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Dear Constituent,

Thank you for contacting me about UK efforts to provide debt-relief in low-income countries and the International Development Committee's (IDC) recently published report on this topic.

The Government has responded to the IDC's recent report, including its recommendation to consult on the introduction of legislation to compel or incentivise participation of private creditors in the Common Framework. As explained in the report, multilateral international finance institutions remain the core source of external finance for low-income countries. The UK is a member of the World Bank Group, International Monetary Fund (IMF), and six regional development banks that lend to developing countries.

In the 1990s, the IMF and the World Bank developed schemes to help low-income countries with unsustainable levels of debt restructure or eliminate debts, including the Heavily Indebted Poor Countries (HIPC) initiative. Set up in 1996, the HIPC was the first significant international initiative to tackle global debt, aiming to strengthen the links between debt relief, poverty reduction and social policies. I am encouraged that the UK has provided debt relief worth £650 million through this scheme.

In addition to being a significant contributor to the HIPC, the UK has consistently championed debt relief in recent decades. Indeed, the UK exercised its influence at key international meetings to advance the HIPC, such as the UK's presidencies of the G8 and the European Union in 2005. Furthermore, by promoting the 100% of eligible debt relief by multilateral institutions, the UK led international efforts to create the Multilateral Debt Relief Initiative (MIDR) and has provided debt relief worth £1.4 billion. Collectively, under the HIPC and MIDR, around US$130 billion in debt was cancelled for 26 countries between 1998 and 2010.

As outlined the International Development Committee's recent report, there is no doubt that the events of the Covid-19 pandemic and Russia's illegal invasion of Ukraine have compounded the debt crisis. In response, the global community acted swiftly in establishing the Debt Service Suspension Initiative (DSSI) by the G20 in May 2020. This initiative saw international Governments agree to temporarily suspend debt repayments owed to them by 73 low- and lower middle-income countries that requested the suspension. Running from May 2020 to December, 48 out of 73 eligible countries

participated in the initiative, providing approximately $12.9 billion of temporary fiscal space to enable the world's poorest countries to respond to the crisis.

More recently, to deliver a long-term, sustainable solution in delivering lower-income country debt vulnerabilities, the G20 and the Paris Club endorsed the Common Framework. Members, the UK included, pledged to co-operate on debt treatments for 73 countries eligible for the DSSI at

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their request and I am pleased to learn Zambia's debt relief has now been accepted under this Framework most recently.

The Bridgetown Initiative, launched by the Barbadian Prime Minister, argues debt distress, climate change and the impact of the war in Ukraine on global prices must be dealt with together. Countries vulnerable to climate change are often also the most vulnerable to debt distress, a status which may worsen. I am pleased that the UK Government has said it is "working closely" with Barbados on the initiative, which includes a call for a "far more ambitious debt suspension initiative" than the Common Framework.

Thank you again for taking the time to contact me.

Yours faithfully,

Chris

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