FOR IMMEDIATE RELEASE (Washington, DC – January 31, 2022) - The Bretton Woods Committee is today releasing the publication, "Debt Transparency: The Essential Starting Point for Successful Reform," which presents concrete, actionable recommendations toward greater transparency in acquiring, and when necessary, restructuring sovereign debt.

"With a major build-up of Covid-induced sovereign borrowing plus tightening monetary policy, more low-income countries and other emerging economies will likely require debt relief in the year ahead. But a lack of transparency remains a fundamental obstacle in overall sovereign debt management and relief. Without knowing the extent of the debt that exists and the terms of that debt, lending and restructurings are ill-fit. To effectively manage debt burdens and to avoid what could provoke a global debt crisis, action on the debt transparency agenda is both essential and urgent," said BWC Vice-Chair and report Co-Chair William R. Rhodes.

Rhodes' comments reflect the heightened likelihood of new debt distress episodes stemming from the historic recent increase in sovereign debt. According to the International Monetary Fund, total global debt rose by 28% in 2020 alone – the most rapid yearly surge since WWII – reaching a total of $226 trillion. At the same time, the World Bank reported, that debt issued by low-income countries rose by 12% to a record-breaking $860 billion.

The Working Group's report is a call for *all* stakeholders to take urgent, concrete action to strengthen debt transparency before a next wave of disorderly defaults leads to systemic risk. The two key recommendations of the report are: 1) reaching broad agreement on minimum disclosure requirements and reporting for all sovereign lending; 2) changing the mix of incentives and disincentives so that transparency enhancing actions are rewarded and actions that undermine it are discouraged.

To achieve this, the report recommends a menu of practical regulatory, legislative, and policy solutions that could be taken by all stakeholders – debtor countries, creditor countries, the private sector, ratings agencies and the multilateral financial institutions. Importantly, the report calls for a consensus-building process that engages China – the largest single lender to emerging markets and developing countries. Additionally, when it comes to debt restructurings, the private sector should be involved earlier in the process than is currently the case. The report urges leadership from the official sector – the International Monetary Fund, the World Bank and other multilateral development banks, and the Paris Club – to leverage their unique position to make progress on the crucial debt transparency agenda.

"In order to succeed, systemic reforms require international cooperation. Progress is possible, as broad agreement exists already regarding the need for enhanced debt transparency. To this end, the G20 countries have created their Common Framework, while private sector market participants – working through the Institute of International Finance – have developed a set of Voluntary Principles. To be effective, however, additional steps are required urgently. The upcoming G20 ministerial meeting would be an opportune moment to establish credible commitments to new measures," said Working Group Co-Chair and BWC Vice Chair John Lipsky.

This report is the second in our Sovereign Debt Working Group's series on improving the global debt resolution architecture. The Working Group is comprised of a diverse group of experts and practitioners who possess vast knowledge of the sovereign debt architecture. William R. Rhodes, former Chairman and CEO of Citibank NA, and John Lipsky, former First Deputy Managing Director of the International Monetary Fund, co-chair the group. Other members include Terrence Checki, Richard J. Cooper, William C. Dudley, Gail Kelly, Keyu Jin, Joaquim Levy, Maria Ramos, Susan Segal, Jose Vinals, and Mark Walker.

"This report lays out a roadmap for a more transparent sovereign debt regime that will lead to better outcomes for all. Greater transparency will lead to less risky lending, lower borrowing costs, and more efficient, inclusive debt restructurings," said BWC Chair William C. Dudley.

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