

The Washington Post

THURSDAY, JULY 16, 1998

World Bank Hires Auditors to Probe Its Own Spending

Possible Kickbacks, Embezzlement Cited

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The World Bank has hired outside auditors to investigate expenditures from its annual \$25 billion fund for development projects after an internal examination uncovered "alarming information" about possible kickbacks and embezzlement, according to bank officials.

World Bank President James D. Wolfensohn acknowledged yesterday that within the past two months he has setup a special internal fraud team and hired the global accounting firm PricewaterhouseCoopers and two other outside fraud specialists.

"I am in constant personal contact with the group," Wolfensohn said in a statement. A senior Treasury Department official said the Clinton administration has been briefed on the special investigation and its progress.

Wolfensohn said the investigations were triggered by his decision that "if the bank were going to campaign against corruption in our borrowing countries, we had to be absolutely certain that we held to the highest standards on the inside."

Projects that have come under scrutiny include bank-fraud efforts in Russia, Japan and Indonesia, according to a senior bank official who spoke on the condition of anonymity. It was unclear whether concerns about

those projects center on the bank personnel supervising the work or on the private contractors involved.

One phase of the investigation according to Wolfensohn's statement, has led to a civil lawsuit in federal district court against a former bank official, Fritz Rodriguez. The lawsuit seeks to recover "tens of thousands" of dollars in alleged kickbacks that the bank believes Rodriguez took from a contractor on a water utility project in Algeria. The Bank alleges in court papers that the contractor was a former neighbor and close friend of Rodriguez and that the work was never satisfactorily completed.

Rodriguez, who retired during the bank's internal investigation late last year, denied the bank's allegations in court filings. His Attorney did not return calls yesterday asking for comment.

"If our original suggestion was true that there was a ton of corruption going on in our borrowing countries we couldn't assume that the bank was a pristine island in the middle of this", said Mark Mallock Brown, the World Bank's vice president for external affairs. "So the question is 'Are we clean?' and its not clear. There are a number of ongoing investigations where there is alarming information on the face of it and it needs full investigation."

Wolfensohn said: "Other formal investigations are underway, and several other allegations are being reviewed. Some of these cases may result in legal action taken by the bank in addition to appropriate disciplinary measures. While I have no reason to believe there is a widespread problem in the bank, even one case is one too many."

A senior bank official said that in addition to Rodriguez, two other bank officials have been notified that they are under investigation and have been suspended while the probe is underway.

Headquartered two blocks from the White House, the World Bank is a major force in global economic development and one of the Washington area's largest employers, with about 8,600 workers. The bank pours billions into emerging countries each year for projects ranging from infant feeding programs to gigantic infrastructure improvements. The bank's money comes from selling low-interest bonds backed by its 180 member nations. It then lends money to governments of relatively stable emerging nations such as Thailand and Brazil and makes interest-free loans to the poorest nations such as Bangladesh or Uganda. In the United States, oversight of the bank primarily rests with the Treasury

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