

# Heading for the right choice?

## *A professional approach to selecting the IMF boss*

***The IMF has committed itself to ending European dominance of selection of its managing director, and introducing an open, merit-based and transparent process. This paper sets out the three key elements to ensuring a successful process next time: a focus on selecting the best candidate available; a clear, fair, and transparent process; and the legitimacy gained from the backing of a majority of countries as well as IMF voting shares.***

In 2009, the IMF agreed to “adopt an open, merit-based and transparent process for the selection of IMF management”. It was a commitment that was long overdue. The informal ‘gentlemen’s agreement’ made at the end of World War II that European governments could select the head of the IMF so long as the US got to choose the World Bank boss had long been regarded as outdated and illegitimate.

Reforming selection procedures at the top of these powerful global institutions has been the subject of numerous internal and external reports. In 2001, a specially formed working group made practical but limited suggestions to make the process more formalised and professional. These were “endorsed” by the IMF board, but have never been implemented. Instead, during the selection of the last IMF managing director (MD) in 2007, a short press release set out a one paragraph person specification, and said any individual could apply “without geographical preferences.” In the end, convention held sway, and the

Europeans installed their candidate.

A 2008 report by the Fund’s Independent Evaluation Office called for further reform to ensure that “likely effectiveness should be the main criteria used in the selection, and the competition should be open to candidates of all nationalities.” Then a 2009 expert committee headed by South African finance minister Trevor Manuel called an open, transparent and merit-based selection process an “essential” part of IMF governance reform. Finally, an IMF internal staff paper raised the issue again in 2009.

Despite all this effort, and an ongoing process led by the dean of the IMF board, the Fund has been publicly silent since the 2009 commitment. In fact, two deputy managing directors have been appointed since then, and have cemented rich countries’ dominance of top positions; the three IMF deputy MDs are now from the US, Japan and the UK.



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The impression that the rich governments which have run the IMF have dragged their heels on this enormously important issue is hard to avoid. It matters who the head of the IMF is, and it matters how they are chosen. It matters for the legitimacy of an organisation that, through the stringent conditions often attached to its loans, has a powerful hand in economic policy making – and hence politics – in many countries, particularly poorer ones. It matters for the effectiveness of the Fund, which is struggling to adapt to an emerging world order where the old Western powers are gradually being eclipsed by faster growing, larger southern countries. And it matters because the MD wields significant power both within the institution, and by using the position as a pulpit from which to influence global policy-making on the most critical issues.

Three things are important. First, governments need to select the right person for the job. Critically important is recognising the difficult challenges the MD faces, and the various roles they must play. Second, the selection process must be – and must be seen to be – open, fair, transparent and merit based. A lot of thinking has gone into this issue, and the proposals below reflect the emerging consensus about how this could be achieved. Third, the MD has to have a broad base of support across the world, and must be independent of any small grouping of powerful states.

### The right candidate

The IMF MD has a difficult job. On one hand, the MD must bang together the heads of the world's major economic powers, to help prevent global or regional economic crises, and persuade them to act in the interests of all, not in their narrowly defined self-interest. In the past, the IMF has singularly failed in this task, in part because the MD has been too closely associated with Western powers. How to manage the international monetary system to prevent future crises has been a key element of the G20's agenda in recent years, and it is possible the IMF will be expected to play a bigger role in future.

On the other hand, the MD needs to focus on providing IMF support to countries during crises to help them recover and build the basis for sustainable development in the future. Historically, most of these countries have been developing countries, who still dominate IMF lending, despite recent high profile difficulties in Europe. Too often the IMF has pushed 'one size fits all' austerity policies without enough attention to specific circumstances or the

impacts on the lives and jobs of people in the affected countries. So the candidate should be well versed in economic issues, particularly those of developing countries – though not necessarily an economist – with a pragmatic approach not tied to any particular ideology or school of thought. The IMF can only succeed in these roles if it is seen to be publicly accountable and transparent in its operations.

The IMF will need to agree on a more detailed 'person specification' to outline the qualities, qualifications and experience that candidates for the top job at the IMF must have. It should include the following elements.

#### 1. Running a powerful intergovernmental institution:

- a. Able to lead and manage large, complex, public institutions, and drive forward a reform agenda. Too many long overdue reforms of the institution remain partly implemented or left on one side.
- b. Experience of working with a variety of stakeholders, including civil society groups, with a demonstrated commitment to high standards of transparency and accountability.

