Foreign, Commonwealth & Development Office

Rt Hon Dominic Raab MP
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Meg Hillier MP
Chair of the Public Accounts Committee
House of Commons
London
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Dear Meg,

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; 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 new liability of up to £90 million which FCDO has undertaken in respect of the Private Infrastructure Development Group (PIDG). This £90 million increase will be added to an existing liability of £40 million for PIDG which has been in place since 2016, creating a total liability of £130 million.

PIDG is a multilateral organisation founded by the UK and other like-minded donors in 2002. It exists to encourage and mobilise investment into infrastructure in the frontier markets of Sub-Saharan Africa and Asia. PIDG makes it viable for private investors to participate in infrastructure deals, using limited sums from its publicly funded trust to crowd-in many times that value in private capital. The UK is a majority shareholder in the PIDG Trust and has committed over £1 billion to PIDG since 2002, alongside other donors. This has collectively leveraged over £26 billion in investment from the private sector and partner international development finance institutions.

GuarantCo, a company within the PIDG group, issues guarantees to mobilise local currency financing into sustainable infrastructure projects in some of the poorest countries in Africa and Asia. Through its guarantees for loans and bonds, GuarantCo provides improved access to infrastructure services such as more reliable and affordable energy supply, water and sanitation services, better roads and affordable housing. Access to local currency finance is key to the sustainability and viability of most infrastructure projects, and yet in many of the markets where the need is greatest it remains hard to come by. GuarantCo has been recognised for its innovative approach to unlocking this much-needed financing, including a recent ground-breaking green bond in Kenya for the development of affordable housing.

The new liability will enable GuarantCo to continue to issue new guarantees (to up to three times the value of our liability), in turn mobilising much larger sums of crucial local currency financing. At a time when international investors are pulling back from higher-risk markets, and economic infrastructure is becoming increasingly critical to boost the recovery from the impacts of the Covid 19 crisis, this support is an important part of our offer towards meeting the Sustainable Development Goals.

The increased liability has been approved by Treasury, and forms part of the approved budget for PIDG under the current FCDO Business Case. The liability will be in place for up to 20 years. In the circumstance where the contingent liability is called, provision for any payment will be sought through the normal Supply Procedure.

I am copying this letter to Sarah Champion MP, Chair of the International Development Committee.

I will also lay a Written Ministerial Statement today on this matter.

THE RT HON DOMINIC RAAB MP