

International Development Committee

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

Tuesday 7 March 2023

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Members present: Sarah Champion (Chair); Mr Richard Bacon; Mrs Pauline Latham; Mr Ian Liddell-Grainger; Nigel Mills; Navendu Mishra; David Mundell; Kate Osamor; Mr Virendra Sharma.

Questions 51 - 147

Witnesses

I: Samantha Attridge, Senior Research Fellow, Overseas Development Institute; Joe Dharampal-Hornby, Public Affairs Manager, Impact Investing Institute.

II: Stuart Bradley, Managing Partner, Phatisa; David Kuijper, Public Investment and Blended Finance Manager, FMO.

Examination of witnesses

Witnesses: Samantha Attridge and Joe Dharampal-Hornby.

Q51 **Chair:** Welcome to this session of the International Development Committee. It is our second session looking at investment for development, the UK's strategy towards development finance institutions. In the UK, ours is called BII, which stands for British International Investment. Our first panel is Samantha Attridge and Joe Dharampal-Hornby. Could I ask you to say a little bit about yourself and the organisation you work with?

Samantha Attridge: Hello, everybody. My name is Sam Attridge. I am a senior research fellow at ODI and I spend my life researching how we use public money to mobilise private money. I specialise in blended finance and development finance institutes. My works are widely referenced, and I am really looking forward to giving evidence today.

Chair: We hope that you give us evidence that we can reference.

Joe Dharampal-Hornby: Hi, everyone. I am Joe Dharampal-Hornby, public affairs manager at the Impact Investing Institute. We are a non-profit, seeking to make capital markets fairer for the benefit of people and the planet. We exist to encourage more investment, with the intention to deliver a positive and measurable impact alongside a financial return. We focus on the UK as well as internationally.

Q52 **Chair:** Thank you both very much for joining us. We have a range of questions and we will direct them to you individually, but come in if you want to add anything. Sam, in our first oral evidence session, Oxfam, Global Justice Now and CAFOD all argued that official development assistance should be used to fund in-country development programmes, rather than investing in private business. Given that BII is financially self-sustaining, is the investment of hundreds of millions of pounds each year in British International Investment the most effective use of our significantly diminishing ODA budget?

Samantha Attridge: This is the issue about whether we should be investing aid through a development finance institution such as BII and in poverty reduction. There are two comments that I would like to make here and that the Committee should consider.

First, there has been a shift in domestic thinking about economic growth and transformation. If we think about the transition to a low-carbon, climate-resilient economy, looking to the US and its Inflation Reduction Act, we are seeing a shift in thinking domestically about the important role of Government and the important use of public capital to incentivise and mobilise private investment in support of development and transition.

Likewise, we should also be thinking the same when we are thinking about how we use aid money in developing countries. There is a change in our own domestic thinking, so it is a bit strange sometimes when we



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are challenged and people say, "Why are we using public money to support investment in developing countries?" That is the first thing. That is important.

Secondly, poverty reduction requires a huge suite of interventions. Of course, there is traditional aid, which is necessary to go through and fund social protection, free education, health etc. If you read surveys of African citizens, their top priorities are that they want a job and they want economic growth in their countries. That is it. They do not necessarily want handouts.

BII exists to invest in the private sector and create jobs. These are what is wanted and what is necessary. The World Bank finds it the most important way to lift people out of poverty. Nine in 10 of those jobs are actually created in the private sector. Traditional aid tackles poverty, but also DFI investment can tackle poverty. The theory of change is very different and we are not comparing apples and apples.

Q53 **Chair:** Is it that it can tackle poverty or does tackle poverty?

Samantha Attridge: That is a good question. We need to go on to impact then and look at the jobs created, where they have been created, who they are being created for and those investment pathways, but also the importance of investing in business that pays taxes. There is ample evidence on job creation and on the tax that is being generated, which these Governments can use to fund the social infrastructure in these countries.

Q54 **Chair:** When even more money is now being allocated to BII, do you think that the trickle-down approach is really the most effective way of alleviating poverty in those countries?

Samantha Attridge: I do not think that it is a trickle-down approach. It has been proven by the World Bank that a job is the best route out of poverty.

Q55 **Chair:** Is education not the best route?

Samantha Attridge: Not according to the World Bank. I am not sure about the best, but creating jobs has been proven to be an effective and important route out of poverty.

Joe Dharampal-Hornby: I would concur with a lot of that. I would add that BII in recent years has averaged about 4% of the ODA budget. That leaves 96% available for the more traditional forms of aid. If that aid can reach those most acutely in poverty, once they have been raised out of that poverty where is the local economy for them to enter? Where are the local businesses? Where are the jobs?

BII's crucial role is developing that local economic growth and partnerships. We are really keen to see it helping to crowd in more private capital in those particularly hard-to-reach areas around the world. As Sam has said, it is not an either/or. It is the combination of the 96% of ODA that goes towards direct aid and then 4% of the budget, with



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private capital crowded in as well, providing that developing economic growth. We feel that that is a reasonable approach going forwards.

Q56 **Chair:** Could BII be using alternative sources of capital for this rather than ODA?

Joe Dharampal-Hornby: BII makes a reasonable return on its investments and is able to crowd in additional funding. I think that it has crowded in £2.5 billion of private capital based on £7 billion across the last five years of its strategic review. If BII wanted to stand still, it could become self-sustaining—something like a sovereign wealth fund where it just reinvests the money it makes.

At times of acute challenges, particularly with the climate crisis and the need to deliver a just transition, BII's role is integral to what the UK Government wants to do. Therefore, I would consider it a worthwhile cause for ongoing Government funding.

Q57 **Chair:** It is integral, but do you see its actual delivery on the ground as being integral with broader development and poverty alleviation? I take both of your points about jobs, but if people do not have education and training, they are not going to be skilled to go into the workforce. If there are no roads, no public transport, etc, there are not going to be routes into the workforce. Do you see BII making its investments effectively as a complementary investment to whatever else the UK or the international community invests in that country, or does it just happen in isolation?

Joe Dharampal-Hornby: There is always more to do in terms of that collaborative approach. The broader challenge we are getting to is that BII has different expectations that can, at some points, be competing. There is the requirement to be a commercially viable organisation. There is an expectation that it reaches those most in need. Also, we believe that this new role of crowding in private capital is important.

There can be tensions there. I would completely accept that, going forward, it would be worthwhile to have clarity about what is expected of BII, acknowledgement of the tensions there and more transparency from BII about how it makes investment decisions and the outcomes of those, not only from a taxpayer perspective, for everyone on this Committee, but also for the investment community. If we want to learn how we most effectively invest and engage in particular countries in emerging markets and frontier markets, we need to know the data, good and bad. We would absolutely welcome more transparency, but maybe we will come on to that later.

Samantha Attridge: Could I add a point on the funding issue? We recently published a study. The world is asking the multilateral development banks to do more with what they have. We think that Governments should be looking at their own institutions and asking the same. We published a study recently and one thing that is interesting is that BII does not issue any debt on the capital markets. It is purely funded by capital, which is counted as aid of late, or its retained earnings, as Joe has said.



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One thing that we question and think that the UK Government should explore is whether BII should be issuing debt on the capital markets. Using some very conservative assumptions—I will not go into the detail—we think that, in 2020, it could have mobilised an additional \$8 billion, which could fund investment. That would free up the aid budget.

Q58 **Chair:** Would that need a change in legislation?

Samantha Attridge: Possibly, yes. I have been trying to do some more digging into this. This is something where I think the Government should look into what the risks and opportunities are.

Q59 **Mr Bacon:** Would it count as public debt?

Samantha Attridge: Public financial corporations that are owned would count as public debt.

Q60 **Mr Bacon:** Would it be as cheap as the UK gilt to borrow?

Samantha Attridge: It depends on what the credit rating is that they would target. On that, on the Office for National Statistics, when you look at the institutions, I could not find BII listed, so I am not clear myself.

Q61 **Mr Bacon:** Presumably, it has not been seeking that type of credit rating because it has not been trying to issue those sorts of bonds. I know that Governments are under pressure around the world, but it is not going to be able to borrow as cheaply as HMG itself, is it?

Samantha Attridge: The importance of a state guarantee is important here. Actually, quite often credit ratings use the sovereign support of the institution as a big determinant of how they rate the debt of that issuer.

Q62 **Mrs Latham:** The FCDO is not directly involved with the decisions made by BII in terms of investment or its operations. Do you think that it should be?

Samantha Attridge: No is the short answer to that. The current arrangements are arm's length. FCDO negotiates and sets the strategy. It appoints the chair of the board. It appoints two non-executive directors, and they have quarterly meetings and reporting etc. It is recognised that that arm's length is good practice and has a number of advantages.

First, there are clear lines of accountability between the board and the Government. More importantly, it protects BII from political interference and allows the board to get on and do the day-to-day implementation of the strategy. Also, it is important for the reputation of BII in the commercial markets that there is not that kind of day-to-day interference. Investment is a long-term activity so we need certainty. In my opinion, the arm's-length arrangements are good. If you wanted a bit more control, FCDO could be more specific in the strategy or in the investment policy, where it already sets some parameters.

Q63 **Kate Osamor:** Sam, what is the purpose of a development finance institution and what different strategies do DFIs use to prioritise poverty reduction in their operations and investments? There are two parts to



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that question.

Samantha Attridge: That is a very good question. I am trying not to be too technical. The purpose of a DFI is essentially to go where the private investor will not go, because the risk is either perceived to be too high or the real risk of making an investment is too high for the return that it is going to get, so the private investor is not interested. We talk about market failures, for example. One job of a DFI is to use its capital, tools and advice to structure investment, and to use public money to adjust the risk and return balance, so that it is attractive for the private investor to come in in the first place.

