Chronology: GAP and the Wolfowitz Affair

**Background: 2004 – 2006**

In 2004, GAP’s legislative work helped promote the adoption of a whistleblower protection policy at the World Bank. GAP lobbied the US Congress to include a provision promoting the policy in the bill authorizing the US contribution to the International Development Association (IDA), the Bank’s concessional lending arm. For the following year, GAP staff worked with the General Counsel’s office at the Bank, encouraging the attorneys to strengthen the various draft policies they presented. None of the drafts they considered, however, would have provided adequate protection to a staff member or consultant who reported corruption internally and suffered retaliation as a result.

On a Friday afternoon in mid-August, 2006, GAP received an urgent phone call from the Staff Committee member acting on behalf of Staff Association President, who (not coincidently) was on vacation. The Committee member reported that s/he was ‘under pressure’ to sign off on the policy on behalf of the Association, and asked if GAP could review it quickly. A GAP attorney reviewed the policy over the weekend and reported that it was not in the interests of the staff to approve it, making detailed recommendations about necessary improvements.

In the fall and winter of 2006, GAP worked with the Staff Association and other allies at the Bank to improve the review process of the Conflict Resolution System (CRS) that Paul Wolfowitz had initiated. This review was also cosmetic and neglected the underlying weakness of the entire justice system in the institution. Strengthening the CRS had become a fundamental concern of GAP’s and of the Staff Association, as even a strong whistleblower protection policy lacked enforcement without an impartial justice system.

**2007**

**February**

In early February, 2007, a Bank staff member came to GAP’s offices to report, among other things, that Paul Wolfowitz, as Bank president, had taken steps to formulate a lending program for Iraq, which he had promoted with Executive Directors. The president was urging the Board to approve a lending portfolio as a post-conflict assistance program. The program had almost certainly been developed before the situation in Iraq worsened so dramatically in 2006.

The whistleblower pointed out that regulations of the World Bank prohibit the institution from lending to governments engaged in a generalized and violent conflict, and as a result, the new loans could not be legitimately offered to the government in Baghdad. The logic of the prohibition is compelling: in a widespread conflict, the banking system is
likely to be inoperable, the local currency may not be readily accepted, Bank staff members may become targets for parties to the conflict, and physical improvements financed by Bank loans may be destroyed as soon as they are left unprotected.

In mid-February 2007, GAP learned from sources inside the Bank that Wolfowitz was negotiating a contract with a new resident Iraq country director. That step strongly suggested that he intended to expand Bank-funded projects in Iraq in the near future, despite the deteriorating security situation. This Iraq initiative was precisely what Bank staff and Board members had feared when Wolfowitz was appointed by the Bush administration to head the institution in June 2005. In fact, three months after Wolfowitz’ arrival, the Bank’s Board explicitly restrained his management of World Bank operations, issuing an unprecedented directive to his office to “keep the Board regularly updated on developments in the country (Iraq).”¹ The Bank Board apparently felt it was necessary to take this step in order to prevent Wolfowitz from spending Bank resources in Iraq or endangering Bank employees by posting them there.

In late February 2007, the incident that had most worried the staff actually occurred: a consultant was shot and nearly killed in Baghdad. GAP received an anonymous e-mail from a Bank staff member that included a screen shot of a report from the Bank’s office in Amman, Jordan about the incident.

In the wake of the incident, the Bank’s protocol for informing the staff about injuries in the line of duty was not followed by the senior management. According to the email leaked to GAP and information from other sources, six days had elapsed and the shooting had not been reported to the staff. In response to the leak, GAP provided the email to a reporter for Inter Press Service who wrote a story. It was only when the account appeared in the press that most staff members heard about the shooting. As a consequence, inside the Bank that day, there was widespread concern about the credibility and candor of Paul Wolfowitz. Later that day, Bank management sent an email to all staff designed to make it appear that the problem had been previously addressed. The email began, “To follow up on the condition of the wounded Iraqi staffer…” A spokesperson for the Bank subsequently told the press a series of contradictory accounts of how the staff was informed about the shooting.

Perhaps because the Paul Wolfowitz and the war in Iraq were so closely associated in public awareness and because the Bank president had so obviously lied about the reporting of the incident to the press, the story gained momentum. At this point, Al Kamen, responsible for the “In the Loop” column of the Washington Post, first wrote about the World Bank in reaction to information released by GAP.

March

GAP began to receive e-mails late at night in early March from an anonymous whistleblower about more general incompetence involving Wolfowitz and his top lieutenants. These reports were posted on the GAP website on a regular basis. All reports received from this whistleblower were credible and substantiated, and GAP used different press connections to publicize the various leaks and disclosures.

