



Lord Gardiner of Kimble
Liaison Committee
House of Lords
London
SW1A 0PW

Our Ref: SC23851

29 November 2024

Dear Lord Gardiner of Kimble,

Re: Proposal for a House of Lords special inquiry committee on lower-income country debt relief

I would like to offer my support for the above proposal. I believe that a special inquiry committee would make an important and timely contribution to the debate on the UK role in addressing the debt crisis facing lower income countries.

As you will be aware, the International Development Committee launched an inquiry on debt relief in low-income countries in April 2022, and published our report in March 2023. There have been various developments since that time, alongside sustained interest in the issue, which would make a new inquiry significant and timely.

The debt situation in many lower income countries has worsened significantly, with higher global interest rates pushing up debt payment costs and limiting countries' ability to refinance existing debts. The opportunity cost of unsustainable debt for development can be very high. Many low-income countries are faced with an impossible trade-off between serving debt and providing vital public services.

The new government has committed to "tackle unsustainable debt" as one of its priorities for international development. The inquiry could analyse initial progress by the government in this area and make suggestions for ways forward in the current context.

We noted in our report that the Common Framework was intended to provide a long-term structural approach to assist low-income countries facing unsustainable debts. At the time, we could not identify any meaningful progress on that agenda.

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It is still the case that only four countries have applied for debt treatment under the initiative, but there is now more scope to assess the outcomes of those four debt treatments. Zambia and Ghana have reached agreements with official creditors and bondholders, but other private creditors are still holding out on reaching deals. Suriname, Ukraine and Sri Lanka have reached deals with many creditors outside the Common Framework. The implications of these deals could be examined, alongside the wider workings of the Common Framework and debt restructuring mechanisms.

The UK has a crucial role to play. To enable participation in debt relief, a level playing field must be created for all private creditors. The Common Framework could provide such a level playing field, but because participation in the Common Framework by the private sector remains voluntary, no such level playing field currently exists. As New York and English law comprise the two major legal jurisdictions covering international debt agreements, the UK and New York have the potential to significantly improve private creditor participation in debt relief initiatives globally, particularly if these efforts are co-ordinated.

There is sustained parliamentary interest in the UK's response to the debt crisis. A special inquiry committee on lower-income country debt relief could make a valuable contribution to ensuring informed and productive debate.

Yours sincerely



Sarah Champion MP