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INVESTIGATION LEADS TO \$1.5 MILLION PAYMENT REGARDING USAID-FUNDED HARVARD PROGRAM IN RUSSIA

(WASHINGTON, D.C.) ---The Inspector General for the United States Agency for International Development (USAID) announced today that as a result of its investigation, the United States Attorney for the District of Massachusetts and FFIA of Cambridge, Massachusetts, (formerly known as Farallon Fixed Income Associates, LP) have entered into an agreement to resolve civil claims. The resolution stems from a misuse of resources in USAID's Russia program between 1992 and 1997.

The terms of the agreement call for FFIA to pay \$1.5 million to the U.S. Government to resolve all claims.

Based on the investigation, the United States alleges that FFIA improperly used USAID-funded resources and staff and thus improperly diverted US taxpayer resources for its own purposes and profit.

FFIA was owned in-part and operated by Nancy Zimmerman, wife of Andrei Shleifer, a Harvard professor who was the head of the Harvard Russia Project at that time.

In 1997, the Harvard Russia Project was suspended and ultimately terminated after the USAID Office of Inspector General uncovered evidence that Shleifer and his second in command, Jonathan Hay, were making investments in Russia and assisting their wives in establishing businesses in Russia. This included using their influence with Russian government officials to obtain favorable licensing, funding, and other benefits for themselves and their wives in violation of the terms of the agreement between USAID and Harvard.

The United States is also pursuing a civil action for this conduct against Harvard University, Shleifer and Hay, which is now pending in the District of Massachusetts as Civil Action No. 00 CV 11977-DPW. On June 28, 2004, the United States District Court ordered summary judgment against Shleifer and Hay for conspiring to defraud the United States by getting false or fraudulent claims paid in violation of the False Claims Act, 31 U.S.C. § 3729(a)(3) and against Harvard for breach of its contract with USAID, by virtue of the self-dealing and conflicts of interest on the part of Shleifer and Hay.

The USAID/OIG was assisted in its investigation by the Federal Bureau of Investigation.

The litigation of the case is being handled by Sara Miron Bloom and Nancy Rue of the U.S. Attorney's Civil Division, and Alicia Bentley and Sara McLean of the Commercial Litigation Branch of the Department of Justice. Agency coordination is being handled by Diane Perone, of the USAID General Counsel's Office.

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The U.S. Agency for International Development has provided economic and humanitarian assistance worldwide for more than 40 years.