Q64 **Kate Osamor:** Could you explain what that looks like to the layman?

Samantha Attridge: For example, for debt, a company might have some debt financing for a project or want to invest in a company. Say that, for the risk of that company, for its internal rate of return calculations, it would require a 7% or 10% return. A normal lender, given the risk—say it was in Sierra Leone—might say, “We will only lend at a rate that exceeds 7%”, for example, which is the rate of return that that investor wants. What BII or a DFI would do is to somehow—there are lots of ways of doing this—offer a loan that would have a cheaper cost of capital to make the economics and the financials of that project doable. Sorry, I probably have not done a very good job of explaining how it actually works.

Joe Dharampal-Hornby: We see this in the UK market all the time. We saw it with things such as covid bounce-back loans. The Government would essentially provide a guarantee for banks to issue loans to companies, given the uncertain situation companies were facing. There was a reluctance on the part of banks and other organisations to lend that money.

We see it in particularly high-growth areas, where there is a huge amount of risk involved. The Government will often set up schemes to enable funding to go to those organisations. We are talking about a similar thing, but in territories or particular sectors where there is a level of risk involved and the return is not necessarily going to be high enough for a traditional private investor to want to take that risk. That is where DFIs can play a really key role.

At the Impact Investing Institute, we are really interested in the role for DFIs not only to provide that funding alone and directly but to partner with private investors. DFIs say, “If this investment goes bad and it loses money, we will take that first loss to the private investor so there is less risk to the private investor”. That private investor can hopefully provide multiples of investment to what the DFI is providing. That is where we see a real opportunity for UK taxpayer money, through the DFI, to mobilise multiples of private capital by providing first loss or through other mechanisms to partner with private capital.

Q65 **Kate Osamor:** I appreciate your answer, but, from what the Committee understands, BII has a catalyst portfolio. You did not refer to it, but there



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is a catalyst portfolio that targets high-risk markets. Going back to the second part of my first question, how are such different strategies able to prioritise reducing poverty? You have explained the business case, which is fine, but they are also supposedly trying to look after people who are very poor. How is that possible? How are they able to be successful when they are going into high-risk markets?

Joe Dharampal-Hornby: It comes back to what we said around the different objectives and expectations of BII. I am not sitting here today and saying that these kinds of mechanisms are necessarily going to reach all of the absolute poorest of people around the world. That is where the 96% of the ODA budget hopefully comes in.

It is maybe about reaching those people slightly above, where there is an opportunity to potentially get a job or they can be a customer of a business that is supported to grow. Given the huge levels of poverty in these countries, there is a real role there. If we look at, say, sub-Saharan Africa, 70% of sub-Saharan Africa does not have access to electricity and 40% of businesses in sub-Saharan Africa say that it is a real blocker to growth.

If BII, either directly or in partnership with other private capital, can finance projects to provide more energy in these countries, for me there are clear benefits in terms of poverty reduction. It is not always reaching the 1% who might not be able to afford that energy anyway, but there are huge numbers of people who we feel this can be targeted at. Again, we would welcome more transparency about the exact outcomes of these projects. I feel that this is what may be causing some of this confusion or questioning.

Q66 **Kate Osamor:** What would transparency look like? How would you envisage that transparency?

Joe Dharampal-Hornby: The way that BII demonstrates the impact of its investments is about job creation, but linked to the company it has invested in and taxes paid. We have to recognise that—it is almost ironic, but understandable—in these countries data collection is slightly more difficult.

Q67 **Kate Osamor:** So it is the country's fault that the data is not being collected.

Joe Dharampal-Hornby: It is not the country's fault, but we have to recognise that the levels of data these countries have about the population are not as sophisticated as we have in the UK. We survey the country every 10 years and have really precise data. We have gender pay gap reporting in the UK. We have all these things that we do not necessarily have elsewhere.

Recognising that there are those challenges, I would want BII to be doing more in terms of asking, "If we have made this investment, can we try to link that investment to the number of jobs created?" What about the quality of those jobs? Are they long-term jobs? Are those jobs involving



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upskilling? Are we training people to do things that they could not do before? Those sorts of things are difficult, but we would like to see more ambition on that front.

- Q68 **Mr Bacon:** I have two very quick questions from this. Sam, you said in answer to Kate that the purpose of a development institution is to go where other investors will not go because the risk is too high. Earlier, you said that you would like to see BII issue bonds. Who is going to buy these bonds? Presumably they are people who have a higher appetite for risk than the people you were talking about previously who would not go where BII is going. Is that right? Presumably they want a return. That is why they are going to invest in these bonds.

Samantha Attridge: BII or DFI investment is profitable by its nature and has a return. The idea about issuing bonds is that mobilisation levels by BII and, more broadly in the system, by MDBs—multilateral development banks—and other DFIs are very low. One issue is that institutional investors or impact investors do not go in for the small ticket size, small transaction individual investments. It is a very good way to mobilise and tap the capital that is under management by institutional investors.

Mr Bacon: That is, to buy bonds from BII.

Samantha Attridge: Yes.

- Q69 **Mr Bacon:** Then it turns out that BII itself—we are going to get on to intermediary institutions—does not want to invest in the little itsy-bitsy bits either. It invests in other intermediary institutions.

Samantha Attridge: That is one reason why it goes through financial intermediaries. In the UK pension industry, there is not necessarily any regulatory reason why they might not allocate investment to emerging markets and developing economies. It is actually a behavioural issue around perceived risk. They need someone, if you like, to hold their hand.

- Q70 **Mr Bacon:** So they feel more comfortable buying bonds in something like BII.

Samantha Attridge: Yes, and this is also part of the non-financial role that DFIs can have, partnering and giving comfort to private investors. A good way to tap some of these large pools of capital is to issue bonds by that institution. There is a spectrum of return and risk.

- Q71 **Mr Bacon:** Joe, what you said sounded great—the sort of thing that you would hear on the radio. If 40% say a lack of access to electricity is a barrier to growth, that means that 60% do not find the lack of electricity a barrier to growth. What kinds of businesses are they that do not regard lack of electricity as a barrier to growth? Are we talking about smallholder agriculture or what?

Joe Dharampal-Hornby: Yes, probably, but I would be happy to write to the Committee after to follow up.

Mr Bacon: Sixty per cent. is quite a lot. I was staggered when you said



that. You are saying that most businesses surveyed do not regard lack of electricity as a barrier to growth.

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

Q72 **David Mundell:** The number of jobs created and tax revenues generated are key impact measures for BII's investments. Are those meaningful and reliable measures of development impact?

Joe Dharampal-Hornby: The way that BII, in its new strategy, with its new impact framework, is making investment decisions is positive. It is based on world-leading initiatives, such as the impact management project. It considers a range of things, including who is going to be affected, how many and the potential risk, in making a decision based on impact as well as return etc.

The slight issue that we have is about what data BII publishes about the outcomes of those investments. We would be really keen to see more contextualised and detailed data on the other side. From the outside, the way it makes its decisions is really quite well thought through under the new framework.

Old investments are not being reconsidered in that new framework, but for new investment decisions we think that the framework it has demonstrated is pretty good, but we would like to see more detail. Maybe, if it is making investment decisions based on this framework, could it report on the outcomes against a similar framework? In terms of how it reports, the short answer is yes. There could be more detail provided.

Samantha Attridge: Yes, there is room for improvement. Those kinds of metrics are very static. Sometimes I think, "What does X taxes mean?" They are static measures of impact. It is more important to understand the change that has been effected by the investment, so to be able to see change over time, for example in jobs created.

Also, there is the disaggregation of those jobs. In its metrics, it tells you that, I think, 28% of the portfolio employs women. There is a lot more detail that we need to know and that I think BII does measure because of the 2X Challenge, which is not published. Again, it is the change that we are interested in that the investment is effecting. Sometimes, absolute measures do not necessarily mean anything.

Job quality is critical in terms of poverty reduction, but it is very difficult. Job quality means different things in different sectors in different countries. We need to also be realistic. How would you aggregate or create a measure that would mean anything in terms of job quality? We need to be mindful that there are some challenges as well about getting more meaningful metrics. It reports, for example, gigawatts generated. We do not know how much of that is green, for example. There is a long way in terms of the metrics that are reported that could give us a bit more insight on the quality of the impact BII investment is having.



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Q73 David Mundell: Specifically, Joe, in your written submission to the Committee, you outlined that capital mobilisation should be a core objective for BII. In your view, how important is capital mobilisation as a performance measure, compared to jobs or taxes?

Joe Dharampal-Hornby: It is hugely important. Hopefully, the more capital mobilised, the more jobs and taxes that would follow. We see that other DFIs have capital mobilisation as a core objective and we even see other DFIs having a target ratio of mobilisation. The US DFI in 2020 said, "We want to invest \$25 billion over the next five years and we want to crowd in an extra \$50 billion. Effectively, for every dollar we reinvest, we will get \$2 of private capital".

If you look at BII's most recent strategy, for £3 invested, there was £1 extra, so 33p on the pound versus \$2 on the dollar. If BII was supported over time—we think by the next strategic review would be an appropriate timescale—to have mobilisation as a core objective and potentially a target mobilisation ratio, we feel that that would be a really important way, to go back to the conversations around value for the taxpayer, to crowd in much more private capital for the aims of BII. We would want that investment with private investors to be led by exactly the same impact framework as investments led only by BII and to be reported on in the same way, too.

