

International Development Committee

Oral evidence: Investment for development: The UK's strategy towards Development Finance Institutions, HC 884

Tuesday 24 January 2023

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Members present: Sarah Champion (Chair); Nigel Mills; Navendu Mishra; David Mundell; Mr Virendra Sharma.

Questions 1 - 50

Witnesses

[I](#): Graham Gordon, Head of Policy, Catholic International Development Charity (CAFOD); Paul James, Senior Research Officer, Publish What You Fund; Anna Marriott, Health Policy Adviser, Oxfam; and Daniel Willis, Policy Researcher and Campaign Manager, Global Justice Now.

Examination of witnesses

Witnesses: Graham Gordon, Paul James, Anna Marriott and Daniel Willis.

Q1 Chair: I would like to start this session of the International Development Select Committee's inquiry into the British Investment Institute. We are very lucky to have four organisations in front of us. One of them is here virtually, Paul, but you are very welcome as well. Perhaps I could ask you to introduce yourselves and say a little bit about your organisation. Paul, why don't we start with you?

Paul James: My name is Paul James and I am a research manager for Publish What You Fund. We are the global campaign for aid and development transparency.

Graham Gordon: I am Graham Gordon, Head of Policy at CAFOD, the Catholic agency for overseas development.

Anna Marriott: I am Anna Marriott. I am a senior policy adviser for Oxfam. Oxfam is a big humanitarian organisation operational in over 60 countries working on humanitarian development and campaigning.

Daniel Willis: I am Daniel Willis. I work as a policy researcher and campaigner at Global Justice Now. We used to be called the World Development Movement, and we have researched and looked into issues surrounding UK aid for over 50 years.

Q2 Chair: Thank you very much. We are talking about BII, the British Investment Institute, formerly CDC. It is not here on the panel. We will have future sessions with it and we will also be going out to visit some of its projects. If I can ask you to answer factually rather than subjectively, because it is obviously not in the room to give the immediate feedback at this point.

Daniel, could I start with you? Some of these questions the rest of you may want to add to, but we will identify one person to start and then please indicate if you want to come in. One of BII's three priorities is inclusive development, which it says include promoting gender equality and alleviating poverty. In your experience, do BII's investments support its definition of inclusive development?

Daniel Willis: It is an incredibly important question. One of the first things to address and understand is the particular way in which BII invests to support job creation, which is quite a different way in which people might understand the use of UK aid. Typically BII do not work directly with the most impacted groups or lowest-income groups. It specifically targets investment in sectors or companies where it has this prospect for job creation in the hope that wealth and improvements will trickle down to the rest of society.

The question of inclusivity in its investment is important. The question of the quality of jobs that are being created is definitely important. When we



have looked at different pieces of evidence, in some cases the quality of inclusivity has been lacking. Particularly, I am thinking of investments in private education that we have looked into in the past and the private entities that BII has supported. One such private education company is called Bridge International Academies. It is owned by a company called NewGlobe Schools. BII supported this company with \$7 million in 2013 and a further intermediated investment a year later.

When we researched this company—supported by evidence from numerous groups working in Kenya, Uganda and Liberia, which is where the schools are based—we found evidence that the education services being provided had not only been poor quality, but that the quality of jobs, pay and working conditions in the school had been incredibly poor. Most importantly for your question, there was evidence that Bridge International Academies was failing to ensure proper equality of education between genders and was failing to ensure the proper number of places in schools or adequate support for disabled students.

Q3 Chair: Were there students from the poorest areas? Was that the point of funding it?

Daniel Willis: In theory, yes. Bridge International Academies is what is called a low-fee school. It is a private fee-paying school but the fees are relatively low compared to other private establishments. However, they are still education fees, so they automatically exclude some of the very poorest groups.

What we also saw was that Bridge International Academies, when it was being assessed and when it was coming up to the publication of lots of exam results, it was also expelling some students en masse to improve the results of its own exam results, basically. That is just one example.

Q4 Chair: Is that an anomaly? It invests millions/billions across the world over a very long period, so to have one thing that goes slightly awry—

Daniel Willis: I would say it is not an anomaly, particularly when we are talking about the investments in private education and services more generally, particularly healthcare as well. It is at the heart of British International Investment's model to support private sector companies, but not to target the lowest-income groups. That is at the heart of what it does. As a result, it seeks to expand services that are open to people who can pay the fees but that has a detrimental knock-on effect on the lowest paid.

The International Finance Corporation and the World Bank were also invested in this company, but as a result of the evidence provided in relation to that one company, they have now frozen all investments in private education because it is the model of providing education services that is the problem. For me, that is the heart of it. It is not necessarily about individual investments and how each one can demonstrate inclusivity. It is the profit motive that comes back into the rationale of



BII's model that creates this exclusivity and lack of progress in a lot of areas.

Q5 Chair: Apologies, it is British International Investment; I said institute. I will stick with BII from this point forward. I feel some sympathy though because when BII was established and when it was refreshed in 2011-12, it was part of a suite of tools that DfID, now FCDO, had so you could see its place within that model. Is it somewhat unfair that because it is almost the last man standing we are accusing it of things that it was never set up to do? I wonder if other panel members could come in on its ability to alleviate poverty.

Graham Gordon: On, the question around whether BII is promoting inclusive development, I think it depends on which part of BII we look at and which investments we look at. On one hand we have the Catalyst fund, which is a fund that is around 8% of BII investments now, deliberately targeted at poorer countries or conflict-prone countries where it is almost impossible to get other private capital. We have examples of that. You have Gridworks, which is a renewable energy platform across Africa. That is trying to invest in Gridworks, which is promoting renewable energy and decent green jobs in the renewable energy sector. It is hard to attribute the exact impacts, but investing in companies that are promoting a particular outcome is a better way of trying to ensure that outcome.

You could say that the Catalyst fund is looking at that inclusivity. Renewable energy we know produces three times more jobs than investment in fossil fuels, according to BEIS's own research—its investigation into aligning UK international support for clean energy from 2021.

If we look at other parts of BII investments, we still find that, according to the latest figures on the website, 12.6% of BII investments are carbon-related investments, so still exposed to fossil fuels. That is just the direct investments. It is not the indirect ones, so you could mark that up and think around a fifth of BII investments are still exposed to fossil fuels. We know that fossil fuels create climate change and those who suffer most from climate change are the poorest and most vulnerable. Those investments are against the international development strategy that has climate change as the No. 1 priority, and they are going against most of what UK aid should be doing.

For another third of BII investments—the ones that are going through the intermediated funds—we cannot answer the question whether they are promoting good poverty alleviation or development impacts because BII and FCDO do not know. There is an evaluation that started in 2019, initiated by DfID, then to CDC, on the financial portfolio investments. Within the terms of reference for that evaluation it said: "We know that BII has less control and less information around intermediated investments through funds than they do through direct investments". That is why we think the FCDO should mandate BII to pull out of most of



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its intermediated investments because the FCDO has less control over them. Recent commitments in the international development strategy are to bring back more control over UK aid so that the UK Government know how aid money is being spent and can guarantee its impact.

Chair: We will pick away at that a little bit more, if that is okay. David, did you want to come in?

