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International Monetary Fund: Selecting a Managing Director

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Summary

On May 14, 2011, Dominique Strauss-Kahn, the Managing Director of the International Monetary Fund (IMF), was arrested at John F. Kennedy Airport and charged with the attempted rape, criminal sexual assault, and unlawful imprisonment of a maid at the New York City Sofitel hotel. He resigned on May 18, 2011. Mr. Strauss-Kahn's arrest and resignation come at a challenging time for the IMF, which he had led since 2007. Under his leadership, the IMF reasserted its role as the premier international organization for international economic corporation. In the wake of the financial crisis, Mr. Strauss-Kahn persuaded countries to substantially increase their funding to the IMF, enabling the Fund to sharply increase its financial support to troubled economies and its capacity to monitor global economic risks. He also brokered agreement between developing and advanced economies on a wide range of issues, including reform of IMF quotas that will increase the voting share of emerging economies; revamping the IMF's lending tool-kit to introduce greater flexibility and create new facilities for low-income countries; and placed the IMF at the center of G-20 efforts to increase multilateral surveillance by looking at the external implications of the domestic economic policies of several systemically important countries.

The resignation has put the selection of Fund leadership back into the spotlight. Controversy focuses on whether a transatlantic "gentlemen's agreement" reserving the IMF leadership for a European and the World Bank leadership for a U.S. citizen is adequate for the current global economy. Proposals for a more open, transparent, and merit-based leadership selection process have been made consistently in the past, and at times have been incorporated in communiqués of various leaders summits, but have yet to change the outcome at either of the institutions. Although Congress can pass legislation directing the U.S. representatives at the IMF or hold oversight hearings, there is no congressional involvement in the selection of Fund management. U.S. participation in the IMF is authorized by the Bretton Woods Agreement Act of 1945. The Act delegates to the President ultimate authority under U.S. law to direct U.S. policy and instruct the U.S. representatives at the IMF. The President, in turn, has generally delegated authority to the Secretary of the Treasury. The largest shareholder of the IMF, United States has a 16.8% voting share.

The formal requirements for the selection of the IMF Managing Director is that the Executive Directors appoint, by at least a 50% majority, an individual who is neither a member of the Board of Governors or Board of Executive Directors. There are no requirements on how individuals are selected, on what criteria, or by what process they are vetted. Moreover, although the IMF Executive Directors may select its Managing Director by a simple majority vote, they historically aim to reach agreement by consensus. With these factors combined, the convention guaranteeing European leadership at the IMF and American leadership at the World Bank has remained in place. The European-U.S. arrangement on the leadership positions at the IMF and World Bank has created resentment in many developing and emerging economies. Critics of the current selection process make two general arguments. First, the gentlemen's agreement on IMF and World Bank leadership is a relic of a post-war transatlantic global economy that no longer exists. Second, the IMF and the World Bank aim to be leaders in promoting transparency and good governance practices, which hardly justify the political horse-trading that have dominated past selections. At the same time, European officials and some commentators argue that given the intense IMF involvement in managing the crisis in the peripheral European economies and securing the future of the European Monetary Union, a European leader is needed to maintain the Fund's prominence and legitimacy.

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Introduction

On May 14, 2011, Dominique Strauss-Kahn, the Managing Director of the International Monetary Fund (IMF), was arrested at John F. Kennedy Airport and charged with the attempted rape, criminal sexual assault, and unlawful imprisonment of a maid at the New York City Sofitel hotel.[1] Indicted by a grand jury on several counts, he was granted bail, but will be confined to a New York apartment under 24-hour armed guard until his trial.[2] Mr. Strauss-Kahn was in New York on personal business, en route to Brussels to participate in a meeting of the Eurozone finance ministers when he was apprehended by police. On May 18, 2011, he resigned as IMF Managing Director.[3] The number two official at the IMF, First Deputy Managing Director John Lipsky, is serving as Acting Managing Director until a new Managing Director is elected.[4]

