

## GOOD GOVERNANCE: WOLFOWITZ STYLE

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Voices of the South on Globalization is a monthly newsletter intended to inspire a meaningful North-South Dialogue by raising awareness for global interdependences and by offering a forum for voices from the South in the globalization debate. Each edition will present short analyses or commentaries from a Southern perspective on one particular issue of the globalization process. Voices of the South on Globalization is published by IPS Europe with financial support from the Friedrich-Ebert-Stiftung.

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### DEPARTURE FIRST STEP IN BADLY NEEDED REFORMS

**Salim Lone**

African countries should have joined Europe in calling for Paul Wolfowitz's resignation as World Bank president. Instead, in yet another woeful display of lack of spine, African countries led the charge for his retention despite his demonstrated lack of ethics in pushing for a "sweetheart deal" for his girlfriend, Shaha Riza.

This quite astonishing deal, uncovered by a watchdog group, gave Ms Riza a \$60,000 a year increment, and among other things, a performance rating of "outstanding" - even though the evaluation was to be conducted two years later!

In defending Wolfowitz, the African leaders showed how little they cared for reforming the Bank so it would serve their continent's interests, as opposed to their own personal ones.

The Bank is a grossly undemocratic institution, which during the 1980s, contributed to Africa's impoverishment and de-industrialisation. While the big powers press to reform the very democratic United Nations - which they want to remake to better serve their interests - the multilateral institution that needs to change most urgently is the World Bank, along with the IMF.

**BUT GIVEN ITS ENORMITY LET** me first address the Wolfowitz scandal beyond its libidinal dimension.

Even the West was horrified when President George Bush nominated a man who was not only the military architect of the Iraq war but also a neo-conservative who believed that the U.S. should use force to seek world domination.

But he nevertheless won the top post because the Bank's president is in effect appointed by the Americans, while the IMF head is always a European. The combined might of China, Japan, India, Latin America, Africa and the Middle East count for nought.

During his campaign for the top job, Wolfowitz did assure the world that he would prove all his critics wrong by dramatically proving his development commitment.

But such is his arrogance that from the moment he was appointed, he did little to dispel the strong concerns and instead set about making the Bank an even more direct supporter of strategic U.S. goals.

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 \* **Salim Lone** is a former spokesman for the UN mission in Iraq headed by the late Sergio Vieira de Mello, who was among 17 people killed in a bomb attack in Baghdad on August 19, 2003. He contributed this column to the Kenyan newspaper published in Nairobi, THE NATION. The column was distributed by AllAfrica Global Media | [allAfrica.com](http://allAfrica.com). (*Continued on page 6*)

## COMBATIVE W. SLAMS 'CIRCUS-LIKE' PROCESS

Emad Mekay

*Embattled World Bank President Paul Wolfowitz, who is fighting for his job, warned April 30 against a forced exit and called the Bank directors' description of his actions in a scandal besetting him and his girlfriend and co-worker "unjust and" and "hypocritical".*



In a seven-page statement, Wolfowitz appeared in his most combative mode since the emergence six weeks ago of revelations that his girlfriend, Shaha Riza, had received unusually high pay and promotions, which appear to violate Bank protocols.

The controversy prompted charges of nepotism and worldwide calls for his ouster, including by the Bank's own Staff Association.

But on April 30, the 63-year-old World Bank president, who two weeks ago was making a humiliating apology for "a mistake", was pointing fingers and warning of damage to the Bank's reputation if he is forced out.

"I will not resign in the face of a plainly bogus charge of conflict of interest," he told an ad hoc committee looking into his actions.

Wolfowitz's offensive came just as he received a major boost from U.S. President George W. Bush, who said he wants to see his former deputy defence secretary and the notorious architect of the ill-fated Iraq war remain at the helm of the Bank.

"My thought is that he ought to stay; he ought to be given a fair hearing," Bush said in a press conference in the White House Rose Garden. "He's helped the World Bank recognise that the eradication of world poverty is an important priority for the Bank."

Earlier in the day, Wolfowitz, flanked by his lawyer Robert Bennet, read a statement before the ad hoc committee looking into his case where he rebuked the board and spoke of a "rush to judgment" and "orchestrated leaks of false, misleading incomplete and personal information".

He spoke of a "conscious campaign" and a "smear campaign" to undermine his effectiveness in the Bank that professes fighting global poverty. Wolfowitz warned of negative consequences to the World Bank if he was "to be forced out in this manner."

"It will send a terrible message to anyone who might even think about taking the job in the future. It will send a terrible message that the Bank does not care about reform," he said.

