

Three letters to the Washington Post on the LHWP corruption case reveal very different perspectives

Corruption and the World Bank

Monday, August 23, 1999; Page A16

The following is a letter from Lori Pottinger, IRN's Southern Africa Program director to The Washington Post on August 23, 1999.

The article "Big Firms Accused of Bribery in African Dam Project" cites World Bank claims that it had a limited role in the Lesotho Highlands Water Project because it made only a small contribution to the multibillion-dollar financing scheme [Business, Aug. 13]. Nothing could be further from the truth. Not only did the World Bank finance the design of the project; it also is responsible for setting up and coordinating the financing program.

According to a confidential World Bank project document, in 1991 the bank agreed to participate in a trust for offshore lenders "to provide some comfort for lenders who might otherwise be reluctant to assist in the financing." This type of comfort was needed because of the international sanctions then in place against the apartheid regime in South Africa.

According to the same document, the World Bank loan for the project went only nominally to Lesotho, a country far too poor to qualify for large loans, while the real borrower was South Africa's apartheid regime. It is unacceptable for the World Bank to claim that it is a passive bystander in the unfolding corruption investigation. Should the corruption allegation be substantiated, the World Bank must debar the companies involved in the bribery from future World Bank-financed activities. It also should launch an investigation into its own role in this controversial project.

Besides serious allegations of corruption, the project, which includes the highest dam in Africa, has caused the vulnerable Highlands population to lose fields, grazing lands and access to fresh water sources. Despite promises, their livelihoods have not been reestablished, and poor people have been pushed closer to the edge in their struggle for survival. Problems of erosion and the downstream effects of massive water diversion will disrupt ecosystems and people's livelihoods. In Lesotho, as in many places, corruption, environmental degradation and increasing poverty have a tendency to go together.

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This letter is from the World Bank staff responsible for the project; it is followed by a letter by NGOs in Lesotho working with dam-affected people.

In their Aug. 23 letter, Lori Pottinger of the International Rivers Network and Korinna Horta of the Environmental Defense Fund expressed concern about alleged corruption in the Lesotho Highlands Water Project. We agree that such allegations must be taken seriously. For this reason, we are pleased that the governments of Lesotho and South Africa have investigated the matter promptly and brought the case to court.

We also agree -- indeed, we are proud -- that the World Bank played a leading role in making this important project happen, even if our financial contribution was less than 5 percent of total costs. Our commitment to preventing corruption extends well beyond our financial involvement in a project. Corruption hurts the poor most of all -- whether it involves official aid, private investment or the use of a developing country's own taxpayers' money. Therefore, we are determined to help African countries fight corruption in all its forms.

The Lesotho project was in the making for more than 20 years and is important for southern Africa as a whole, not just Lesotho. In addition to meeting South Africa's water needs, the project is helping poor communities in Lesotho through a social fund set up with revenues from the project. World Bank involvement helped

ensure that the project was designed to the highest economic, social and environmental standards.

Large development projects can carry special risks, but they can be designed successfully. Most non-governmental organizations in Lesotho and South Africa support the project and appreciate the openness and care with which it was prepared. Dealing seriously with corruption is consistent with that openness and with the World Bank's interest in seeing such projects serve the poor.

CALLISTO E. MADAVO JEAN-LOUIS SARBIB Washington
<http://www.washingtonpost.com/wp-srv/WPlate/1999-09/12/1481-091299-idx.html>

The writers are vice presidents for the Africa region at the World Bank.

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The following letter was sent to the Washington Post on Sept. 15 in response to the World Bank letter above.

In their Sept. 13 letter regarding corruption allegations in the Lesotho Highlands Water Project (LHWP), Callisto E. Madavo and Jean-Louis Sarbib of the World Bank claim they are "determined to help African countries fight corruption". We, as members of non-governmental organizations in Lesotho, appreciate this sentiment. We are troubled, however, by their failure to promise World Bank sanctions against the 12 multinational corporations when it is proved that they bribed the former chief executive of the LHWP. What better way is there to "fight corruption" than to punish the big companies that tempt us "poor" Africans with big bribes?

Madavo and Sarbib also claim that the LHWP is "helping poor communities in Lesotho through a social fund" set up with LHWP revenues. Unfortunately, this is not our perception here on the ground. The fund has been and continues to be a tool of opportunistic politicians. Although the committee designated to select projects to be supported by the social fund has not met even once yet, money from the fund has been used to support ill-conceived projects built by workers hired according to political party affiliation. In Lesotho, we see the same stretch of road repaired; torn up the next week; repaired again the following week; and then torn up once more at the end of the month. We see workers increase the height of unused dams, and then cut spillways in them that effectively reduce their carrying capacities to their original levels. These projects are supported by the LHWP's social fund. Is this how large development projects "serve the poor"?

We do support the LHWP, but we are beginning to question the "openness and care with which it was prepared." Punishing the corrupt multi-nationals involved with the LHWP and closely monitoring the implementation of the project's social fund would reassure us of the World Bank's concern. Mr. Madavo and Mr. Sarbib, if you want to serve the "poor", help us to challenge the existing power and economic relations that keep us "poor".

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<http://irn.org/programs/lesotho/corr.lett.991022.html>