IMF and State Department reviews suggest that Mr. Strauss-Kahn is not entitled to either status-based or conduct-based immunity.[5] Under the IMF Charter, IMF employees are granted a limited form of diplomatic immunity for actions related to activities performed in the course of their IMF work.[6] However, "[t]he [managing director's] immunities are limited and are not applicable to this case," according to IMF officials, since, according to such officials, he was in New York on personal business.[7] While Mr. Strauss-Kahn is arguably entitled to immunity by virtue of his status as the executive head of an international organization under the United Nations Convention on the Privileges and Immunities of the Specialized Agencies,[8] the United States is not party to that Treaty. Accordingly, in the view of the State Department, Mr. Strauss-Kahn is unlikely to qualify for immunity under U.S. law. The relevant U.S. law entitles international organizations to claim immunity for their officers and employees only for "acts performed by them in their official capacity and falling within their functions as such representatives, officers, or employees."[9] "Our understanding is that immunity in this particular case, and, with IMF officials ... would only involve their official capacity and carrying out their duties in an official role," said State Department spokesman Marc Toner.[10]

Mr. Strauss-Kahn's arrest comes at an challenging time for the IMF, which he had led since 2007. Under his leadership, the IMF reasserted its role as the premier international organization for international economic corporation. In the wake of the financial crisis, Mr. Strauss-Kahn persuaded countries to substantially increase their funding to the IMF enabling the Fund to sharply increase its financial support to troubled economies and its capacity to monitor global

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[1] Al Baker and Steven Erlanger, "I.M.F. Chief, Apprehended at Airport, Is Accused of Sexual Attack," *The New York Times*, May 14, 2011.

[2] Alan Beattie, "Europe pushes for IMF job," *Financial Times*, May 20, 2011.

[3] Gerry Mullany, "I.M.F. Chief Quits in Wake of Charges of Sexual Attack," *The New York Times*, May 19.

[4] Geraldine Baum and Kim Willsher, "Lanky Lipsky steps into breach as IMF quakes," *The Sydney Morning Herald*, May 7, 2011.

[5] For an overview of immunities available under U.S. law, see CRS Report RL33147, *Immunities Accorded to Foreign Diplomats, Consular Officers, and Employees of International Organizations Under U.S. Law*, by Michael John Garcia.

[6] Article IX, Section 8(i) of the IMF Articles of Agreement states that IMF staff "shall be immune from legal process with respect to acts performed by them in their official capacity except when the Fund waives this immunity."

[7] "IMF: Immunity 'Not Applicable' To Strauss-Kahn Case," *Dow Jones*, May 17, 2011.

[8] 33 U.N.T.S. 261.

[9] 22 USC 881d(b).

[10] Mary Beth Sheridan, "IMF chief will not get diplomatic immunity, State Dept. says," *Washington Post*, May 17, 2011.

economic risks.[11] He also brokered agreement between developing and advanced economies on wide range of issues including reform of IMF quotas that will increase the voting share of emerging economies; revamping the IMF's lending tool-kit to introduce greater flexibility and create new facilities for low-income countries; and placed the IMF at the center of G-20 efforts to increase multilateral surveillance by looking at the external implications of the domestic economic policies of several systemically important countries.

The IMF is heavily involved in the current economic crisis in Europe. At the meeting that Mr. Strauss-Kahn was on his way to attending, European finance ministers approved a $111 billion IMF/EU assistance package for Portugal and considered additional economic support for Greece, which continues to struggle a year after receiving its own $145 billion support package.[12] The IMF was represented at the meetings by Ms. Nemat Shafik, the IMF Deputy Managing Director overseeing the Fund's work in various European countries.[13]

The arrest and resignation will likely have little impact on the Fund's current lending and monitoring activities, but the arrest has put the selection of Fund leadership back into the spotlight. Controversy focuses on whether a transatlantic "gentlemen's agreement" reserving the IMF leadership for a European and the World Bank leadership for a U.S. citizen is justified in the current global economy. Proposals for a more open, transparent, and merit-based leadership selection process have been made consistently in the past, and at times have been incorporated in communiqués of various leaders summits, but have yet to change the outcome at either of the institutions.

This report provides information on the IMF management selection process and discusses some of the related debate. The United States is the largest shareholder of the IMF and congressional interest in the Fund's activities has increased in recent years. Most recently, congressional attention focused on increased IMF lending since the onset of the global economic crisis in 2008 and amidst growing concern about the sustainability of fiscal deficits in several Eurozone economies.[14]

Background: The Role of Congress

Following Mr. Strauss-Kahn's arrest, Senator John Kerry, chairman of the Senate Foreign Relations Committee, which has legislative oversight of the IMF, said that the circumstances surrounding the alleged assault of a hotel maid were "very troubling if not damning."[15] A few Members called for his resignation and expressed interest in holding hearings on the IMF and its recent activities.[16]

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[11] CRS Report R40578, *The Global Financial Crisis: Increasing IMF Resources and the Role of Congress*, by Jonathan E. Sanford and Martin A. Weiss.