In his statement, Wolfowitz defiantly tried to shift the blame to the Bank's Ethics Committee and insisted that it had approved the deal with Riza, which included two large salary increases for a total of 193,590 dollars per year in her posting at the U.S. State Department.

Wolfowitz, who said he was working in "good faith", charged the Ethics Committee knew about the details of the controversial arrangement with Riza.

"For the directors now to declare my actions to be improper and to criticise me would be unjust and frankly hypocritical. Such a change of course would not survive public scrutiny," he said.

Wolfowitz also came down heavy on Ad Melkert, the former chairman of the Ethics Committee, who is now associate administrator of the United Nations Development Programme.

He said the details of the salary package for Riza were shared with Melkert, a former Dutch politician.

"At the time, the Ethics Committee surely knew that Ms. Riza received a promotion, which necessarily entailed a salary increase... I do not know whether the Ethics Committee was aware of the other details of the compensation arrangement at the time, but certainly they had access to that information if they wanted it," Wolfowitz said.

The beleaguered World Bank President also claimed that the 24-member Board, which runs the day to day affairs of the Bank, and the Ethics Committee had another chance to review the deal when in January 2006 they received an anonymous email alleging that Riza's promotion and salary increases were improper and that Wolfowitz had violated Bank rules.

Wolfowitz charged that the Board did not find new information in the email and took no action. Wolfowitz also alluded to lapses by the Board. He cited the example of how former Managing Director Shengman Zhang, who was among dozens of former top World Bank officials calling for Wolfowitz's resignation, was allowed to have his wife work under him in the Bank without being required to relocate. *(Continued on page 6)*

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Emad Mekay is IPS correspondent in Washington.

## NIGERIAN WATCHDOG WANTS HIM TO STAY ON

Jaya Ramachandran

*Wolfowitz's presidency has been largely defined by his energetic support for a new Africa that is struggling to emerge, says Mallam Nuhu Ribadu, the chairman of Nigeria's Economic and Financial Crimes Commission (www.efccnigeria.org), in an opinion column. For this reason, he hopes Wolfowitz would stay despite all signs to the contrary.*



Over the last two years, Wolfowitz has effectively directed the bank's energies toward fighting poverty and improving human life, writes Ribadu in an opinion column for the *International Herald Tribune*, parts of which were reproduced by the Nigerian newspaper *This Day*.

"He is a champion of using international development institutions to deal with some of the world's major problems. And he has been a steadfast supporter of the efforts of African organizations to rescue our people from the scourge of misrule, which leads to poverty, disease and early death," the Nigerian watchdog points out.

A case in point, according to Ribadu, is Nigeria. "Over the last three years, Nigeria, once the emblem of outlandish corruption, has become a leading reformer, and the Economic and Financial Crimes Commission, which I head, has been at the cutting edge of these efforts."

He adds: "The enormous challenges we face would have proved almost insurmountable without external help, especially from the World Bank under Mr. Wolfowitz."

Ribadu stresses in particular the World Bank help when it was needed most. He says: "When disgruntled lawmakers here tried to cut off our financing and shut down critical aspects of our operation, a World Bank grant of \$5 million allowed us to bring to closure important cases of political corruption involving key members of Nigeria's ruling elite, including members of the executive branch and Parliament."

Today the Commission's work receives accolades from all corners of the globe, and the financial and moral support of "our thoughtful and courageous allies has played a crucial role in our success," says the head of Nigeria's Economic and Financial Crimes Commission.

"In a country that never saw a single conviction for fraud or corruption before the beginning of our reform campaign, we now have 150 convictions, with 400 more cases awaiting decision in the courts," he adds.

The Commission, says Ribadu, has also recovered \$5 billion in stolen property. "We have brought powerful

politicians and businessmen to account through the criminal justice system." Ribadu does not name any persons. But "these developments are gradually improving the integrity of our national life," he says.

Recently Nigeria had its first general election intended to pass power from one elected government to another.

According to Ribadu, while the election did not meet the high standards "we set for ourselves", it did reveal that for citizens, the fight against corruption was a top priority – right up there with food, health care and education.

"In other words, Nigerians made the same connection between runaway corruption and human suffering that Mr. Wolfowitz rightly does," writes Ribadu in the *Dalla Morning News*.

Taking up cudgels on behalf of the embattled World Bank president, he argues that Wolfowitz has made "a praiseworthy effort to halt the illicit drain of money from the coffers of poor countries."

