

Rt. Hon. Justine Greening MP
Secretary of State for International Development
22 Whitehall
London
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4 November 2014

Dear Secretary of State,

We are writing to express concern that current levels of lending to developing countries threatens a repeat of the 'Third World' debt crisis of the 1980s and 1990s, and that a new round of debt crises across the developing world would significantly increase poverty and inequality and set back progress towards sustainable development. We hope that these issues will be addressed through the Financing for Development negotiations, as well as other processes and policy decisions.

Recent research published by the Jubilee Debt Campaign and enclosed with this letter shows that, based on IMF and World Bank predictions, there will be significant increases in the proportion of government income spent on debt payments over the next decade, even if there are high rates of growth. The situation is even worse if growth is lower or economic shocks take place. The increase in debt service payments could lead to cuts in poverty reduction expenditure programmes.

Whilst debt relief under the Heavily Indebted Poor Countries initiative and Multilateral Debt Relief Initiative significantly reduced debt payments for some countries, others were excluded, and the UK and the international community have failed to take the necessary action to implement the target under Millennium Development Goal 8 to "Deal comprehensively with the debt problems of developing countries". The two key underlying drivers of runaway sovereign debts - irresponsible lending and illicit financial flows / tax avoidance - remain largely unaddressed.

We therefore call on the UK government to take and support urgent measures to prevent a recurrence of debt crises:

- 1) Reject calls to restart UK bilateral aid loans, and shift aid money away from sources which give loans, such as World Bank loan funds, towards sources which give grants
- 2) Require all lenders funded by the UK, including UK Export Finance, the World Bank and IMF, to sign up to responsible lending guidelines, including opening loan terms to public scrutiny before contracts are signed
- 3) Support the current process at the United Nations to create a fair, transparent and independent process for resolving sovereign debt crises, and to ensure that a full proposal is ready to be negotiated and agreed in Addis Ababa in July 2015

4) Introduce policies to support developing countries in increasing their tax revenues, including by preventing the loss of revenue through tax avoidance and evasion, such as:

- Removing the gateways and exemptions from the UK's Controlled Foreign Companies rules which prevent them from deterring tax avoidance and evasion in third countries
- Carry out a thorough and well-resourced 'spillover' analysis, looking at the negative effects of the UK's own tax rules on other countries, especially developing countries
- Providing increased and targeted technical assistance to Revenue Authorities and Regional Tax Authorities in their efforts to address the base-erosion and profit shifting practices of multinational companies

We would also like to express our disappointment that in September the UK was one of just 11 countries that voted against starting negotiations at the UN to create a new debt resolution mechanism. We hope that this decision will be overturned and the UK will now play a constructive role in these discussions both at the UN General Assembly and in the Financing for Development process.

We would very much welcome the opportunity for a meeting to discuss these issues further.

Yours sincerely,

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Syed Abdul Khaliq



Anabela Lemos



Paul Cook



Momodou Touray



Stephanie Atkins



Geoffrey Chongo



Sarah-Jayne Clifton



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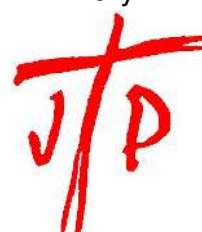


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