[12] Anabela Reis and James G. Neuger, "EU Finance Ministers Approve 78 Billion-Euro Portugal Bailout," *Bloomberg*, May 16, 2011.

[13] Zachary A. Goldfarb and Brady Dennis, "Arrest of IMF chief raises questions about organization's leadership amid European debt crisis," *The Washington Post*, May 15, 2011.

[14] CRS Report R41239, *Frequently Asked Questions about IMF Involvement in the Eurozone Debt Crisis*, coordinated by Rebecca M. Nelson, and CRS Report R40578, *The Global Financial Crisis: Increasing IMF Resources and the Role of Congress*, by Jonathan E. Sanford and Martin A. Weiss.

[15] "IMF chief case 'damning': US senator," *Agence France Press*, May 17, 2011.

[16] Greg Farrell, "Illinois Senator Kirk Wants Dominique Strauss-Kahn to Resign IMF Position," *Bloomberg*, May 17, 2011; Michael R. Crittendon, "US Sen Johanns: Congress Should Consider Hearings On IMF Upheaval," *Dow Jones*,

There is no formal congressional involvement in the selection of Fund management. U.S. participation in the IMF is authorized by the Bretton Woods Agreement Act of 1945.[17] The Act delegates to the President ultimate authority under U.S. law to direct U.S. policy and instruct the U.S. representatives at the IMF. The President, in turn, has generally delegated authority to the Secretary of the Treasury. With the advice and consent of the Senate, the President names individuals to represent the United States on the Executive Board of the IMF. The Executive Board has authority over operations and policy and must approve any loan or policy decision. The U.S. Executive Director is supported primarily by Treasury Department staff. Unique among the founding members, the Bretton Woods Agreement Act requires specific congressional authorization for certain decisions, such as changing the U.S. quota in the Fund or to amend the Articles of Agreement. However, neither the approval of individual loans nor the selection of the Managing Director requires congressional approval.

Background: Organizational Structure of the IMF

Selecting the leadership at the two major international financial institutions (IFIs) – the IMF and the World Bank – is guided by a 60-year old tradition that the World Bank president is an American and that the IMF Managing Director is a European. The informal agreement, not written into the IMF Articles of Agreement (the official charter of the organization), reflects the political and economic balance of power at the end of World War II. At the time, the United States believed that the World Bank should be headed by an American since the United States was the only capital surplus nation, and World Bank lending would be dependent on American financial markets. The U.S. Secretary of the Treasury at the time, Fred Vinson, believed that if an American representative headed the World Bank, the IMF must be headed by a non-American.[18] A Deputy Managing Director position in the IMF was established in 1949, and an American citizen, nominated by the U.S. Department of the Treasury, has always filled the position. In 1994, the IMF Board of Executive Directors increased the number of deputy directors from one to three in order to increase the regional diversity of the top management team. The additional positions are currently filled by Naoyuki Shinohara, a former senior official in the Japanese Finance Ministry and Nemat Shafik, a national of Egypt, the United Kingdom, and the United States, who has held various positions at the World Bank and the U.K. Department for International Development.

The IMF Articles provide for a three-tiered governance structure with a Board of Governors, an Executive Board, and a Managing Director (**Figure 1**). The Board of Governors is the highest policy making authority of the IMF. All countries are represented on the Board of Governors, usually at the Finance Minister or Central Bank governor level. IMF governors usually meet annually at the fall annual IMF meetings.