Just this simple step – denying a haven for money stolen from a poor country – addresses more than half the problem of corruption in Africa, says Ribadu..

He adds: "It would be a terrible shame to bring all these efforts to a premature halt."

All the more because Wolfowitz has openly acknowledged responsibility for the mistake he made. He has apologized and expressed willingness to accept the decision of the Bank's board of directors.

But the board should consider how important his error really was, especially considering that the Bank's internal documents suggest that Wolfowitz tried to follow the rules from the beginning, writes the Nigerian watchdog.

In doing so he emphasizing a point that Wolfowitz has also been stressing.

Ribadu asks the board to avoid lending credence to the widespread suspicion that Wolfowitz is really being punished for his previous role in the U.S. Department of Defense. "And it should consider the benefit Mr. Wolfowitz has brought to countries like Nigeria," concludes Ribadu. ☑

Picture left above: Courtesy of [www.efccnigeria.org](http://www.efccnigeria.org)

## THE MAN AND HIS PROFILE

William Howe \*

*Since taking over as head of the World Bank in 2005, Paul Wolfowitz, the former number two at the Pentagon behind Donald Rumsfeld and a leading proponent of the Iraq War, has won both praise and criticism. He has badgered the United States and other wealthy countries to cut subsidies to aid development in poorer countries, fervently pursued anti-corruption policies, and announced moves aimed at strengthening the Bank's internal watchdog, the Department of Institutional Integrity.*

However, his connection with the Iraq War and his controversial choices to staff the Bank with close associates and supporters of the George W. Bush administration's "war on terror" spurred widespread dissension within the Bank's staff and board. This dissension reached a boiling point in early 2007, when allegations emerged that Wolfowitz was improperly involved in securing a promotion and compensation package for his girlfriend, Shaha Riza, a career Bank staffer who was seconded to the U.S. State Department. As of mid-April, Wolfowitz's future at the Bank remained in doubt due to a growing revolt among many Bank staff members and the sharp rebuke delivered by the Bank's board regarding Wolfowitz's role in Riza's promotion.

While his anti-corruption program, which has resulted in the suspension of loans to a number of countries due to allegations of corruption, has been widely applauded by U.S. politicians, some observers have called it a self-serving effort to distance himself from the controversies associated with his tenure in the Pentagon. He has also been criticized for his efforts to expand World Bank operations in Iraq. Antonia Juhasz, author of a book on the Bush administration's economic agenda, told the **Inter Press Service**: "For him to be in a position to preach what good governance should be in Iraq seems highly hypocritical".

After taking over the mantle of World Bank president, Wolfowitz seemed to step up his pressure to get the Bank to take on a larger role in Iraq. According to the **Inter Press Service** (April 13, 2007), Wolfowitz's persistent efforts to "recruit a new country manager for Iraq despite concerns over staff security there - as well as the Bank's attempts last month to suppress reports about an incident in which a Bank employee was injured in Baghdad, apparently to avoid derailing his recruitment efforts - have lent credence to critics' charges that he has been more than eager to line up the institution and its resources behind U.S. policy there."

Also driving the "impression that at critical moments [Wolfowitz] was putting American foreign policy interests first," reported the New York Times (April 13, 2007), was his decision to suspend "a program in Uzbekistan after the country denied landing rights to American military aircraft." He also "directed huge amounts of aid to the coun-

ties trieshe once recruited to sign on to Washington's counterterrorism agenda ... [and] relied heavily on a pair of aides drawn from the Bush administration, Robin Cleveland and Kevin Kellems, who created an inner circle that the Bank's professional staff members said they had great trouble piercing."

And according to **Emad Mekay** and **Jim Lobe**, "Of the top five outside international appointments made by [Wolfowitz] during his nearly two-year tenure, three were senior political appointees of right-wing governments that provided strong backing for U.S. policy in Iraq" ("Wolfowitz's Quid Pro Quo?" Right Web, April 17, 2007).

National governments provide all the statistics, and countries like Canada do not produce anything reliable, he said. Canada has claimed no net change in its forests for 15 years despite being the largest producer of pulp and paper.

These appointments included former Jordanian Deputy Prime Minister Marwan Muasher, who was named senior vice president for external affairs in early 2007. Muasher served as Jordan's ambassador in Washington in the lead up to the Iraq War and reportedly helped ensure his country's cooperation during the 2003 invasion.

