

Big Firms Accused of Bribery in Dam Project

By Paul Blustein
Washington Post Staff Writer
Friday, August 13, 1999; Page E1

It's a tale involving millions of dollars allegedly funneled into Swiss bank accounts by giant international companies competing to build one of the biggest infrastructure projects under construction in the world.

The companies stand accused of paying bribes to win lucrative dam-building and engineering contracts on the Highlands Water Project in the southern African kingdom of Lesotho. While bribery in Third World construction projects hardly rates as stunning news, the allegations involve big-name European multinationals, notably ABB Ltd., a Swiss-Swedish firm with about \$31 billion in revenue last year. Moreover, the project is partly backed by the World Bank, which has recently embarked on an anti-corruption drive. And the case may prove embarrassing to the bank because its new anti-bribery guidelines won't necessarily apply.

The allegations, spelled out in a charge sheet that Lesotho authorities filed July 28 against Masupha Sole, the former head of the project, contain highly specific data on payments totaling about \$2 million that 12 companies, mostly European, allegedly provided for deposit in Sole's bank accounts in South Africa and Switzerland. A Swiss court has also found evidence indicating that the bribes were paid, according to the Swiss newspaper *Sonntags Zeitung*.

The list of companies "reads like a Who's Who of the dam-building industry," said Patrick McCully, campaigns director of the International Rivers Network, a California-based environmental activist group that opposes dams.

According to the charges, ABB paid Sole about \$40,000. Spie Batignolles of France allegedly provided about \$120,000, Impregilo of Italy allegedly paid \$250,000, ED Zueblin of Germany allegedly chipped in about \$447,000, and Acres International of Canada allegedly paid about \$188,000.

Several of the companies, contacted by The Washington Post, denied paying bribes to win contracts in Lesotho. "No payment for whatever sum at whatever time has been made by Impregilo" to Sole, said Romano Allione, an official of the Italian company.

John Fox, a spokesman for ABB, said: "We have been working with the Lesotho authorities, supporting their investigation. About allegations, I can't comment at this point."

But some corruption experts said that if the accusations pan out, the firms should be "debarred" by the World Bank--that is, prohibited from bidding on projects funded by the bank, a major source of financing for dams in developing countries.

A little more than two years ago, the bank cracked down on bribery after a speech by its president, James D. Wolfensohn, denouncing the "cancer of corruption" and its corrosive impact on poor countries. The bank, which has 181 member countries, adopted guidelines pledging to "declare a firm ineligible, either indefinitely or for a stated period of time, to be awarded a bank-financed contract" if the firm is found to have "engaged in corrupt or fraudulent practices in competing for, or in executing, a bank-financed contract."

So far, the bank has debarred nine relatively small companies, but it's far from certain that the companies accused of bribery in the Lesotho case will suffer punishment by the bank even if the charges are proven. That's because, although the bank was heavily involved in formulating the project, it lent only about \$100 million of the estimated \$2.4 billion cost, for objectives such as engineering design and access roads--and the companies listed in the indictment may be able to avoid debarment by claiming that they won contracts for other parts of the project.

Indeed, the World Bank's official statement on the Lesotho scandal suggests as much. "We eagerly await the outcome of the court case, at which point the World Bank will decide on further steps," said Junaid Ahmad, the bank's deputy resident representative in South Africa. "We will conduct an internal investigation to ensure that Bank policies and procedures have been followed on the components of the project that have been financed by the World Bank."

The bank's acting general counsel, Daoud Khairallah, said yesterday: "We cannot eradicate corruption in all situations where we have no control. . . . If any of our funds have been tampered with, yes, we can debar. But not if it's something that we didn't have any control over."

Jeremy Pope, executive director of Transparency International, an organization dedicating to fighting corruption, voiced incredulity that the companies might get off the hook. "It's a project the World Bank was involved in, and logic says--if you're bribing, you're bribing; and if you're unfit to be bidding for business, you're unfit."

In any event, he said, "when these companies go bidding for public sector business, their competitors will use this and say, 'If you do a deal with that lot, everyone will think you've been bribed.' "

The bank's anti-corruption efforts are part of a broader drive against bribery in the industrialized world. After considerable agitation by the United States, which made it a crime in 1977 for U.S. firms to bribe foreign officials, the 29 wealthy countries belonging to the Organization for Economic Cooperation and Development ratified a convention in December 1997 pledging to criminalize foreign bribery. But less than half of the nations have passed the necessary laws, and in any case the alleged bribery of Sole took place before the convention was adopted.

The Lesotho project is located in a country of about 2 million, entirely surrounded by South Africa, that is rated as one of the world's poorest, with almost no natural resources other than water. The project, which includes a dam more than 600 feet high, provides water to an industrial region of South Africa and provides employment to Lesotho, most of whose workers must find jobs in South Africa.

But the International Rivers Network charges that the project has disrupted communities and led to the establishment of squatters' camps, replete with prostitution and AIDS, in once-remote mountain communities.

The group also asserts that massive bribery is predictable in such projects--and notes that some of the companies named in the Lesotho indictment have figured in other corruption scandals involving dams.

www.irn.org/programs/lesotho/990813-waspost.html