#### 2. Independence:

- a. Proven desire to act independently of the government of his or her home state. The MD must be, and must be seen to be wholly independent of any national or regional interest. This is particularly important when the home state is a powerful member of the IMF. In practical terms therefore, recent or sitting ministers should be ruled out.
- b. Able to stand up for smaller, poorer, and less powerful member countries – not only because they are a significant proportion of the IMF's membership and active borrowers, but also to demonstrate and defend the independence of the institution from its most powerful members.

#### 3. Understanding of key issues:

- a. Demonstrate a clear-headed focus on the ultimate purpose of the IMF's – to "contribute to ...the promotion and maintenance of high levels of employment and real income". In the modern world this would mean a rigorous focus on poverty, and the growing levels

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of inequality and joblessness that damage lives and threaten stability.

- b. Well versed in the particular problems of low-income and middle-income countries – historically where most IMF lending has taken place, and where technical assistance, advice and conditionality are most dominant.

### 4. Personal character:

- a. Committed to defending agreed international norms, such as those set out in international treaties and conventions such as the UN convention on human rights.
- b. Of impeccable character, following the highest ethical standards expected of public office holders.

## An open, merit-based process

The commitment to an open, fair, merit-based process is the easiest part to fix. Standards and procedures are widely used across the world for the selection of high office holders, which can be adapted for use by the IMF. It is an embarrassment that the IFIs have not yet been able to organise such a process for any member of senior management.

An open process is necessary to bolster public confidence. The following steps are uncontroversial and should be the minimum that apply:

- The job description, timetable and application procedure should be publicly available, and open to any individual to apply.
- The vacancy should be widely advertised.
- Search committees or other professional assistance in finding suitable candidates can help the process, but should not be a substitute for a public application procedure.

A fair process would mean ending the current overt discrimination on the basis of nationality, and tackling any underlying discrimination on the basis of gender or other factors. This would mean:

- Ending the 'gentlemen's agreement' that the head

of the World Bank should be an American, and the head of the IMF a European. This is an anachronism that brings both institutions into disrepute, opens the door for undue influence from appointing member governments, and significantly restricts the field of candidates.

- Dropping the convention that candidates must be supported by the government of their home country. It introduces an unnecessary restriction on applicants, including where two good candidates may wish to apply from the same country.
- Taking steps to prevent any underlying discrimination by, for example, ensuring a proper equal opportunities statement and process, and encouraging women candidates to apply, as well as candidates from smaller members, and candidates from regions that have not previously held IFI leadership positions.

It is obvious that the MD should be selected on merit. More details about the kind of candidate that the IMF needs are above, but the following improvements to the process will be essential:

- A publicly available list of all applicants should be drawn up, prior to shortlisting by the IMF board. The applications of shortlisted candidates should be publically available with sufficient time for public scrutiny before decisions are made.
- There should be an interview process, with representatives of a broad range of shareholder governments. Following best practice at national level for selection of senior public officials, all interviews should be publically broadcast.
- There should be sufficient time for anyone to raise objections, and for governments to consult with their parliaments.
- Final decision should be made by a vote, with governments declaring openly which candidate they back. The successful candidate should have to win both a majority of member governments, and a majority of shares. This would ensure that they are broadly acceptable to the wider membership as well as

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the most economically powerful countries. Should no one candidate gain these majorities on the first round of voting, subsequent rounds should be organised, with the bottom candidate dropping out each time.

### Ensuring legitimacy

Even the best designed process cannot eliminate the possibility for behind the scenes horse-trading and arm-twisting by powerful governments acting in narrowly, or mistakenly defined self-interest. The process set out above should introduce far more public scrutiny. In addition, the following measures should help to ensure a fair process and avoid the danger that a few powerful countries try to agree the nominations process behind the scenes.

- The selection by a 'double majority' of states and shares should prevent any country or regional bloc from being able to dominate the selection process. More than any other reform this would ensure a candidate is selected that has the legitimacy needed to be effective and independent. Variations on this approach are already used in three regional multilateral banks: the Inter-

American Development Bank, the African Development Bank and the Asian Development Bank.

- European states have a particular responsibility to live up to their commitments to a fair, merit-based process, and to not attempt to push their candidate through again. The most concrete way to do this would be for Europeans to refrain from nominating a single candidate, and to vote as individual nations. The European Union publically supported a merit-based process without regard to nationality in 2008; they will need to match these words with action.

Governments need to get it right this time, no efforts should be spared to ensure the best possible candidate is selected through a process that is seen to be fair, transparent and merit-based. There must be no carve-up behind closed doors; the MD needs the support of both a majority of shareholders and a majority of countries. In a time of global economic uncertainty, governments must set in place the system needed to ensure future decisions about who runs one of the world's most powerful institutions are transparent, legitimate and effective. Nothing less will do.

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