



Department
for International
Development



Rt Hon Desmond Swayne TD MP
Minister of State for International Development

Response to Jubilee Debt Campaign ‘Don’t Set a New Debt Trap’

As you may be aware, the World Bank has identified eleven countries which have been rapidly accumulating debt since receiving debt relief. The maintenance of sustainable debt levels is a critical factor for achieving poverty reduction in developing countries. The UK has for many years been at the forefront of international efforts to promote debt sustainability, including the provision of more than £5 billion in debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative.

The Department for International Development will continue to be a predominantly grant-based organisation. The provision of loans will be considered on a case by case basis and in line with international best practice, the UK will not provide loans to countries already in debt distress or those considered at high risk. The UK remains a strong advocate for responsible lending and borrowing practices, notably through our support for the IMF-World Bank Debt Sustainability and the OECD sustainable lending principles. We are also committed to building the debt management capacity of developing countries through DFID in-country programmes. DFID’s contributions to the International Financial Institutions (IFI’s) are used to provide concessional finance to developing countries and these IFI’s have policies in place to support developing countries’ debt sustainability. Crucially, countries receiving support from the International Development Association (IDA) that are at high risk of, or in, debt distress, receive assistance from the World Bank only in the form of grants.

Through DFID, the UK funds the OECD, the Global Forum and World Bank Group to support the delivery of technical assistance in developing countries to help them tackle tax evasion and tax avoidance. DFID is also engaged in, and developing, bilateral or multilateral programmes in 26 out of its 28 priority developing countries to improve their tax policy and administration capacity and is funding a dedicated DFID-funded unit in HMRC to provide direct technical assistance to partner countries.

The UK recognises that the process for sovereign debt restructuring should be timely, predictable and effective – and we support action to promote debt sustainability internationally. We consider the IMF to be the primary forum for policy discussions in such a technical area, given both its expertise and centrality to the operation of the international system for resolving debt crises. We also strongly support the IMF’s work on the contractual framework to address collective action problems, which has the full support of the international community and involves extensive consultation with both issuers and creditors.

The UK Government remains committed to addressing the issue of so called 'vulture funds' in developing countries, and is the first and one of only two countries to have introduced legislation to prevent commercial creditors of HIPC's recovering an amount of debt in excess of that consistent with the HIPC initiative through its courts. It continues to support international initiatives to tackle 'vulture fund' activity, including through the World Bank's Debt Reduction Facility, and the African Legal Support Facility, which supports legal advice to African countries facing litigation from 'vulture funds'.

In reference to Early Day Motion 68 on 'Prevention of Debt Crises in Developing Countries,' it is convention that Government Ministers do not normally sign these motions. DFID will continue to do all it can to support low income countries to maintain sustainable debt levels.

DESMOND SWAYNE