

GOVERNANCE OF THE INTERNATIONAL FINANCIAL INSTITUTIONS: THE CASE FOR MERIT-BASED SELECTION OF AGENCY HEADS

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ABSTRACT

The Managing Director of the International Monetary Fund and the President of the World Bank are appointed under a 60 year old unwritten convention that the Managing Director is nominated by the countries of Western Europe while the President is nominated by the United States. All ten Bank Presidents since 1946 have been US citizens and all nine IMF Managing Directors have been citizens of one of six Western European countries.

This paper argues that these arrangements are anachronistic, are contrary to modern corporate governance best practice, are inconsistent with the multilateral character of the IMF and World Bank, and undermine their legitimacy and effectiveness. Removing nationality restrictions on candidates for senior leadership positions would be an important complement to other initiatives to modernise the governance arrangements, strategies and operations of the IMF and World Bank. In particular, it would be consistent with measures being taken to enhance the voice and participation of developing member countries, particularly emerging market economies whose voice has not kept pace with their growing economic weight. Australia has been a strong advocate for these governance reforms.

The paper briefly examines the origins of the convention and the evolution of selection processes for the positions of Managing Director and President over recent years. It also identifies concerns expressed by many member countries about the processes. These concerns relate to transparency and consultation as well as the nationality restrictions inherent in the convention.

Alternative selection models are also discussed to illustrate how the issue might be taken forward in a practical way.

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1. INTRODUCTION

Australia is a member of four international financial institutions: the International Monetary Fund (IMF), the World Bank Group, the Asian Development Bank (ADB), and the European Bank for Reconstruction and Development (EBRD). As a medium-sized economy, Australia has seen particular value in working within multilateral institutions to help shape the international rules of trade and finance and address global issues such as reducing poverty.

The legitimacy of these institutions relies to an important extent on the support of their large and diverse memberships.¹ This in turn requires governance arrangements that are consistent with the institutions' role and multilateral character and, in particular, that ensure appropriate accountability and participation in decision-making. Otherwise, the institutions will lose legitimacy and relevance in the eyes of key stakeholders, thus eroding their effectiveness.

Australia has been a strong advocate, over a number of years, of improved governance in the international financial institutions.² A key focus has been on

1 The IMF and World Bank have near-universal membership, each with 185 members. The ADB currently has 67 members, while the EBRD's membership comprises 61 countries, the European Community and the European Investment Bank.

2 See for example: 'The IMF and the Challenge of Relevance in the International Financial Architecture', Treasury Working Paper 2003-01, October 2003; 'IMF Quotas, Representation and Governance', Treasury Working Paper 2004-03, November 2004; 'A Framework for a Review of the International Financial Institutions', Treasury Background Paper, October 2005; 'Quota Reform and the G-20', Treasury Discussion Paper, February 2006; 'Progressing the G-20's Agenda on Reform of the Governance of the Bretton Woods Institutions', Treasury Discussion Paper, February 2006; and 'The Global Monetary Fund Needs to Reform its Quotas', article by the Treasurer, the Hon

promoting meaningful quota reform within the IMF to ensure that the representation of emerging market economies better reflects their increased weight in the global economy, while at the same time protecting the voice of low-income countries. Working within the International Monetary and Financial Committee (IMFC), the IMF Executive Board and the G-20, Australia contributed to an important agreement by IMF Governors in September 2006 to provide ad hoc quota increases to a small group of the most clearly underrepresented countries and, in a second stage, a further round of ad hoc quota increases to a wider group of countries based on a new quota formula that better captures members' relative economic positions. The package also includes an increase in basic votes and additional office resources for the two African chairs.³ Work is continuing, including in the G-20, to ensure that the second stage of reform is comprehensive and fully reflects the intent of last year's Governors' resolution.

As part of its advocacy of improved governance, Australia has for some time called for the IMF Managing Director and World Bank President to be appointed using an open, transparent selection process with candidates not restricted by nationality. This position was put most recently in a press statement by the Australian Treasurer on 27 May 2007, which was issued jointly with similar statements by the Finance Ministers of South Africa and Brazil.⁴ (As the 2006,

Peter Costello, MP in the *Financial Times*, 21 August 2006. The Treasury papers are available at www.treasury.gov.au.

