

EXPERTS URGE TOUGHER U.S., WORLD BANK CORRUPTION STANCE

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WASHINGTON, May 10 (IPS) -- Governments and international financial institutions should do more to crack down on corruption in countries that receive development loans, financial experts and investigators here said.

For starters, the U.S. government should demand that the World Bank make public recent audits of governments where corrupt leaders have stolen millions of dollars in aid money and deposited it in international commercial banks, said Jack Blum, a former Senate investigator who chairs a United Nations expert group on asset recovery.

World Bank audits have uncovered rampant siphoning off of aid money, for example in Haiti, yet the lender "has refused absolutely and resolutely to make all those documents public," Blum testified before lawmakers here yesterday.

To get stolen aid money back from contractors and dishonest civil servants, Blum proposed that the World Bank and other lenders hand over enforcement to an independent international recovery organization. This could be funded by governments and private agencies and report regularly to the United Nations and Organization for Economic Cooperation and Development, taking the politics out of crackdowns on corruption, he said.

Thus, for example, "no executive director (of the Bank) would be forced to vote to investigate the employees of another sovereign state," he added. Blum was one of three witnesses who testified before the House of Representatives' Committee on Financial Services' subcommittee on financial institutions and consumer credit at a hearing on the theft of international aid by dictatorships. The subcommittee is chaired by Representative Spencer Bachus, a Republican.

Bachus, with strong support from Democrats, is studying legal mechanisms to recover looted funds and how the U.S. government -- and the institutions it funds -- can more effectively prevent development aid from being stolen by corrupt officials.

The classic example is Mobutu Sese Seko, the longtime dictator of Zaire, who took a salary that equaled 17 percent of the national budget and had a personal allowance that exceeded the country's spending on education, health and social services. Other so-called kleptocracies were created by Ferdinand Marcos of the Philippines, Francois "Papa Doc" Duvalier and Jean Claude "Baby Doc" Duvalier of Haiti, and Suharto of Indonesia.

Such extreme cases of high-level looting are called "grand corruption," explained John Conyngham, the global director of investigations for the Control Risks Group Ltd., which has been involved in several prominent probes of asset stealing. "In its most extreme form, grand corruption can amount to state capture where corrupt interests control the state itself and manipulate the machinery of government to serve their private interests," he said.

The World Bank and the International Monetary Fund (IMF) have come under close scrutiny because of their central role in providing development aid, especially since the end of the Cold War.

"The World Bank and the IMF could do much more," said Bachus. "A lot of assistance is being skimmed off and has ended up in the bank accounts of corrupt officials. In some ways, this has created a worse situation than we had to begin with."

Many in Congress also see a connection between government corruption and terrorist groups. "This kind of looted money tends to flow through the same sewers as drug money and terrorist funding," said Rep. Michael Oxley, who chairs the full financial services committee.

Rep. Maxine Waters, the senior Democrat on the Bachus subcommittee, said she first became interested in corruption after hearing how the family of former Nigerian military ruler Sani Abacha had laundered millions of dollars stolen from the government through U.S.-based Citibank. Subsequent investigations, she said, found that Citibank had provided the Abacha family with at least three secret banking accounts that handled more than \$100 million.

Last month, the Abacha family and the Nigerian government reached a settlement under which the family agreed to return \$1 billion to the country. Of that money, said Conyngham, \$535 million was released from Swiss banks, \$200 million from banks in Britain, and \$300 million from banks in Luxembourg and Liechtenstein. Waters noted that the Abachas were allowed to keep the \$100 million handled by Citibank. "None of the Citibank funds were included in the settlement," she said. Waters introduced legislation yesterday that would require future settlements to include assets laundered by U.S. banks and urged the Treasury Department to demand that the World Bank and the IMF release audits of countries they suspect of mishandling development funds.

Michael Chege, director of the Center for African Studies at the University of Florida, and a political exile from Kenya, praised the Bank and IMF for insisting on "the primacy of markets as the principal for resource allocation."

But he added: "As far as governance reforms are concerned, however, they have been a spectacular failure. Both organizations knew perfectly well that the Mobutu regime was turning aid into the dictator's villas in the French Riviera and chateaux in Switzerland. But the aid dollars kept flowing."

Even now, he added, "despite the outcry from the Kenyan opposition, Christian churches, and the press, the World Bank has continued cutting deals behind the scene with the incompetent and venal (Daniel arap) Moi government in Kenya, even to the extent of seconding Kenyan World Bank employees to Moi's public service," Chege testified.

As of noon today, World Bank anti-corruption officials were unable to respond to questions about the issues raised in yesterday's hearing. According to the Bank's website, it has launched more than 600 anti-corruption initiatives in more than 100 countries.

The IMF's executive directors have declared money laundering a priority problem and have urged stronger efforts against it by Fund staff.

However, "the primary lead in anti-money laundering efforts rests with the specialized agencies that have the mandate and the expertise in this area," the directors noted in a statement last year. These include the inter-governmental Financial Action Task Force.