Wolfowitz also secured posts for former Salvadoran Finance Minister Juan Jose Daboub, who was chief of staff to former President Francisco Flores Perez when El Salvador sent nearly 400 Salvadoran combat troops to Iraq, more than any other developing country, and former Spanish Foreign Minister Ana Palacio, who was an outspoken proponent of the Iraq War during the administration of former Spanish Prime Minister Jose Maria Aznar, who sent 1,500 troops to Iraq despite widespread opposition in Spain against the war. Of these Wolfowitz appointees, Daboub has proved the most controversial. Traditionally, the World Bank has pushed family planning initiatives and birth control as core agenda items in an effort to improve women's health and economic well-being in developing countries. However, since taking over as managing director at the Bank, Daboub, a conservative Catholic, has allegedly cut references to such programs in Bank strategy documents, echoing the Bush administration's conservative views on family planning issues. >>>

This article is based on information compiled by Right Web, a website of the U.S. International Relations Center: [www.irc-online.org](http://www.irc-online.org)

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Reported the Los Angeles Times (April 19, 2007): "In an internal e-mail, the Bank's team leader for Madagascar indicated that one of two managing directors appointed by Wolfowitz ordered the removal of all references to family planning from a document laying out strategy for the African nation. And a draft of the Bank's long-term health program strategy overseen by the same official makes almost no mention of family planning, suggesting a wider rollback may be underway."

In response to criticism by Bank staff members, Daboub denied he was changing Bank policy or had altered the Madagascar report, saying: "To me this sounds like a storm in a glass of water. There is no reason understandable for this." However, the Times obtained a copy of the Madagascar report revealing multiple deletions to family planning references. And internal Bank e-mails obtained by the Government Accountability Project also show that Daboub, referred to as "MD" (or managing director) in the e-mails, requested that all references to family planning be deleted.

One Bank staffer said, referring to Daboub's denials: "It's a blatant lie." Commenting on the affair, Carmen Barroso of the International Planned Parenthood Federation said: "There's mismanagement there. Wolfowitz appointed a guy in a very high position who felt free to censor in line with his personal beliefs. I think that's good grounds for sacking."

Wolfowitz has also been criticized for making anti-corruption a higher priority than poverty reduction. In response to reports in early 2006 that the World Bank was considering delaying debt relief programs in various African countries because of corruption concerns, the non-governmental group Africa Action published a press release in which it accused the Bank of taking a "one-sided" approach to its work in Africa that "fails to take into account both the deep roots of this problem and the nature of the economic crisis in which many African countries find themselves after decades of World Bank and [International Monetary Fund] involvement."

Anne-Louise Colgan, a director of the group, said: "Attempts by the World Bank to renege on earlier promises of debt cancellation by citing concerns over corruption represent a blatant abuse of creditor power. They also reveal a short memory about that institution's own role in fostering corruption in African countries."

These debts are illegitimate and odious, they continue to have a devastating impact on Africa's people, and they should be written off immediately and without creditor-imposed conditions" (Africa Action, April 21, 2006). On the other hand, Wolfowitz has championed the efforts of poor nations to push through equitable global trade agreements. In early July 2006, just before a meeting of the Group of Eight industrialized nations in St. Petersburg, the World Bank released a letter from Wolfowitz in which he argued that wealthy countries must make deep cuts in

farm subsidies to help developing countries improve their export earnings. "Good intentions are in generous supply," he wrote. "The world's poorest people, the 1.2 billion living on less than \$1 a day, are counting on your good intentions being transformed into decisive action" (New York Times, July 10, 2006).

Weeks later, during the July 2006 World Trade Organization meeting aimed at concluding a new global trade agreement, U.S. and European leaders scuttled talks by refusing to commit to deep cuts in subsidies.

The leaders of many poor countries came to Wolfowitz's defense after the scandal erupted over his involvement with Riza's promotion. According to the *New York Times* (April 14, 2007), leaders of poor countries held a news conference in April 2007 during which they praised Wolfowitz's efforts to help their countries.

Antoinette Sayeh, finance minister of Liberia, said: "He has been a visionary. We're very grateful for his leadership in getting where we are today. We look forward to that continuing."

Hand-wringing over Wolfowitz's presidency at the Bank began shortly after President George W. Bush announced in March 2005 that he would nominate the former deputy defense secretary. Many pundits pointed to what they saw as the undue influence of the neoconservatives, who seemed poised to take their agenda to a new playing field with Wolfowitz at the helm of the World Bank.

Other observers, however, seemed confused by the nomination, wondering what a political figure with little experience in banking or development could bring to the Bank.