3 The IMFC comprises Ministers from the 24 member governments which provide an Executive Director. While it has no formal decision-making powers separate from the full Board of Governors, it provides important guidance in IMF decision-making. Australia chaired the Group of Twenty (G-20) advanced and emerging market economies in 2006.

4 See <http://www.treasurer.gov.au/tsr/content/pressreleases/2007/045.asp>.

2007 and 2008 G-20 chairs, Australia, South Africa and Brazil currently form the G-20 Troika which is guiding G-20 activities in 2007.)

Since the first appointments to these positions in 1946, all ten World Bank Presidents have been US nationals nominated by the United States. The nine IMF Managing Directors have been nominated by Western European countries as a group and have been nationals of six Western European countries: France, Germany, the Netherlands, Belgium, Sweden and Spain (with France having provided three Managing Directors and Sweden two).

The nationalities of the World Bank President and IMF Managing Director are not specified in either of the institutions' Articles of Agreement or formal appointment processes. Rather, they have their origin in an unwritten 1946 convention. A similar convention has applied at the ADB since it was established in 1966 under which the President is nominated by Japan and has always been a Japanese national.⁵ The President of the EBRD is formally appointed without nationality restriction but has always been a French or German national.⁶

5 In his statement to the ADB Annual Meeting in Hyderabad in May 2006, Australia's Minister for Revenue and the Assistant Treasurer, the Hon Peter Dutton, MP, questioned this convention: '... we would like to see ADB's human resources strategy extended to all levels of ADB management, including changing the convention that appointments to senior management positions are restricted to certain countries or regions.'

6 In his statement to the EBRD Annual Meeting in Kazan in May 2007, the Australian Alternate Director in the Bank, the Hon Peter Reith, said: 'Another structural change that needs to be addressed is in the appointment of senior personnel. In the past the President and First Vice President have been the exclusive domain of either the US or the Europeans. Senior positions should be filled through open and transparent processes on the basis of merit and they should be open to candidates regardless of their nationality. The OECD provides a model for selection of its Secretary-General that is worthy of further consideration. A new approach should be adopted at the Bank, based on the

The beneficiaries of the conventions — the United States, Western Europe and Japan — typically vote in the Executive Boards for outcomes which are in line with, and thus help maintain, the conventions.

The conventions can also extend to second and third tier management positions. For example, while the IMF Managing Director is nominated by, and has always been a national of, Western Europe, the First Deputy Managing Director of the Fund (the second most senior position) has always been a US citizen nominated by the United States.⁷

While the focus of this paper is on the IMF and World Bank, its conclusions apply equally to the ADB and EBRD. All of the international financial institutions are undergoing significant change. For its part, the ADB is undertaking a review of its long-term strategic framework with input from an external expert panel, which has recognised the need for the Bank to reform its governance arrangements (although without explicit reference to selection processes for senior management positions).

There is a growing international consensus for reform on this issue, as detailed below. It is important for the legitimacy of the institutions that the earliest opportunity be taken to implement revised arrangements.

merit principle with Governors and Executive Directors playing the key roles, in a professional approach, in accordance with the Articles of Agreement.’

⁷ Prior to 1994, the incumbent of this position held the title of Deputy Managing Director. The title was changed to First Deputy Managing Director in 1994 when it was decided to appoint two new Deputy Managing Directors.

2. THE CONVENTION

The formal position under the IMF and World Bank Articles of Agreement is that the respective Executive Boards select the Managing Director and President by a majority of votes cast.⁸ In practice, selection is by consensus after informal consultations among Governors, officials of member countries, and Executive Directors. Individual Executive Directors would typically consult their national authorities on such key decisions.⁹

By convention, despite calls from many member countries for merit-based selection and the evolution of selection processes over the past 20 years (discussed below), the Executive Boards have invariably chosen:

- in the case of the World Bank, the nominee of the President of the United States (conveyed to the Board through the US Executive Director); this nominee has always been a US citizen; and
- in the case of the Fund, a Western European supported by the countries of Western Europe. The EU consults internally at Ministerial level in bringing forward nominations.

