



May 3, 2019

Via Electronic Mail

Osvaldo Gratacós, CAO Vice President
Compliance Advisor/Ombudsperson
International Finance Corporation
2121 Pennsylvania Avenue, NW
Washington, DC 20433, USA
E-mail: CAO@worldbankgroup.org

Re: Complaint regarding the International Finance Corporation's investments in Kenya Commercial Bank and Co-Operative Bank of Kenya

Dear Mr. Gratacós,

Since we filed a complaint to your office on Friday 26 April, it has come to our attention that the International Finance Corporation (IFC) has another connection to the proposed Lamu coal plant, through its client FirstRand Bank. This IFC investment was not disclosed in the IFC's Project Information Portal. We request that this supplementary information is taken into account in your assessment of the eligibility (and subsequently the merits) of our complaint.

In April 2014, the IFC Asset Management Company, a wholly-owned subsidiary of the IFC, provided US\$172.5 million in subordinated (convertible) debt to FirstRand Bank.¹ In September 2017, FirstRand Bank provided a corporate loan worth US\$50 million to Centum Investment that matures in 2021.² As explained in the complaint, Centum Investment is a co-developer of the Lamu coal plant through its majority shareholding in Amu Power.

While an IFC press release issued at the time of its 2014 loan to FirstRand mentioned that its funds would support small-medium enterprises,³ it is clear that the investment is much broader in scope. The press release itself mentions that the loan will also support "FirstRand's expansion into Sub-Saharan Africa."⁴ Further, and importantly, FirstRand's own disclosures indicate that the financing is a convertible loan with *mandatory* conversion from debt to equity in

¹ IFC Asset Management Company, "IFC Capitalization (Sub Debt) Fund" <https://www.ifcamc.org/funds/ifc-capitalization-sub-debt-fund>; IFC "IFC Leads Basel III Recapitalization to Support FirstRand's Expansion in Africa" (5 May 2014)

<https://ifcext.ifc.org/ifcext/pressroom/ifcpressroom.nsf/0/E3D2199374BB5F8B85257CCF005DFBB3>.

² Centum Investment, *2018 Annual Report*, p. 189 http://www.centum.co.ke/images/docs/CICL_Full_-_Annual_Report_FY18.pdf; Centum Investment, *Interim Report and Financial Statements: 6 Month Period Ended 30 September 2018*, p. 30

https://centum.co.ke/images/docs/CICP_Group_Interim_Financial_Statement_30_September_2018.pdf.

³ IFC "IFC Leads Basel III Recapitalization to Support FirstRand's Expansion in Africa" (5 May 2014) <https://ifcext.ifc.org/ifcext/pressroom/ifcpressroom.nsf/0/E3D2199374BB5F8B85257CCF005DFBB3>.

⁴ *Id.*

Save Lamu

Tel: 0723-205-998 P.O. Box 314, Lamu 80500, Kenya
Email: info@savelamu.org Website: www.savelamu.org

FirstRand Limited.⁵ An active equity/quasi-equity investment such as this cannot be effectively ring-fenced. Accordingly, the IFC’s 2014 investment in FirstRand materially exposes it to all of the Bank’s operations and activities, including FirstRand’s 2017 loan to Centum Investment.

This discovery is entirely consistent with our fear, set out in the complaint, that the “current investments in Co-Operative Bank and Kenya Commercial Bank are not – or will not be – the IFC’s only connections to the Lamu coal plant and its severe risks and impacts in our community.” It is critical that the CAO fully investigates this *pattern* of IFC investments.

We look forward to engaging with you further on this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Abubakar Mohamed Ali', with a stylized flourish at the end.

Abubakar Mohamed Ali
Chairman
Save Lamu

⁵ FirstRand, ‘18 basel pillar 3 common disclosure templates for the year ended 30 June, pp.8-9
<https://www.firstrand.co.za/InvestorCentre/capitaldisclosuretemplates/FirstRand%20Base1%20III%20common%20disclosure%20templates%20-%20June%202018.pdf>.