

11 October 2010

Dear Campaigner,

Pakistan Debt Relief

Thank you for your letter about the recent floods in Pakistan. This has been the worst natural disaster to hit Pakistan in a generation. A full assessment of the damage has not yet been completed. However current estimates suggest that around 20% of Pakistan's cropland has been flooded, over 1.8 million houses damaged and over 20 million people affected.

The UK and the international community are supporting Pakistan through this major crisis with both immediate flood relief assistance and longer-term support to reconstruction. The World Bank and Asian Development Bank are undertaking a Disaster Needs Assessment and we anticipate that further donor pledges will be made in response.

The UK is playing a leading role. The British public have made a major contribution through the Disasters Emergency Committee totalling £60m to date. That is a tremendous effort, reflecting the deep generosity of people in this country.

The Government is also doing its part. We were one of the first to respond to the crisis by providing rapid practical help to those affected by the disaster. Our £134 million in aid has provided support to half a million malnourished children and pregnant or breast feeding women, safe drinking water for 800,000 people, shelter for more than 84,000 people and much more.


We fully agree that we need to ensure that the international community supports Pakistan through relief, recovery and reconstruction from the flooding, and we have been actively lobbying other governments on this front. However we do not consider debt relief to be the most effective way to support Pakistan at this time.

The Pakistan authorities are not requesting debt relief and we respect this position. Unlike so-called Heavily Indebted Poor Countries (HIPC) like Haiti, Pakistan is a middle income country, with significant foreign investment, and it benefits from being able to borrow in international markets. A request for debt relief from the Pakistani authorities could risk undermining confidence in Pakistan's economy, and the ability of both the Government and businesses to be able to access finance. The cost of borrowing could rise, the willingness of creditors and investors to lend to, and invest in, Pakistan could fall, and Pakistan's economy would suffer as a result. In fact, new financing from the IMF would give it new resources to spend in priority areas.

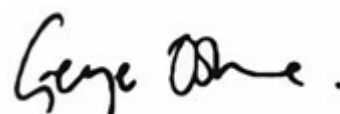
The UK's approach to support Pakistan is to provide targeted assistance that deals directly with the impact of the flooding, and to encourage the international community to do the same. We are also working to encourage the Government of Pakistan to improve its own efforts to increase resources available for poverty reduction, for example through reforms to taxation and other areas to help build a more accountable state able to deliver services to its people.

Thank you for taking the time to raise your concerns about the flooding in Pakistan.

Yours sincerely,



Rt Hon Andrew Mitchell MP
The International Development
Secretary
DFID



Rt Hon George Osborne MP
The Chancellor
HM Treasury