The origins of this convention are not clearly documented. However, according to the IMF's official history, the reason the United States authorities did not propose an American as the first head of the IMF 'appears to have been that they

8 IMF Articles of Agreement, section 4(a). International Bank for Reconstruction and Development (World Bank) Articles of Agreement, section 5(a).

9 The heads of the Bank and Fund are effectively chief executive officers, leading the staff and conducting the ordinary business of their institutions under the direction of full-time resident Executive Boards. The heads also fulfil the role of executive chairman, chairing their respective Boards which exercise substantial powers delegated by the Boards of Governors.

considered that the Bank would have to be headed by a US citizen in order to win the confidence of the banking community, and that it would be impracticable to appoint US citizens to head both the Bank and the Fund'.¹⁰

The first of these suggested reasons has no relevance today. The World Bank enjoys a AAA credit rating based on the strength of its balance sheet and backing of its 185 member governments. This rating would be unaffected by the appointment of a non-US citizen as President (so long as the appointee had the broad support of the Bank's membership). Moreover, the Bank's bond issues are widely held among official and institutional investors globally, not just by US banks.

A contemporary variant of this argument is that ending the convention could undermine financial and other support for the IMF and World Bank from key shareholders. It is unlikely, however, that the authorities of the countries concerned would share this view. Indeed, as members of the G-20, these countries have signed on to the principle of merit-based selection in supporting the October 2005 and November 2006 G-20 communiqués.¹¹ These countries have very significant influence in the Fund and Bank by virtue of their voting power. Regardless of the arrangements for appointing agency heads, there is always the threat of reduced support if an international financial institution is taking a direction at variance with the core objectives of key shareholders or is ineffective in pursuing its mandate.

10 J Keith Horsefield, The International Monetary Fund 1945-1965, International Monetary Fund, Washington DC, 1969.

11 The G-20 called for the selection of senior management of the IMF and World Bank to be based on merit and ensure broad representation of all member countries.

3. THE CASE FOR REFORM

The convention reserving these positions for nationals of particular countries is inconsistent with the multilateral character of the IMF and World Bank, potentially detracting from their legitimacy and effectiveness by excluding a large proportion of the membership from effective participation in a choice that is central to institutional direction — and by precluding nationals of these members from competing for the positions on merit.

There are currently efforts to modernise the governance arrangements, strategic directions and policy instruments of the Fund and the Bank. Part of the motivation for change has been the need to enhance the voice and participation of developing member countries, particularly emerging market economies whose voice has not kept pace with their growing economic weight.

Particularly given concerns expressed by many of these countries about current selection processes, it would seem anomalous for modernization of the IMF and World Bank not to extend to opening up selection processes for the Managing Director and President. This would also be an important catalyst for other IMF and World Bank governance and policy reforms, on which some progress has been made but much remains to be done.¹² Such reforms are difficult but need to be pursued in the interests of the organisations concerned.

12 The 2005 *G-20 Statement on Reforming the Bretton Woods Institutions* called for: a reinvigoration of the IMF's and World Bank's fundamental missions and goals, more effective collaboration between them; reform of IMF quotas and voice; improvements in internal governance and institutional effectiveness; merit-based selection processes; and continuing improvement in the institutions' lending frameworks.

Opening up these positions could also improve legitimacy and therefore effectiveness in another sense: an inclusive, merit-based process can give the appointee added legitimacy in the eyes of all shareholders.

Merit-based selection can also improve institutional effectiveness by producing the best available candidate from a larger pool than under nationality restrictions.

- Despite being near-universal organisations, the IMF and World Bank effectively limit the pool from which they draw their heads to less than 5 per cent of the world's population.

Nationality restrictions and favouritism to particular shareholders have no basis in modern core principles of good corporate governance, which are applicable in both the public and private sectors. These principles have been derived from extensive comparative experience of how different corporate systems have grappled with the universal challenges of effective and accountable governance where there is a separation of ownership and control.¹³ The importance for institutional effectiveness of good governance in accordance with these principles is now widely recognised in the Fund's and Bank's own programs with member countries, so it detracts from their credibility when they do not themselves apply these principles.

13 See, for example, *OECD Principles of Corporate Governance*, 2004 (at www.oecd.org/dataoecd/32/18/31557724.pdf). The principles are the common basis that OECD countries consider essential for the development of good governance practices. While focusing on publicly traded companies, they are also proposed as a useful tool to improve corporate governance in non-traded companies, and are relevant in any organisation in which there is a separation of ownership and control.

