



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

15 June 2019

Rt Hon Dame Caroline Spelman MP  
House of Commons  
London  
SW1A 0AA

*Dear Caroline*

Thank you for your letter of 29 May on transparency of lending to developing countries.

The UK Government is also very worried by rising debt vulnerabilities in developing countries. While external financing will continue to be essential to achieving the Sustainable Development Goals, it must be consistent with long-term public financial stability. We have therefore been leading calls to improve debt transparency and sustainability through international fora, including the G7, G20, International Monetary Fund (IMF), World Bank Group (WBG), and Paris Club of official creditors.

As sovereign nations, developing countries are ultimately responsible for their own public debt transparency and sustainability. However, we know that chronic capacity and capability issues make this challenging in practice. The international community therefore needs to better support developing country borrowers. In addition to its existing public financial management support, DFID has therefore recently announced a £4m contribution to the IMF and WBG's technical assistance fund, the Debt Management Facility. This will help strengthen borrowers' capacity to manage their debts.

Clearly ultimate responsibility does not mean sole responsibility – the UK also recognises that creditors also have an important role to play. We are pushing for the international community to take a proactive approach to reducing vulnerabilities which recognises the responsibilities of both creditors and borrowers. This collective process is important as internationally-agreed measures are required to address these complex, cross-border policy challenges.

As part of this process, the UK will continue to build consensus for an ambitious G20 sovereign debt agenda. The Communique for the recent G20 Finance Ministers and Central Bank Governors Meeting sets out what we agreed on debt transparency: [www.mof.go.jp/english/international\\_policy/convention/g20/communique.htm](http://www.mof.go.jp/english/international_policy/convention/g20/communique.htm). Though there is clearly more we must do, significant progress was made on private and official sector standards. The UK will continue to be a leading voice in pushing for action, including under Saudi Arabia's G20 Presidency in 2020.

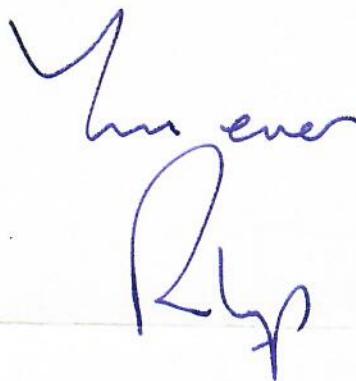
On private-sector creditor transparency, you will be aware that the Institute of International Finance is developing industry-led principles and a mechanism for its

members to disclose loans they make to developing countries. While there are some outstanding technical issues for the IIF to address, the G20 is supporting this work and hopes it will mark a significant step forward in sovereign debt transparency. The UK will keep this under review to ensure that is the case.

The UK has also pushed for the G20 to consider how official creditor standards can be raised, as it is important that G20 members implement best practice which we expect others to follow. We supported the G20's self-assessment against the G20 Operational Guidelines for Sustainable Financing, and are currently working with the IMF and WBG to analyse whether there are areas where the official creditors' practices can be further improved. We have played a leading role in securing new Quality Infrastructure Investment principles, which were agreed at the recent G20 meeting. These include an explicit reference to debt sustainability, to help ensure that investments do not undermine public financial stability.

Therefore, while we are not currently in a place to take forward your specific policy suggestions, please be assured that the UK Government is prioritising action in this space and will continue to be a leading and ambitious voice at the G20 and other international fora. We are committed to improving public debt transparency and sustainability, particularly in developing countries where the burden of vulnerabilities will be felt most acutely.

HMT leads for the UK on debt issues, working closely with DFID. I am copying this letter to the Secretary of State for International Development.

A handwritten signature in blue ink, appearing to read 'Philip Hammond', written in a cursive style.

PHILIP HAMMOND