Q74 David Mundell: Is that how you would see FCDO monitoring and, effectively, understanding what was happening in relation to mobilisation?

Joe Dharampal-Hornby: Yes, absolutely. BII already mobilises capital. It has mobilised £2.5 billion through the last period of its strategic review, so 2017 to 2021. So it already does; we just feel that there is a lot more to do. It makes the impact decisions in the same way, whether it is directly invested or through intermediaries with partners.

Samantha Attridge: Can I nuance that recommendation slightly? The thing about BII comes back to your issue about tension between some objectives. BII says that it deals with the hardest investment challenges in the hardest markets, where the universe of private investors who want to mobilise is smaller. Who wants to invest in Sierra Leone versus Indonesia? There is a risk when setting mobilisation targets that you skew investment towards easier markets and things, so we need a little bit of caution there.

Similarly, my research has calculated that BII mobilises 40p on the pound. It is not a loan there. Last time I looked at it, on average for most development finance institutions it was 80p in the pound. You might have heard that this billions to trillions agenda is just not materialising and BII is not alone here.

Q75 Mr Bacon: Do you mean 80p on top of each pound?

Samantha Attridge: For every pound, you get 80p in private investment.



Q76 Mr Bacon: What is startling about Joe's example is that it is so much different. It is six times more compared with what you said. Whether it is 30 or 40 in this context is nearly immaterial. Why is it so different in the US example? Is it because of the jurisdictions that they are going into or what?

Chair: Sam has already answered that.

Samantha Attridge: These are projected mobilisation ratios. The Development Finance Corporation, the US development finance institution, has a much wider toolkit than BII uses. For example, it uses guarantees and insurance. About a third of its portfolio is deployed using guarantees and insurance, which we know has much higher mobilisation potential. That is why it has a high ratio. It is about 1.5.

In our work, when we have looked at it, it is not clear that the mobilised figure that that is calculated on is all private. Some of it might be public. That is another thing to be mindful of. Also, we need to be mindful that there is a required change in approach if we are to realise stepped-up levels of mobilisation. That has some quite fundamental implications for BII and how we mobilise private finance.

Chair: What you are saying is fascinating, but could I ask you to be briefer? Joe, with your wonderful example, write to us, if it is detailed. We would be really grateful.

Q77 Nigel Mills: Samantha, I was just looking at your paper exploring bilateral development finance institutions' business models. I think that you conclude in there a couple of times that BII is not that risky. It tends to go for quite safe investments. How does that contrast with what you just said about it not getting in the same amount of funds because it is in the riskiest markets? It seems that it is not quite fudging that.

Samantha Attridge: I will try to be concise. When we looked under the car bonnet to see the level of risk, we questioned that level of risk. When we looked at the allocation of its portfolio geographically, it has a huge concentration in India of about 28%. The top five countries were your normal ones—Kenya, Nigeria, India. It was like 50% of the portfolio, so a huge concentration in the more developed markets in what it argues are more challenging markets of Africa and south Asia. We questioned that level of risk in the portfolio.

Q78 Nigel Mills: Can I move on to a slightly different thing? I think that it was six DFIs that you looked at. How easy was it to work out what they were all doing and how they were all performing? Are they transparent in what they are doing and achieving? Is it quite hard to work out?

Samantha Attridge: It was very difficult because of the data that is published. For some DFIs, we signed a non-disclosure and they provided us with more detailed transactions, which enabled us to estimate, for example, the level of risk in their debt portfolios. BII actually had a lower risk in its debt portfolio than, or similar to, FMO, which surprised us. We thought, "Okay, maybe that is because it has so many equity



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investments". When we looked at where that equity was being invested, we questioned that assumption.

It was just some first observations. The idea was that there is value in the UK Government looking further at how BII is using its capital and how much risk it really is taking.

Q79 Nigel Mills: You are almost saying that it is not actually doing what it is supposed to do, which is invest where nobody else will.

Samantha Attridge: No, it is, but we are saying, "Could it do more?" Could the level of risk be higher and hence the development impact of its investment be higher?

Q80 Nigel Mills: I should be more generous than I was there. In terms of transparency, was BII better or worse than the other five you looked at?

Samantha Attridge: Helpfully, Publish What You Fund has just published a DFI transparency initiative. This is a huge, problematic area. BII scores very poorly overall and in relation to its peers. Particular areas are around transparency in environmental, social and governance—ESG—disclosure, but also in impact. There is a dashboard, and it gives you what it thinks the investment is going to create, but we cannot see what actually happens. It does not report the actual impact by transaction. There are issues on transparency in ESG and impact.

We do not know any disaggregated mobilisation figures. They are not reported by investment, which hinders our understanding about what is working and what is not, so it is a massive issue. In my written submission, I think that any further capital increase or money should be tied to improvements in transparency. Ultimately, that is how we understand better the value for money and the impact that BII is having.

Likewise, most of the money that has gone through BII is counted as aid. I question why it is not subject to the same hard-won transparency gains on the aid effectiveness agenda. Aid channelled through DFIs should be subject to the same transparency requirements in my mind.

Q81 Mr Sharma: Sam, what are the merits of the use of intermediary funds for DFIs?

Samantha Attridge: There are many. I heard the previous session and I do not think that we should stop all intermediated investments. There are many benefits. First, it has a huge mobilisation benefit. For example, if you look at a fund investment, BII invests into a fund and other private investors invest into that fund. If it is a fund of a fund, that fund is making investment in companies and then other private investors are mobilising into those companies.

Secondly, it enables BII to expand its reach and the depth of its investment. When working through especially local financial intermediaries, for example banks, they are better placed. They know their markets better, can price risk better and have the branch networks etc in theory to be able to reach some of the harder-to-reach customers,



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which BII would not be able to do. This is really important in SME financing. Because of the size of the investment, the transaction cost of BII doing it would be very high.

What is important is how BII controls or directs that investment. There is a lot of value in it. We have seen that BII's PE—private equity—investment over many years has actually built up and supported the development of local financial institutions, but there are risks.

Q82 Mr Sharma: How much control do DFIs have over where their money is invested through intermediary funds?

Samantha Attridge: In the policy for responsible investment, there is a provision that enables BII to direct where the investment is made. I am not fully familiar with the extent to which BII actually uses that provision, and you might want to explore that if BII were called.

In theory, one would imagine that, with investment through private equity funds, because of the volume and nature of that investment, it is easier to be more prescriptive about where it goes versus, for example, a bank that might have hundreds and hundreds of transactions. Still, it could direct it to say, "We only want it to go to women or SMEs". It is entirely possible for BII to do that. As I say, I am not fully familiar with whether it does.

Q83 Chair: Should that level of direction be coming from FCDO?

Samantha Attridge: I do not think that FCDO should be that prescriptive. It has a level of prescription in the strategy, where it is negotiated that 25% of BII's investments, I think, would be 2X qualified—that is the gender criteria—and 30% of its new commitments would be green, for example. I am not sure how it would work in practice or if FCDO would be the best people to set that detail.

Q84 Chair: They are the people accountable for taxpayers' money. Surely, if a Minister or a Government were to decide to go down a particular route, that would be their right to do so.

Samantha Attridge: Of course, yes.

Q85 Mr Sharma: Given the sector's criticism that financial intermediaries are not transparent, how can this investment mechanism be improved?

Samantha Attridge: One way of improving the investment mechanism is to have more control and state right at the beginning what BII wants that investment to fund, or how it wants the intermediary to invest it.

There are improvements in ESG disclosure that can be made, for example through bank lending, to focus on large, risky transactions and require disclosure on those. It could be a bit more selective, not as blunt as "every transaction on bank lending", because that might be quite difficult, but for high-risk lending, for example, it could improve the disclosure requirements around its intermediated lending.



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For the private equity funds, the disclosure is quite good in my understanding. If you read the Publish What You Fund transparency initiative on PE funds, it is pretty good.

There are improvements overall on ESG for all investors. For example, BII does not report the categorisation of the environmental, social and business integrity risk. It is a well-known convention that your high risk is A and lower risk is C. BII does not report any of that, but other DFIs do. For example, they might publish the environmental social impact assessment or the stakeholder engagement plan for high-risk investments. BII does not for any of its investments, whether they are intermediated or not. There are also broader improvements on ESG disclosure that can be made and improvements in transparency.

Q86 Kate Osamor: Joe, BII has stated that it is supporting countries to transition away from using fossil fuel. What constitutes a just transition, and how does that link to BII's fossil fuel investments?

Joe Dharampal-Hornby: For us, a just transition is about a transition to net zero that takes into account and listens to people and communities. We see it talked about in the UK and also abroad. This is one of the most controversial issues around BII, particularly with some of its investments in gas projects.

It comes back to the point I made previously. If you look at sub-Saharan Africa, there are particular gas projects that are aligned to the Paris agreement, where the need for electricity is so high in the short term that BII has made a decision, which it thinks is therefore reasonable, to invest in projects that have the capacity in the medium to longer-term to support those countries to transition to net zero. That gets at some of the things that were brought up in the previous session.

The difficulty we have, of course, is that this is said, but it is difficult for people to find the detail and for that to be evidenced. In principle, I understand the approach that BII has taken, where the need is so great and where there is a slightly longer term to transition to hydrogen and other forms.

In general, that is why we come back to things such as job quality, recipients of jobs and skilling up of jobs. We need to have that granular detail to know that the people are truly being taken on board. One thing we have focused on at the institute when talking about the just transition is community voice. To what extent are people being listened to and having their views taken into account within projects, rather than just saying, "We are doing this project. Here is a job and thank you very much"?