Q6 **David Mundell:** Given the BII is financially self-sustaining, do you think the FCDO injecting hundreds of millions of pounds each year in new capital is the most effective use of its significantly diminished ODA budget?

Anna Marriott: I will have a stab at that, thank you. I will, in part, also address the last question in answering that. I do not think it is. If we are looking at cuts in other essential areas of UK aid—including humanitarian, but also in critical sectors for reducing poverty like health and education across the UK aid budget—we have to question whether this is an appropriate use of that diminishing budget. We have to look at the evidence of what it is doing to properly scrutinise that question.

If I may take a health lens to that question, I would suggest from our extensive research over the health portfolio of BII, which we have mapped and analysed in ongoing investigations over the last 12 years, that BII is exacerbating poverty and inequality and especially—

Q7 **Chair:** That is a big statement. Can you elaborate?

Anna Marriott: Yes, I will give you some examples. We know that in health out-of-pocket spending is a leading cause of pushing people into poverty and suffering financial hardship across low and middle-income countries. It is an issue that the UK Government have said they will tackle, but it is a problem that is on the rise across those countries.

Q8 **Chair:** Anna, what do you mean by “out-of-pocket spending”?

Anna Marriott: Literally having to pay at the point of need—something, thankfully, that we do not have to do in this country, but in many low and middle-income countries that is a leading cause of people being pushed into poverty.

We have looked at all of BII’s health investments, both direct and indirect, and found a huge body of evidence that shows not only that a large proportion of the private hospitals funded by BII are unaffordable and inaccessible, but that when people do access them they risk bankruptcy and impoverishment. For example, we have looked wherever we can to find examples of maternity fees in the hospitals that we have researched. This is a long-stated priority for the UK Government to tackle maternal mortality, but we find fees are unaffordable, often astronomical.

If I can give a couple of examples, prices in BII-funded hospitals in some of the poorest countries—such as Burkina Faso and Uganda—for a normal



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uncomplicated childbirth start at around £500. In Zimbabwe it is £1,000. This is with multiple exclusions, often excluding medication and doctors' fees. We know that Nigeria has one of the worst maternal mortality rates in the world. Nine in 10 of the poorest women go without any skilled birth attendants, yet the delivery prices at one hospital in Nigeria, funded by BII via the Evercare Health Fund, start at the equivalent of 12 years' total income for the poorest 20% of Nigerians.

In another hospital in Uganda, fees for childbirth have increased by an incredible 60% since BII invested in that hospital four years ago. We think that, rather than helping to tackle maternal mortality, BII is investing in hospitals that are simply out of reach for the majority of women. We have multiple examples of BII investing in healthcare for the rich.

Q9 Chair: I think the argument that it would make is that it is giving jobs and there will be a trickledown effect to the country's economy. How do you answer that?

Anna Marriott: Job creation is one objective, but we need to get to a point where we stop using job creation as a fig leaf to hide other development impacts, especially when we are seeing negative development impacts. I think it is important to hold it to account for that because we hear again and again when we present evidence of these unaffordable hospitals—and I am sure it will respond to your questions—"But we are creating jobs". There are other questions we should look at in terms of the quality of those jobs. I think we have to stop just counting jobs as a development impact. We must measure these other areas, especially if these hospitals are causing harm. There are other examples I want to share with you—

Q10 David Mundell: Just on that, what do you mean by harm—that the hospitals are causing harm? Clearly they are causing some people not to be able to use them, but how proactively would they be causing harm?

Anna Marriott: We have quite a few examples. I will give one of our research in India, where we were interviewing patients attending the BII hospitals. In India there is a government health insurance scheme that is encouraging people to go to private hospitals where they are entitled to get free cashless care if they have a government health insurance card. We have found examples of patients going to BII-funded hospitals where those government cards are denied, even in emergency cases, and patients then experience catastrophic and impoverishing fees for life-saving care when they should have been entitled to free care. That is one example of financial harm.

We have other examples of very serious human rights abuses happening in some of the hospitals that have been funded by BII that I am happy to go into.

Chair: Can I pause you there? I think that Nav wants to come in around



that.

- Q11 **Navendu Mishra:** On that question, middle-income countries such as India and South Africa are recipients of BII's development finance. How do investments in such middle-income nations support the world's poorest people?

Daniel Willis: There is a lot of poverty still in middle-income countries and, in principle, the idea of using UK aid to alleviate that poverty is not a bad one, but the issue comes around as to the exact method of doing that and how we do it. Just to refer back to the measures that BII use to prioritise some of its investments, you may know it prioritises some investments based on a \$5.50 model of—

Navendu Mishra: The next question is on that, so if you could save that for then.

Daniel Willis: Okay. On the implication of what I was talking about before in terms of the business model, this is a quote from BII's Director of Development Impact. He says that BII investees, "typically employ workers with some experience in labour markets and serve customers with disposable income". As Anna is saying, these companies that are getting BII funds typically serve people who have the cash to spend on the services. Even the workers who work in those companies have to have some experience and skills to be able to take up the jobs. There is a question around how accessible the jobs are.

- Q12 **Navendu Mishra:** It is just another profit-making private operator, is that what you are saying?

Daniel Willis: I am saying that investing in middle-income countries to me seems fine, but this particular model of doing it seems ineffective. To come back to David's question, I do not think it is particularly justifiable to say BII should be taking ever increasing proportions of the ODA budget. The Government have given it a huge amount of money and its portfolio has increased by billions over the past few years. You might be right: times have changed in terms of what BII is for and how it is part of the framework of tools that UK aid deploys. But because those times have changed as well, the effectiveness of the model is absolutely paramount to making sure that trust is maintained in UK aid. The vast array of evidence that we have suggests that this is a very indirect and not always effective means of achieving poverty reduction.

- Q13 **Chair:** You would support Anna's suggestion that we pause funding to it until we are able to build the bigger model that it would sit within normally. I have both Paul and Graham trying to come in. Paul, do you want to go first?

Paul James: I would just add here that obviously, as Daniel alluded to, there are high levels of poverty in middle-income countries, including India and South Africa, and targeting those countries can be appropriate. What is lacking is evidence from BII that the recipients or the



beneficiaries of these investments are indeed the vulnerable in these societies. There is a lack of disaggregated data. Even when BII talk about jobs, for example, it does not provide disaggregated jobs data—it only provides aggregated data—so it is very hard to see the contribution that BII is making. It is very hard to see the types of jobs that are being created and the quality of those jobs in respect of them.

BII has been central in the development of the 2X Challenge, which is intended to increase gender lens investing from development finance institutions. Although it identifies which of its investments are 2X investments, again it does not provide disaggregated data to highlight the gendered impact of its investments in terms of employment.

Q14 Chair: Our understanding is it is a tiny part of its investment and it does not do anything that I am aware of to pipeline those women and girls into careers in the 2X scheme. Is that your understanding?

Paul James: My understanding is very simply—currently there is not the evidence—that these are new investments as opposed to the labelling of investments that would have happened anyway. I certainly would not go as far to say it does not do anything to help women and girls, but at this point BII has not been transparent enough about the impacts of these investments for any stakeholders to make a determination on their gender impacts.