In particular, the leadership convention for the Fund and Bank violates the corporate governance principle that minority shareholders should be protected from actions by, or in the interest of, controlling shareholders acting either directly or indirectly.¹⁴ The principles also commend accurate and timely disclosure on the selection process and qualifications of a corporation's key executives and board members; and disclosure of the content of its corporate governance code and the process of its implementation.¹⁵

The convention is anachronistic. It was instituted in the immediate post-war period when the Bank and Fund were focused on post-war reconstruction, primarily in Europe, and on exchange rate arrangements between developed countries. Not only is the world very different from when the IMF and World Bank were established 60 years ago, but the institutions themselves have changed markedly. They now each have 185 members compared with the 44 countries represented at Bretton Woods in 1944. Their membership mix and the nature and scale of their business have also changed dramatically.

The convention has no relevance in this changed world, nor to an IMF and World Bank seeking to position themselves for the future.

14 At the same time, efforts are currently under way to protect the voting share and enhance the voice of smaller members.

15 *ibid*, pp 18-23, 34,35, 40-42, 59.

4. RECENT EVOLUTION OF APPOINTMENT PROCESSES

4.1 2001 Joint Committee Review

In July 2000, the IMF and World Bank Executive Directors established Working Groups to review the process for selecting the two heads. This reflected a view that a lack of clarity and transparency in the process had contributed to difficulties surrounding the 1999-2000 selection of Mr Horst Köhler to replace Mr Michel Camdessus as Managing Director of the Fund.

The Working Groups examined possible ways of improving the selection processes for the Managing Director and President which would apply *whether or not there were continuing understandings about the nationality of candidates*. That is, the Working Groups did not directly question the existing convention, focusing instead on achieving more transparent selection processes.

In a draft joint report, the Working Groups recommended the following principles to guide selection of the Managing Director and President:

- Executive Directors should establish clear criteria for identifying, nominating, and selecting qualified candidates for the posts.
- Executive Directors should be informed in a timely manner regarding candidates, including their credentials and knowledge of the institution.
- There should be a channel for facilitating smooth communication.
- Transparency and accountability are critical, subject to the need to protect the privacy of candidates.
- Any decision concerning the selection processes at the Bank and Fund should take into account any impact on the selection processes at other international financial institutions.¹⁶

The core recommendations of the draft joint report were that, for each selection process:

16 Draft Joint Report of the Bank Working Group to Review the Process for Selection of the President and the Fund Working Group to Review the Process for Selection of the Managing Director, 25 April 2001
(see www.imf.org/external/spring/2001/imfc/select.htm).

- Executive Directors would decide the qualifications candidates would be expected to meet.
- Executive Directors would decide on the establishment of a small Advisory Group, comprising eminent persons familiar with the goals of the institution and supported as necessary by executive search expertise, to assist them in the selection process.
- The Advisory Group would review and assess the qualifications of potential candidates, but not formally rank them (assessments could be supplemented with interviews and/or additional background checks).
- Each candidate should be a national of a member country and have his or her government's support prior to being presented to Executive Directors for consideration.
- Executive Directors would consider the Advisory Group's assessments and agree on an initial short-list.
- Executive Directors would consult their authorities regarding candidates assessed by the Advisory Group; any new candidates would be assessed by the Advisory Group before a final short-list was agreed by the Executive Directors, along with the modalities for public disclosure.
- Executive Directors would make a final choice and proceed with the formal selection, consistent with each institution's procedures.

However, the specific process recommended in the draft joint report involving the establishment of an Advisory Group was not followed for the selection of the IMF Managing Director in 2004 or the World Bank President in 2005. As noted, the report was silent on the convention, although arguably its recommendations have greater relevance to a selection process in which there is genuine competition among a number of candidates from more than one member country.

4.2 More recent changes to selection processes

Changes to selection processes over recent years have gone some way to improving consultation and transparency. For example, there has been an increase in consultation among capitals, including developing countries, on candidates being considered by countries that make nominations under the convention. The Executive Boards conduct informal meetings with candidates and there is fuller public information during the process.

