



Foreign, Commonwealth & Development Office

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Dear Sarah,

Follow up to the IDC Session on 29 March 2022

I am writing in response to questions raised at the International Development Committee (IDC) evidence session on British International Investment (BII) on 29th March 2022. I offered to write to you with more detail on four issues as below.

(Q59-62) Has the FCDO done an assessment of whether the BII's purchase of a fossil fuel power plant operator Cummins Power Generation Nigeria Ltd (CPGNL) constitutes tied aid?

As confirmed in the evidence session, FCDO and BII do not tie aid. We understand that BII has written to you directly regarding the question on Globaleq's investment in CPGNL.

(Q84) Requested information on statistic that \$10,000 dollars in Kenya lifts one person out of poverty.

Recent research from BII on the relationship between investment and poverty reduction has found that higher rates of private investment are associated with faster poverty reduction. For example, raising the level of investment in Kenya by \$10,000 would lift one additional person out of extreme poverty that year. The source of the \$10,000 estimate is the BII Insight paper: [Investment and Poverty Reduction](#).

\$10,000 is an estimate of the amount of additional private investment that would be associated with one additional person moving out of extreme poverty in Kenya. That figure is not comparable to a grant. Investments make money; grants cost money. It also does not attempt to measure the total social benefit of \$10,000 of investment, as economic growth brings benefits to people across the income distribution. It is also not comparable to other interventions in labour markets. It was observed in the

evidence session that it would be considerably cheaper to buy a bicycle so that someone can travel to work, but that presupposes the existence of a job that required investment to create. Jobs require investment in property, plant and equipment, working capital, R&D and training, among other things. The estimated quantity of investment required to move one person out of extreme poverty is lower than \$10,000 in countries with higher poverty rates and with lower levels of capital per worker than Kenya.

(Q100) Details on the Government's review of contracts with DP World.

The Secretary of State for Transport is undertaking a review of Government-held contracts with P&O Ferries or its parent, DP World. The BII partnership with DP World is not in scope of this review as the contract in this instance is not between HMG and DP World as BII operates at an arm's length to HMG. FCDO have been transparent with Department for Transport colleagues about the nature of partnership with DP World and the nature of our relationship with BII. They have confirmed that this investment partnership is not within scope.

BII's legal agreements require investees to comply with applicable employment laws and core International Labour Organisation conventions. They also require investees to apply IFC Performance Standards and the UN Guiding Principles on Business and Human Rights in relevant situations. BII has the option of legal recourse if these requirements are not met. However, before matters came to such a pass, we would expect BII to use any governance rights they have to influence business decisions. In the case of their partnership with DP World, BII has two of five seats at the joint venture partnership level, as well as board members and specialist ESG observer rights at the holding companies for the underlying ports and logistics investments.

DP World has not breached its legal agreements with BII as a result of events at P&O. P&O is an independent company and has no connection to BII's partnership with DP World.

In reference to the IDC press release on the 29th of March, it is incorrect to suggest that development aid is being "given" to DP World. UK ODA funding is provided to BII and not directly to DP World. Furthermore, the funding from BII is not a grant, it is an investment. As you are aware, DP World and BII are creating an investment partnership to invest in ports and logistics in Africa. Through this partnership, starting with three ports in Senegal, Somaliland and Egypt, BII intends to unlock significant development impact through increasing African trade – as well as earning a commercial return for BII, and therefore the UK taxpayer.

The partnership will enable DP World to invest more in critically needed ports and logistics infrastructure in Africa than would have been the case without BII's support

– in turn generating transformational development impact at a country and regional level. Trade enabled through the three initial ports, for instance, is expected to improve access to vital goods for 35 million people, support 5 million jobs (138,000 created), and add \$51 billion to total trade by 2035. Without BII's participation, DP World would not have been able to invest in Africa to the same extent, or at the same pace. There would be a corresponding reduction in development impact.

We understand BII have written to you separately on the question of additionality raised in the same press release: BII is not displacing commercial investors; on the contrary, it is catalysing further investment into the continent.

(Q122) Investment in institutions in lower and middle-income countries.

The FCDO has a strong track record of supporting institutional reform that provides the enabling conditions for private sector development, investment and poverty reduction in developing markets. In the economic space, the FCDO provides policy and programmatic support to help partner countries implement the right mix of economic policies and regulations to produce effective rules-based economic systems that provide enough certainty to spur innovation, risk taking, investment and competition, build economic resilience, and ensure everyone in society benefits. The forthcoming International Development Strategy will set out the FCDO's approach to institutional support in more detail.

I hope this additional information is helpful to the committee.

Yours sincerely,



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