Chair: We will push pretty hard around this, I can assure you. Graham, you wanted to come in.

Graham Gordon: On the question about whether BII should continue to receive ODA, I think it comes down to a choice of what ODA should be for and what the priorities are in the UK international development strategy. Since 2015, CDC and BII have received £4 billion from the UK Government, so their assets have increased; they have doubled from £4 billion to £8 billion.

In the same time, we have seen bilateral aid dramatically reduce. For example, from 2020 to 2021, bilateral aid to Africa dropped by a third. We know that in the current east Africa crisis, the UK Government have managed to give only a third of the aid that they gave in 2017 when there was a similar crisis—it is not similar; this one is much worse, the worst one for 40 years. We are seeing choices in UK aid and with BII having such assets that it can reinvest, then we see no need for it to get more money when by giving BII more money in this year or next year you are cutting humanitarian programmes, education programmes, healthcare programmes and support for women and girls.

For us, if we are going to make sure that UK aid is targeted in the communities that need it most, then BII is not the vehicle to be receiving more money because it has the money at the moment. You could argue that with BII's profits it could reinvest some of the capital back into the UK ODA budget, which would count as negative ODA, which would free



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money for projects that we know have been cut in the last two or three years due to ODA cuts.

Q15 **Chair:** Unless it has shifted very recently, I don't think that BII has received all of the allocation it was expecting this year.

Graham Gordon: It has not received it all this year, no, you are right. But it has received a lot and we do think that it should not receive any more. If BII divested from all of its current fossil fuel investments, you could free around £2 billion. That could be used either for further BII investments targeted on poverty or could release and refund programmes from UK aid like Peacebuilding in South Sudan or women's education, which we have seen cut in the last two years.

Q16 **Mr Sharma:** Before I put my question, I just want to get some information on BII investment in India. India is a big country, so which states has it chosen? Do you have some information on that?

Anna Marriott: We see in the health sector, for example, which is my area of focus, that over 50% of BII's investments in health are going to India. In healthcare provision, it tends to be funding large corporate hospital chains that are operational in multiple states. It is quite distributed around the country. There does not seem to be a specific concentration, particularly in health, so we are seeing multiple investments that are across different states.

Q17 **Mr Sharma:** Though the figures are different there, the average is that about 15% of the population are still below the poverty line in India. I come from India, so I am quite familiar with the population situation. Thank you very much for clearing that point up for me.

BII's investment policy defines low-income population as people living below \$5.50 a day, which is close to the World Bank poverty line for upper-middle-income countries. What is your view on BII's use of the \$5.50 threshold?

Daniel Willis: You are absolutely right, it is quite a high threshold. Typically, the poverty line in lower middle-income countries is measured around \$3.65. BII's rationale for using the higher measure is that it says that, in the types of investments that it makes, basically it is easier to differentiate the number of service users that each company would have at the higher threshold than it is at the lower threshold. Essentially what this tells us is that—

Q18 **Chair:** Daniel, explain that to me.

Daniel Willis: If there are two companies that BII is trying to make an investment between, quite often it suggests that it is less easy to make the decision between those two companies using the \$3.65 measure because the number of people who have less income than that who use those services is roughly the same. We might assume that that is because it is a relatively few number of people. The differentiation that allows BII to prioritise its investments comes between \$3.65 and \$5.50



and that is because, going back to the quote that I read out before, typically BII investees serve customers with disposable income.

Q19 **Chair:** So they are almost targeting a middle class?

Daniel Willis: I am not sure I would call it middle class, but certainly people with more income than those in completely extreme poverty. I am not sure if it is necessarily the \$5.50 measure that is the issue. I think it may be more of a symptom of BII's whole approach to investment that, as we have said, is indirect in terms of poverty reduction. It is not investing in companies that run services for the most marginalised. It is not investing in companies that directly target poverty and those on the lowest incomes; it is investing in this slightly indirect business environment.

Q20 **Chair:** Is the \$5.50 a justification for its investments or do you think it is the driver that leads to its investments?

Daniel Willis: I think it operates slightly more as a retrospective justification for the way that it invests in particular companies, yes.

Anna Marriott: Can I also make a broader point on that? I think, regardless of the poverty line that it uses, it still does not provide evidence that it is reaching people on that. In my conversations with BII health staff, they have pointed to some of their hospitals, they say, "Yes, while that one might not reach people in extreme poverty, then it is probably targeting someone more around the \$5.50 mark".

I researched the fees charged by one of the specific hospitals that they were talking about. There was a story of one woman who gave birth to twins there, and her bill was the equivalent of 35 years' total income for someone living on \$5.50 a day. Again, regardless of the poverty line it uses, it is not effectively measuring whether it is reaching people below that poverty line or not, which is simply not acceptable.

Q21 **Mr Sharma:** Was that hospital in India or somewhere else?

Anna Marriott: That hospital was in India, yes.

Mr Sharma: Does anybody else want to add in?

Daniel Willis: A similar example: one place where BII does publish some evidence of the rationale for how it invests, it produces some on its website, saying which specific sustainable development goals some investments are meant to target. Two further health investments in India, one in a company called Dr Argawal's, which is a chain of ophthalmology centres. The website specifically says that the service users will mostly be from middle-income groups and that it expects the impact for low-income groups to be either from outpatient clinics, but mainly from job creation.

It is slightly flipping most people's understanding of what aid is used for. If you make UK aid investment in healthcare I think the assumption



would be that that is healthcare services reaching people who are excluded from other healthcare services, but in these situations it is not the case. It is specifically healthcare services that are mostly used by people with a degree of disposable income.

Q22 Mr Sharma: The Minister for Development commended BII on its business model, because its investments directly and indirectly support job creation, which increases tax receipts. Do you consider that model to be the most efficient and effective use of development aid? Daniel, if you could go first, then Anna.

Daniel Willis: No, I do not consider it the most effective for the reasons that we have said so far. On the question of tax specifically, there is evidence published by BII on the tax receipts of its companies, but also when you look through particularly the intermediated private funds that BII invests in, and I think some of the companies in terms of where they are domiciled, there are quite a few in Mauritius, which is known to be a tax haven, and others domiciled in places where the tax receipts are not necessarily recirculating around lower-income countries. I am not sure I would call it the most effective, or I would probably back up my colleagues' statements that it is not the best use of ODA.

Anna Marriott: I would certainly echo that and repeat the point that I think we need to move on from counting jobs. In health, for example, BII simply seemed to pat itself on the back for the fact that 40% of workers in health companies are women. We know this is meaningless without measuring the quality of the jobs that it is providing.

In education, there is evidence that commercial education chains funded by BII are frequently flouting national laws and education standards, including labour laws related to teachers. There is often reliance on untrained teachers employed on short-term contracts. In Kenya, Bridge International Academies failed to meet national standards for teacher certification.

Q23 Chair: Those again are big claims. Can you evidence those to the Committee?

Anna Marriott: Absolutely.

Chair: If you could write to us, that would be great.

