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FOR IMMEDIATE RELEASE

British managers of UK aid-funded Kenyan firm accused of fraud, bribery and “highly questionable business practices”

Groups call for urgent inquiry into failure of Ministers to act despite whistle-blower warnings

A documentary by the BBC’s award-winning *Africa Eye* team, aired yesterday, has reported on concerns of alleged fraud, bribery and other highly questionable business practices by two British managers appointed by a UK aid-backed private equity fund to run its investee Kenyan firm Spencon.[1]

Spencon, once the largest infrastructure development company in East Africa, is now bankrupt.

The UK’s investment in Spencon is through ECP Africa Fund II (“ECP Africa”), an investment vehicle managed by the US private equity firm Emerging Capital Partners (ECP).[2] The fund invested \$15 million in Spencon, commencing in 2006.

ECP Africa is backed by CDC Group, an investment company that is wholly owned by the Department for International Development (DfID). CDC invested \$47.5 million in the fund.[3] The *Africa Eye* documentary reports that the two managers allegedly:

- Made highly questionable cash payment for official documents which one leading UK lawyer, who was instrumental in drafting UK anti-bribery legislation, believes need investigating under the UK’s bribery act.
- Hired a convicted criminal who, according to the Receiver in Uganda, sold company assets at grossly undervalued prices and also, with the managers’ knowledge, paid the proceeds into his personal bank account.
- The administrators, PWC, say \$1.6 million dollars has not been accounted for by the former executive directors. Ugandan Police says they are working with Interpol to question the managers.

- Refused to pay Kenyan staff during the final months of the company even while the managers continued to draw their own salaries (each is reported to have earned over \$20,000 a month).
- Used company funds and equipment to build a golf practice area for their use at a time when the company was facing insolvency. The managers do not deny this but state that the golf practice area gave an impression of a thriving company.

The reported allegations are based on interviews with former staff and thousands of leaked Spencon emails, messages and documents.

The managers vehemently deny any wrongdoing. [4] Emerging Capital Partners denies any wrongdoing and have responded to each of the allegations in their reply [5].

“The ECP Africa-appointed managers oversaw the collapse of Spencon and with it the loss of hundreds of jobs,” says Nick Hildyard of Corner House, a research and advocacy group. “Many ex-Spencon are now living in penury. Yet, even as the company headed towards bankruptcy, *Africa Eye* has reported that the managers were using company equipment and funds to build a golf practice area for their use. It beggars belief that UK aid funds might be used in this way.”

Both DfID and CDC were warned by whistle blowers in 2015 of alleged corruption and mismanagement at Spencon.

But successive International Development Secretaries, including current Home Secretary Priti Patel, failed to intervene to address the alleged mismanagement.

“Ministers simply sat on their hands”, says Nicholas Hildyard. “The public needs to know why. There are real concerns that the contracts that CDC has signed with private equity firms have severely constrained the government’s ability to protect UK aid money.”

Global Justice Now and Corner House are today calling for the International Development Committee to hold an urgent inquiry into DfID and CDC’s handling of the Spencon investment.

“It is vital that CDC and DfID are held to account”, comments Nick Dearden of Global Justice Now. “A thorough, independent investigation is needed. The public needs to be reassured that UK aid money was not be used to destroy jobs through mismanagement or to pay bribes.”

The documentary follows the publication of a report on CDC’s investments by Global Justice Now in February [6]. The report highlights cases such as the Abraaj Growth Markets Health Fund; CDC invested \$75 million in 2016, but the fund later faced allegations of corruption and misappropriation of funds by Abraaj CEO Arif Naqvi, leading to what the *Economist* describes as the “biggest collapse in private-equity history” [7].

The report also criticises CDC’s repeated loan investments to Feronia Inc in 2019, despite an investigation into the alleged murder of a local community activist by a member of Feronia’s

security personnel that was ongoing at the time. Corner House, Global Justice Now and Leigh Day have sent a letter to CDC requesting information on how the investments met their Code for Responsible Investment [8].

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NOTES TO EDITORS:

1. The Africa Eye documentary is available at https://www.youtube.com/watch?v=bQinLY0m_jg&feature=youtu.be
2. In 2017 US court proceedings (Barnwell Enterprises Ltd v Emerging Capital Partners (1:16-mc-02581), Emerging Capital Partners stated that it “manages ECP Africa pursuant to contract” and that “ECP Africa in turn manages Spencon International Ltd., also referred to as Spencon Services Ltd. (“Spencon”), a Kenyan operation incorporated under the laws of Mauritius”. See: <https://ecf.dcd.uscourts.gov/doc1/04515925448>
3. <https://www.cdcgroup.com/en/our-investments/fund/ecp-africa-fund-ii-pcc-formerly-emp-africa-ii/>
4. The responses from the managers to the allegations are available at https://www.youtube.com/watch?v=bQinLY0m_jg&feature=youtu.be
5. The response of Emerging Capital Partners to the allegations is available at https://www.youtube.com/watch?v=bQinLY0m_jg&feature=youtu.be
6. Global Justice Now, *Doing more harm than good: Why CDC must reform for people and planet* (2020). Available at: <https://www.globaljustice.org.uk/resources/doing-more-harm-good-why-cdc-must-reform-people-and-planet>.
7. *Economist*, ‘After Abraaj: The biggest collapse in private-equity history will have a lasting impact’, 18 May 2019. Available at: <https://www.economist.com/finance-and-economics/2019/05/18/the-biggest-collapse-in-private-equity-history-will-have-a-lasting-impact>.
8. Letter to CDC about investments in Feronia Inc: <https://www.leighday.co.uk/News/Press-releases-2020/February-2020/Call-for-answers-over-British-government-financing>