During this time, allegations of mismanagement involved:
- the collapse of IDA lending to Africa;
- a conflict of interest involving the Department of Institutional Integrity (INT), the investigative unit at the Bank that pursues allegations of corruption;
- improper pay raises for Paul Wolfowitz’s companion, Shaha Riza.

In March, GAP received (by regular mail) the payroll records of Shaha Riza, together with an analysis of the Bank rules regarding pay raises. The records showed that in March 2005, before Wolfowitz arrived at the World Bank, Riza earned $132,700 annually. Three months after he assumed the office of president, she received a pay raise that represented a gross violation of World Bank rules on salary increases: her salary increased by $47,300 (35.5%) to $180,000. Under the rules, the highest raise she should have received was 12%. One year later, in 2006, she received another increase: $13,590, a 7.5% raise to $193,590. According to regulations, she was not to receive a raise exceeding 3.7%.

Under murky circumstances, Riza was seconded to the US Department of State, with the pay raises she had negotiated. Under the circumstances, Shaha Riza, a mid-level bureaucrat from the World Bank, was making $193,590 annually, a salary that exceeded that earned by Secretary of State Condoleezza Rice by about seven thousand dollars. Moreover, Riza’s salary was non-taxable: the Bank pays employees’ taxes. So in real dollars, Riza was earning roughly $40,000 a year more than Rice.

GAP broke the story by giving the information to Al Kamen at the Washington Post for his “In the Loop” column. Very shortly, blogs began posting impressions, opinions and internal documents regarding the controversy. In addition, the Bank’s Board of Directors reacted and spoke to the press. Eleven days after the first Post story appeared, at the Bank’s spring meetings, the Bank president, had to face the press in an open forum.

Sensing that the situation might be escalating, Wolfowitz sent an email to the staff on the Monday before the Spring Meetings began regarding the Riza raises. His message was misleading on two counts. First, he stated that his role in structuring Riza’s assignment to the US State Department was based on “the advice of the Board’s Ethics Committee to work out an agreement that balanced the interests of the institution and the rights of the staff member…” However, Riza’s position at State was not in question — the salary increases she received when she moved there, along with a subsequent raise, were the issue. Wolfowitz made no mention of this, yet these decisions were his. The Board did
not recommend that Wolfowitz award a salary increase of such dimensions to Riza, and this is why the Board began to examine the issue.

Secondly, while Mr. Wolfowitz had indicated to the Board his intention “to cooperate fully in their review of the details of the case,” he also stated at that point that he would not give the Board the documents necessary to verify the facts, citing his obligation to maintain Riza’s confidentiality. His reasoning, however, was transparently bogus: Riza’s salary history had already been published in the Washington Post.

Confidential communications received by GAP at that point also showed that Wolfowitz and his senior advisers were actively pursuing the sources of the leaks. An intensive and intimidating internal investigation was already underway.

The Wolfowitz email, intended to arrest the publicity, only served to interest the press further. More leaks developed, and details emerged showing that Wolfowitz was in fact, the sole architect of the Riza deal. It was during this week that the New York Times became involved, and in turn, most of the other major US papers. The specter of Paul Wolfowitz, who had presented himself as the World Bank’s new ‘anti-corruption crusader’, caught in a scandal involving the improper financing of his companion’s affluent lifestyle, received tremendous play. It overshadowed the technical and the political agenda of the Bank’s spring meetings, and on April 12th, Wolfowitz appeared at a press conference to admit fault and apologize to Bank staff and to the public.

In a development little noticed at the time, a reporter stood to ask Paul Wolfowitz if rumors about impending cuts in funding for health services lending that supported family planning services in poor countries were true. Wolfowitz publicly and categorically denied that such cuts were under consideration.

April

Approximately two weeks before this press conference, GAP received an email from World Bank sources showing that Managing Director (MD) Juan José Daboub, a Wolfowitz appointee, had instructed a team of Bank specialists to delete all references to “family planning” from the proposed Country Assistance Strategy (CAS) for Madagascar. Daboub, a former Salvadoran finance minister and member of the country’s right wing ARENA party, was the top Bank official in charge of setting lending policy for Africa and in formulating the health sector strategy. He was also a Wolfowitz ally: he had been influential in committing Salvadoran troops to the “Coalition of the Willing” to invade Iraq in 2003. GAP had also obtained a draft from Daboub’s office of the pending Health, Nutrition, and Population Strategy (HNP), which mentioned “family planning” only once. In contrast, the previous HNP (1997), which had set priorities in this topic area for CASs, identified the lack of access to family planning services as a primary health challenge. In other words, not only was the Madagascar health policy devoid of guidelines for family planning funding, but the Bank’s overall health sector strategy,
which all future country lending strategies would use as a guide, had also been stripped of a recommendation to fund family planning services.