Anna Marriott: We certainly will. There has been an extensive evaluation by the IFC of the IFC's funding to private education, much of which overlaps where the BII is investing in education too. There have been a number of complaints made to the IFC Ombudsman about Bridge International Academies, specifically about flouting of labour laws, but also about very disturbing cases of child sex abuse and health and safety problems that led to the tragic death of one child and the injury of another. Those are complaints that are currently being investigated by the Ombudsman, taken very seriously, and form part of that rationale why the IFC has decided to end its investment in Bridge International



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Academies, which is something that we would urge BII to follow suit on, as well as freezing all investments in education.

Q24 **Chair:** That is hugely concerning, so if you could provide us with the details, we would be very grateful.

Anna Marriott: We certainly will.

Q25 **Chair:** Paul is desperately trying to come in. He will be in the room next time, I can guarantee it. Graham also and then Nav wants to come in as well.

Paul James: I would start by saying that there are fundamental questions about the job creation claims that BII make. Again, there is not disaggregated investment level data on the jobs supported by BII. If you look at BII's aggregated data, I believe the most recent data claims that approximately 940,000 jobs are supported by BII investments. However, its annual report makes clear that these impacts cannot be directly attributed to BII, but are rather attributed to the investee companies.

What this essentially means is that often BII is a minority investor or it is a co-investor. The totality of the jobs cannot be attributed to BII's investment. This in itself has arguably an adverse incentive for BII, as it could encourage BII to make more smaller investments in high-employing firms that would in effect boost its impact in the shape of jobs created, despite the fact that, qualitatively, that is arguably not increasing BII's impact.

There is also a question about the dynamics of the job creation. There are no data regarding the number of employees in firms before BII invests and how this number changes across a lifetime of an investment. When we are relying on aggregate data, we simply cannot see whether in actual fact a lot of BII intermediated investments, for example, are higher in additional staff or whether it is looking to save money or save costs and reduce staffing or employment.

Q26 **Chair:** Paul, can I just come in? Do we know if the staff are local?

Paul James: In my mind, there are no data to support the statement that they are local. There are minimal data. As I say, the key metrics that BII disclose, it almost disowns them by saying they are not wholly attributable to BII on whether or not the employment is local.

Graham Gordon: I think there are jobs and there are jobs. There are jobs where you may have particularly women working in a sector in the poorer sections of society that contribute to development and to tackling climate change. They could be jobs in the renewable energy sector or jobs in agriculture. Agroecology has the majority of women employed, where they can work at home and where it can stimulate the local economy. For example, if you look at some of BII's investments, it invested in a big plastics and fossil fuel-based fertiliser company, Indorama Eleme Fertilizer, in Nigeria—£125 million owed from 2013 to



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2019—and at the same time as it invested, the FCDO only invested a fifth of that in rural development in Nigeria, so there are choices about where you are investing. You are focusing to invest in a destructive industry that is contributing to climate change and you are pulling money out of rural development that can stimulate diverse sustainable food systems that are resilient to climate change that can help the poorest people withstand the shocks of floods and droughts.

We think jobs can be important, but you have to focus on the jobs that are going to employ women, the jobs that are going to tackle poverty and the jobs that are in more rural areas where, as I said at the beginning, it is much harder to get other businesses to invest and BII has not shown the counterfactual of whether people would have invested or businesses would have invested.

Q27 **Chair:** But isn't part of its remit to invest in development projects that others will not invest in?

Graham Gordon: It is. That is why it is important.

Chair: So you are damning them for doing—

Graham Gordon: That is where you have to then go much more towards higher-risk programmes and projects, which are likely to be in rural areas. If you are looking at energy, renewable energy systems are now much cheaper, but investing in rural areas where you have much more chance of the renewable energy being provided to the community and not being provided to large industry that might be exported or within the country is where BII can have a value-add.

That is why, with the Catalyst fund and some of the other funds where you have higher-risk investment and lower rate of return, you can see where UK aid could potentially have much more impact than where you have a higher rate of return and less risk, and where you might be investing in, for example, legacy investments. I can come on to more of the fossil fuels later, but a lot of those investments are in big companies, where other capital would have invested and where it is damaging to the environment and therefore to people living in poverty.

Navendu Mishra: Chair, could I encourage all the witnesses to write to the Committee regarding any projects and case studies that we could use? As the Clerk has helpfully reminded me, it can go into the inquiry evidence if that submission is made in writing.

Q28 **David Mundell:** In September 2020, then Prime Minister Boris Johnson announced that the UK would end direct government support for the fossil fuel energy sector overseas, which I think you have already touched on, Graham. In your experience, has BII adapted its portfolio in line with that statement in the Paris Agreement? Perhaps, Graham, you could kick off, then Daniel, we will maybe hear from you.



Graham Gordon: To a certain extent we do not know, because BII has not published its energy investments. The latest energy investments I think are publicly available from 2019, and for BII to publish those we need to ask. They are not default publicised or published. Also, we found that BII is very slow in updating its portfolio on its website for everything else. There are certain things that we do not know at the moment.

What we do know, as I mentioned from the latest figures in 2021, is that there was 12.6% exposure to carbon-related assets as BII talk about it, which are fossil fuel investments. That is from the direct funds, so that is from 2000, which is why I said it could be up to 20% of BII's portfolio at that time.

This is a mixture of legacy investments, for example, GMR Energy in India, where lots of the investments there went into coal-fired power stations and it is also some of the ongoing investments. For example, BII has a 70%—the latest figures available—stake in Globeleq, which invests across Africa. Globeleq has two-thirds exposure of its investments to fossil fuels; gas and heavy fuel oil. You have BII investments that are going into some of these funds and we do not know if they are going straight to the oil and gas investments or if they are going elsewhere because Globeleq also has some investments in renewable energy. One of its investments in Nigeria was towards British American Tobacco. We have asked BII—it has not replied—if it can guarantee that its investment did not go directly to supply fossil fuel-based energy to a tobacco-producing company.

That is the investment, but also the climate change policy has loopholes in it still, so it allows investments in fossil gas. We think that the FCDO should simply mandate BII to pull out of all of its legacy and existing investments in fossil fuels. It does not need to be a particularly long transition. We had this in 2019. CDC appeared before this very Committee and said, "We are seeking to pull out of all of our investments". We would love to know how far it has come, because we do not know. Also, that gave a signal four years ago to the companies and the funds they have invested in that they are going to pull out, so it should not be a shock. We think the Government should mandate that.

Q29 **Chair:** Graham, we have pushed the new chair on a couple of occasions to give us a date for when it will come out of its existing investments and draw a line under any new investments, and she has not given us one on the couple of times we have pushed. What do you think is a reasonable timescale for disinvestment?

Graham Gordon: It has had four years since it was announced it was happening. It has had two years, so I think you can easily pull out of these investments within 18 months, particularly where it is coal-fired power stations, where it is oil and gas, because these companies should be shifting themselves to renewables. If they are not, BII should pull out and can pull out in that short timescale.



Q30 **Chair:** We had suggested 2025 and we were told that, because there wasn't any infrastructure to underpin, that could leave some communities exposed with no energy whatsoever. What is your answer to that?

