



Department
for International
Development



Foreign &
Commonwealth
Office

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Supporters of the debt relief campaign

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Thank you for your emails and letters regarding the suspension of debt payments for developing countries.

The UK Government is deeply concerned about the impacts of the COVID-19 pandemic on the public finances of low-income developing countries. During 2020, countries eligible for support from the International Development Association (IDA) were projected to spend around \$36bn on servicing external debts. In this time of crisis, it is vital that creditors work together to ensure that servicing debt does not prevent countries from protecting their citizens and economies.

The UK, alongside other G20 countries and members of the Paris Club of official creditors, has committed to a temporary suspension of debt service repayments from the poorest countries. This effort from official bilateral creditors has so far provided 42 countries over \$5bn of additional fiscal space until the end of the year, allowing them to redirect finances towards mitigating the health and economic impacts of COVID-19. Based on a needs assessment by the International Monetary Fund (IMF) and the World Bank, the G20 will consider extending the initiative into 2021.

In his Budget speech on 11 March, the Chancellor announced a leading UK contribution of up to £150m to the IMF's Catastrophe Containment and Relief Trust (CCRT), which provides 29 of the world's poorest countries with relief on debt repayments to the IMF. So far 28 countries have benefitted, including some of the world's most fragile places such as Afghanistan and Yemen. With the UK's support, the World Bank Group (WBG) has also made available significant amounts of new financing to help countries counter the effects of the COVID-19 pandemic. This will ensure net positive financing flows to all Debt Service Suspension Initiative (DSSI) eligible countries. For the poorest countries at high risk of debt distress, support from the World Bank's IDA is provided on grant terms and does not add to debt vulnerabilities.

Furthermore, the Chancellor, alongside other G20 Finance Ministers, has called on the private sector to participate in the debt suspension initiative. On 30 April, the Paris Club and the Institute of International Finance (IIF), an industry body which represents nearly

450 financial institutions, issued a joint release noting that “private creditor representatives expressed strong support for the initiative and are committed to explore how best to advance this initiative on comparable terms”. The IIF released Terms of Reference on 28 May to support their members’ engagement with eligible borrowers and provide a framework for private sector creditors to suspend debt service repayments on a voluntary basis. At the G20 Finance Ministers meeting on 18 July, the Chancellor announced a £1 million contribution to the African Legal Support Facility to help African countries manage their debt vulnerabilities and to engage with their creditors, especially those from the private sector, on a level playing field.

The DSSI provides rapid payment relief during the crisis, allowing countries to use their resources to tackle the pandemic rather than repaying creditors. However, in some countries, further assistance may be needed to minimise the longer-term impact of the crisis. If debts do require restructuring, the UK will work with the Paris Club of official creditors, IMF, and World Bank on a case-by-case basis to support equitable debt reductions, with fair burden sharing amongst creditors, to promote long-term sustainable growth.

The UK Government is committed to helping developing countries tackle the COVID-19 crisis and maintain debt sustainability. We will continue to work with our colleagues from Her Majesty’s Treasury and our partners around the world in an effort to achieve this goal.

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