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**Russia in line for more aid from IMF Critics question where cash goes**

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The International Monetary Fund is poised to resume lending to Russia that has been frozen since last summer, reviving fears among critics who maintain past IMF and direct U.S. assistance has been poorly managed and poorly spent.

Congressional scrutiny of the new loans is expected to focus not only on Moscow's economic managers but on a Cambridge, Mass.-based institute that has served as an important adviser to the Russians.

The IMF's board is expected to approve \$4.5 billion in new loans at a July 28 meeting, permitting Russia to repay part of the \$16.5 billion it owes the organization and to conclude talks to reschedule its other debts.

The new money would be the first since September 1998, when the IMF suspended a \$22.6 billion loan package after the government of Boris Yeltsin defaulted on its debts and used the IMF money in a losing battle to avoid a devaluation of the ruble.

Anatoly Chubais, Mr. Yeltsin's chief negotiator to the international lending agencies and a man with close personal ties to new Treasury Secretary Lawrence Summers, told a Russian newspaper in September that Russian economic officials had "conned" Western lenders, concealing the truth of Russia's financial plight to keep the money flowing.

"We're very anxious about the way the Russians have used funds, hidden funds, lost funds, and the IMF's commitment to giving them the money," House Majority Leader Dick Armey of Texas said last week.

"Before you come back for more money, tell me what you did with that," Mr. Armey said, adding he would seek an independent audit of how Russian authorities had spent past IMF money.

"Considering the track record here, I think any future loans should be looked at very, very carefully," said **Janine R. Wedel**, who has recently completed a book on Western attempts to use aid to build free markets in Eastern Europe and Russia.

At House banking committee oversight hearings last fall, Rep. Spencer T. Bachus, Alabama Republican, said: "It appears more and more likely that the IMF was blind, or possibly even duped, concerning the true state of the economic problems in Russia. Somebody was asleep at the switch."

Russia's creaky economy may prove an early test for Mr. Summers, who helped shape the Clinton administration's aid policy to Russia while deputy secretary.

The Harvard Institute for International Development, a Cambridge, Mass.-based consulting group first used by the Bush administration and heavily relied on by the Clinton administration, became a primary conduit for U.S. direct-aid programs to Russia.

HIID received some \$43 million in contracts from the U.S. Agency for International Development for a variety of Russian projects, including selling off Soviet-era state businesses and helping develop a Russian securities market.

The institute developed close links to Mr. Chubais - considered a Western-oriented reformer in Russian economic circles - and his associates. HIID's Andrei Shleifer, one of the principal overseers of AID grant programs for Russia, served as a research assistant to Mr. Summers when he taught at Harvard.

When Mr. Shleifer co-wrote a book on privatization efforts in Russia, Mr. Summers contributed a promotional blurb saying the book's authors "did remarkable things in Russia and now they have written a remarkable book."

But a 1996 General Accounting Office review of AID's oversight of its Russian assistance programs, while not uncovering any financial impropriety, criticized the agency for its "lax" oversight of HIID's programs.

Just months after the GAO report was released, AID abruptly broke off all contracts with the Harvard institute, saying specifically that Mr. Shleifer and fellow HIID principal Jonathan Hay had "abused the trust of the United States government by using personal relationships . . . for private gain," according to a letter sent to HIID Director Jeffrey Sachs.

The two men have denied any wrongdoing, but the Wall Street Journal reported in February that a federal grand jury in Boston had begun a criminal probe related to possible personal profit for Mr. Hay and Mr. Shleifer as they oversaw millions of dollars in U.S. grants and aid to Russia.

AID canceled some \$14 million in grants earmarked for HIID, and Mr. Sachs removed the two men from the Russia project soon after the first AID allegations were made public.

Mr. Shleifer did receive one vote of confidence - from Mr. Chubais. The Russian, who now chairs Russia's giant electricity monopoly, called the probe a plot "produced by those in the United States who do not support the idea of radical Russian reform."

Ms. Wedel, in an analysis of the U.S.-Russian aid program for the Cato Institute, wrote: "While professing simply to support reform, U.S. policies afforded one group a comparative advantage and allowed much aid to be used as a tool of that group. . . ."

"That feels familiar to Russians raised in the communist practice of political control over economic decisions - the quintessence of the discredited communist system," she wrote.

Critics of Western efforts to promote free-market reforms in Russia say the "shock therapy" touted by Mr. Sachs and others for the centralized economies of the Soviet empire failed in Russia because it focused on a small group of officials without broad political or popular support.

"The G-7 {Group of Seven top industrial nations} governments and the financial institutions have failed to understand that the nature of Russia's steadily building crisis of the last six years has been at least as much political as economic," the House banking committee was told last fall.

"How the IMF, the World Bank, the G-7 governments and institutions could not, from 1992 onward, see through the rhetoric of Yeltsin, Chubais, and {former Prime Minister Viktor} Chernomyrdin . . . is hard to understand," said Peter Reddaway, a leading Russian scholar at George Washington University's Institute for European, Russian and Eurasian Studies.

Both Mr. Yeltsin and the IMF have a lot riding on the coming loan decision.

Under heavy Western prodding, the Russian State Duma, or lower house of parliament, has approved another package of economic reforms aimed at improving tax collection, tightening banking controls, raising currency reserves and restoring investor confidence in the ruble.

The new loan is needed to keep Russia from defaulting on its past IMF obligations. In addition, Russian officials hope to use the loan to persuade Western government and private creditors to ease repayment terms on another \$140 billion in foreign debt - half dating from the Soviet era - and to clear the way for new World Bank loans as well.

But familiar problems have developed with Russia's bid as the IMF decision nears.

A private audit has raised questions about the role of an obscure offshore bank used by Mr. Yeltsin's government to manage its foreign currency reserves. Russian officials say the audit findings should not undermine the new IMF loan but have so far not heeded calls by the U.S. government and others for them to make the report public.

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