In addition, candidates from outside the reserved geographical areas have been nominated by other member countries for consideration by the Executive Boards. However, none of these candidates has been successful, with appointments being made in accordance with the convention. There has also been some limited competition within Europe for the IMF Managing Director position, with more than one candidate sometimes being proposed.

Final appointments are made by consensus rather than by formal vote, in keeping with the way the Executive Boards normally operate — although ‘straw polls’ can also be conducted. In the case of the last appointment of a World Bank President, the Bank announced that the Executive Directors had arrived at their decision unanimously. However, this should be seen against the

background of the weight of voting power supporting the convention, calls during the process (noted below) for a wider range of international candidates to be considered in future, and the need to publicly demonstrate broad support for the chosen candidate.

5. PRESSURE FOR CHANGE

Until the 1980s, appointments were made by the Executive Boards in accordance with the convention with little apparent questioning from stakeholders. Increasingly since that time, however, member countries and external stakeholders have pointed to the lack of rationale for maintaining the convention. There have also been pressures for selection processes to be more transparent and consultative.

Most notably, in the context of processes for the appointment of recent Bank Presidents and IMF Managing Directors, groups of Directors from developing countries have argued that the objective should be to attract the best candidates regardless of nationality.

For example, in 2004 during the process for selecting the replacement for Mr Köhler as IMF Managing Director, the G-11 Executive Directors in the Fund (representing more than 100 emerging market and other developing countries), joined by the Executive Directors from Australia, Switzerland and Russia, made a public statement which included the following:

‘The process of identifying and selecting the candidate must be open and transparent, with the goal of attracting the best person for the job, regardless of nationality. A plurality of candidates representing the diversity of members across regions would be in the best interest of the Fund. All members of the

Executive Board should be consulted in the process of considering candidates that leads to the selection of the Managing Director and informed in a timely manner regarding candidates, including their credentials and knowledge of the institution.’¹⁷

During the same process, the G-11 Executive Directors in the Fund also called publicly for certain principles relating to transparency and consultation to be observed in the process, drawing on those put forward by the 2001 Joint Committee Review.¹⁸

The G-11 Executive Directors in the Bank made a similar public statement during the 2005 selection process leading to the appointment of Mr Wolfowitz as Bank President, expressing the view that both member countries and the institution would greatly benefit from a more transparent and consultative presidential selection process encompassing a wider range of international candidates.¹⁹

In addition, the November 2006 G-20 Communiqué reiterated the position expressed in the October 2005 G-20 *Statement on Reforming the Bretton Woods Institutions* that the selection of senior management of the IMF and World Bank should be based on merit and ensure broad representation of all member

17 Statement by a Group of IMF Executive Directors on the Selection Process for a New Managing Director, 19 March 2004 (see www.imf.org/external/np/sec/pr/2004/pr0455.htm).

18 Statement by the G-11 Executive Directors of the IMF on the Selection Procedures for Appointing the IMF Managing Director, 31 March 2004 (see www.imf.org/external/np/sec/pr/2004/pr0464.htm).

19 Further Statement by Group of Executive Directors on the World Bank’s Presidential Selection Process, 31 March 2005. See: <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20422295~pagePK:34370~piPK:34426~theSitePK:4607,00.html>

countries.²⁰ The Communiqué welcomed consideration of any steps to ensure a fully transparent process for the selection of the IMF Managing Director and the World Bank President. As well as the key emerging market economies of Argentina, Brazil, China, India, Indonesia, Mexico and South Africa, the G-20's membership includes the United States and major European countries.

Similarly, UK International Development Secretary, Mr Hilary Benn said in answer to a question on notice in Parliament earlier this year that, as made clear in the UK's 2006 White Paper on International Development, 'the practice of picking the heads of the World Bank and the IMF based on nationality should end and both presidents should be chosen on merit'.

In his April 2007 IMFC statement on behalf of the EU Council of Economic and Finance Ministers, the German Finance Minister, Mr Peer Steinbrück, said that 'EU member states are ready to engage in a discussion of the appropriate selection criteria and processes for the senior management in all IFIs'.²¹

In April 2007, the Australian Treasurer said in his IMFC constituency statement:

[W]e believe that the selection of the senior management of the Fund and the Bank should be based on merit, done transparently and ensure broad representation of all member countries. We will continue to push for rapid movement towards merit-based selection of both the Managing Director of the Fund and the President of the Bank.'

