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Woeful Wolfowitz

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More details emerge in the Paul Wolfowitz affair at the World Bank. The president may lose his job

Reuters

PAUL WOLFOWITZ's first mistake after becoming president of the World Bank in June 2005 may yet be the final straw that breaks him. As the bank opens its spring meetings in Washington, DC, its directors are investigating a lucrative deal he cut in August 2005 for his girlfriend, Shaha Riza, who was working at the bank when he arrived. To avoid a conflict of interest, she was posted to the State Department. But the terms he arranged for her show a worrying excess of chivalry, worth well over $200,000 over five years. The directors adjourned their meeting this week without deciding Mr Wolfowitz's fate. They promise "to move expeditiously to a conclusion".

Will he go? Should he? The bank's staff association has already called on him to fall on his sword. On Thursday April 12th, the vast atrium of the bank's headquarters was filled with staffers, who heard Alison Cave, chair of their association, say that Mr Wolfowitz had "compromised the integrity and effectiveness" of the World Bank and "destroyed the staff's trust in his leadership". Mr Wolfowitz, returning to the building after a grilling by the press, found his own people more querulous still. Some shouted at him to resign.

His fate will ultimately depend on the bank's shareholders, not the staff. A World Bank president, appointed by the White House with the acquiescence of the big European donors, is not an easy figure to replace. The French have never liked Mr Wolfowitz, the Brits have fallen out with him, and the Germans are lukewarm. But they may not care enough about him or his bank to take on his sponsors in the American administration. For the moment, the finance and development ministers at the spring meetings are mostly keeping quiet: "We must not behave like a kangaroo court,'' said Trevor Manuel, South Africa's respected finance minister.

In his defence, Mr Wolfowitz says he has never tried to hide anything about this affair. But his spokesman, Kevin Kellems, did tell the *New Yorker* that "All arrangements concerning Shaha Ali Riza were made at the direction of the board of directors". The executive directors investigating the matter demur. Their report, released in the early hours of April 13th, said that the board's ethics committee, which handled the case, did not comment on, review or approve the terms Mr Wolfowitz eventually offered Ms Riza.

Their report was accompanied by a "document dump" amounting to over 100 pages of memos, notes and correspondence. In the weeds of these documents are some peculiar flowers. The ethics committee refused Mr Wolfowitz's proposed solution, which was to keep Ms Riza at the bank but recuse himself from decisions about her pay and posting. Instead they advised him to post Ms Riza outside the bank (or beyond his authority, which extends over most of the institution) and invited him to give her a promotion to compensate her for the disruption to her career. The rest, astonishingly, they left up to him. Sadly, that gave the president more discretion than he knew how to use.

Ms Riza's promotion would normally have increased her salary to $153,000 at most, according to staff rules. Instead, she was paid $180,000. Her annual raises thereafter should have tracked the staff average, which was 3.7% this year. But Ms Riza was guaranteed raises of 7-8%, as would befit an employee earning an "outstanding" performance rating every year. By 2010, she could have been taking home almost $260,000. Totted up over five years, the deal Mr Wolfowitz wrote for her was worth at least $200,000 more than the deal the ethics committee appeared to have in mind.

And that is not all. Bank staffers, acutely conscious of rank and status, were outraged to discover that Ms Riza was all but guaranteed a second promotion, to the rank of director or senior adviser, on her return when Mr Wolfowitz's term ends in 2010. If he serves for a second term, she would come back in 2015 at the level of a vice-president, the pinnacle of the staff hierarchy. Both positions are rare and heavily contested. But Ms

Riza would only have to pass a review by peers whom she herself would have a hand in choosing.

What was Mr Wolfowitz thinking? Despite appearances, it seems doubtful he was trying to feather the nest of a love-bird. More likely, he was trying to appease her. Ms Riza was clearly upset that she would have to leave a long and successful career, against her wishes, because her employers had picked her boyfriend to lead them. That pique might have posed a “legal risk” to the institution, Mr Wolfowitz says. As an international body, the bank cannot be sued under the employment law of its host country. But aggrieved employees can turn to the bank’s administrative tribunal, which has on occasion forced the institution to pay compensation.

The bank’s executive directors must now decide if they share that interpretation. They may show leniency, if only because they themselves have egg on their face. Their ethics committee should never have given Mr Wolfowitz the latitude he went on to abuse. And they should have dealt with that abuse much earlier. Back in January 2006, they received an email from a bank whistleblower calling himself “John Smith”. It revealed that Ms Riza was given $180,000 on her promotion. That should have set the alarm bells ringing. But instead, after a “careful review”, the ethics committee concluded that nothing was amiss and that John Smith’s email “contained no new information”.

“Mr Smith” warned the board of the dangers of a “trial by the media” if they did not take action themselves. That trial is now underway; the verdict from most quarters is in; only the sentence is still uncertain.