Q87 Kate Osamor: CAFOD has suggested that BII divest from all its fossil fuel investments to free up funding for the ODA budget. What impact could this have on in-country development outputs and the achievement of net zero?



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Joe Dharampal-Hornby: If BII divested immediately, in the countries where there is that energy need immediately, there is a risk that those projects do not go ahead and those investments could be bought by an organisation or country that has much less interest in delivering net zero.

Q88 **Kate Osamor:** Do you have evidence to prove that these countries do not want to achieve net zero?

Joe Dharampal-Hornby: There is ample evidence that the UK has been a leader in the global transition to net zero. Think about its leadership at COP 26 and the Climate Change Act passed in 2008.

Q89 **Chair:** The Minister for COP 26 has been challenging that point, so you are on slightly shaky ground making these generalisations.

Joe Dharampal-Hornby: The UK globally, compared to every other country in the world, has a reasonable—

Q90 **Chair:** That is a different answer to a different question, though.

Joe Dharampal-Hornby: I am saying that UK ownership of and engagement with these sorts of projects needs to be mindful of delivering that transition in the long term and working with that company to transition. It is a well-known risk of absolute divestment that it could be taken over by investors or state-led investments where those countries do not have as strong a record on commitments to net zero as the UK does.

Q91 **Kate Osamor:** Are you confident to say that BII is part of a coherent Government development policy when it comes to achieving net zero?

Joe Dharampal-Hornby: BII says that, in the way it approaches investments, it is in line with Government policy, but we need to see more detail on the actual outcomes.

Chair: Thank you both. You have given us loads to mine away at and I would not be at all surprised if we came back for further written evidence from you. That was a really interesting session.

Examination of witnesses

Witnesses: Stuart Bradley and David Kuijper.

Q92 **Chair:** I appreciate your time. To go with the same format, could I ask you both to introduce yourself and your organisation?

Stuart Bradley: Hi there. I am Stuart Bradley. I have actually flown in from Johannesburg for this one.

Chair: It is the same time zone, though. You are not getting my sympathy.

Stuart Bradley: There is two hours' difference. The weather is a little bit different. I am the managing partner of a firm called Phatisa. We are an



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impact investor. We are a private equity fund investing in the food and agri-business space across Africa. BII is one of the investors in our fund, so we are a financial intermediary, a private equity fund. There were quite a few questions to the prior panel on the mystery around private equity, so I am happy to open up on that and try to help.

Q93 **Chair:** Some years ago you worked for a previous iteration of CDC. Is that right?

Stuart Bradley: I started my career with CDC, as it was then, back in 1996 in what was financial markets. It was in the original private equity fund programme that CDC owned at the time. It owned these fund managers and raised capital from the likes of FMO and IFC. I had seven years with CDC.

Q94 **Chair:** That is really interesting. If it is relevant to draw on any of the differences, that would be of interest.

David Kuijper: I cannot beat the distance travelled by Stuart. I trained in from The Hague. I am David Kuijper. I manage the blended finance operations at FMO. I will not ask you to repeat that acronym or what that acronym stands for. It is the Dutch acronym for a development finance institution. I have been working there for about five years and prior to that I was working at the World Bank.

Chair: We really appreciate the two of you coming. It is a big investment of your time, but also we are very grateful that you are sharing your knowledge. It will really help inform this inquiry.

Q95 **Mr Bacon:** I would like to start by repeating a question Kate asked our other witnesses. What is a development finance institution for?

David Kuijper: It was actually quite well explained by Sam in the previous session. I would like to just add the metaphor of a DFI being a bridge between the public and private sector, between public mandate, public goals and private investment. That is very much a role of a DFI that has become far clearer in the past six years, since the sustainable development goals came about. It is clear that DFIs, and I would like to add multilateral development banks and their private sector arms to that, are instruments that are essentially able to help bring private investment to the attainment of public goals, in particular the sustainable development goals.

Building on the discussion in the previous session, it is far more than finance alone. Finance is a means to an end. DFIs are organisations where most of the tasks are actually non-financial. There is impact evaluation. In our case, because we are a bank and are regulated, we have KYC—know your customer—teams. A lot of what we do has to do with the capacity building of our customers. I would like to bring to the fore here that it is far more than just a financial institution.

Q96 **Mr Bacon:** Hopefully we will get the chance to explore that.



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Stuart Bradley: I heard the prior debate and the prior sessions. There is a place for everyone. Looking at aid, I see aid versus DFI as literally the old proverb, “Give a person a fish and you feed them for a day”. With a DFI, we are teaching people how to fish. We are trying to develop countries by developing the private sector, creating jobs and thriving businesses, and, at the end of the day, weaning ourselves off the DFIs and trying to crowd in private capital. Ultimately, it is about trying to become like Europe, the UK or the US. That is our goal.

Q97 **Mr Bacon:** When I heard about this 96% versus 4% going to BII, I thought “only 4%”, if what you say is true and this is the strategic objective. We heard the Minister speaking at an event over the road a few weeks ago. Andrew Mitchell has been passionate about this space for a very long time. He is also extremely knowledgeable and experienced in the City. He has been doing a lot to dance on the head of pins and turn one piece of budget into several pieces of budget by crowding in other stuff, more perhaps than any other Minister before him. Surely if it were more than 4% versus 96%, we would be able to do a bit more, would we not?

Stuart Bradley: Absolutely, yes. BII is just one of 11 investors in my fund. It represents about 20% of the capital, and I spend a lot of time out there raising capital for new funds. I am about to come back to the market this year for the next fund. It is really hard work—the amount of time that I spent running around the world, literally for two years, trying to raise capital for what we do, when I could be doing better things back at base actually investing in businesses. If institutions such as BII and other DFIs had more capital available, we could deploy it very easily.

Q98 **Mr Bacon:** You are talking to private sector investors, who want a return and presumably regard the investment by the DFIs as something of a reassurance that there is a quasi-state involvement or guarantee of some kind.

Stuart Bradley: No, because there is no guarantee. In our current fund, probably about 30% of our capital is private sector. They are looking at this for a commercial return. I am talking on behalf of Africa, because that is where we are focused. We have seen lots of private investors shy away from Africa in the last few years. Events have happened that have pushed people away—I guess just global events at the moment.

It is really difficult to raise private sector capital. We are not able to give the types of returns that a US investor can get in US private equity. At the same time, we have a currency issue. With dollar funds, I am investing into businesses in local currency in Africa, so I have to fight against currency devaluations. I have that risk. A US pension fund investing into a US private equity fund does not think about currency. It is dollars to dollars.

Q99 **Mr Bacon:** When you are persuading global investors to put some proportion of their investment into the things you are suggesting, when you succeed, what is it that they like about what you are offering?



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Stuart Bradley: It is the impact side of it. We are a bit different from pure private equity in developed markets. We are doing different things in the way we operate—the ESG, the impact, the reporting around that. I am seeing a difference in pension funds and all sorts of money around the world now. A conscience is coming to that market and people are looking for more than just financial returns, given climate change and everything else that is happening in the world. It is not just about the money and returns.

Q100 **Mr Bacon:** Is that partly because they know that so many people are looking at them? I heard someone say a year and a half ago that there would come a point at which it was unacceptable to invest in non-ESG assets. I do not know whether that is true or whether it is becoming more true. Are they doing it partly so that they can turn to the people who are scrutinising them and say, “We are fulfilling these broader goals”?

Stuart Bradley: There is an essence of that. The way I look at it when we are investing in business is that, in every business I invest in, we have to fix it, in Africa or wherever we are investing. There is stuff we have to do, be it making the business more efficient, changing management, the ESG, the impact or the climate element.

I am investing into a business for five to seven years, and then we are looking to exit it and return more capital than we started with. If we do not fix these businesses and make them more attractive, my view is that I am not going to sell it. The next person down the road is not going to want to buy something that is polluting or not looking after its workforce. I think that it is going to become more and more important.

Q101 **Mr Bacon:** Do you think that there is a conflict between achieving a development impact and a financial return? I was thinking of the chap who ran Alcoa—Aluminium Company of America. I cannot remember his name now. He announced, after some particularly dreadful industrial accident, that he was going to have one goal for his business and that was to have the safest business in the world. All the analysts rang home and said “sell”. It turned out that Aluminium Company of America produced the best returns of any in its sector and many besides, simply because that one criterion, that one shift, changed so much about the behaviour and the way that people looked after each other that the company started to out-perform.

Is there a conflict, necessarily? I know that this is a bit of a leading question. If there is likely to be a tension and a conflict, how do you get round it?

Stuart Bradley: I do not personally think that there is a conflict, hence why we are doing what we do. I can give you an example of an investment that we made, which we have fully exited. We saw a challenge in Malawi around fertiliser. Smallholders have very poor yields. There are many reasons, but one of them is application of fertiliser. Smallholders in Malawi are literally producing 1,500 tonnes of maize per hectare. Commercial farmers do about 8,000 tonnes.



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We invested in a business in Malawi that was granulating and producing fertiliser. We saw an opportunity to develop products for smallholders. How Malawi works is that donors give the Malawi Government money for fertiliser and the Government give smallholders a voucher for one bag of fertiliser.

We invested in this business, Meridian. It had 111 stores around Malawi and we ran a pilot project. We sampled the soils around 30 of our stores. We understood what people were growing and developed six bespoke fertilisers for smallholders. Previously, the smallholder had to put the same back of fertiliser each year on whatever crop they were growing. There was no change to the formulation. We developed these fertilisers.

