Foreign, Commonwealth & Development Office

The Rt Hon. the Baroness Chapman of Darlington
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Sarah Champion
Chair, International Development Committee
House of Commons
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15 July 2025

Dear Sarah,

Loan Guarantee for World Bank Lending to Egypt

I am writing to notify you of a loan guarantee for World Bank lending to Egypt, which the Foreign, Commonwealth and Development Office (FCDO) plans to provide to ease Egypt's immediate economic pressures and support its continued economic reform. The Business Case for this $200 million loan guarantee has been approved within HM Government.

Egypt has been severely affected in recent years by the Russia-Ukraine, Sudan and Israel-Gaza conflicts, resulting in a request for UK economic assistance. This was agreed in principle by the previous UK Government. Egypt's macroeconomic situation remains delicate, and the country is susceptible to external shocks due to systemic economic and structural challenges. Economic instability would have severe consequences for poverty in the country and for regional stability and could trigger irregular economic migration to Europe.

A three-year International Monetary Fund (IMF) programme is conditional on economic and governance reforms. We have already seen these begin to take effect, with a devaluation of the currency in March 2024 and the introduction of floating exchange rate and a cap on public spending.

The UK guarantee will support the second of three planned World Bank Development Policy Financing (DPF) operations, which will help Egypt address short-term economic challenges while advancing the next generation of complementary structural reforms. The overall effect will be to boost Egypt's macroeconomic and fiscal resilience. Our indicative interest has already allowed us to influence the World Bank in aligning its loans with the IMF programme, and to push for more rigorous programmatic reforms.

A loan guarantee to the World Bank is the most practical and efficient mode to provide direct support to Egypt with zero up-front official development assistance (ODA) costs

and offers the best value for money (VfM) in countries that have used their full multilateral development bank (MDB) allocations. They allow the UK to mobilise large volumes of finance with no up-front ODA cost and a low probability of future costs.

The liability is expected to last for up to 35 years. The FCDO will only pay ODA if a default occurs as agreed with the World Bank. The maximum annual payment associated with a default of one $200 million guarantee is currently estimated at £16 million. This would represent less than 4% of the FCDO's Middle East and North Africa (MENA) ODA budget for the 2025/26 financial year.

The Financial Transaction Steering Board (FTSB) provides global oversight of our guarantees and has confirmed this fits within the FCDO's risk appetite. In the unlikely event that the guarantee is called, the FCDO will have sufficient time to make the necessary budgetary arrangement to fulfil the requirements of the guarantee. Authority for any expenditure required will be sought through the normal Supply procedures.

The Treasury has approved the loan guarantee. Please raise any questions or objections within fourteen Parliamentary Sitting Days of when the Written Ministerial Statement was laid. Final approval to proceed will be withheld pending an examination of any objections

Yours ever,



Baroness Chapman of Darlington
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