

IDC's Investment for Development Inquiry - Submission by BII, the UK's Development Finance Institution

British International Investment (BII) [gave evidence](#) at the International Development Committee (IDC) on 25 April 2023. This piece of written evidence responds to requests for further information from the Committee. It is complementary and should be read alongside our main written submission available [here](#) which explains in detail the role of development finance and how BII selects, targets and evaluates its investments.

Q. Request for an overview of lessons learned related to Spencon [Q226-Q228]

1. As outlined in paragraphs 24 and 25 of BII's supplementary evidence¹, BII's development mission leads it to invest in countries where business integrity issues are a real and present risk. BII has developed policies and practices over time, which are designed to secure high standards of business integrity within its investments. In the rare instances where the standards it expects have not been met, it works to ensure that lessons are learned and that they inform future practices.
2. In 2005, British International Investment plc (BII) committed \$47.5m to ECP Africa Fund II (previously EMP Africa Fund II), an investment fund managed by ECP Manager LP. BII committed capital alongside other private and public investors, including multilateral development finance institutions. The fund made 19 investments into African businesses including in manufacturing, telecommunications, and financial services. This included the fund investing in Spencon International (Spencon), an East African construction company, in 2006. Spencon was placed into administration in 2016 after experiencing financial difficulties.
3. Allegations of misconduct relating to the management and board of Spencon were made, including the alleged payment of bribes. Alongside acting on the allegations, BII considered changes it could make to improve the management of business integrity risks in its fund portfolio and the way related complaints might be handled in future. The changes considered related to coordination with its shareholder, the Foreign, Commonwealth and Development Office (FCDO), internal complaints handling, investigation of alleged business integrity breaches and scrutiny of fund manager business integrity systems. All matters were discussed with BII's senior executive team, BII's Board and the FCDO.
4. As a result, BII has revised its internal business integrity processes and Policy on Responsible Investing (published in April 2022), to:
 - reinforce the importance of corporate and risk governance as a prerequisite to achieving effective business integrity practices;
 - clarify what BII means by business integrity management systems and what controls, at a minimum, BII expects every portfolio company to have in place;
 - enable BII to review a fund manager's approach to business integrity risk management more effectively, including, enhanced access rights. These rights include the ability to see and provide feedback on the first three integrity due diligence exercises completed by the fund manager at portfolio company level following BII's investment, as well as access to information about high-risk companies in its portfolio; and
 - ensure enhanced fund manager reporting on their business integrity due diligence work, including reporting on any business integrity risks or breaches at the portfolio level.

¹ committees.parliament.uk/writtenevidence/121856/default/