This aspect of Paul Wolfowitz’s team’s machinations at the Bank on behalf of an ideologically conservative constituency, began to take on a life of its own, with GAP guiding reporters toward the relevant facts. The story about the altered HNS received sustained attention in Europe, and attracted attention in the United States, once the *Los Angeles Times* reported on it (with assistance from GAP). European governments and publics were extremely upset about the proposed draft strategy once news reports emerged. The Board of Directors rejected the draft (with European Executive Directors leading the opposition); the Executive Directors demanded a new strategy with family planning services included as a funding priority. Within three weeks, a new draft plan was approved by the board.

In March, 2007, an article in *Vanity Fair* written by Donald Bartlett and James Steele mentioned that Shaha Riza had served as a “subject matter expert” on communications for the Pentagon Middle East immediately after the US invasion of Iraq in 2003. Riza had been contracted by the Science Applications International Corporation (SAIC), a defense consulting firm focused on defense capabilities and intelligence gathering. At that time, Paul Wolfowitz was the Deputy Secretary of Defense.

On April 6, GAP reported that Riza did not receive Bank approval for outside employment as a consultant. Inside sources at the Bank had verified that Riza had never applied for, nor had she received, permission to provide these services to SAIC. Her SAIC contract was a violation of a number of World Bank staff rules, which require Bank employees to clear extracurricular professional activities with Bank management. The rules are in place to prevent conflicts of interest and to ensure that Bank staff members serve only in an international capacity and do not work simultaneously in the employ of the Bank’s donor or borrowing countries. Under ordinary circumstances, such undisclosed parallel employment would never have been tolerated by the Bank and is grounds for dismissal.

Shortly after the *Vanity Fair* article appeared, GAP obtained a redacted copy of the Riza-SAIC contract, along with a report of the Inspector General’s Report at the US Department of Defense. The report, which had apparently been precipitated by disclosures made by a Pentagon whistleblower, strongly indicated that Riza was paid for her services.

In short order, it emerged that Wolfowitz himself had directed SAIC to hire Riza, suggesting that what had happened between the two of them at the World Bank was not simply an incident but rather part of a pattern. In the process of securing a contract for his partner, Wolfowitz was apparently able to secure a US security clearance for her in a
period of six days, although she was not a US national and had lived abroad for extensive period of time.  

GAP also posted several stories that, while important, did not attract much attention in the mainstream press. In simple terms, we believe that these aspects of the story were overtaken by events – as soon as rumors began to circulate that Wolfowitz would, perhaps, resign; the upcoming resignation became the story. Nevertheless, these developments were important:

- **An Effort to Dilute the Bank’s support of actions to address ‘Climate Change’**: After the Daboub incident involving family planning services became public knowledge, news reports linked Daboub to efforts to minimize references to fighting “climate change” in a Bank environmental strategy paper. GAP obtained and revealed an internal document indicating that orders to tone down references to “climate change” in the paper originated in the office of Bank president Paul Wolfowitz. In other words, Wolfowitz was directly responsible for this as well.

- **Investigating the Leaks**: In the midst of the scandal, Bank General Counsel Ana Palacio, a Wolfowitz appointee, notified the staff that the law firm of Williams and Connolly had been retained by the World Bank to investigate leaks. The investigation represented an attempt to intimidate whistleblowers, including those talking to GAP.

- **Wolfowitz’ two top aides (Kevin Kellems & Robin Cleveland) were also grossly overpaid**: GAP acquired documents showing that Wolfowitz’s top aides, whom he had brought with him to the Bank, received bloated salaries relative to their previous experience (around $250K and $260K net of taxes).

*May*

On May 17, 2007, Wolfowitz made a brief announcement to the press that he was resigning as World Bank president effective June 30th, 2007. In the wake of the resignation, Scott White, Deputy General Counsel of the Bank, called GAP to discuss the whistleblower protection policy after almost six months of silence. Working through contacts at the International Affairs Department at US Treasury rather than through the Bank’s General Counsel’s office, GAP reviewed the policy again and found it weak. GAP contacted the U.S. Executive Director (USED) and told him that the World Bank should model its policy after the policy adopted in January by the African Development Bank (AFDB). The AFDB had approved a very strong policy, for which GAP had

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2 Normally, the process of obtaining a security clearance takes at least six months. If the subject has lived abroad, the process can take considerably longer, and government employees report delays of over a year to receive clearance.
provided guidance. On Wednesday, April 25th, the USED asked the Board of the Bank to postpone consideration of the whistleblower protection policy until it could be analyzed and perhaps amended in light of the AFDB policy.