



The Rt Hon Elizabeth Truss MP  
Secretary of State for Foreign, Commonwealth and Development Affairs  
Foreign, Commonwealth and Development Office  
King Charles Street  
London  
SW1A 2AH

Diana Layfield  
CDC Group Chair  
123 Victoria Street  
London  
SW1E 6DE

Dear Foreign Secretary and Diana Layfield,

### **Open letter on CDC Group rebrand to “British International Investment”**

We write to you, as representatives of twelve civil society organisations and trade unions, to outline our concerns regarding the recent announcement that the UK development finance institution CDC Group will be relaunched as British International Investment (BII) next year. This move will further dilute the poverty reduction mandate of UK aid. Furthermore, increased funding for BII will lead to damaging reductions in other grant-based areas of UK aid spending, already cut by over £4 billion this year, and will reduce the proportion of the UK’s international climate finance being delivered as grants.

Firstly, this new strategy and name change appears to repurpose BII as an institution that focuses solely on private sector investment and profit making, rather than development goals and poverty reduction. Many of our organisations have highlighted previously how this tendency is present in CDC’s existing strategy and has resulted in UK aid being used to fund

a range of projects that exacerbate global inequalities, including for-profit private hospitals and schools, fossil fuel infrastructure, and colonial palm oil plantations.<sup>1</sup>

This recent announcement, however, seems to not only dilute but entirely remove BII's poverty reduction mandate. Rather than investing in general job creation and projects with only the most tenuous relation to poverty reduction, in the hope that the economic benefits will trickle down to the world's most marginalised communities, UK aid must retain a strong poverty reduction mandate (as set out in UK legislation and internationally agreed definition of Official Development Assistance) and support decent job creation to retain its international credibility.

Secondly, the preservation and increased funding for BII will also have ramifications for other parts of the aid budget. As you will know, in 2017 the government passed legislation to quadruple the amount of capital that could be transferred to CDC (from £1.5 billion to £6 billion), and since then CDC's net assets have increased from £4.8 billion to £6.8 billion. In 2021/22, while the total aid budget was cut from 0.7% to 0.5% of national income (a £4 billion shortfall), CDC Group received £633 million from the government.

Funding for CDC/BII has therefore grown significantly as a proportion of total UK aid spend, which will almost certainly lead to catastrophic cuts to other, grant-based areas of aid spending. Ultimately, this means that more UK aid will be directed to projects, countries and sectors that provide an economic benefit to the UK, rather than to the world's most marginalised communities. Especially in such a time of global health crisis and climate breakdown, what is left of the reduced UK aid budget should be prioritised for agencies with a proven track record of delivering on development goals.

The decision to spend £3 billion in international climate finance (ICF) through BII will similarly reduce the proportion of UK ICF that is provided in the form of grants. Oxfam analysis has shown that roughly three quarters of all climate finance is provided in the form of loans, half of which are on a non-concessional basis, and that 20% of the UK's climate finance is delivered through equity investments.<sup>2</sup> Governments across the global south are calling not only for rapidly increased climate finance, but for this new finance to be grant-based, and to increase funding for areas (e.g. adaptation, the Least Developed Countries and Small Island Developing States) that are currently under prioritised.<sup>3</sup> Conversely, delivering more UK climate finance through BII will increase the proportion of equity investments and loans instead of grants, and will likely fail to shift finance towards adaptation or LDCs given CDC's track record.

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<sup>1</sup> Global Justice Now, *Doing More Harm than Good* (2020): <https://www.globaljustice.org.uk/resource/doing-more-harm-good-why-cdc-must-reform-people-and-planet/>; Global Justice Now, *Healthcare for all?* (2021): <https://www.globaljustice.org.uk/resource/healthcare-for-all-how-uk-aid-undermines-universal-public-healthcare/>; CAFOD, *CDC's energy investments: Building just, green development?* (2020): <https://cafod.org.uk/About-us/Policy-and-research/Climate-change-and-energy/CDC-support-energy-overseas>; GRAIN, Corner House, Global Justice Now and others, *Development Finance as Agro-Colonialism* (2021): <https://www.farmlandgrab.org/post/view/30066-development-finance-as-agro-colonialism-european-development-bank-funding-of-feronia-phc-oil-palm-plantations-in-the-democratic-republic-of-congo>.

<sup>2</sup> Oxfam International, *Climate Finance Shadow Report 2020* (2020): <https://www.oxfam.org/en/research/climate-finance-shadow-report-2020>.

<sup>3</sup> Africa Group, the Climate Vulnerable Forum and Least Developed Countries, *COP 26: A Five Point Plan for Solidarity, Prosperity and Fairness* (2021): <https://powershiftafrica.org/cop-26-a-five-point-plan-for-solidarity-prosperity-and-fairness/>.

It is highly concerning that these changes appear to have been adopted without any meaningful consultation with civil society, trade unions or communities impacted by previous CDC investments. Without this type of consultation, it seems infeasible that BII will meet the “the highest levels of ethics, standards and transparency” set out in its new strategy.

Given the above, we ask that:

- 1) FCDO ensures that BII’s mandate to distribute UK development funds is rooted firmly in poverty reduction, the closing of inequalities and tackling the climate crisis.
- 2) Meaningful consultation with civil society and trade unions, who have unique expertise to share, is conducted ahead of BII’s official launch, for which we would be happy to participate and meet with you.
- 3) Prior to any ODA being used by, or further capital transfers to BII, FCDO provides a clear rationale, evidence and continuous monitoring of how this will reduce poverty and inequality.
- 4) FCDO instructs BII to stop investing UK aid via private equity funds.
- 5) Any ODA used by BII is under the same level of transparency as that reported on by FCDO and NGOs which receive ODA, is invested in companies with a strong track record in creating decent jobs, and does not exacerbate the climate crisis. FCDO and BII have a duty to update Parliament as they are using public funds.
- 6) FCDO instructs CDC/BII to immediately publish its full portfolio of fossil fuel-associated investments and provide a timeline for how it will divest from past coal, oil and gas investments.
- 7) FCDO instructs BII to stop promoting public-private partnerships, particularly in healthcare and education. It should divest from private healthcare and education projects and open up the actors that BII can fund, including state-owned enterprises and cooperatives.
- 8) FCDO instructs BII to establish an independent accountability mechanism within the next year, to enable communities adversely affected by its investments to hold BII to account.
- 9) The UK Government rapidly scales up other forms of grant-based finance for the global south, including the immediate restoration of cuts to UK aid and increases to the UK’s contribution to international climate finance grants.

Yours faithfully,

Global Justice Now  
CAFOD  
Christian Aid  
Gender and Development Network  
Integrity Action  
National Education Union

Recourse  
Results UK  
Stamp Out Poverty  
StopAIDS  
Trades Union Congress  
Unison