Graham Gordon: CAFOD has done research and we can show that the best way to get access to energy to poorest communities is investments in renewables, off-grid renewables, because that is right next to where the communities are and it is much easier energy access. The longer we delay investing in renewable energy, the longer we will be having this same argument about keeping fossil fuels as a transition fuel. If the UK Government are serious—and we know the UK are serious—about our commitment to preventing global warming of 1.5 degrees, we must make sure that no UK aid is invested in fossil fuels, because it is going in the opposite direction to where we want all of our aid money to be going. It is bad investment and it is taking money away from essential humanitarian aid, education and girls' healthcare.

Daniel Willis: I certainly agree with everything that Graham has said. Just to add to that, the divestment question is very important, but before that, the key thing is for BII to stop making new investments in fossil fuels. The company that Graham mentioned, Globeleq, of which BII is a 70% shareholder, is making at least one big commitment to a new gas-powered power plant in Mozambique, which is financially supported by BII. We have done lots of research around this project in terms of what some of the alternatives might be, because I accept that in some cases gas power might be pushed forward as being the only option on the table, but Mozambique has lots of rich potential to develop both hydropower and solar power and has already quite a lot of infrastructure in place to support that kind of energy.

None the less, BII is using the exemptions in the UK fossil fuel policy to support this gas power project. It is not the only way; it is making new commitments as well. There are also slightly different rules around how it invests in financial institutions and banks in certain countries that might themselves have quite high exposure to fossil fuels and oil and gas investments. I think getting that first bit of the puzzle right is absolutely key. It is a £100 million commitment, we think, and I am hedging my bets there because, like Graham says, we get very little information about the details around these investments, but it is the Temane CTT gas project in Mozambique. This has been presented as a way of resolving some of the energy and electricity issues in Mozambique, but there is substantial hydropower resource in the country.

The question of 2025 or when to shift investments is absolutely crucial, but if right now BII is not prioritising investments in renewable energy, then when it gets to 2025 and investments start to be exited, there is going to be nothing in place to replace that. Again, it is a question of choices and of prioritisation. We should absolutely stop prioritising and privileging investment in fossil fuels. It is not aligned with the Paris Agreement; it is not aligned with the dire predictions being made by the



International Energy Agency, which say we should have no new oil and gas developments going forward. That will be one of the crucial issues as well, alongside the divestment question I think it needs to focus on.

Q31 David Mundell: Can I turn now to the issue of financial intermediaries? Paul, if I start with you, BII states that working through financial intermediaries allows it to access specialist expertise and asset-gathering capabilities, which enable its capital to reach more difficult countries and to benefit specific groups. What are the risks, in your view, associated with investing through financial intermediaries?

Paul James: I think that is a very important question. I first note that there are uses for financial intermediaries, including making sure that underserved sectors of communities have access to banking products. We know that there is a major MSME financing gap in a number of emerging economies. There is a legitimate argument for why financial intermediaries might be an appropriate investment for DFIs such as BII.

Having said that, there is far too little transparency over how BII's funds are used in the financial intermediaries and specifically in its bank investments. This is not an inevitable situation. There are pathways to improving this and improving control over the use of capital from financial intermediaries. If I could give you some examples of how this can be done, the International Finance Corporation, IFC, which is the private sector arm of the World Bank, has introduced a number of reforms, which both better direct the capital that it directs from financial intermediaries and makes them more transparent once those investments are made. IFC clearly defines the use of funding sectors for its financial intermediary investment. It places hard limits on the size of own lending. For example, if IFC was to say an FI investment must be used for an SME finance, then there are clear defined limits on what SME financing means to IFC. This type of guidance is lacking in BII.

IFC has also committed to disclosing the presence of high-risk bond lending activities from its banks. This has been a long-fought process by a number of CSOs, including Oxfam and others, who have pressured IFC to disclose its most harmful own lending activities through financial intermediaries. Late in 2022 it disclosed the first energy lending activities. They were through a South African bank and it is now possible to trace that one.

Finally, IFC has started a green equity approach, which means that when IFC makes an equity investment in a financial intermediary, there is a commitment for that bank it will increase its climate finance and will reduce its exposure to coal-related projects. In each of these cases, these are not necessarily the perfect solution, but they are evidence that if a DFI is mandated to do so or motivated to do so, it can increase the control over its FI lending as well as the transparency of it.

In the case of BII we simply cannot see where the capital that is deployed in banks is currently deployed. We do not know what those own



lending activities are. We cannot see the impact of them; we cannot see the extent to which they support the mandate of BII or the extent to which they mobilise additional finance before development goes.

Just to add a little balance, one thing I would note from the transparency perspective, BII's disclosure of some investments from its private equity funds, although out of date—as is almost all of BII's disclosure currently, and chronically, I would say—the level of disclosure it conducts is industry leading. It typically discloses more information about its private equity funding own lending than any other finance institution that we have studied. We have published what we found. This is something that maybe should be safeguarded and expanded upon in BII's purpose.

Q32 David Mundell: How much control do you think BII is able to exercise over the investments made through the financial intermediaries and, for example, whether it is able to control the nature of the investment and whether it would be adverse, for example, to the environment?

Paul James: It is variable according to the product, but as I have said, there is evidence from other institutions that it is possible to control this. If we are talking about a debt investment or a loan, it is possible to ring-fence that capital and say that it can only be used for particular purposes, whether that is MSME finance or housing finance or whatever the institution determines. An equity investment is more challenging, as it is an investment across the whole portfolio of a financial intermediary, but even in those cases BII should be seeking to improve the investment practices of its clients. Part of BII's role, its non-financial additionality, is to improve the practices of its clients, whether they are labour practices or environmental and social practices. In most cases, it should be seeking to integrate its own development aims to its financial partners.

Anna Marriott: I think I should first point out that we have found that over 90% of BII's investments in health are made indirectly via financial intermediaries, which is an incredibly high proportion. I would also add that over 80% of the financial intermediaries it uses to invest in health are domiciled in known tax havens, but I think your question about how much control is incredibly important. We think even in its direct investments it does not exert enough governance and oversight, on insist on accountability for positive impact investing, but this is even worse in indirect.

I want to give you one very serious example: BII investing in Nairobi Women's Hospital in Kenya in 2017 via an equity fund. Since that time, we have identified up to 32 publicly reported cases of patients imprisoned in Nairobi Women's Hospital because they were unable to pay their bills. The cases include a secondary school boy detained for 11 months for an unpaid bill of over \$27,000, a mother whose new-born baby was detained for over three months following the death of his twin during childbirth—the grieving mother could not afford the bill and was forced to commute daily to breastfeed him—and a refugee detained for over six months,



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whose 10 year-old daughter was killed in the same accident in which he was injured.

We have also identified up to 17 cases of the same hospital chain refusing to release the dead bodies of patients. One woman resorted to making an emotional public appeal to the hospital to release her mother's body as a Christmas present. This was more than two years after her death. There have already been at least two court rulings, including one in Kenya's High Court, that have judged this hospital to have acted illegally, in violation of the Kenyan constitution and of the right to liberty.

These are horrific cases of alleged as well as confirmed human rights abuses that require immediate investigation and response. One of the things that troubles me most is that if I have been able to find these 32 cases of patient detentions, how is it that this multibillion pound Government-owned institution, with responsibility for due diligence, upholding human rights and doing no harm, has either failed to identify these very well-reported crimes or has ignored them?