We then had to train smallholders on how to apply the fertiliser, but also win their trust. A smallholder who gets one bag a year is not going to suddenly change, try something else because we said that it was a good thing to do and risk their livelihood. We had to run demonstration plots and through that we trained 15,000 smallholder farmers; 69% of those are women. We increased yields. For maize it was from 15% to 22%, but overall it depends what people are growing. For groundnuts and soya it was up to 30%.

When we kicked this off, we said to the management of this business, "We want to do this. We think that this is a good thing", and they said, "You must be joking. Why would we want to develop products for smallholders?", the bottom of the pyramid in a very poor country. We had to run it through blended finance, through a technical assistance facility, so we got some grant funding to kick this pilot project off. We took it then from 30 stores. The business then itself adopted this and ran it through 90 of its stores and realised that this was a huge market for it, because it was the only company in-country that could granulate fertilisers for smallholders.

When we started with Meridian in 2014, we were doing 220,000 tonnes of fertiliser. We sold Meridian in 2019 to Ma'aden. At that point, we were doing 490,000 tonnes of fertiliser. We still keep in touch with the business and today they are doing about 800,000 tonnes of fertiliser in Malawi. As a financial investment, we invested \$32 million into that business to unlock capacity, and we sold our shares four years later for \$64 million, so we doubled our money in US dollars.

Chair: I am going to stop you there because, while it was deeply fascinating, it was also verging on a sales pitch and off the topic that we are trying to focus on. We have only a short time to focus on it. Can your next question be very specific and on the topic of BII, please, and ideally directed to David?

Q102 **Mr Bacon:** It can. I would be delighted if you could both answer this question. When we heard the Minister speak, in his speech he said that he believed that the private sector was not the enemy of development but the engine of development. It is fair to say that that is not a popular view among the aid community. How do you change that?



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David Kuijper: I did not hear the Minister's speech. I can see why he used that metaphor, but an engine never sits on itself. It is never an engine just to be an engine. The private sector can only be an effective engine if it is steered, and that is increasingly the role that DFIs play. With public money, and through the mandate that the public sector gives it, it has steered the direction in which that engine is going. It is definitely true that the private sector, and private finance in particular, is an enormous force for good that needs to be harnessed, particularly to tackle the challenges of this era of climate change and climate transformation.

This is something that people in the public sector increasingly understand. It is people in the private sector who need to understand it a lot better. I love the fact that Stuart was quite abundant in his example, because it is examples, in the way that Stuart is experiencing, that convince the private sector it is worthwhile to go for the patient, long way in order to create financial sustainability. That is very important. If you are there for the short-term financial return, you may not have a business with the DFIs, but increasingly there is a demand for patient capital, for long-term financial returns, and for the impact return, which is the most important thing in this day and age. That was a long answer, sorry.

Q103 **Mrs Latham:** Stuart, what are the merits of the use of intermediary funds by DFIs?

Stuart Bradley: The simple answer is that DFIs cannot do what we do as private equity funds in Africa. They are good at what they do, and we all have a place, but if you look at the investments we are making, they are in smaller companies. I am typically investing in businesses that are making \$2 million to \$10 million of earnings a year, which is much smaller than what BII and DFIs can handle.

We are very hands-on with our approach to our companies. Yes, we sit on boards, but we spend a lot of time day to day with our businesses, helping them, driving their strategy, ESG and impact. I have a team of three ladies who run my sustainability team, who do ESG, impact and TA grant funding into those businesses as well. We interact daily with our companies.

I have members of my team who have come out of industry and are not financiers. They have come out of the likes of Unilever and Procter & Gamble in Africa. They have run businesses themselves or have been a part of bigger businesses. We are able to use them to impart their knowledge and skillset into these companies. For my firm as a whole, we have offices in Johannesburg, Nairobi, Mauritius—I am sure that is going to be a question soon—and Zambia. I have 30 people in my team, but we are all in Africa. We have three expats, of which I am one, but I have lived in Africa since the age of 12. We can just go places that a DFI cannot go because we are on the ground and nimble.

Q104 **Mrs Latham:** Would you consider that DFIs have control over where



their money is invested through those intermediary funds?

Stuart Bradley: For private equity, yes, absolutely. There was a comment made in the prior panel about banks and other financial intermediaries, which I cannot comment on. Certainly around us as a private equity fund, we have a very clear set of legal agreements up front that we agree with the DFIs of 150 pages. There is a very clear investment mandate in that and, for us, it is quite simple because we are investing across the food value chain in sub-Saharan Africa. The geography and what we can invest in is clear.

The DFIs monitor us. They sit on our advisory board, which meets twice a year, and we send quarterly reports through that show what deals we have done and what deals we are looking at. They are going to see the deals before we have done them. It is not going to be a surprise to wake up one morning and find out we have just invested in X, Y, Z. They will see this deal coming. We have lots of interactions and calls. They are well prepared as to what is coming. If there are any questions in my mind that what I am about to invest in might be slightly off limits, I am going to pick up the phone and speak to them. At the end of the day, they are my shareholders.

Mrs Latham: It is good communication.

Stuart Bradley: Yes, absolutely.

Q105 **Mrs Latham:** The ODI has called for more due diligence to be conducted on intermediary funds. How would this provide more assurance over the investee company?

Stuart Bradley: Just to understand, are they saying more due diligence on the intermediary or that the intermediary should be doing more due diligence?

Mrs Latham: On the intermediary funds.

Stuart Bradley: We were turned inside out when BII did the due diligence on us. I first closed this second fund just before the Abraaj event, which I guess everybody is aware of, and then I brought BII and another four DFIs into the fund after Abraaj. There was a big change in my legal agreements that mainly BII brought in because of the lessons learned through the Abraaj event.

BII brought in a firm called Ankura, which did an operational due diligence on us. It was the first time I had ever had one of those. I have not had that from the commercial sector. They turned us absolutely inside out. It was brilliant because we opened our doors up and said we wanted to use it to improve. They came back with no red flags, which was a relief, but a 13-point action plan of things that we could improve on and do better, such as having charters around some of our committees, which we did not have because we are quite a small firm.

More due diligence is not going to help anybody. They did a huge amount on us. I am not sure what else they could do, to be honest. They



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interviewed every single member of my team, physically in our offices, to understand their views on me as a leader, whether they were about to leave me and how everyone was feeling. It was absolutely inside out.

David Kuijper: I would also like to respond quickly to your question on control and financial intermediaries. Allow me to paraphrase Lenin here: "Trust is good, control is better". You can even paraphrase that as "control is good, influence is even better". As Stuart said, they are thorough contracts, and thorough due diligence is done by the DFIs on financial intermediary funds. It is even more important that, in the longer term, we are in an influencing position to make sure that these financial intermediary funds are as much a steward of change as the DFIs are. You are transposing the mandate that you get from the public sector to be a steward of change to the financial intermediary funds. That helps to better harmonise the approach that we all want to have of increasing private finance for sustainable development. There are a lot more actors coming into the pot that can help bring about change. That is why the financial intermediary funds are so important.

Stuart Bradley: Just as a final point, the other thing for us is reputation. If I get it wrong, I am not going to go back to FMO or BII to raise another fund; I have just killed my business. We can have all the legal agreements in the world, but it boils down to reputation. If I do a bad job, I am out of business. I am certainly checking what I am doing with them and making sure they are happy.

Q106 **Chair:** Stuart, how do you make money? Do you get a recommendation fee like a financial adviser? Do you take a percentage of the business's profit? How does the money come in?

Stuart Bradley: A fund is typically 10 years in length. The first five years is what is called the commitment or investment period, where we are making investments. At that point, we are charging a 2% annual management fee on the total commitments that people have given to the fund.

Q107 **Chair:** To the DFI or to the business?

Stuart Bradley: It is to the actual vehicle. There is a fund vehicle that the DFIs and everybody invests in, which is domiciled in Mauritius, for when that question comes.

Chair: We are coming to that.

Stuart Bradley: Yes, I know. My firm Phatisa is a separate company that then has a management agreement with that fund. It charges that fund a 2% management fee for managing on an annual basis. We draw it every six months, and from that I am able to pay salaries, rent the office space and keep the team going. That is how we live. In terms of profit and how that works, we have a hurdle return. We need to achieve an 8% annualised IRR—internal rate of return—for our investors. Once we get to 8%, we share 20% of every dollar above that as a return to our investors. That is the ultimate reward for us at the end of this.



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Q108 **Chair:** David, does FMO use a similar percentage of intermediaries as BII does?

David Kuijper: A similar percentage in our portfolio?

Chair: Yes.

David Kuijper: We have a lot more debt in our portfolio than equity. Our annual report appears next week, but I can already give you some information earlier than the Dutch Parliament. The FMO-A debt portfolio is current \$5.8 billion and our equity portfolio is \$3 billion, so there is a slight change, and we are hanging more on the debt side. That has all kinds of historical reasons.

Q109 **Nigel Mills:** Every investor must be signed up to the same agreement. You cannot have more restrictions on BII money than other DFIs. Do they all sign one?

Stuart Bradley: No. What happens is you negotiate a 150-page shareholders agreement or limited partners agreement, depending on the structure of the fund, and then every DFI hits you with what is called a side letter. In that side letter is their own specific set of requirements that they have as well. The one I have with BII runs to 50 pages, and I have the same then for all the DFIs. Everybody has their own requirements. Finnfund, for example, has a requirement that, if we are looking for new bits of kit for a business, we will include Finnish suppliers to quote as well as other countries' suppliers. It is stuff like this.

