



25 November 2024 / RP01063

Dear Jane,

Thank you for taking the time to compile the list of four questions you would like me to address relating to debt relief for low income countries. I welcome the chance to clarify my position on this important issue.

1. It is – I think – unarguable that a very high debt burden will drive a certain degree of immigration into countries like the UK but I would be cautious over making too much of this connection. If we look at the data on small boat crossings for this year up until June, we see that the two most represented nationalities, by some margin, are Iran and Afghanistan, also highly placed are Syria and Sudan. I would argue that what links this particular cohort of countries is violence, instability and repression by autocratic regimes rather than specifically a very high debt burden. Indeed, many countries with extremely high levels of debt like Chad do not feature even in the top ten. A heavy debt burden is no doubt a factor when it comes to migration, but in my view a secondary one.

2. Coming to the question of servicing debt or paying for public services, this is a balance which all nations, not just developing ones, must try and strike. Indeed, the federal government in Washington DC currently has \$36.03 trillion in federal debt that must be serviced. For very low-income countries specifically, there have been efforts to address this point and afford the governments in question more fiscal headroom. The G20 launched the Debt Service Suspension Initiative (DSSI) in May 2020, in response to the Covid-19 pandemic. This arranged for a pause in debt service payments from 48 economies to official creditors. US\$12.9 million in payments were suspended.

While I do support these types of bilateral initiatives between governments, I do not think it would be especially viable for developing countries to simply choose to ignore debts outstanding to private creditors. Not least because doing so would effectively lock those countries out of accessing any further private credit in the future as no institution would be willing to risk lending. This outcome would unquestionably cause enormous harm in those societies which still very much rely on credit for development - and even the regular flow of imported goods and foodstuffs.

3. I am aware that there have been calls to introduce legislation to either compel private creditors to participate in debt relief schemes if a majority of creditors agree, or to ensure private creditors cannot sue debtor countries for more money than they would have received if they had participated in the DSSI. However, in my view, a market-based (contractual) approach to private sector participation in debt restructuring is the best way forward. Indeed, an International Monetary Fund (IMF) Review in September 2020 found this approach has been largely effective. Of course, private creditors should also participate in debt restructurings on terms at least as favourable as bilateral (i.e. country) creditors.

4. In relation to the statement from the Pope which you referenced; I would point out that 37 states have already completed the Heavily Indebted Poor Countries (HIPC) programme which has seen their external debts wiped away after following comprehensive programmes of economic and societal reform. Countries that have been through this programme include Mali and Ghana. I would therefore question the assertion that such debts can never be repaid. Indeed, I would point to programmes like HIPC as examples of how these debts can be managed and with proper international assistance, paid off or wiped.

I hope this response is of some use and interest.

Kind regards,

Rebecca Paul MP  
Member of Parliament for Reigate