Q33 David Mundell: There is no public comment from BII on any of these issues?

Chair: Is it still investing in them as well?

Anna Marriott: As far as its website is concerned, it is still an active investor in the equity fund that invests in this hospital. No, I would stress that our investigations are ongoing and the timing of this inquiry has meant that we have not been able to present—

David Mundell: So it has not been put to it?

Anna Marriott: We have not been able to present all our evidence to BII at this stage, but I do think that they are so serious that they require an urgent response.

Q34 Chair: Anna, we would like to work with you to try to get that urgent response because this is basically extortion of the most awful kind. If we can work with you on that, I think BII at least needs to have the right to reply to this, because these are pretty hefty allegations.

Anna Marriott: Yes, absolutely, it does. I look forward to its response on it. I would stress that this is not an isolated case. I think this arm's length investing is very problematic, particularly in such a sensitive sector as health, but also education. Our research in India, interviewing patients, again at BII hospitals, has revealed cases of patients being pushed to have unnecessary major surgeries. We have also heard of patient detention cases in India. We have heard of patients being refused emergency treatment, even in critical conditions, in some of the BII hospitals and, as I said, multiple cases of patients with valid government health insurance cards that should entitle them to free healthcare in BII hospitals being blocked from using those hospitals.



Q35 **David Mundell:** Are you essentially preparing a dossier, then?

Anna Marriott: As I say, our investigations are ongoing. This is research that we have been invested in since 2018 and we have looked at its investments back over the last 12 years. We plan to publish an Oxfam report on this in a few months' time, so we will be collecting all our evidence and presenting it in that report, but we will also submit to this inquiry written evidence around these cases.

Chair: Thank you.

Graham Gordon: On financial intermediaries, until around 2013, CDC would only invest through financial intermediaries. Then, as it was recapitalised through UK aid money, it started to engage in more direct investments.

Q36 **Chair:** The reason for that is to mitigate risk?

Graham Gordon: I am not entirely sure of the reason for that, to be honest. It was partly, I think, trying to beef up CDC and BII as a key part of UK international development and it was partly giving them more money and increasing the staff significantly, so they had more experts and more engagement in where their investments went. We still have 33%, a third, of BII's investments going through financial intermediaries at the moment. DfID and FCDO have been very concerned around the impact of money through intermediaries for a while.

Q37 **Chair:** What is the benefit of going through an intermediary?

Graham Gordon: It is quite hard to see some of the benefits because we cannot see where the money goes and we cannot see the impacts. In some ways it is like putting money through multilateral development banks: you are kind of assuming somebody else is doing the due diligence for you and more money can go through that way and you don't need to be quite as hands-on. It also relates to an assumption that increasing capital and increasing investment in all sorts of areas is a good thing in itself, in terms of the tax receipts, without working out how you are involved in it—targeting poverty reduction or environmental protection or in targeting women. It is quite a hands-off approach. I would say it is quite an ideological approach to how investment happens and allows—

Q38 **Chair:** In what way?

Graham Gordon: In what way? It is assuming that the more money that is invested, the more money that is available for people, the better it is, without necessarily having some of your higher-risk investments in renewable energy or sustainable agriculture, where you will get a lower rate of return, but you are targeting a few people where you know you have done the background, the due diligence, who are in poverty, who will benefit and who will develop sustainable livelihoods. The concern, as I was saying—and this is according to FCDO—is that there typically will



be a greater level of access and data in CDC or BII's direct investments than for those in funds and there is less information and overall control over money that is channelled through intermediaries. This is in the terms of reference for the current evaluation of BII's investments through its financial portfolio. In its financial portfolio, 90% of its investments are through intermediaries.

Just looking on the development tracker, this evaluation started in 2019. We can see no results, we can see no impacts; so, three years into this—or nearly four years into the evaluation—money is still being invested to a huge extent through financial intermediaries and there is still huge concern that BII has not been able to show impacts. We would love to know, are there any results of this evaluation? Has BII changed the way it is working? It also raises questions around scrutiny of UK ODA. We know that UK ODA is the most highly scrutinised of any public spending and FCDO, probably DfID—

Chair: It was. We don't know at the moment.

Graham Gordon: It was, yes. Usually FCDO or DfID came out very high globally in terms of transparency. My question is: why is ODA that goes through BII, particularly through financial intermediaries, let off the hook in terms of transparency and scrutiny? It is an anomaly in our system and I think we simply don't know what is happening; it has to be brought back into the fold.

Q39 **Chair:** Graham, that is why we are doing this inquiry. Could I just ask you one more thing on these financial intermediaries? Presumably they are an organisation or an individual. Do they take a fee? Do they take a percentage of return? How does it work? What is in it for them?

Graham Gordon: There are lots of different ways of investing.

Q40 **Chair:** Are they like speculators that see an opportunity and then gather the money?

Graham Gordon: You can be investing in companies, you can be investing equity in financial organisations, which then will be on-lending to different institutions. In many ways it is increasing capital for financial institutions who want to on-lend or invest in different ways, which is a classic model of an investor, but the big challenge behind that is whether you have ethical investment criteria, whether you are investing in organisations, banks or funds or investors who you know have only an ethical portfolio. You can compare it to pensions investments. Some pension investors will only have ethical investors, ethical funds. You know if you invest in them, your money is going to be going, as far as they can tell, to ethical investments. If you invest in a pension fund that only has 2% of its portfolio going to ethical investments and you do not have any criteria for your investment, you have no idea if you are going to be supporting the worst things.



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Some of the investments we see from BII, whether it is through financial intermediaries or others, you have a bank, Absa, in—

Chair: I am going to pause you there because of time.

Graham Gordon: I will give you that example later then.

David Mundell: Just to let Daniel come in.

Daniel Willis: Just one example of an intermediated investment through a private fund, BII gave \$20 million to a fund called APF-I in 2008. About eight years later, in 2016, that fund made an investment in Nu Cosmetic Clinic, which is a cosmetic clinic surgery in India, providing liposuction and laser eye surgery at quite a high cost, apparently. We put a question to BII about this investment and its response was, “We would never choose to invest in a cosmetic surgery business. We neither intended nor desired to have a stake in Nu Cosmetic and we look forward to the day when it is off our books”. I think quite immediately that raises a question about how effective a steward of public money in ODA BII is being if it has investments on its books that it does not intend to make or does not want. I think it creates these tensions and kind of incoherence in UK aid policy that these intermediaries can make investments in this way.

If we had a new Government policy tomorrow saying, “No more investments through BII in private healthcare”, funds that have already received commitments from BII prior to today could still make investments in private healthcare in the years to come, because they have already received the commitment.

Another point, picking up on what Graham and Paul said, is that this question of investments in financial institutions is very important because it is a hidden layer of indirect investments. They are reported as direct investments on BII’s website because they are direct investments in financial institutions, but the on-lending that takes place is not reported online. You can see over time this kind of apparent decrease in indirect and intermediated investments, but what that has been replaced by is an increase in investments in financial institutions. That is now the biggest part of BII’s entire portfolio. It is an area that needs far greater scrutiny, but also it requires BII to be up front and publish that information and be transparent about it.

