of contingency. Some measures will help to reconcile borrower and creditor concerns in specific cases: debt-for-nature or debt-for-climate swaps will make sense when the borrower has pockets of expensive debt to tackle, while equity-like debt instruments will make sense when the borrower is more climate-vulnerable and the creditor has a higher risk appetite. In extreme cases, stricter conditionality may even directly benefit a country's debt burden: if the contracts are structured so that the achievement of sustainability conditions is senior to repayment of loans, this can, in downturns, effectively amount to enforced debt relief (Chamon et al., 2022).

For the most part, however, strict conditionality can have an additional cost to the government and a political cost to the programme which can lead to its failure: research has shown that, beyond a certain point, more stringent conditionality (for example, on achieving specific climate and development outcomes) can increase the frequency of bailouts (Fink and Scholl, 2016). In the initial phases of a country platform especially, support without conditionality is important as countries work out the direction and vision for their platform. Here, support from non-creditor partners like philanthropies will be especially critical. Ultimately, long-term success for country platforms requires that supporting partners internalise country ownership as a core principle, providing support where requested, rather than as secondary to international priorities.

Country ownership is about more than just national sovereignty: it is also about government and societal alignment behind the platform. Building and maintaining this alignment at the highest political levels and through consultation with actors across the economy and society is vital from the earliest stages of platform development (Tanaka et al., 2025). For debt management especially, the role of finance ministries is vital. Design and implementation of a country platform will take place over years, and require nationwide support throughout. Attempting this without political alignment (Kelsall et al., 2024) and without adequately addressing 'just transition' concerns (Steadman et al., 2024) is a recipe for failure. On the other hand, ensuring country

ownership at all levels, including demonstrated intention to pursue the country platform, contributes to investor confidence in the direction of country development and therefore the willingness of creditors to offer better terms.

Once national alignment is secured, and as countries consider how to scale investment within the constraints of their debt profiles, careful design of a country platform can offer different ways in which to approach or even meet investment needs. Countries with extremely limited capacity to take on new debt burdens should decide whether to use the investment programme of a country platform to support a refinancing programme. In such cases, the key role of concessional loans and similar tools will be to refinance existing debt at better rates and so to lower debt service costs. The money saved from reducing debt servicing costs can then be funnelled into the platform objectives, in such a way as to unlock additional finance without adding to the debt burden. Countries with fewer constraints on their borrowing have greater opportunities to meet their investment needs, but will nonetheless also benefit from careful design to maximise the financing available.

6 Conclusion and recommendations

There is considerable excitement around country platforms as a promising mechanism to improve the effectiveness of climate and development finance and unlock climate-compatible private investment in EMDCs. Appetite will only build in the lead-up to COP30, which will give country platforms much prominence in the Baku to Belém Roadmap to unlocking $1.3 trillion a year from 2035. Country platforms have been launched in countries with diverse fiscal and debt positions, and the next generation of country platforms is likely to expand this range even further.

In principle, a successful country platform – one that is fully owned and led by the country itself – is likely to support public debt sustainability over the long term in a number of indirect ways. These include greater policy certainty and coherence brought by public national concentration on the platform's goals, which can stimulate investor confidence and thereby reduce borrowing and refinancing costs. Successful platforms can also bring better public investment planning with accompanying policy reforms in both the target sector and in financing strategies. Bringing these together can enable the country to transfer investments to the private sector, reducing total public-sector borrowing needs for future investment. More generally and critically, country platforms can support the implementation of transformational, investment-led growth strategies, which are key to long-term debt sustainability.

Nonetheless, much of the international investment in country platforms is expected to come in the form of new lending, with many of the country platforms launched to date depending substantially on sovereign or sovereign-guaranteed loans. Since many EMDCs are facing declining creditworthiness, liquidity pressures and in many cases high and unsustainable debt burdens with risk of debt distress, taking on additional debt requires careful consideration. Given these concerns, this paper makes the following overarching recommendations to all countries considering or designing a platform.

Recommendation 1: Integrate fiscal assessments into country platform scoping and design. There are important interactions between a country's domestic fiscal account and its external accounts, and a holistic view of a country's macroeconomy is key when designing a platform. Without early integration of fiscal considerations and appropriate planning, country platforms could take on unsustainable levels of debt that might impinge on fiscal performance and could even precipitate a crisis. This is one reason why ministries of finance have such an important role to play in country platforms. Given enormously different national contexts and risks of debt distress, simply replicating the design of existing country platforms will likely be inappropriate – though there are many lessons to be learned from the frontrunners.

Recommendation 2: Target specific and relatively narrow goals for the country platform to improve the chances of success. Some countries have taken a multi-sectoral approach to their platforms, but the broader the platform the more capacity is required to design, monitor and

run it. The multi-sectoral approach may therefore not be appropriate for all countries. A narrow platform can be broadened with time and practice, or further platforms established later to pursue other national priorities, but if the first country platform can prove the concept and enact key enabling reforms, subsequent programmes will benefit from greater access to finance and likely improved debt sustainability.