Q110 **Nigel Mills:** You have to find an investment that matches everybody's criteria.

Stuart Bradley: No, not really. The fund itself sets out what we are going to do, which is that we are going to invest in food businesses in Africa. That is easy. When we come to look at an investment, as long as there is a significant food component of some sort and it touches the food value chain, it is pretty straightforward. Everybody follows the World Bank and IFC performance standards for the ESG requirements. We are all agreed on that.

People do not tend to put specific requirements into those agreements, in terms of looking at the nitty-gritty on the actual transactions. It does not handicap us in terms of what we are trying to do.

Q111 **Nigel Mills:** Can I just turn to transparency and what you publish? We heard from the previous panel that most DFIs are not quite as transparent as we would like them to be. Is there a reason why you cannot publish more about what you invest in and what the outcomes are? Why is it not as transparent as regular aid spending? I suppose that is what we are really asking.

David Kuijper: First of all, we are also somewhere in the middle segment of the Publish What You Fund index.

Nigel Mills: Better than BII.



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David Kuijper: We may be, but we are worse in other things. For instance, in the Dutch transparency index for financial institutions in the Netherlands, we are second best. There are challenges and hindrances to transparency in the financial sector, some of which are fully understandable. It has to do with client confidentiality and the dealmaking process. It often has to do with the fact that, because there are so many clients, it is quite costly to keep standardised transparency systems. That latter thing is something that all of us can really improve on. We can help each other standardise transparency methods a lot better, so that our collective score as DFIs will improve in future.

Q112 **Nigel Mills:** The justification for us putting ODA spend into a DFI is that it can mobilise more capital and achieve the ends that we are all after. It is a bit hard for us to know whether that really works in practice if we cannot see how many jobs are created, how much other capital is mobilised or what other outcomes we have. Is having more of that in public something that you want to achieve or are you trying to avoid and look for ways around doing that?

David Kuijper: No, we are not avoiding it at all. On the impact metrics of DFIs, we are way ahead of where we were 10 years ago. Together with the multilateral development banks, we are working on impact metrics that are going to be extremely important to mobilise private finance. We are not slacking in that sense. On impact indicators and our impact measurement systems, there is a lot of development there that is very beneficial for the industry.

Q113 **Nigel Mills:** As a Parliament, we want to be able to ask, "Why on earth did you invest in that, which looks a bit dodgy to us?" But it is quite hard for us to get individual investment details and what the intended outcomes and outputs were. Is that something that you let the Dutch Parliament have? Can they see individual investments, what the strategy was and what the intended outcome was, or are they in the same boat that we are in?

David Kuijper: At the level of investments, yes, we have metrics that we can show our Parliament. What we are using is a labelling system. We look at a deal and give it a label that is connected to one of the three SDGs that we focus on. FMO focuses on three SDGs—8, 10 and 13, on reduced inequality, decent work and climate action. It turns out that the Parliament is quite interested in seeing how much of our funding is going to each of these three SDGs.

At the individual investment level, we do not have those information questions and interference from the Parliament because, as was mentioned earlier, there is purposely a certain distance between us and the Government, which makes sure that we are quite far from the political reality.

Q114 **Nigel Mills:** We did signal that we might ask the Mauritius question, Stuart, so you may as well tell us why you have to be in Mauritius and not perhaps in a more reputable financial centre.



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Stuart Bradley: Just to add to your last question on that, we provide a huge amount of data to the DFIs on what we are doing at the intermediary level. I cannot comment on what happens to it above there, but we have a huge amount of transparency going up, and lots of stats and details on all our business, on quality, job creation, etc. There is a lot that gets put on us to send up.

Chair: That is lovely, but we are talking about Mauritius.

Stuart Bradley: I will come back to that now. Why do we have to do Mauritius? I noted in the prior hearing that there were talks about Mauritius being a tax haven, and I just wanted to say that Mauritius is not a tax haven, to my understanding.

Chair: The Cayman Islands?

Stuart Bradley: I do not know. We do not use the Cayman Islands; we only use Mauritius. I will not have a go at anybody else. In terms of the OECD, Mauritius is whitelisted.

Why do we use Mauritius? There is not a domicile like it for ease of business into Africa within Africa. South Africa is a very sophisticated economy with a great legal structure and great advisers, but it has exchange control. In our prior fund, we had to create a vehicle in South Africa for the Development Bank of Southern Africa, so that it could invest into investments alongside us. Every year we had to go and get approval from the South African Reserve Bank to deploy capital from that fund into the rest of Africa. It gets very complicated and difficult, and it puts a lot of onus and requirements on us.

Rwanda has tried it, and I know that a recent fund that Rwanda's pension authority has backed ended up domiciled in Mauritius because Rwanda is not ready for it yet. It does not have the enabling environment. It really is a case of the ease of doing business in Mauritius. It has a good legal framework. It has the FSC—Financial Services Commission—in place. It has good administration, auditors, accountants and lawyers. It has some very good financial skills there. We are also creating an industry and helping an industry there in terms of financial services. There is not a jurisdiction like Mauritius that we can use for Africa.

Q115 **Nigel Mills:** Sometimes the defence is that these fund vehicles are transparent and there is no actual tax limit on them anyway. It is just a matter of getting the money back to investors so they can pay whatever tax is due wherever they are based, and that is not your problem. Is that the situation that you are trying to achieve? Is there a tax saving by being in Mauritius? You could use a UK vehicle if you wanted to.

Stuart Bradley: There are other funds that use Luxembourg. In the past, people have used Jersey and the Isle of Man, which might be better or might not; I am not sure.

In terms of taxes, all our companies are paying all taxes. The operating entities that operate within whichever country in Africa are paying their corporation taxes, PAYE, etc. The fund itself does pay tax in Mauritius.



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Whether an individual investor is paying tax on dividends or receipts out of the fund obviously depends on where they are domiciled. We are not doing it as a tax dodge. We really are doing it because there is not a domicile like it around Africa that we can use. We have been using it for years.

Q116 **Chair:** David, you mentioned the three SDGs that you try to focus all your investments around. Did that focus come from Parliament or your DFI?

David Kuijper: It comes from us. I was not there, but back in 2015 we had a strategic process that was aligned to the SDG process that was going on at the time in New York. In 2016, we decided that we would just focus on these three SDGs, that that is where our comparative advantage would be, and that, as a matter of organisational principle, that would be a lot better.

These three SDGs are the ones that overlap with three sectors that we are particularly interested in: financial institutions, so there are a lot of intermediary funds; energy; and agriculture, food and water, which we see as one sector. We also of course have our private equity business, where our financial intermediary funds come in. The latter is sector-agnostic, but still focused on these three SDGs. Parliament did not have a role there. We are at a distance. We are a bit differently organised than BII.

Q117 **Chair:** If you had a new Government who had a particular focus on women and girls, for example, and were actively encouraging you to shift from the three SDGs that you have selected to other ones that might meet that target more, would you bend in that direction?

David Kuijper: Yes, in particular women and girls, SDG 5, is mainstreamed through our sectors. We are also part of the 2X Challenge. A better example, especially in the Dutch context, would be a Government who say, "Life underwater is very important for us and we want you to focus on the water sector exclusively". That would be an interesting question, but at this point we have chosen to focus on these three sectors, knowing that it is not our comparative advantage at this moment to be active in the water sector. We do not have the investment officers. It takes a long time to build that up.

Q118 **Chair:** If a Minister was pushing that, you would push back on it.

David Kuijper: We would push back, yes. As you can note, I am already pushing back.

Q119 **David Mundell:** At what point does a DFI's responsibility over its investees' supply chain end?

David Kuijper: I mentioned earlier that know your customer is important. We are a regulated bank. Know your supplier is also very important for us to check whether there are any issues in the supply chain of our clients. We have a responsibility there that we take quite seriously.



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Stuart Bradley: It is the same for us as a financial intermediary. We are looking into the supply chains of our companies. As part of our due diligence, we look through that before we back them.

Q120 **David Mundell:** Just following on, what initial due diligence and ongoing monitoring are performed over the ultimate business owner?

Stuart Bradley: For due diligence up front, it is everywhere. It is commercial. There is tax due diligence looking at the financial statements. There is legal due diligence. We do business integrity, so we check the backgrounds of individuals we are going to partner with, whether they are on any watchlists, etc. We would bring in experts where we might have concerns, such as Control Risks and others, which will go in and do a thorough investigation on people. It is very detailed.

It comes back to what I said to Pauline: it is reputation on me. If I get it wrong, I am going to be in a mess with BII or other DFIs to raise more capital. It is absolutely thorough, and it is ongoing as we continue the life of that investment. Annually, we are doing KYC on businesses and making sure that our businesses are doing proper background checks on any new business that they are taking on as well.

Q121 **David Mundell:** Do you ever get it wrong?

Stuart Bradley: Just thinking about us, touch wood, we have never got it wrong, and I hope we never do. I know of people who have got it wrong and it has put them out of business. We take that very seriously up front when we are considering an investment. For us as a financial intermediary based in Africa with 30 people, the fact that we have local networks and know people on the ground really helps us. If we are looking at doing deals in certain markets, we know people in there, so we can find things out that you cannot always find out if you are flying in from London to come and invest into a business somewhere in Africa. That does help.

Q122 **David Mundell:** David, have you ever got it wrong?

David Kuijper: Yes. That is the short answer.

Q123 **David Mundell:** What is the most likely scenario to lead to getting it wrong?

David Kuijper: Once you are in an investment, things can change. It can happen that your client changes his practices and you do not notice it quickly enough.

