

An angel flies into some flak

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A think-tank's Mexican boss steers his staid agency into turbulent waters



THE travails of Paul Wolfowitz are being regarded with trepidation in the upper ranks of the Organisation for Economic Co-operation and Development (OECD) at its fine chateau in the western corner of Paris. "Watching what has been going on in Washington, I was wondering if anything would come out about what is going on at the OECD," says one of a handful of senior directors who have left in the turbulent months since the arrival of Angel Gurría as secretary-general.

Whereas the World Bank story is all about whether or not Mr Wolfowitz did or did not break some rules, the OECD events suggest an organisation that seems to be lacking in modern rules and practices when it comes to its own internal workings. So a 30-nation think-tank, devoted to promoting best practice in governance, has governance issues of its own. Concern over the lack of transparent competition in filling some appointments led the Canadian delegation to draw attention, in a letter to Mr Gurría dated April 4th, to the fact that "the OECD secretariat and its senior management must embody, and be seen to embody, the very highest standards of good

governance. Anything less can threaten the integrity and credibility of the organisation.”

Mr Gurría made his name as Mexico’s finance minister in the late 1990s, steering it to health with spending cuts that earned him the nickname Señor Scissorhands. But now some senior figures, including some OECD ambassadors from north European countries, wonder where the OECD is heading with this ebullient figure at the helm. They fear the staid old body, which churns out economic analysis and recommendations, may drift into dangerous waters. The contrast with his predecessor, a very Canadian lawyer, Donald Johnston, is stark. Mr Johnston spent a decade trimming waste and extravagance, like the tax-free supermarket enjoyed by the 2,200 staff on top of other normal expatriate perks, such as school fees.

Careful spending

Mr Gurría insists that he too focuses on spending money carefully. “Taxpayers want to know their [money] is being spent where it’s best,” he said recently. Really? Before he took office, a decision was taken to refurbish the top man’s 480-square-metre (5,000-square-foot) apartment in the poshest bit of the swanky 16th arrondissement of Paris. The original cost estimate of around €600,000 (\$815,000) grew to a final cost of €733,000. Even that was not the actual total, because some €300,000 was shunted off to other budgets. A document that *The Economist* has seen claims the upgrade “was necessary to preserve the value of the [OECD’s] asset”. Chris Brooks, head of communications at the OECD, says Mr Gurría had no involvement in the refurbishment, but nevertheless the cost escalation happened on his watch.

The OECD wants to convert itself from a rich countries’ club into a “globalisation hub”, gradually absorbing more countries. Mr Gurría was chosen not least because he warmly embraced a drive, led by Britain’s delegation (at least according to its ambassador), to modernise the agency’s employment practices—for instance, by bringing more transparency to top-level jobs.

But Mr Gurría’s many critics are appalled at the way he handled the appointment of a new executive director to run the OECD’s operations. The original internal candidate, nominated by Mr Gurría’s predecessor with Mr Gurría’s backing, saw the job offer withdrawn. Mr Brooks says this was because some ambassadors objected to the process by which the candidate had been selected. Now Mr Gurría has opted for Patrick van Haute, the Belgian ambassador, whose appointment as executive director was announced on April 18th. Again, some ambassadors were startled: “not the most compelling possible candidate,” said one.

Technically Mr Gurría can appoint anyone he wants. But some of the ambassadors were furious that the selection of a candidate for one of the most sensitive posts at the OECD was not being conducted as transparently as the new human-resources policy, due to be introduced at the end of this year, would require. Although there was no competition for the job, Mr Brooks says the process met the best international standards.

The ambassadors, who form the governing council of the OECD, summoned Mr Gurría to an extraordinary meeting last month to discuss this and other appointments. To some these ran the risk of a perception of nepotism and cronyism:

his daughter was offered a job, as was the husband of Gabriela Ramos whom Mr Gurría plucked from running the Mexico office to be number two in his private office in Paris. In the process, Mr Gurría upgraded the post that Mrs Ramos was taking up.

By the time Mr Gurría met the ambassadors for a second meeting four days later ("to clear the air", according to one participant), the daughter had stepped down. "There have been concerns about his judgment," says another ambassador. As for Mr Ramos, Mr Brooks says he was more than qualified for the job.

Many of the envoys had been unhappy at the pay deal Mr Gurría landed on top of the rent-free residence. His basic pay of €183,000 was boosted by a confidential package: an expatriate's allowance of €33,000 (unprecedented for the top man), a household allowance of €11,000 and a "representation" allowance boosted to €50,000. That latter can be spent as he thinks best and is not subject to audit. A rather loose definition of "normal expenses" led to some raised eyebrows among officials who saw an invoice for a wedding anniversary dinner for Mr Gurría with his wife, according to a document seen by *The Economist*. Officials had pointed out to him that this type of expense could not be reimbursed. A spokesman says these were personal expenses and were not processed.

Officials were also startled at his appetite for corporate hospitality. Not satisfied with the initial allocation for the France-Mexico football match last May, offered by Eugênio Minvielle, boss of Nestlé France, the food company, Mr Gurría's office asked for another four tickets so that his wife and daughter could go, along with Mr and Mrs Ramos. At least this is what e-mails seen by *The Economist* show.

His largesse extends to his home country. When South Korea wanted a special OECD event held last September in Seoul to celebrate ten years' membership, it had to pay the fares for the experts flying out from Paris. But a special OECD-led event in Mexico in February this year was treated differently. Insiders say it was the first initiative Mr Gurría took after he moved into his new job. He roped in other agencies such as the United Nations, the IMF and the World Bank to sponsor the meeting.

This grand affair was attended by many senior Mexican politicians including the president, Felipe Calderón, and covered extensively in the local media. Mr Gurría had the OECD pay his expenses of €9,400; the total cost of the Paris delegation's visit was nearly €50,000. The whole event broke with previous procedures. Mr Brooks says that the OECD did nothing differently from the other agencies that attended the event. Back in Paris some staff were appalled at this apparent favouritism. "We used to have a secretary-general who worked for the organisation; we now have an organisation that works for the secretary-general," says one insider.