



10 DOWNING STREET  
LONDON SW1A 2AA

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THE PRIME MINISTER

15 January 1988

*Jean M. Candessus,*

Thank you for your letter of 18 December on the enhancement of the Structural Adjustment Facility.

There has been increasing international recognition of the need to give extra help to those low-income countries that are prepared to make adjustment efforts. I am pleased that the Venice Economic Summit provided an essential impetus in this process and that the resources of the Structural Adjustment Facility are now to be increased, which I know is the result of much hard work on your own part over the last six months. This should, as you say, enable the Fund to play a full part in assisting these countries.

The enhancement of the Facility has required an exceptional effort from the international community. It is therefore essential that the increased resources now be deployed carefully, in support of strong adjustment programmes. We shall need to pay particular attention to this as programmes come forward. But for some countries with exceptionally severe debt-servicing problems, particularly in Sub-Saharan Africa, even this will not be enough.

As you know, the Venice Economic Summit also endorsed the idea of looking into ways of providing other measures of

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debt relief, along the lines of the UK's own initiative which the Chancellor of the Exchequer Nigel Lawson launched last spring. I found very strong support for this during my recent visit to Kenya and Nigeria. Although some progress has been made on this as well, more work needs to be done, particularly on the possibility of applying lower interest rates to rescheduled official debt, if we are to provide the help which these countries need.

Yours sincerely  
Nagendra Khatwa

Mr. Michel Camdessus