We do very thorough due diligence, and I am aware of everything that we say no to. Also on that side, I cannot prove it, but I think we get it wrong sometimes. We say no to deals that we could have done because of the thoroughness of the procedures and the dominance in the procedures of KYC and know your supplier regulations.

For us, it is even a bit more than for BII because we are under the supervision of the Dutch central bank. We need to abide by all the KYC



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rules and EU regulations that every other Dutch bank needs to abide by. That is a very thorough procedure. Often, there is a bit of tension with the risk-taking mandate of a DFI.

Q124 **David Mundell:** The DFI can influence the due diligence checks placed on the ultimate investee. Essentially, they are influencing the process.

David Kuijper: In the case of the financial intermediary fund, we also look closely at the equivalence of its KYC and KYS due diligence to our due diligence, but we are not heavily involved in the specific KYC assessments that Stuart and his colleagues are doing.

Stuart Bradley: Perhaps just to give an example, when BII joined this fund that we are in now, part of the business integrity requirements was that we shared all our KYC due diligence with BII's team on the first three investments we made. They gave us additional training to take us through their processes and then, for the first three investments we make, we share that DD with BII so it can check what we are doing and that we are doing it right. It is the same with ESG: for the first three deals we did, our investors wanted to look at that and see that we were doing it right. They do have a good check.

Q125 **Kate Osamor:** Stuart, I just wanted to go back slightly. You mention that you are based in Africa, but you have not said which countries you work in and where your office is.

Stuart Bradley: I did.

Kate Osamor: I have not heard you say it today, anyway.

Stuart Bradley: I am not going to argue; I have learned not to. As Phatisa, we have offices in Johannesburg. My chairman is based in Zambia. I have an office in Nairobi and Mauritius. That is where our office infrastructure is.

In terms of where we have invested in our two food funds, we have investments in South Africa, Zambia, Malawi. We are in Kenya, Nigeria, Sierra Leone. Then I have investments that are multi-country. I have an equipment business that is in 15 countries in Africa. We have been most places, either directly or because we quite like businesses that have a multi-jurisdiction, not just single-country focus. It de-risks them; if something goes wrong in a country, they have other legs to that business.

Q126 **David Mundell:** Can I ask you what role the independent accountability mechanisms play in holding investees to account for any adverse activity?

David Kuijper: Our own accountability mechanisms, so compliance?

David Mundell: Independent mechanisms that apply to you. Are there any?

David Kuijper: I am not sure I get the question. Do you have an example of an independent accountability mechanism?



David Mundell: Other bodies that are standing separate from you.

Stuart Bradley: As a financial intermediary, we have the Financial Services Commission in Mauritius, which monitors us. On a six-monthly basis, we have to report to it and provide information. We have to have an administrator for the fund based in Mauritius. If we are making a payment, they want to see the right documentation in place. If we are going to make an investment into a portfolio company or I am going to bring a new investor into the fund, they scrutinise that investor or portfolio company and they run their own due diligence checks outside of what we do.

We have to do audited annual accounts. We have external ESG consultants on retainer who help us. We have a third-party verification that does due diligence on portfolio companies around ESG. There are quite a few externals that look in on us as well.

David Kuijper: Apologies for misunderstanding your question. As I said earlier, the Dutch central bank is the largest independent accountability mechanism that looks at us. We also have quite a thorough evaluation function that is partly within FMO but stands separately in its organisation, like every MDB. The Dutch Government also have an external evaluation mechanism. There is an evaluation of FMO as a whole every five years, similar to what you are doing here, as well as evaluations of the Dutch Government funds that FMO manages on behalf of the Dutch Government. They are also once every five years. That is an important accountability mechanism that we are involved with.

Q127 **David Mundell:** Finally for you, David, the Committee has been advised that the European Commission is working on a corporate sustainability due diligence Bill for a company's domestic and international operations. How might that legislation change the due diligence process within DFIs?

David Kuijper: We are looking closely at that Bill, of course. We are keeping a close eye on Brussels and trying to anticipate that Bill as far as possible. So far, we have seen that what the European Commission is doing is very much based on our own experiences in developing countries. In other words, our practices are already quite solid and are a source of inspiration for the corporate accountability legislation that may come out of Brussels.

We will keep a close eye on it. It could very well affect the detail of how we do due diligence on our customers, yes.

Q128 **Chair:** We are going to make the questions short because we have taken a lot of your time already. David, BII uses a measure of people living under \$5.50 a day to target poverty reduction. Is that standard across DFIs or do you use a different one?

David Kuijper: No, that is not standard. As I said in response to Mr Mills' question, we use a labelling system that helps us connect our funding to the SDGs we are focusing on. We do not use an ex ante scoring mechanism such as the one the BII uses. We are quite interested in



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seeing how we can combine the experience BII has in scoring with our experience on labelling.

Labelling gives us quite a lot of room for creativity, while the scoring is very important to standardise and make clear what you are doing. We are also looking at, in particular, the BII scoring experience to see how we can learn from it. That includes this benchmark.

Q129 **Chair:** Stuart, at Phatisa what measure do you use to target poverty reduction in your investments?

Stuart Bradley: To be fair, we are looking at \$3.65 a day as our measure. When we make an investment, we tend to look at four or five categories: how many people earn the minimum wage; how many earn below \$2.50 but above minimum wage; how many earn \$2.50 to \$3.65; how many earn \$3.66 to \$10; and how many earn above \$10.

We will measure that as a baseline when we go into an investment. Annually, we will keep measuring and seeing how that is improving as we are in that investment and how it is tracking.

Q130 **Chair:** Nakuru Meadows is in your portfolio through the Pan African Housing Fund. It is a residential development in Kenya. The maisonettes there are advertised at \$125,000. Where does your poverty target fit within producing a \$125,000 maisonette?

Stuart Bradley: What I have just quoted is on our food funds, where we are investing in businesses. We are looking at salary and wage levels on that. We set up the Pan African Housing Fund with BII, Shelter Afrique and others. If you look across that portfolio, the price point of those properties goes from \$50,000 up to about \$125,000. That is focused on low-mid to higher-middle income.

Q131 **Chair:** Is that an anomaly that has crept in?

Stuart Bradley: There is a group in Kenya called Shelter Afrique, which is a debt provider for housing. They were finding that there was always a missing equity element in their deals so they were looking to raise a fund. They asked us to come in and look at it, and put a fund in around this requirement. That was what we did. We brought BII, the African Development Bank and others into that. It is not core-core business of what we are doing, but it was using our platform to create a fund around that.

Q132 **Mr Sharma:** How do your respective organisations geographically target your investment spending?

David Kuijper: In the first place, we are an opportunity-driven institution. We look at least-developed countries and middle-income countries all over the world. We do not have input targets per region or per continent.

At this moment, the practice in FMO is that 32% of our portfolio is in Africa, 24% in Asia and the remainder in eastern Europe, Latin America



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and the Caribbean. There is some that we call global because they are intermediary funds that are active in various continents. We do not steer with a geographic focus.

We do due diligence on a country before we do a first investment in a country. That means we cannot do investments in all countries in Africa. There is a barrier if we want to enter a new country in Africa.

Stuart Bradley: We are focused sub-Saharan, so I cannot look at Asia or anywhere else. We have limits. We cannot do more than 25% of our fund in a single country so we have risk diversification. We cannot put all of our eggs in one basket.

We do a risk rating of those sub-Saharan African countries. We have a matrix of risk versus returns opportunity. Yes, there are certain countries where it is difficult to go as a single investment. As I said to Kate earlier, we try to invest in businesses that are in multiple jurisdictions and multiple countries. That fertiliser example was covering Mozambique, Malawi, Zimbabwe and Zambia. At the moment I would not invest directly into Zimbabwe—it is quite difficult—but I am happy to do it that way through a business that has operations in that country. We can cover some difficult countries that way.

Q133 **Mr Sharma:** How do low-income countries factor into your investment portfolio? Are there any ODA-eligible countries that are not investible?

David Kuijper: As I said earlier, the barrier to enter a country—let us give the example of South Sudan or Somalia—is quite high. I would not call it non-investible, but we have difficulties investing in such a country due to insecurity, instability, etc.

There are ODA-eligible countries where we are not present. We are also a relatively small organisation; we do not have the absorption capacity to be present in all countries.

Stuart Bradley: I would give the same answer to be honest. David has mentioned a few of the countries—I will not repeat them—where we would find it too difficult. At the end of the day, in one of our funds that we raise, we are going to make eight to 10 investments. It is very much a rifle approach, not a shotgun. We cannot afford to lose an investment because that would bring down the overall returns on our fund. We are very cautious. There are other countries where it has proven difficult to get capital back out of the country, which makes it harder for us as well.

Q134 **Mr Sharma:** Briefly, what impact analysis do you conduct when investing in middle-income countries?

David Kuijper: I can be briefest in saying that we invest in middle-income countries particularly in the pioneer sectors in these countries, those that are mostly affected by climate change, where climate adaptation is extremely important. The impact analysis there is aligned to our climate targets.



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Stuart Bradley: If the question is about whether it is different for middle-income versus lower-income countries, the impact assessment we do on an investment before we go in is identical, no matter what country we are investing in.

It might be unique to the business in terms of what the business looks like. It might have more opportunities around outgrowers and smallholders versus another business. It is the same sorts of things, looking at poverty reduction, job creation, quality jobs and, as I explained earlier, those four or five brackets in terms of the minimum wage and minimum living. We are a 2X fund as well, so gender is an important part of what we do. We drive that through our companies.

