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UK DEVELOPMENT FUND IMPLICATED IN MONEY-LAUNDERING INVESTIGATION

Campaigners slam Government's development approach as DfID-backed private equity fund comes under criminal investigation in Nigeria

A private equity fund backed by Britain's Department for International Development (DfID) is under criminal investigation by the European Union and Nigerian anti-corruption authorities for its alleged involvement in fraud and the laundering of millions of dollars looted by James Ibori, the ex-Governor of Nigeria's oil-rich Delta State, according to an inquiry to be aired tonight by BBC *Newsnight*.

The revelations come on the day that Ibori faces sentencing at Southwark Crown Court after pleading guilty to ten counts of money-laundering and fraud. Ibori, who is reported to have stolen up to US\$3 billion from Delta State's coffers, was extradited to the UK from Dubai, after fleeing Nigeria.

The Metropolitan Police Service's Proceeds of Corruption Unit which successfully prosecuted Ibori is funded by DfID.

But in a shocking revelation by BBC's *Newsnight*, DfID's wholly owned private sector development fund, CDC Group, has financed three Nigerian companies [1] that are said to have acted as money-laundering fronts for Ibori.[2] CDC's investments in the companies were made through Emerging Capital Partners (ECP), [3] a US private equity fund. [4]

Nigeria's Economic and Financial Crimes Commission (a specialised police unit also funded by DfID) has confirmed that Emerging Capital Partners (ECP) is now the subject of a criminal investigation. The European Union's Anti-Fraud Office (OLAF) is similarly investigating allegations that ECP defrauded investors, including the DfID funded European Investment Bank (EIB) and CDC, of some US\$5 million.[5]

DfID was alerted in confidence to evidence against the fund by a Nigerian whistleblower, Dotun Oloko. In January, DfID issued an unreserved apology to Mr Oloko after it was forced by a BBC *Newsnight* investigation to admit that it betrayed Mr Oloko's name to Emerging Capital Partners, which then placed him and his family under covert surveillance.[6]

Although DfID's procedures require serious allegations of crime to be reported to the police,[7] DfID instead contacted the private equity fund that was under suspicion, potentially jeopardising any criminal investigation.

DfID, CDC and the fund deny the allegations. So far there has been no independent investigation and only a limited response from the fund itself.

Nigerian anti-corruption activist Dotun Oloko said:

“High level corruption is universally recognised as the biggest impediment to development. The failure of DfID and CDC to properly respond to the serious allegations of corruption made against their fund manager strongly, suggests that DfID and CDC are not fit for purpose as it is not possible to aid development while aiding corruption. Both DfID and CDC failed the British taxpayer by refusing to take appropriate action when provided with credible information that their fund manager could possibly have defrauded the fund to which British taxpayers funds have been committed.”

Nicholas Hildyard of The Corner House said:

“DfID's approach stands in stark contrast to that of the investigatory authorities in the UK and elsewhere. When Corner House passed the file to the Serious Fraud Office, it deemed the evidence credible enough to alert the Financial Services Authority, which regulates CDC, and the US Department of Justice. In Nigeria, they have initiated a criminal investigation. Yet, on the basis of the same evidence, DfID did nothing.”

Nick Dearden of Jubilee Debt Campaign said:

“This case shows, once again, the dangers inherent in the use of private equity funds to allocate development spending – removing decisions and accountability from public bodies. It should be clear now that financial markets are not the answer to all of society's problems – either here or in developing economies.”

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NOTES

- [1] The three companies are: Notore, a fertiliser company; OandO, an oil company; and Intercontinental Bank
- [2] For further details, see: http://www.thecornerhouse.org.uk/sites/thecornerhouse.org.uk/files/CDC%20Memorandum_0.pdf
- [3] Emerging Capital Partners, formerly EMP Africa, is a US-based private equity firm that manages seven private equity funds focused on Africa, totalling more than \$1.8 billion under management.
- [4] CDC has invested \$147 million in two ECP-managed funds: ECP Africa Fund II and ECP Africa Fund III.
- [5] The European Investment Bank (EIB) only passes files for investigation to OLAF where an initial assessment by the EIB's Inspector General "*concludes that fraud or corruption is likely to have occurred*". See: http://www.eib.org/attachments/thematic/fraud_2006_en.pdf
- [6] For further details, see: <http://news.bbc.co.uk/1/hi/programmes/newsnight/9682677.stm>
- [7] DfID civil servants are bound by the Civil Service Code. Under the heading, "Suspected Criminal Activity", DfID advises its staff: "*You should report evidence of criminal or unlawful activity to the police, or other appropriate authority, at the earliest opportunity*".