20 See www.g20.org/documents/communiqués/2006_australia.pdf.

21 See www.imf.org/External/spring/2007/imfc/statement/eng/eu.pdf.

Statements by Korea, China and the UK to the April 2007 IMF/World Bank Development Committee also referred to the need for merit-based appointments.

The report of the External Review Committee on IMF-World Bank Collaboration (the Malan report), released by the Fund and Bank in February 2007, identified reforming governance as one of the challenges facing the Bank and Fund, including so that ‘the leadership of the two institutions is appointed on the basis of merit rather than nationality’.²²

As part of the implementation of the IMF’s Medium-Term Strategy, its Executive Board has noted that there is considerable agreement on the importance of ensuring that procedures for the selection of the Managing Director are open and transparent. The Board has agreed to consider ‘whether further steps, beyond those discussed by the Boards of the Bank and the Fund in 2001 and the steps followed for the selection of the Managing Director in 2004, are needed to ensure a fully transparent process for the selection of the Managing Director, as part of the two-year program of governance reforms.’²³

As part of a current evaluation of IMF governance arrangements, the IMF Independent Evaluation Office is considering a case study on the selection process for the Managing Director and Deputy Managing Directors.²⁴

22 See www.imf.org/external/np/pp/eng/2007/022307.pdf.

23 Report of the Executive Board to the Board of Governors, Quota and Voice Reform in the International Monetary Fund, 31 August 2006 (see www.imf.org/external/np/pp/eng/2006/083106.pdf).

24 Aspects of IMF Corporate Governance—Including the Role of the Board, Draft Issues Paper for an Evaluation by the Independent Evaluation Office, 15 May 2007 (see www.ieo-imf.org/eval/ongoing/051507.pdf)

Current appointment processes, including the convention, have been widely criticised by civil society organisations, including think-tanks, NGOs, academics and the press.

However, despite widespread calls for an end to the convention and indications of a willingness on the part of some of its beneficiaries to at least review selection processes, it is by no means clear that change is imminent.

6. A POSSIBLE WAY FORWARD

Alternative models for the selection of heads of multilateral agencies are available. In considering selection processes at the IMF and World Bank, an evaluation of these models – including of how they have operated in practice – would be a useful starting point. This could also include the Advisory Group idea put forward in the draft joint report of the Board Working Groups in 2001.

While this paper does not advocate any particular model, it is useful to consider the process for selecting the Director-General of the World Trade Organisation (WTO) which, like the IMF and World Bank, is a near-universal body. This process is outlined in an Appendix. It is characterised by: agreed publicly available procedures and selection criteria; the ability of all member countries to nominate candidates; circulation to all members of information about candidates as nominations are received; public announcement of candidates once nominations have closed; engagement by all candidates with members and the governing board; and full consultation with each member, on a confidential basis, on the merits of candidates during successive stages in which the field is narrowed, with public announcement of the withdrawal of candidates determined to be least likely to attract the necessary consensus.

Importantly, these processes ensure that a plurality of candidates can be considered, with the aim of appointing the best candidate.

A similar process is used to select the Secretary-General of the Organisation for Economic Cooperation and Development.

Merit-based selection does not exclude nationality entirely as a consideration in appointments and is not necessarily inconsistent with maintaining a reasonable geographic balance over time. For example, the WTO procedures include the requirement that: 'Where Members are faced in the final selection with equally meritorious candidates, they shall take into consideration as one of the factors the desirability of reflecting the diversity of the WTO's membership in successive appointments ...'

The challenge under such arrangements is to ensure that merit does not become subordinated to a de facto system of geographic rotation.

7. CONCLUSION

Australia has long maintained that the heads of the international financial institutions, including the IMF and World Bank, should be selected under an open, transparent process with candidates not restricted by nationality.

The convention reserving these positions for nationals of particular countries is anachronistic, has no basis in modern corporate governance best practice, and is inconsistent with the multilateral character of the Fund and Bank.

