Foreign, Commonwealth
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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, Tom 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 Parliament giving particulars of the liability created and explaining the circumstances.

It is also normal practice that any contingent liabilities should not be incurred until 14 sitting days after Parliament has been notified of the Government's intention to incur a contingent liability. There is, however, an exception to this practice for cases of special urgency.

I am writing to notify you of two liabilities which the Foreign, Commonwealth and Development Office (FCDO) plan to undertake to support the economic stability of Ukraine following the Russian invasion in February 2022. Given the urgency of the situation in Ukraine, my team in FCDO intends to sign at least one of these contingent liabilities at the earliest opportunity in October. We plan to lay a Written Ministerial Statement and Departmental Minute for both liabilities explaining the situation when Parliament reconvenes in October.

Both planned contingent liabilities are Multilateral Development Bank guarantees. The first guarantee we intend to sign will support lending by the European Bank for Reconstruction and Development (EBRD) to Ukraine's state-owned electricity provider, Ukrenergo. This guarantee will have an expected maximum exposure of €54m (£46m). The second is a guarantee to support lending by the World Bank to the Government of Ukraine directly. This will have an expected maximum exposure of €527m (£448). Up to now, our guarantees have been denominated in euros as this is the currency Ukraine is borrowing in.

FCDO will be guaranteeing both principal and interest repayments on EBRD and World Bank loans. A UK pay-out would be triggered if either Ukrenergo or the Government of Ukraine miss a repayment on their respective loans by 180 days. The exact length of the liabilities is dependent on the terms of the agreed financing between the World Bank, EBRD, and the Government of Ukraine. The EBRD guarantee is expected to have a maturity of 5 years. The World Bank guarantee is expected to have a maturity of 18 years.

The EBRD's planned loan to Ukrenergo is already approved and ready to disburse once the UK guarantee is in place. The World Bank's planned support remains subject to discussions between the Bank and the Government of Ukraine but could also be ready for disbursement over the coming months. Signing these guarantees at pace is important to ensure continued financial support to Ukraine. Given that the number of parliamentary sitting days in September has been very limited due to the death of Her Majesty The Queen and the current parliamentary recess, we are planning to sign at least one of the guarantees before Parliament has a chance to review the relevant Written Ministerial Statement and Departmental Minute. If the liability is called, provision for any payment will be sought through the normal supply procedure.

The Treasury has approved the proposal in principle. Please raise any questions or objections by 6th October. Final approval to proceed with incurring the liability will be withheld pending an examination of any objections.

Yours sincerely,

Leo Docherty MP
Minister of State for Europe