Recommendation 3: Optimise the capital stack. Regardless of how sustainable or otherwise a sovereign debt burden may be, the design of a country platform should seek to use whatever financial and risk-mitigation instruments are available in a way that maximises the amount of and access to finance with the least additional liabilities. Compared to traditional structures, better use of the capital stack can either achieve the same goals for less financing, or achieve more for the same financing. Countries can also help to de-risk investment without providing capital themselves, using mechanisms like the certification initiative set up in the Brazilian platform, which will provide investors with the assurance that certain projects have full government support. Guarantees can be expanded and simplified through dedicated entities like the upcoming Credit Guarantee Vehicle in South Africa and any incipient global guarantee facilities.

For countries that are not at high risk of debt distress, we offer **Recommendation 4: Country platform financing plans should take on sustainable levels of new sovereign debt.** Not all debt is the same – the cost and duration can vary widely – but a country platform can help to secure more favourable terms. Although this will in the short term add to the debt burden, it will likely enable more ambitious platform goals and enhanced debt sustainability effects due to the success of a larger investment programme – and, since such a programme should be targeted at a country's own priorities, should also bring the country closer to securing its investment needs.

For lower-income countries that are highly vulnerable to debt distress, especially those facing liquidity constraints, we offer **Recommendation 5: Design the country platform financing strategy around non-debt instruments or around debt management** (for example, via re-financing, re-scheduling and debt swaps). The supply of grants is decreasing as development assistance budgets are cut, but these still have a place in country platforms – especially in small platforms with highly targeted ambition, and in traditionally less commercially viable sectors. Grants may be appropriate to fund long-term technical assistance around policy reforms that can help to improve the affordability of capital and decrease the risk of debt distress. Equity funding by development partners, while currently limited, can also play a role in some country platforms and, if expanded, could become a more important source of investment without increasing debt burdens. Finally, a country platform intended specifically to improve debt sustainability could be designed around an investment programme that allows the rescheduling or refinancing of existing debt, or swaps targeted at expensive pockets of debt and also backed by identified investments, following the proposals detailed in Section 4.

For middle-income countries at high risk of debt distress that have access to capital markets, we offer **Recommendation 6: Concentrate country platform financing around non-**

sovereign instruments and sources. These include expanding foreign direct investment, but also encouraging domestic corporates to tap local capital markets and making use of new credit guarantee vehicles to limit calls on sovereigns. This is an important goal of the Egyptian and Brazilian platforms (with a particular focus on FDI), and may resonate with other large emerging economies such as Colombia, Pakistan and Sri Lanka. This strategy, where it is available, can help to finance important investment needs without burdening the state – although it transfers potential profit and ownership to the private sector along with the risk.

Debt sustainability is a concern shared among all stakeholders. While much of the design and launch of a country platform should be driven and owned by the country itself, international partners can take further action to support these platforms in ways that can improve debt sustainability for the country.

Recommendation 7: International development partners (including MDBs and Multilateral Climate Funds (MCFs)) should assist countries to design and implement platforms that support debt sustainability. There are many ways development partners can do this, depending on their particular capabilities and priorities. MDBs are well-placed to provide technical assistance on policy coherence and public investment planning, which can improve the efficiency of expenditure and drive down the cost of capital, and use their balance sheets to support NDBs to lend in local currency. Bilateral and multilateral DFIs often have particular competencies in non-debt instruments, such as guarantees (e.g. MIGA and US DFC). Donors should work on harmonising their processes to reduce transaction costs and on improving their coordination to ensure the platform does not jeopardise debt sustainability, and that scarce grant resources are allocated effectively.

Recommendation 8: International development partners should continue to pursue reform of the MDBs and MCFs to increase the quantity and quality of grants and concessional finance. In the context of rising sovereign debt levels, grants and concessional finance have a catalytic role to play – but are very scarce. Over recent years, the G20 Presidencies of Italy, India and Brazil have coordinated a major effort by the largest MDB shareholders to drive forward reforms that could make the MDBs 'better, bigger and more effective to better meet countries' sustainable development goals as well as to address global and regional challenges with a renewed sense of urgency and determination' (G20, 2024). The Brazilian G20 Presidency has initiated a reform process for the vertical climate funds, intended to optimise their operations and enhance their contribution to the mobilisation of other sources of sustainable finance (IHLEG, 2024). Both reform efforts have the potential to release more concessional international finance to enable the development of robust country platforms. Equally important, the G20 tasks MDBs and MCFs with supporting country platforms as a powerful vehicle to increase national ownership and enhance the effectiveness of finance – public and private, domestic and international. Grants and highly concessional finance should be deployed judiciously both across and within country platforms.

Recommendation 9: Creditors should support options to reschedule, refinance or swap debt as part of a country platform investment programme. Proposals discussed in Section 4 outline the need for a strong investment programme to underpin large-scale refinancing initiatives. Country platforms combine sectoral, technical work with bankable project pipelines and critical policy reform, thus presenting such initiatives with implementable programmes that reflect national priorities.

Country platforms are not the solution to every development challenge. They are highly complex to design and implement, and if they are deployed in support of ambitious, large-scale sectoral transformation they will probably depend on substantial new loans. Nonetheless, in different ways in a range of debt contexts, a carefully designed country platform may help countries to avoid or resolve debt crises in the ways described in this report, and set them on a path towards more affordable investment.

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