

The European Investment Bank (EIB) is failing to act on clear evidence of fraud and corruption in a €38 million investment it made in a private equity fund, a new investigation by The Corner House and Counter Balance reveals in the Financial Times.

The EIB invested in the ECP Africa Fund II (ECP Africa), a fund managed by American private equity fund Emerging Capital Partners. ECP Africa in turn invested in Kenyan construction company Spencon before seizing control of the company in 2014. The fund appointed two managers to run the company who were subsequently suspected of fraud and bribery, and appointed ECP Africa executives to Spencon's Board of Directors. Spencon went bankrupt in 2016.

ECP Africa executives on Spencon's Board of Directors appeared to wave through suspicious payments made by Spencon during this time, including **\$4 million** to two companies ostensibly for 'debt recovery'.

These executives allowed payments to be made despite clear signs they were fraudulent. Spencon paid money for 'debt recovery' to a company which listed a driver working for Spencon as its director – a clear red flag. The driver later signed a statement submitted as part of a court action in the [United States](#), stating that he was told the money would be used to pay public officials.

The debt recovery company did not even have a bank account when it first invoiced Spencon, with payments going to the driver's personal account instead. Both companies also charged fees far higher than similar debt recovery companies working in east Africa, yet ECP Africa executives signed them off anyway.

This is just one example of numerous instances of fraud, bribery and corruption within Spencon, some of which have been reported in the documentary programme BBC Africa Eye.

EIB botches initial investigation

Spencon whistleblowers, supported by Counter Balance and The Corner House, first warned the EIB about the corruption which ECP Africa was ignoring in 2015. They provided the bank with messages, emails and documents as evidence of the fraud, bribery and corruption within Spencon.

The EIB said it would investigate. Yet its investigation failed to interview **the Spencon** directors at the centre of the scandal and failed to obtain documents while having the legal right to do so. The bank instead remained silent for four years and took no action against ECP before declaring the case closed without explanation in 2020.

This was completely unacceptable. Counter Balance and The Corner House lodged a complaint against the EIB itself for not explaining the reasoning behind its decision to close the case against ECP Africa. The bank's complaints department revealed that the initial investigation did conclude there was evidence to suggest Spencon's management **were engaging in criminality** and that ECP likely knew about it. **Incredibly, the EIB closed the investigation anyway.**

Criminals could exploit 'soft touch' EIB

Any fraud and corruption within Spencon (which the EIB itself acknowledges there is evidence of and that **ECP** was "more likely than not" aware of) was only possible because of the EIB's financial backing. It was paid for using the public's money. Every Euro lost to corrupt companies or politicians could have been used to build renewable energy, transport, healthcare and other sectors which benefit the public – both in Africa and [Europe](#).

If the EIB is seen to be a soft touch on corruption then fraudsters, money launderers and anyone else looking to make a quick buck will be climbing over themselves to get financing from the [bank](#). The EIB has to start taking the risk of fraud and corruption within its investments seriously.

EIB must be legally accountable for criminality in investments

The EIB must recognise its mistake and reopen the case against ECP Africa. The bank must explain how it botched the original investigation to the point where it concluded there was evidence to suggest criminality took place within Spencon and that ECP Africa likely knew about it – and still took no action. The EIB should also look into significant new evidence supporting this which was not reviewed as part of the initial investigation.

The bank needs to show teeth when protecting investments against fraud and corruption in future. Rather than turning a blind eye, the EIB should freeze projects where credible suspicions of lawbreaking are raised and break contracts with **corrupt clients**.

Both the ECP Africa case and other instances where the EIB **failed to protect** its investments against corrupt practices show EU law must be changed to hold the bank accountable. The European Commission, Parliament and Court of Auditors should all be granted the ability to start legal proceedings against the EIB if it is found to have ignored fraud and corruption in its projects. MEPs are already calling for the bank to explain how it assesses reputational risks caused by its investments – these calls should be heeded.

More broadly, the likely **fraud and corruption** within Spencon waved through by ECP Africa shows how flawed the EIB's tactic of blindly relying on the private financial sector to spend money on its behalf is. Private funds like ECP Africa will always put commercial

interests first, and financing them provides no guarantee that international development objectives will be prioritised. The EIB should pledge to make investments which local communities and the public more generally will truly benefit from – not merely beneficial to shady investors, [fossil fuel](#) companies or the super rich.

Source: [Counter Balance](#)