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*Dear Margaret,*

Thank you for your letter of 4 July (ref: WILL041/080362) to Douglas Alexander, enclosing one from your constituent, Jeremy Williams, of ■ Turners Road South, Luton, ■ about debt relief. I am replying as the Minister responsible for the issues raised.

I agree with your constituent that poor countries need to spend more on essential services to achieve the Millennium Development Goals (MDGs).

The UK continues to lead international efforts in support of debt cancellation and poverty reduction for poor countries. We have provided generous relief on debts owed to the UK, and been instrumental in developing and implementing international debt relief initiatives such as the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, and the Multilateral Debt Relief Initiative (MDRI). 23 countries have already had their debts cancelled in full and a further 10 countries are receiving interim debt relief, which reduces their debt service payments while they work towards qualifying for debt cancellation. These international debt relief initiatives have so far delivered over US \$100 billion worth of debt relief to poor countries.

We agree that many poor countries require additional support with their debt payments in order to achieve the MDGs. This is why the UK has cancelled almost all old aid loans and billions of pounds worth of debt for countries not covered by the HIPC initiative. We wrote off £2.85 billion of Nigeria's debt in 2006.

The majority of countries yet to have their debts completely cancelled are affected by conflict and poor governance. The international community has provided additional financing to help countries qualify, for example helping clear Liberia's arrears so it now receives debt relief. Through our bilateral development programmes and with international partners, we work to build peace, strengthen governance and financial management, so these countries meet the standards required to ensure debt relief benefits the poor.

Under the UK-MDRI we offer relief for all the poorest countries not covered by HIPC. Recent changes in the eligibility criteria mean that 4 more countries are now benefiting (bringing the total to 12). There are only 14 other low-income countries not covered under the UK-MDRI or HIPC. These countries do not currently meet the criteria, but would receive support if their standards improved. We must be sure that the savings from debt relief will be used well.

Your constituent argues for another US \$400 billion of debt relief, much of which would be for Middle Income Countries. However, this would mean reallocating our budget away from poorer countries and the Government's focus should remain on assisting them.

Your constituent mentions his concerns that Kenya is not benefiting from debt cancellation. DFID does not provide debt relief to Kenya because of weak financial systems, poor reporting and concerns about corruption. We would only consider debt relief if considerable improvements were made. We are however supporting government systems which reduce corruption in Kenya, the development of anti-corruption institutions, a Public Sector Reform programme and the strengthening of civil society organisations to be a check on the executive.

On the issue of conditionality, I agree that countries should lead their own development and conditions linked to aid and debt relief should not be used to impose policies on governments. However, we need to ensure that debt relief will be used well to benefit the poor. Countries therefore should demonstrate commitment to good financial management and poverty reduction before receiving debt relief.

I hope this is helpful.

*Yours sincerely,*

*Gareth Thomas*

GARETH THOMAS