EXECUTIVE SUMMARY
PRINCIPLES FOR DEBT TRANSPARENCY

A new set of private sector principles to enhance transparency in sovereign debt markets

Amid growing concern about the implications of rising global debt levels, policymakers and private sector leaders alike have been in search of ways to support debt sustainability. With encouragement from official sector collaborators and a clear mandate from the Board of Directors of the Institute of International Finance (IIF), this set of voluntary Principles for Debt Transparency is being submitted ahead of the 2019 G20 Ministerial in Fukuoka, Japan on June 8-9 for potential endorsement.

Developed by the IIF Debt Transparency Working Group—which includes some of the world’s largest financial institutions—these Principles are designed to enhance transparency in private sector lending, particularly to the most vulnerable low-income countries. Greater transparency will in turn facilitate good governance, aid the fight against corruption and support debt sustainability. In this context, private sector lenders also value and refer to tools such as the IMF/World Bank Debt Sustainability Framework and IDA’s Non-Concessional Borrowing Policy.

As debt sustainability is a shared responsibility, the Principles are meant as a complement to efforts to improve transparency on the part of public sector lenders and borrowers—e.g. the G20 Operational Guidelines for Sustainable Lending and the World Bank/IMF multipronged approach addressing emerging debt vulnerabilities.

SCOPE
The Principles are:

• focused initially on private sector foreign-currency lending to sovereigns, sub-sovereigns and public sector entities (or borrowers with public guarantees) in PRGT-eligible countries;
• meant to capture any arrangements that have the economic effect of borrowing, including loans, guarantees, asset-backed lending and repos;
• not intended to add to the disclosure burden in areas where transparency is already good (e.g. publicly traded bonds);
• recommending a set of disclosures including interest rates (in ranges), maturity and use of proceeds; and
• recommending that disclosure be provided after a reasonable cooling-off period.

IMPLEMENTATION
The Principles are well supported by the relevant cohort of the IIF membership, and every effort will be made to promote adherence more broadly. It should be noted that successful implementation of these new Principles will require ongoing support from public sector stakeholders as well as private sector lenders. One fundamental expectation is that public sector borrowers will facilitate and support this private sector initiative.

Successful implementation will also require an appropriate repository for data disclosures. While a number of options have been considered, the IIF Debt Transparency Working Group—with strong support from civil society—firmly believes that such a repository should be housed at an international financial institution (such as the IMF or World Bank) that has the credibility, capacity, and experience to maintain a permanent facility. Information should be made available to the general public in an easily accessible and understandable format, including broader context about the overall indebtedness of in-scope countries.

GOVERNANCE
The Principles for Debt Transparency will be overseen by the Group of Trustees of the 2004 Principles for Stable Capital Flows and Fair Debt Restructuring, with support from the Principles Consultative Group (PCG). The Trustees, supported by the IIF Secretariat, will conduct an annual review of their uptake, implementation and impact.