David Mundell: I think that concludes my questions.

Q41 **Nigel Mills:** Am I correct in surmising that none of you are particularly keen on us giving BII more money to invest? Anyone going to disagree with my surmising on this point? I think everyone is shaking their heads.

Do you think there is a role for BII at all or should we just be scrapping it and putting no more money in?

Graham Gordon: I can come in on that. I think there is a role for BII in terms of the UK’s development investment institution, who can de-risk



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capital in places where private equity investors/businesses would not invest. Particularly in conflict and post-conflict countries, you could look at some investments in Sierra Leone, for example, where you do not have investors who are queueing up to invest because they are not sure what kind of return on investment they will get. De-risking capital and investing in renewable energy industries that are part of a sustainably just energy transition, where again you would not have that investment, or in transforming the agricultural sector in some countries, so that you have more diversity of crops, more nutritious foods, more access to seeds, can unlock others to engage in those kinds of places and invest at the same time.

That is very patient capital—which I think is a bit of a buzzword. It is quite high risk and you may get very low rates of return, but I think that can be a very good use of money when you are then testing what kind of jobs are created and how the local economy is growing over time. I do not think there is a role for mass investment in financial intermediaries where you cannot control or understand where your money is going. I certainly do not think there is any role for any more exposure to fossil fuel-based investments from BII.

Anna Marriott: Yes, I would agree with that. I would also say that there needs to be much clearer guard rails as to where BII should not be investing from our extensive research on health, but also in education. In health, I have already shared the evidence around the hospitals being unaffordable and inaccessible and at times pushing people into poverty, but also that these are risky investments and they are unsafe. Clearly BII's own risk assessment and oversight is inadequate to prevent the harm.

Q42 **Chair:** Who should be putting those hand rails in place?

Anna Marriott: This is a Government-owned institution. There needs to be a clear directive from Government.

Q43 **Chair:** It just has one shareholder that sits in a hands-off way, so is it that person in FCDO? Is it a Minister's responsibility? Where does this guidance come from?

Anna Marriott: I think it needs to be a Government decision and an FCDO decision. They should have more oversight over BII. That is a real problem that we are seeing: that there is not accountability in the way that BII is operating. We are very clear that, on the weight of the evidence that we have collected, we think there should be an immediate freeze of all future investments in healthcare provision, but I am emphasising healthcare provision because that is only 50% of BII's health portfolio.

One of the other significant chunks of its investment in health is in research and development for medicines, vaccines, treatments and diagnostics. We have not evaluated that area, but I think that, given the



experience that we all witnessed during the pandemic of a lack of access to vaccines and treatments and diagnostics in developing countries, we do see real opportunity for a potentially positive development impact through investment in research and development—direct investments, I would suggest, that have more direct control, under very important conditions to make sure that those investments are positive. That is a potential area. We are not making a judgment on those at this stage, but we are very clear about healthcare investments.

We are also very clear and firmly of the view that BII should immediately cease investing both directly and indirectly in private education up to year 12. On the BII's new strategy, we welcome new language in there around saying that it will not prioritise investment in these areas, but that is not good enough, on the scale of the evidence that has led the sister institution, the IFC, to quit that funding altogether. The gravity of that evidence is so much that the IFC has made an unprecedented decision to stop funding and exit its investment in Bridge International Academies. We want to see BII following its example there.

Q44 Nigel Mills: Aside from thinking there is too much money going into the wrong places via the wrong structures, it is fine. Do other DFIs get this right? You mentioned IFC there, but is this something that BII is uniquely getting wrong and are there far better examples out in the world that we could try to adapt towards, or is nothing ever quite that simple?

Anna Marriott: Our research that we have done over the last few years has also looked at the French, German and European Union's development finance institutions and certainly within health we are seeing the same patterns. Sometimes the geography differs, but the lack of oversight, the lack of transparency and the lack of governance and accountability over these investments seems to exist. I would say that this feels like a bit of a club, in that they are investing in the same hospitals, so that idea that they are crowding in other financing I would suggest is highly questionable. We found one hospital in Nigeria that had about 12 different overlapping investments—and possibly more than that—from these handful of DFIs, so they are kind of scrambling over each other to invest in the same things, which would suggest that they are not fulfilling their goal of adding or crowding in private financing.

Chair: Paul's head is nodding. He is going to get whiplash soon.

Paul James: Just to reflect on two questions, there is a role for development finance institutions. During COP27, the high-level report stated that, on climate financing activities, there is a requirement for \$2 trillion per year to meet the necessary on climate goals. ODA or aid is not going to fill those types of gaps on its own, so there is a strong argument that institutions such as BII can play a role in crowding in capital to areas with a development benefit. I would say there is a role.

The real issue we face there is that there is a lack of evidence that BII is fulfilling its role and fulfilling its mandate in these areas. As I think



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Graham raised earlier, the FCDO published what it found, the most recent—*[Interruption.]*

Chair: You have frozen. I am going to have to also push people for shorter answers, if that is okay. Is Paul back?

Paul James: Can you hear me?

Chair: We can hear you.

Paul James: I was going to say that UK FCDO and BEIS have both evidenced that they are effectively spending ODA. BII need to produce that evidence that it is also effectively spending ODA and delivering impact, otherwise there are clearly questions about whether it is an appropriate channel for that finance.

Graham Gordon: Just quickly, I think FCDO needs to take back control of BII because, as the sole shareholder, it should have the control. It has chosen to operate very much at arm's length, while BII then operates at arm's length to many of its investments, which then have an even longer arm in terms of where their investments are reaching. We think it has to be at Secretary of State level, who should mandate BII to update its investment policy, so that, for example, it closes all of the loopholes in terms of climate change investments, it massively reduces its investment in intermediaries—we have heard clearly how some of them not only are damaging, but are particularly hard to trace—and also that BII should have a much stronger poverty eradication focus, in line with the International Development Act. We have a very clear Act there from 2002 that says that all ODA needs to be tackling poverty.

We have a shift in where a lot of our ODA is going and particularly the way BII is working. We need to bring that back to be focusing on poverty very clearly, to be focusing on tackling climate change and to be focusing on the poorest countries, because we have an ever decreasing pot of ODA at the moment and we need to make sure that it really is targeted where the UK public expect it to be targeted and where I think most parliamentarians expect it to be targeted, but where, as we have heard today, we can't show where it is going or what the impacts are, so we need to bring it back. FCDO can provide that hand rail or provide the parameters for how BII should be investing.

Daniel Willis: One thing that the DFIs have—or at least some do—is an accountability mechanism that allows communities impacted by these investments to hold the DFIs to account. The German DEG has one and the IFC has one. They themselves are quite slow mediation processes that are not perfect by any means, but BII's lack of one leaves a lot of the patients that Anna has referenced, or workers in some of the palm oil plantations in the DR Congo that we have looked at, without any recourse to justice, despite working in companies that are funded by the British Government. I think that is one key thing that BII could learn, but otherwise, yes, I would echo the comments that there is maybe a role for



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BII to continue doing some good things, but that is with the caveat that it drastically needs to improve its transparency and diligence over some of these companies. I do not think BII's continued role necessarily requires continuing large transfers of ODA from FCDO. That definitely needs to be revisited.

