

IMF faces new Russia test



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Allegations that organized crime skimmed funds strain tough relationship

By Staff Writer Douglas Herbert

LONDON (CNNfn) - Recent allegations of possible organized crime ties to a money-laundering scheme involving \$200 million of pilfered International Monetary Fund aid to Russia may test the patience of what some analysts view as the world's most forgiving international lender.

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The money involved in the [allegations](#) is a fraction of the estimated \$10 billion U.S. law enforcers allege passed through an account at Bank of New York, the purported conduit for an elaborate money-laundering scheme run by an organized Russian crime syndicate. Bank of New York has not been accused of wrongdoing.

Officially, the IMF has sought to play down the scandal in meetings this week in Moscow with senior Russian officials. But although it is yet to issue a public statement on the matter, organization officials told CNN it planned to raise the money-laundering issue with the Russians.

Yet the IMF's public focus, at least for the moment, has remained on the bigger macroeconomic picture -- in particular, deciding whether Russia should receive the next \$640 million tranche in a \$4.5 billion loan approved last month.

The 18-month loan is a significant portion of the \$20 billion the IMF has disbursed to Russia since 1992. Some of that money, officials say, has gone right back into IMF bank accounts in the form of debt repayments by Russia.

The IMF loans are in addition to billions lent by other institutions. These include the World Bank and the London-based European Bank for Reconstruction and Development (EBRD), which has earmarked most of its \$3.6 billion to Russia for private-sector projects in areas ranging from water treatment to municipal finance.

A strict set of criteria

In order to get the latest installment on schedule next month, Russian officials must persuade the IMF that they are sticking to the broad parameters of a previously agreed economic reform program.

Topping the IMF wish list is a demand that Russia raise its 2000 budget surplus to 3.5 percent of gross domestic product, from current forecasts of around 3.18 percent.

Gerard Belanger, the head of the IMF delegation to Moscow, extolled Russia's progress this week in getting itself back on track

a year after the collapse of the ruble and the country's near-default on its short-term debt. The situation touched off a nationwide panic that sent enfeebled banks crashing and overseas investors heading for the exit.

"No one, not even we, expected such successful results of the implementation of the economic reform program of Russia," the delegation chief, Belanger, was quoted as telling Russia's Prime-Tass news agency Thursday.

Belying these paeans to Russia's progress, however, are real concerns about whether the nation can be entrusted with the world's largesse.

Russian Finance Minister Mikhail Kasyanov insists the country can account for all the money it has received from the IMF.

His confidence is echoed by Deputy Prime Minister Viktor Khristenko, who asserted Thursday that Russia has no information on a connection between missing IMF cash and money-laundering.

"Let's see what the analysts from the IMF learn, but I think they will be in a similar situation," he said.

However, Russia's track record with full disclosure has been spotty at best. U.S. law enforcement officials charge that the country withheld information about an offshore account containing a hidden cache of \$1.2 billion dollars in hard-currency reserves.

And on Thursday, Russian President Boris Yeltsin himself vaulted into the headlines amid allegations that he and his family had accepted bribes from a Kosovan Albanian businessman.

The charges revived persistent fears -- denied by Russia's political establishment -- that government bigwigs may have been privy to the alleged laundering now causing such embarrassment in Moscow's official circles.

'An enormous black hole'

All this adds up to uncertainty about how the money is being used and who's got it, observers say.

"Russia has become an enormous black hole for our money," said Jeffrey Robinson, the author of "The Laundrymen," a book about about money-laundering that addresses aspects of Russia's organized crime.

"The IMF is well meaning perhaps, but the accountants and bankers are pretty naïve," Robinson told CNNfn. "They said, 'Here, we can make you capitalists overnight, here's all this money and we'll feed the system.' And the Russians, who have been defrauding the state for 75 years -- who are masters at it -- said, 'Oh, look at this, we are being given all these presents.'"

The IMF takes extreme exception to such blanket condemnations -- insisting, as one of its senior officials did in a letter to *The Wall Street Journal* this week, that "IMF loans have been used for legitimate government purposes, such as helping to finance the budget deficit."

"They have been made in support of economic programs that addressed the basic problems of the economy and have commanded the support of the Fund's 182 country members," the letter said.

Officials in Moscow, meanwhile, lament they have neither the resources nor the manpower to guarantee financial rectitude in a country as vast and chaotic as the New Russia.

"I can't say our law enforcement agencies are lazy -- we work very hard, often without weekends and holidays," Alexander Mikhailchenko, a spokesman at Russia's Interior Ministry, told CNN this week. "But we don't have efficient legal instruments against such crimes as illegal money transactions."

Many lenders recognize these constraints. And while many -- including the IMF -- have vowed to step up monitoring of aid, few

Nick Stern, the chief economist at the EBRD, said the bank intends to maintain its programs in Russia, albeit with heightened vigilance.

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