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The next big scandal

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As you read this commentary, a highly predictable scandal is developing that may embarrass leaders, including President Bush, British Prime Minister Blair, and other heads of government, severely damage the reputations, or worse, of many bureaucrats, and cost taxpayers billions.

A summit meeting of the leaders of the "G8" nations (U.S., U.K., France, Germany, Russia, Japan, Italy, and Canada) was held last July in Gleneagles, Scotland. The major decision of the summit, widely applauded by the world's press, was to write off the debts of many highly indebted poor countries, most of which are in Africa.

Writeoff of these debts owed to the International Monetary Fund, World Bank and governments was justified because many of these poor countries were unable to repay them, and in many cases the debts were incurred by corrupt rulers who used the money for their own pleasures. Thus the borrowed funds did not benefit the people now obligated to make repayment.

To ensure the cycle was not repeated, the indebted countries were required to make reforms, including government accounts' transparency and leave their corrupt ways behind.

In addition to writing off the debts, the G8 nations and their allies committed to greatly increase development aid and other forms of government assistance to these poor nations.

Most serious analysts of the failures of development aid, including a number of government commissions, not only identified corruption in recipient governments as a reason the aid programs failed but, in fact, found the projects actually fueled additional corruption and increased the plight of the people. The only responsible course the donor nations could take was to make future aid and debt writeoff conditional on first cleaning up corruption.

Hence, the IMF, World Bank and the donor nations were charged with certifying that the debtor nations had cleaned up their acts before relief was provided.

Now, for the developing scandal: Many nations slated for debt relief have nowhere nearly purged themselves of massive corruption. Nevertheless, they pressure for relief by

charging the "rich nations are not fulfilling their obligations" or by directly lobbying (and perhaps even bribing) those who make the actual decisions about debt relief.

The poster child for this bad behavior is the Republic of Congo (not to be confused with the larger Democratic Republic of Congo next door), which I reported on in The Washington Times commentary "The IMF: Bad cop" (Jan. 5, 2005).

Despite my article and others in leading publications about continuing massive corruption in Congo -- certified by U.K. High Court judgments -- there are reports U.S. and European governments are likely to give this corrupt African nation a pass in the next few weeks.

Anti-corruption organizations, such as Global Witness and Publish What You Pay (a coalition of 280 NGOs), oppose Congo's petition for debt relief, because it is corrupt, impoverishes its people and probably no longer meets the definition of a "Highly Indebted Poor Country." Congo claims it meets the definition based on 2003 income data; but most of its income derives from oil. Given the massive increase in oil prices of the last two years, shipping records show the country's gross income is up about fourfold. If the IMF, World Bank, U.S. and European governments accept the 2003 data, they will be complicit in the Enronization of development aid.

The independent auditors, KPMG, cannot certify Congo's accounts because the country will not provide access to books and records; and it appears about a third of the oil revenue has not been properly accounted for. Congo's prime minister admitted after the London court judgments use of "unorthodox" accounting procedures (i.e., theft).

To no great surprise, the French are behind the effort to certify Congo, because it is a French client state, the French oil company "Total" lifts most of the oil, and France has other strong commercial and banking interests there.

If the U.S. and European countries certify Congo for debt relief, the scandal is likely to play out as follows: There will be many more press stories about how a highly corrupt regime (and there may be others) was given debt relief, greatly undermining the anti-corruption efforts in development aid, while costing the European and American taxpayers tens of billions of dollars. (Another oil-for-food type scandal -- but this time directly implicating the U.S. and European governments.)

The political opposition in each country will have an incentive to paint as corrupt those in their own governments who sold out the impoverished people in Africa. In the U.S., the Democrats will almost certainly call for congressional hearings and use Congo as part of their campaign theme that the Republicans are fostering a "culture of corruption" and do not care about poor blacks in both Africa and America.

The Bush administration still can come out as the clean hero by publicly rejecting Congo's petition, and serving notice debt relief and additional aid will not be given to corrupt governments. We now watch a real world thriller, where in a matter of weeks, we

will know whether the good guys or bad guys win. I, for one, am not ready to place my bet.

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