Q135 **Mr Liddell-Grainger:** What control do DFIs have over the companies they invest in? What control can you get out of them?

David Kuijper: We discussed this question earlier when we discussed the control over financial intermediary funds. We have a lot of control through very thorough contract arrangements. What is also quite important, particularly with financial intermediary funds, is the influence we have on the course of a fund and of a company. DFIs—I use the plural because we are often together in certain investments—have a lot of influence there.

Stuart Bradley: I can give you a little extra before Sarah tells me to be quiet.

Chair: I would worry more about Ian.

Stuart Bradley: Ultimately, they can fire me. They can cut the funding. There is a thing in our legal agreements called a drawstop. BII and others can say, “We are not paying down this investment. We are not happy. We are not paying any more”. The ultimate sanction is for them to just fire us and kick us out as fund manager. That is the ultimate control.

I have the same controls on the portfolio companies we invest in. We will be investing in people who are both managers by day and shareholders by night, and therefore there are two contracts. There is a shareholders’ agreement we enter into and there is an employment contract. If they are not performing, we can fire them as managers and bring in other people to do the job better.

Q136 **Mr Liddell-Grainger:** I do not know whether you have answered this. If you have, I am sorry, because I had to be late. When Phatisa exited Feronia, what lessons were learned from that, if any?

Stuart Bradley: There were lots of lessons and some big changes in our second fund. That was in our first fund, which BII was not invested in. It came into that transaction after us directly. We have found that investing in primary agriculture, such as plantations like Feronia, is really difficult for us in terms of the timelines I described to Sarah.



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We are a 10-year fund. We are investing for five to seven years. It is a very short scale of time to invest in primary agriculture, turn things around, drive growth and sell them successfully. That was a big lesson. In our current funds, we do inputs to agriculture and everything downstream. We just will not go to farming. It is too difficult. Land becomes quite challenging in Africa. It is quite emotive. If you are owning land, stuff is going to happen.

Feronia itself was a big challenge. Certain things happened up front that we could not control. When we invested, the price of crude palm oil was about \$1,000 a tonne; it plummeted to \$500. That has a serious impact on the bottom line with a requirement to bring in more investors to fund it. It is in very remote places. It was an ex-Unilever plantation where there had not been follow-on investment and it had not been kept up to scratch. We had to do a huge amount of rehabilitation to that business.

There was lots of other stuff like theft going on, and we had to make management changes. It was a big challenge. In hindsight, we perhaps bit off more than we could chew. It was not our greatest investment.

Q137 Mr Liddell-Grainger: You say you do not invest in land. I understand that. Do you invest in leased land? Do you lease land as opposed to buying it?

Stuart Bradley: We do not do any farming.

Mr Liddell-Grainger: You just provide the fertiliser.

Stuart Bradley: We do contract farming. I have a business in Malawi and Zambia that does contract farming services. It has the Massey Ferguson dealership in both countries, and then we use our kit to provide services to both smallholder and large-scale plantations. We do their land prep, etc, for them. We use drones for spraying rather than using tractors and planes. We provide irrigation. We provide agri-solutions. We are not owners of farms and running farms; we are doing it in another way.

Q138 Mr Liddell-Grainger: You are contracting. Is that mainly tobacco?

Stuart Bradley: No, it is not tobacco.

Mr Liddell-Grainger: Is it grain or palm?

Stuart Bradley: It is grain. Zambeef, which I am sure you will be aware of, is a BII investment in Mpongwe. We are doing some work there. There is Nanga Farms in Mazabuka. We are about to enter into a contract there. We are going to lease them 15 tractors and manage their workshops for five years. We do quite a bit for Illovo Sugar. We do a lot of its land prep: spraying, road maintenance, etc. It is a lot of big plantations. It is all crops, but not tobacco. We do not do any tobacco.

Q139 Chair: Stuart, I was fascinated when you did your earlier overview of one of the schemes. You said that 60% or 69% of the farmers are women.

Stuart Bradley: Yes, the smallholder farmers in Meridian.



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Q140 **Chair:** We have been trying to pin down BII on this 2X scheme. Sam on the earlier panel was talking about the need for real transparency over the type of jobs and the quality of employment. Are you employing the women as cleaners or are they the managing directors? There is a big difference there, pipelining those jobs in, etc.

You said a couple of times that you signed up to the 2X. Would the women you were talking about be captured under the 2X data?

Stuart Bradley: No, not in the example of those smallholders.

Q141 **Chair:** In what situation would you be able to say, "Yes, this is a 2X project"? What are the criteria set by BII?

Stuart Bradley: They were customers, effectively, so we are not counting them. We are saying that we did something really quite special with women farmers in Malawi around that business mainly because the men are not farming; they are just drinking.

Chair: Do not tempt me down this road. You were about to be let off with the last question.

Stuart Bradley: This is around our portfolio companies themselves. We are looking at 40% women employment as a minimum threshold. Again, there is a qualifying factor. It has to be quality jobs as well. We cannot just count cleaners, etc—not being derogatory whatsoever. For management we are targeting 30%.

In the new fund BII is investing in, we have made five investments to date. Three of those are now 2X-compliant with the 40% and the 30%. We do measure all of that. I have three ladies running our sustainability team. Gwendolyn has a huge spreadsheet on each of our companies running to 200 lines. That forms part of that as well.

Q142 **Chair:** With your investments—or not—are you able to drive that agenda forward? Is that one of your missions?

Stuart Bradley: Yes, absolutely. We sign them up to it as well when we make the investment. We say, "This is something we are going to drive and monitor", and then Gwen and her team get involved in that with our portfolio company counterparts on the other side.

If a portfolio company is not going to drive things like that ESG impact, we are not going to invest. We are not just doing this for financial return. They have to adopt what it is we want to do and be likeminded; otherwise, they are not for us. We can be picky because we are going to do only eight to 10 investments in a fund. We are not a bank.

Q143 **Chair:** David, can I bring you back from the other side, as a DFI? Stuart was saying that, if an intermediary was not performing in a way they felt was appropriate, they had a range of options they could use to get them back on track.

Specifically, what options do you have if you want to exit investments in intermediary funds that have changed their objectives down the line—you



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gave some examples—or demand that an investee company be removed from a fund's portfolio? How much control do you have and what tools can you use to make that happen?

David Kuijper: As a timeline, you first address these issues through the governance you are already into and the contract maintenance you are abiding by. One option is bringing it to what we call special operations. That sounds very James Bond.

Chair: I am interested.

David Kuijper: Every commercial and retail bank has special operations. In our case it is core to our development story. Special operations is not there to see how we can bring back the financial return and how much we can take out of it or salvage in a financial sense. It is about trying to bring a company back on track.

In FMO, ESG people and impact people are working in special operations because of the mandate we feel we have to bring a company back on track. These are colleagues of mine who are very skilled in talking to financial intermediary funds and trying to seek a solution.

The ultimate remedy is to get out of it. It is always very painful if that happens, both in a debt operation and in an equity operation.

Q144 **Chair:** At what point would that happen? I am thinking of a number of examples where BII has invested through intermediaries and the investment has blown up for various reasons. BII gets the hit because of that, even though it was just investing in the intermediary. At what point do you think, "Okay, we are out of here"? Does it take years to extract yourself?

David Kuijper: It depends on what is happening, of course. Reputational risk always drives this ultimate decision. If there is an enormous incident or anything, this option comes to the table pretty quickly.

For instance—this is a bit political—in August 2021 when the Taliban took over in Afghanistan, we were invested in one of the equity funds there. We decided to stay in the equity fund. We put it on a very low candle, on a kind of basic intensive care lifeline, while making sure it stayed there and stayed active. If all the DFIs ran away, it would be even worse for the situation there and you would not have a starting point when things improve again in a country.

As much as possible, we try to stay there, given our public mandate, and make sure the development impact that has already been achieved is not lost by us running away.

Q145 **Chair:** In that specific example, was that decision made by the DFI or were Ministers involved in that decision?

David Kuijper: There were no Ministers involved. The DFIs did confer with each other and with other investors on what to do. It was not just the DFIs; there were also philanthropic investors. We conferred and, as a



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group, we stayed. It was a group decision, but there was no political pressure at that moment.

Q146 **Chair:** My line of questioning and personal nervousness is that we are all tasked by our constituents to take care of their taxes and where the Government invest them. Our job is to scrutinise where the Government invest that money. A decision like that would have strong political and potentially defence ramifications. I would expect that a Minister would be at the table, whether or not they were listened to. Are the Dutch Government consciously keeping themselves very much at arm's length in decisions like that?

David Kuijper: In principle they are arm's length, yes. That is the architecture as it is at the moment. Because we are also managing these Government funds, we do inform the Government. In this case, we also asked for advice. We had an embassy there. They are experts on the situation. If they had said, "Run away" we probably would have done that, but they did not.

We sought contextual advice from our Government, rather than it being political order to us. That was definitely not the case.

Q147 **Mr Bacon:** We like to keep our transcribers on their toes. For the record, could you say in Dutch what FMO stands for?

David Kuijper: It stands for Financierings-Maatschappij voor Ontwikkelingslanden.

Mr Bacon: That is exactly what I thought.

David Kuijper: You can google it and then put it in the transcript.

Chair: Thank you, gentlemen, and to Sam and Joe. This has been absolutely fascinating. I am really grateful for the amount of time you have invested in us. I am also really grateful for the projects you are investing in. This is part of a broad portfolio that our Governments rely on to try to alleviate poverty around the world. Thank you very much for all that you do. Thank you for your time today. Thank you, Committee.