

MEMORADUM

March 19, 2024

To: Mehrdad Nazari, Director, Office of Accountability

From: Scott Nathan, Chief Executive Officer

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CC: DFC Board of Directors
Tony Zakel, Inspector General
Nisha Biswal, Deputy Chief Executive Officer
Agnes Dasewicz, Chief Operating Officer
Sarah Fandell, VP and General Counsel

Subject: Request for Office of Accountability to conduct a compliance review of the OPIC loan for the Bridge International Academies project in Kenya and to engage with DFC on its ongoing development of procedures to address gender-based violence and harassment, including sexual exploitation and abuse.

I am requesting that DFC's Office of Accountability (OOA) conduct a robust, independent review of DFC's overall experience with the Bridge International Academies (Bridge) project. As part of this review, I am requesting that OOA assess and perform a compliance review of OPIC/DFC's due diligence in connection with OPIC's 2013 loan to Bridge and supervision of E&S risks related to Bridge's operations, including whether OPIC or DFC was made aware of, or in its role as lender exercising reasonable care should have been aware of, alleged child sexual abuse at Bridge schools in Kenya in light of information that has recently been disclosed by the International Finance Corporation (IFC), a member of the World Bank Group. Please also review whether OPIC and DFC failed to take action with respect to any such allegations.

Last week, on March 13, 2024, IFC issued a Management Action Plan to address concerns raised by the IFC's Compliance Advisor Ombudsman (CAO) and to develop a remedial program in connection with IFC's financial support to Bridge. According to CAO's report, between 2013 through 2022, IFC made investments in Bridge through its parent company. During this period, IFC learned of several issues concerning labor, health and safety that surfaced during monitoring of the project, including allegations of instances of child sexual abuse. Starting in 2018, IFC's CAO initiated the first of several investigations into concerns about the operation of Bridge schools in Kenya. The major concern of the CAO was IFC's failure to consider the project's potential child sexual abuse risks and, during supervision, failure to address project-related child sexual abuse once it received information relating to that abuse.

In 2013, OPIC provided a direct loan to Bridge for the development and operation of low-cost private schools in Kenya. The loan was fully repaid in 2022. OPIC undertook its own environmental and social (E&S) due diligence during this period, following IFC's Performance Standards. While uncovering and addressing several issues relating to school licenses, teacher certification, poor sanitation conditions, and teacher compensation and treatment, our internal review to date indicates that OPIC was not aware of or informed by Bridge, IFC, or others of any allegations of child sexual abuse at the schools. We also understand that it has now come to light that IFC had entered into a non-disclosure agreement with Bridge.

In the event that similar concerns and risks were to arise today, we believe that DFC currently has the tools and expertise necessary to appropriately address them during project review, implementation, and monitoring. The interpretation and application of E&S guidelines and the development of DFC's tools, including related policies and procedures, have evolved since OPIC's loan was originated. For example, in 2022, DFC hired a senior gender and gender-based violence and harassment specialist and has worked to develop specific tools to address risks related to gender-based violence and harassment, including sexual exploitation and abuse of children. Moreover, specific commitments and requirements to address such risks are included in the upcoming update to DFC's Environmental and Social Policy and Procedures.

DFC is committed to continuous improvement in its E&S programs. Accordingly, in the course of your compliance review, it would be helpful to identify lessons learned and to also review DFC's prevention and response systems with respect to gender-based violence and harassment, including sexual exploitation and abuse, and any recommendations to strengthen and clarify DFC's policies and procedures in this area.

DFC is in the process of collecting relevant documents and information relating to the issuance, implementation and monitoring of the OPIC loan to Bridge and will make all such information available to you. DFC management and staff will fully cooperate in your review. My team stands ready to meet with you as needed to facilitate your review process.