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12 February 2007

THE PRIME MINISTER

Dear Mr. Rand,

Thank you and your co-signatories for your letter of 30 January on behalf of Jubilee Debt Campaign, urging the Government to take further action on international debt.

Thank you also for your recognition of the Government's work in keeping debt relief on the international agenda and for the progress that we have made in benefiting the health and education of people who are poor.

The Government is committed to 100% bilateral and multilateral debt relief for all of the poorest countries, and we continue to work towards this. We meet and exceed our commitments made under the Heavily Indebted Poor Countries (HIPC) Initiative. We have already cancelled all old aid loans and deliver 100% relief on other bilateral debt (the debt owed by individual countries to the UK) for qualifying HIPC countries. Up to 43 countries are eligible for 100% irrevocable debt cancellation at the World Bank, International Monetary Fund (IMF) and African Development Bank (ADB) under the Multilateral Debt Relief Initiative (MDRI), and all of the poorest countries will benefit from their share of the additional resources being paid by donors, including the UK, to the Banks as part of this. One hundred per cent debt cancellation under the MDRI has now been delivered for 21 countries, and up to 22 others will benefit when they complete the HIPC. The MDRI is worth over US \$50 billion and has

already delivered over US \$38 billion. To date, around US \$100 billion of debt relief has been delivered under the HIPC and MDRI initiatives. Of this amount, US \$44.35 billion was under HIPC and US \$38.52 billion under MDRI was stock cancellation. The balance of the total was for interim debt relief (relief on debt service as it becomes due) amounting to approximately US \$16.86 billion under HIPC.

The UK is also offering assistance with debt service payments to poor countries that are not eligible for debt relief under the MDRI. Under the UK Multilateral Debt Relief Initiative (UK MDRI), we pay our share (10%) of the qualifying countries' debt service to the World Bank and African Development Bank. We continue to encourage other donors to join us and pay their share, bringing this debt relief up to 100%. All of the poorest countries are eligible for assistance under the UK MDRI. Seventeen HIPCs received assistance last year under the UK MDRI until their debts were cancelled in full under the MDRI. Six non-HIPCs also received assistance under this initiative. Currently, there are 8 countries receiving debt relief under the UK MDRI and we are looking at ways to include others.

The British Government recognises the continuing concern about the debts of some poor countries where governments have not used the money for the benefit of the population. However, where the loans were made under legal contracts to internationally recognised governments, the rule of law should not be set aside. We will work within the existing multilateral systems and initiatives for debt relief to tackle sovereign debt problems. And the UK will continue to press the Paris Club to deliver generous settlements to poor countries in need of relief.

Going forward, the UK will continue to be at the forefront of work to encourage more responsible borrowing and lending to enable countries to access the finance necessary to meet their development goals whilst ensuring long term debt sustainability.

Yours sincerely,
Tony Blair

Mr Stephen Rand