Nigel Mills: You say FCDO should take back control.

Chair: We did see what you did there, by the way.

Q45 **Nigel Mills:** When the Department decided last year to pivot more to the Indo-Pacific, magically BII chose to do the same thing. Doesn't that suggest that this is not quite as arm's length when people do not want it to be?

Graham Gordon: I think it does, yes. That is a great question. FCDO can control and mandate BII more than it does, but I think that raises a further question around whether UK aid should be pivoting more towards the Indo-Pacific and in the UK's interests more than in the interests of people living in poverty and having a clear poverty focus. In a way, the example of where BII has pivoted with the FCDO is the time when we don't want it to pivot with the FCDO, so it does raise the question around UK aid being used for what interest and what purpose and in those interests. I think it needs to be brought back into a much clearer poverty focus.

We have seen UK aid over years move towards the primary purpose, which is poverty alleviation, and then secondary benefits to the UK national interest and then it eventually ends up as a dual purpose. I think this again denaturalises UK aid, and it denaturalised what I think the UK public expect UK aid to be used for. Yes, FCDO can control BII more, but at the same time we think FCDO needs to be brought back and to focus all of its aid, not just some, rooted with the International Development Act and focused on those living in poverty and the world's poorest countries.

Q46 **Nigel Mills:** Finally, if I ask you to give me a score out of 10 for how well you think BII is doing, what would it be? Perhaps, Graham, you could start.

Graham Gordon: On the one hand—

Nigel Mills: It is a score.

Graham Gordon: It is hard to score without evidence.

Nigel Mills: Anyone going to give me a score here?

Chair: What is the score?

Graham Gordon: Three.

Nigel Mills: Three, very good. Higher or lower, this could be.



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Anna Marriott: From a health and education lens, I would give it a very, very low score. I don't think it should be in these sectors.

Chair: Pick a number, Anna.

Anna Marriott: Again, I do not have any evidence, but on the basis of the human rights abuses that we have identified, I would give it zero.

Daniel Willis: Yes, I would be zero plus question mark, because in a lot of cases we just don't know or BII does not report on the impact of some of the things that it does. But for the things that we do know and we have evidence on, yes, it would be very, very low.

Nigel Mills: Paul, you are keen to offer us a score.

Paul James: Conveniently, we are launching a DFI transparency initiative tomorrow, so we will be able to give you a score out of 100 for BII, alongside 30 development finance institutions. I am not allowed to reveal that score today, but we will include it our written evidence. I think what is very clear is, first, it is not transparent enough and also it is not as transparent as a number of its peers, both bilateral and multilateral organisations. There is a body of evidence that shows it could perform far better in terms of the transparency.

Q47 **Chair:** Paul, you have answered one of my questions. So there are other government DFIs that have greater transparency that you would be able to, after tomorrow, give us evidence on to say, "This is a model that we think would work here"? Because of course it is not Government money, it is taxpayers' money. I do think that taxpayers would be quite shocked at the lack of transparency. It is a problem that we have when we are trying to scrutinise BII as well. You will be able to give us that after tomorrow?

Paul James: We will. There are certainly bilateral DFIs that we have rated as more transparent alongside looking at—

Q48 **Chair:** That is great, if we could have that tomorrow. I have a couple. We have also been pushing BII on its due diligence in its supply chain. It gave us robust answers for tier 1 suppliers, which is where it seems to focus on, but there are real concerns over tier 2, where it seems to take a more hands-off role. This came up because the Committee was very interested in investments in renewables, to which its answer was solar panels. We pushed back, "Where are they being manufactured?" and we have concerns that they are ending up in Xinjiang with Uyghurs. Where do you think BII's responsibility for its supply chain should end? Paul, can I direct that at you? Not asking you to spill the beans on your forthcoming evidence, but looking at where other countries are able to drill down into its supply chains.

Paul James: If you do not mind, I am going to politely say that I do not think we have the kind of personal experience to answer that. We certainly look at—



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Chair: Let me pause you there. If anyone in your team is able to write to us, that would be great. Daniel.

Daniel Willis: In terms of supply chains, it is also not something we have specifically looked at, but I think the question around digging into some—

Q49 **Chair:** Should the Committee be looking at supply chains?

Daniel Willis: It is certainly a valid question to ask, yes. I am just thinking of one renewable investment made in Lake Turkana, a wind power project. It was not related to supply chains, but in terms of how the company was operating and its relationship to local farmers and communities who had been displaced by the project, we should not be sat here just assuming that all investments in renewables get a tick. There are definitely deeper questions about human rights and workers' rights as well, like you say.

Chair: I take on board very keenly your comments about quality of jobs. Again, that is something that we will be looking into to make sure that they are not exploitative. Graham.

Graham Gordon: On the supply chains, it is a very pertinent question. As most of you will know, there is a European directive going through around listed companies in the European Union having to go through much greater due diligence, environmental and human rights due diligence, throughout its supply chains, going down to at least tier 2. Many UK companies who are listed on European stock exchanges will have to go through that as well. It is part of our proposals with many groups that the UK should introduce similar legislation for companies listed, but also for financial institutions, to have greater due diligence throughout their supply chains, along the lines of the Bribery Act, so that there is boardroom responsibility for human rights abuses or for having made sure that the board have done everything it can to prevent them and access to redress.

It is a key issue, particularly in minerals, in mining, but also throughout agricultural products and others. It would be something that would be very good to look into, and particularly how BII investments can fulfil new European legislation and what it might mean for UK legislation to catch up with that and make sure that the correct due diligence has happened throughout the supply chains.

Chair: If you could give us some more information on that EU legislation, that would be very interesting and help inform us.

Graham Gordon: Yes, very happy to.

Q50 **Chair:** My final question: I do not think that BII, formerly the CDC, has ever given a dividend to its shareholder, FCDO. Is now the time that it starts to give some money back that could go back to different ODA projects? Anyone?



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Graham Gordon: To go back to where in particular?

Chair: To go back into the ODA pot so that it can go to the poorest in the world.

Graham Gordon: I think that is a great suggestion. As BII—

Chair: The counterargument would be it can reinvest that money, so it does not need to come back to the Government to ask for more ODA.

Graham Gordon: As we have shown, BII has various investments that it can track more clearly and various investments that are going to intermediaries or are exposed to fossil fuels that it has to pull out of as soon as possible. That will release a lot of capital. We are looking at an ODA pot that is now, as we know, 0.5, and with a lot being spent in the UK on refugee costs. We know that projects are being cut left, right and centre and I think we all lament that. Yes, I think this is the time to help and over the next 18 months to two years to put money back into ODA so that the UK can again be engaging in partnerships with countries and in increasing the spending on peace building, on vaccines, on agriculture, on renewable energy, on women and girls' education, on the many things that UK aid is known for, but where UK aid is now slipping away in terms of its investments and its spending in countries.

Yes, this is a great time for money to come back. It would still leave an awful lot of money in BII's coffers to be investing in some of the projects and programmes that we have mentioned, but there is a lot that could come back to the UK Government in the interim.

Chair: Thank you all very much. Committee members, any final questions? No. In that case, this session is now closed.