As commentator **Jim Lobe** wrote at the time: "If sending arch-unilateralist John Bolton to the United Nations sent a message of contempt for multilateralism, what does U.S. President George W. Bush mean by sending that ardent advocate of hard power, Paul Wolfowitz, to the planet's single biggest purveyor of soft power, the World Bank?" At the same time, Wolfowitz's neoconservative counterparts seemed delighted by the announcement. Said Thomas Donnelly of the American Enterprise Institute: "It's not quite like John Bolton going to the UN, but you're going to get someone who's really devoted to the president's agenda. [. . .]" (Inter Press Service, March 16, 2005). ☑

## COMBATIVE W. SLAMS 'CIRCUS-LIKE' PROCESS

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Wolfowitz denied that he tried to hide the details of Riza's compensation from the Ethics Committee but admitted that he told the Bank's human resources chief, Xavier Coll, that "he was to keep this sensitive matter confidential." He justified the request by saying that "all personnel information is confidential under Bank rules."

"Let me say that I regret the tumult this has caused the Bank," he said, but warned again that criticising him, as the committee appears prepared to do, "would be unwarranted and grossly unfair. Moreover, it would be harmful to the institution."

Wolfowitz claimed that he was making progress raising funds for the Bank's soft-loans arm, the International Development Association (IDA). Bank officials seek replenishment for the IDA every three years. Now is the 15th round for raising such funds. European countries have suggested that they may withhold or cut down on their contributions if Wolfowitz stays on.

"If I am forced out in a circus-like process, it will only give those who are already looking for a reason not to contribute to IDA 15 the excuse they are seeking," he said.

However Edwin Truman, former U.S. assistant Treasury secretary for international affairs, said the bank's campaign to raise as much as \$28 billion to help the poorest countries might be hampered if Wolfowitz remained. "If he is able to stay it will be very bad for the bank's fund-raising effort," said Truman, a fellow at the Peterson Institute for International Economics in Washington.

Former Malaysian Finance Minister Anwar Ibrahim, who called himself an admirer of Wolfowitz's "passion" for helping the poor, said the onus is on the Bank chief to explain the raise for Riza.

"He has to really explain and they have to see whether the increase in terms of remuneration was commensurate with the services," Anwar, who has known Wolfowitz for 20 years, said in an interview in Kuala Lumpur

Anwar said he had reviewed documents on the case released by the World Bank's board because he is chairman of the Foundation for the Future, where Riza now works. The foundation, which promotes democracy in the Middle East, is funded by the U.S., the European Union and other governments.

Germany is among the European nations that have criticized Wolfowitz, along with France, the U.K., and Switzerland. U.S. allies such as Canada have said the board's investigation should be allowed to take its course. ☑

## DEPARTURE FIRST STEP IN BADLY NEEDED REFORMS

*(Continued from page 1)*

He made good governance and corruption the Bank's priorities - but forgot about them while reviewing big loans for Iraq, Afghanistan and Pakistan, three key U.S. allies who are noted for graft much greater than Kenya's even. He also cut off aid to Uzbekistan right after it decided to deny landing rights to U.S. military aircraft.

And even though he had asserted that he would not roll back the Bank's commitment to women's reproductive health rights, which are anathema to U.S. conservatives, credible reports indicated that the Bank had deleted references to family planning goals in Madagascar.

He did make Africa a priority - but then left the top African post unfilled for six months, delaying a number of key programme initiatives. But we should remember that Africa, as the world's neediest continent, has always been the Bank priority - to its great cost in the 1980s and early 1990s in particular.

In a rigid application of neo-liberal ideology, through draconian Structural Adjustment Programmes under Kim Jaycox's tutelage, the Bank coerced poor African countries to lay off government workers, open their economies and industries to powerful global competition from industrialised nations, introduce cost recovery and follow policies which saw health and social services plummet.

The UN, under the leadership of the Economic Commission of Africa chief Adebayo Adedeji and his aide, Sadig Rasheed, as well as Sir Richard Jolly of Unicef, fought against this coercion on principle - and on facts, by proving that countries with SAPs did no better than those without them. The Bank eventually relented - long after the damage was done.

The Bank needs change. As Jeffrey Sachs said recently, it's become a talking shop when it should be a doer - building infrastructure, agriculture and education. That's what an 'African priority' should mean. Wolfowitz has lost the moral authority needed to fight for good governance and corruption. He should resign. And while it is an indictment of our major global media that it took a sexual scandal to shed light upon the Bank's practices, hopefully the revelations will push developing countries to unite to seek major reforms. But in any event, the Bank is losing its clout as China, India, Venezuela and others offer alternative sources of financing.

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