



Foreign, Commonwealth
& Development Office

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Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

Chair, Foreign Affairs Committee
House of Commons
London
SW1A 0AA

Chair, International Development Committee
House of Commons
London
SW1A 0AA

Dear Meg, Alicia, and Sarah,

It is normal practice, when a Government Department proposes to undertake a contingent liability in excess of £300,000 for which there is no specific statutory authority, for the Minister concerned to present a departmental minute to the House of Commons giving particulars of the liability created and explaining the circumstances; and to refrain from incurring the liability until 14 parliamentary sitting days after the issue of the statement, except in cases of special urgency.

I am writing to notify you of a proposed contingent liability which the Foreign, Commonwealth and Development Office (FCDO) plans to undertake in relation to the Just Energy Transition Partnership (JETP) in South Africa. The proposed contingent liability is a guarantee of Multilateral Development Bank (MDB) lending.

The South Africa JETP is a flagship initiative of the UK's presidency of COP26. Through the JETP the UK, as part of an international coalition of development partners, intends to support South Africa to finance an accelerated move away from fossil fuels and towards renewable energy development. This will reduce greenhouse gas emissions and help limit global temperature rises to less than 2 degrees above pre-industrial levels, while addressing concerns around the impact on jobs and communities arising from this energy transition.

FCDO is planning a guarantee facility of \$1bn for African Development Bank (AfDB) lending to South Africa, allowing the AfDB to lend above its country limit. The proposed guarantee would cover loans approved during 2023, 2024 and 2025, although there is scope for an extension if FCDO decides it is appropriate, with a long-stop date of 2028.

The guarantee will only pay out if South Africa defaults on the guaranteed AfDB loans. The risk of a call on this guarantee is significantly lowered by the AfDB's Preferred Creditor Status, which means that it is prioritised for repayments ahead of other creditors. South Africa has not defaulted on sovereign loans since the apartheid regime collapsed over 20 years ago.

My intention is for the South Africa guarantee to be announced at COP27, which is between 6-18 November 2022. Publicly announcing our support for South Africa will increase the chance of securing ambitious energy transition commitments from the government of South Africa. Any announcement on these UK guarantees will note that the guarantee is subject to this parliamentary notification process being completed.

As FCDO Minister of State for Development I plan to lay Written Ministerial Statement and Departmental Minute for this contingent liability explaining the situation on 7th November. This means that the UK's willingness to provide a guarantee will be announced before Parliament has a chance to complete its review of the Written Ministerial Statement and Departmental Minute; however, the guarantee agreement with the African Development Bank and the World Bank will not be signed until 2023.

The Treasury has approved the proposal. Please get in touch with any questions or objections you have. Final approval to proceed with incurring the liability will be withheld pending an examination of any objections.

with warm regards

A handwritten signature in blue ink, appearing to read 'Andrew', with a short horizontal line underneath.

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