



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

3 April 2013

Dear Nick,

Thank you for your letter of 8 February. The UK Government shares your signatories' concerns about the debt burdens of the poorest countries and has made debt relief one of its priorities.

Freeing developing countries from their debt service payments frees up vital resources that can be used to support the achievement of the Millennium Development Goals. The UK has made significant progress in this area. We are doing more than we initially promised under the Heavily Indebted Poor Country (HIPC) Initiative by providing 100 per cent cancellation of bilateral debts owed to the UK when countries reach HIPC completion point. Furthermore, the UK used its Presidencies of the G8 and EU in 2005 to promote the cancellation of 100 per cent of debts owed by the poorest countries to multilateral institutions. The G8 proposal for a Multilateral Debt Relief Initiative (MDRI) cancelled 100 per cent of the remaining debts of HIPCs to the concessional lending arms of the World Bank, IMF and African Development Bank. Since 2006, MDRI has delivered over US\$51 billion of debt cancellation with the UK contributing over £294 million of this. It has also reduced the value of eligible countries' debts as a proportion of their GDP from 114 per cent in 1999 to 20 per cent in 2011.

We do not believe, however, that it makes sense to cancel the entire world's debt. All debts owed to the UK are owed by internationally recognised Governments and are bound by legal contracts recognised under international law. To declare that a particular debt is unjust could cause lenders to refuse finance, or increase their rates of interest to developing countries for fear that their loans could later be repudiated. Consequently, this has the potential to undermine the economic prospects of developing countries.

I fully agree with you about the importance of this issue and the UK will continue to meet its commitments on debt. As set out in the Coalition Agreement it remains a UK priority to accelerate the process of relieving HIPC's of their debt.

Tom
Dail

Mr Nick Dearden