Removing nationality restrictions would enhance the institutions' legitimacy and therefore their effectiveness by giving all members, including developing

countries, an effective voice in the selection process and incorporating their populations in the pool from which candidates can be drawn. An inclusive, merit-based process could also improve institutional effectiveness by enhancing the appointee's legitimacy in the eyes of all shareholders.

There are moves to modernize the governance frameworks in the Fund and the Bank. It would be timely if, as part of this, they were also to open up their selection processes. Not to do so would leave untouched a 60 year old convention, allowing it to impinge on a key aspect of governance into the future, without rationale or justification. Not to address the issue now would also detract from other measures designed to enhance the voice and participation of developing countries by sending a clear message that their nationals would continue to be precluded from filling these positions for the foreseeable future.

PROCESSES FOR APPOINTING THE DIRECTOR-GENERAL OF THE WORLD TRADE ORGANISATION

The following outline of World Trade Organisation (WTO) processes for selecting its Director-General is taken from WTO document WT/L/509, dated 20 January 2003, *Procedures for the Appointment of Directors-General*. These procedures were adopted by the WTO General Council on 10 December 2002.²⁵

- The Director-General is appointed by the WTO General Council which comprises representatives (usually ambassadors or equivalent) from all member governments. The General Council has the authority to act on behalf of the Ministerial Conference which meets about every two years.
- The WTO has published procedures it adopted in late 2002 for the appointment of future Directors-General. These include that the selection process shall be guided by full transparency and participation of all members.
- The process is conducted by the Chair of the General Council in consultation with members, assisted by two facilitators. They must act impartially and objectively and conduct their work in a transparent manner, aiming to encourage and facilitate the building of consensus among members.

²⁵ See http://docsonline.wto.org/gen_search.asp?searchmode=simple — document symbol WT/L/509.

- The process runs for six months from the call for nominations to a final decision at a General Council meeting convened not later than three months prior to the expiry of the incumbent's term.
- Members have one month to nominate candidates. Only members can make nominations and only in respect of their own nationals.
- The call for nominations is based on agreed, public criteria. In broad terms, candidates should have extensive experience in international relations, encompassing economic, trade and/or political experience; a firm commitment to the work and objectives of the WTO; proven leadership and managerial ability; and demonstrated communication skills.
- Nominations (including curricula vitae and any supporting information) are distributed to members as they are received and a consolidated list is circulated immediately after nominations close.
- Where a serving Director-General decides to seek reappointment, he or she notifies the Chair of the General Council before the start of the process and is thereby considered to be a candidate. The Chair then informs members of the candidature so that they can take this into account in submitting nominations.
- 'In order to ensure the best possible candidate is selected to head the WTO at any given time, candidatures representing the diversity of Members across all regions shall be invited in the nomination process. Where Members are faced in the final selection with equally meritorious candidates, they shall take into consideration as one of the factors the

desirability of reflecting the diversity of the WTO's membership in successive appointments to the post of Director-General.'

- Nominated candidates then have three months to make themselves known to members, engage in discussions on issues facing the WTO, and be invited to meet with members at a formal General Council meeting, where they are invited to make a brief presentation, including their vision for the WTO, followed by a question-and-answer period.
- In the final two months of the process, the General Council proceeds to narrow the field of candidates and arrive at its choice, aiming to do so by consensus.
- The Chair, with the assistance of the facilitators, consults all members individually and in confidence to assess their preferences and the breadth of support for each candidate.
- The outcome of the consultations is reported to the membership at each stage. It is understood that the candidate(s) least likely to attract consensus will withdraw. The number of candidates expected to withdraw at each stage depends on the initial number of candidates and is made known in advance.
- This process is repeated in successive stages on the basis of a revised slate of candidates each time, with the aim of establishing consensus around one candidate.
- Announcements are made at each stage, with withdrawing candidates being publicly thanked.

- At the end of the final stage of the consultative process, the Chair, with the support of the facilitators, submits the name of the candidate most likely to attract consensus and recommends his or her appointment by the General Council.
- If consensus is not possible in the time allocated, members can consider the possibility of recourse to a vote as a last resort by a procedure determined at that time. This would be understood to be an exceptional departure from the customary practice of consensus decision-making and would not establish a precedent.
- Appointments are for four years with eligibility for reappointment for a further term not exceeding four years, but with no expectation of automaticity in the reappointment.