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Update on the new five-year strategy of British International Investment (BII)

I am writing to update you on BII's next five-year strategy, which will be launched on 23 April. I want to emphasise my appreciation for your, and the Committee's, continual engagement and scrutiny of the UK's development finance institution.

The world around us is changing rapidly, reshaped by global instability. As you know, faced with growing global security threats, the Government last year took the difficult decision to reduce Official Development Assistance (ODA) to the equivalent of 0.3% of Gross National Income (GNI) by 2027. We are modernising our approach to development to have the greatest impact abroad and secure the best value for money for taxpayers at home. Our work will be underpinned by a focus on economic development, supporting greater resilience in partner countries and reducing dependencies.

As the Foreign Secretary and I laid out during our most recent session in March, BII will continue to embody the shift from 'donor to investor', maintaining a high-risk appetite and delivering on this Government's ambitions to scale up private investment in developing countries. The Committee's recommendations have provided an important foundation for our discussions with BII in setting its new strategy.

Over the next five-years BII will aim to invest between £7 to £8 billion to drive productive, sustainable, and inclusive development. BII's work will be underpinned by three strategic shifts building from experience gained in the last five years and responding to the changing development landscape:

- **Focus on what matters most for development -** BII will invest in the sectors that are foundational to all countries' prosperity: resilient financial systems, sustainable industries that create jobs, and the infrastructure that connects people, power, places and data. Within those sectors, BII will prioritise investments that go beyond delivering direct results, to shape and strengthen wider markets to make them work better for the people they serve.
- **Sustain the UK's long-standing commitment to Least Developed Countries (LDCs) -** BII remains committed to doing the hardest things in the hardest places. Over the next five-years, it will target 25% of new core portfolio commitments to be in

LDCs. In a smaller number of focus LDCs, beginning with Nepal, Sierra Leone and Zambia, BII will strengthen its work by combining policy engagement and technical assistance alongside its investments.

- **Accelerate private capital flows in emerging markets -** BII aims to mobilise up to £7.5 billion of private capital over the next five-years. Central to this effort is the launch of a new initiative - British Climate Partners (BCP) - to develop and scale a pipeline of climate projects aimed at mobilising private investment into the energy transition in India and South-East Asia.

I am pleased to confirm that BII is continuing its central focus on supporting economic opportunities for women, targeting 30% of new core portfolio commitments to qualify under the 2X Challenge. BII will also increase its climate finance aspirations, with over 40% of all new commitments expected to be in climate finance. To achieve its development objectives and quality of finance targets, BII will be driven by its world class impact framework, including its Impact Score, which will be updated to reflect the above priorities for the new strategy period.

The UK will continue to significantly contribute to African countries' development. BII will place a strong focus on Africa in its next strategy, maintaining its position as a leader among comparable DFIs in terms of the proportion it invests in the region. BII will also retain its high-risk appetite, with its portfolio remaining majority equity over the next strategy period. We will ensure BII continues to deliver value for money for the UK taxpayer, investing to create lasting impact while also generating financial returns that can be reinvested into more businesses.

I am proud of the new five-year strategy set for BII. As the UK's development finance institution, it will play a vital role to deliver the UK's new approach to development. BII's investments in partner countries in Africa, Asia, the Caribbean and Ukraine will unlock growth, jobs, and trade, and play a key role in delivering UK-backed climate investments.

I look forward to continued engagement with you, and the Committee, on this critical agenda.

Yours ever,



The Rt Hon. Baroness Chapman of Darlington
Minister for International Development and Africa