Day-to-day authority over operational policy, lending, and other matters is vested in the Board of Executive Directors, a 24 member body that meets three or more times a week to oversee and supervise the activities of the IMF. The five largest shareholders are entitled to appoint their own Executive Director. The remaining members are elected (for two-year terms) by groups of countries, generally on the basis of geographical or historical affinity. A few countries, Saudi Arabia, China and Russia, have enough votes to elect their own Executive Directors. In reforms approved by the Governors in December 2010, the IMF Articles of Agreement will eventually be

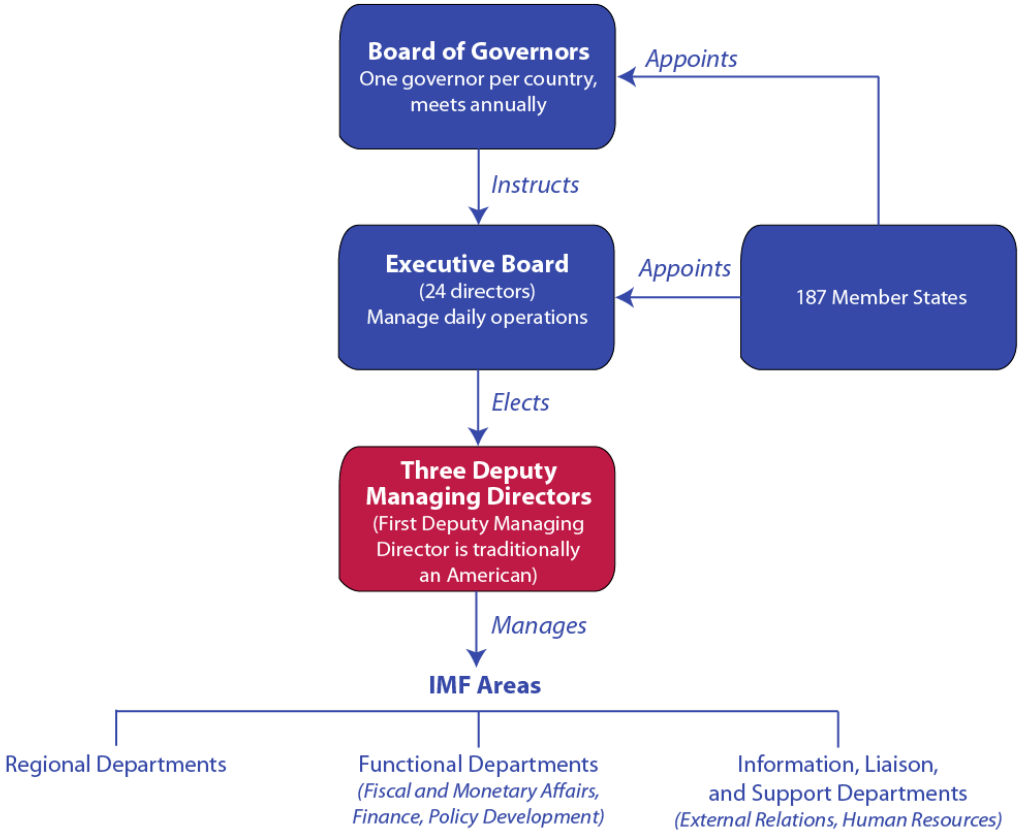
May 17, 2011.

[17] 22 U.S.C. § 286 et seq.

[18] Miles Kahler, *Leadership Selection in the Major Multilateral* (Washington, DC: Institute for International Economics, 2001).

amended so that the Executive Board will consist solely of elected Executive Directors, doing away with the practice of some member countries appointing their representatives.

Figure 1. IMF Organization Chart



Source: International Monetary Fund, Reuters, Adapted by CRS.

The IMF Executive Board selects the Managing Director of the IMF, who serves as its chairman and chief executive officer. The Managing Director manages the ongoing operations of the Fund (under the policy direction of the Executive Board), supervises about 2,500 staff members, and oversees the preparation of policy papers, loan proposals, and other documents which go before the Executive Board for its approval. Most of the material before the Executive Board is prepared by IMF management or staff. However, some documents and recommendations are prepared by executive directors themselves or by the governments they represent.

An Independent Evaluation Office (IEO), which reports directly to the Board of Directors, conducts objective and independent evaluations of Fund operations and policies. Recent reports include studies of the Fund's performance prior to the onset of financial crisis in 2008, IMF involvement in trade issues, and an analysis of the IMF's advice on exchange rate policy.

The Managing Director is elected for a five-year renewable term of office. The Executive Board also approves the selection of the Managing Director's principal assistants, the First Deputy Managing Director and the two other Deputy Managing Directors.

The Selection Process

Formal Guidelines

The formal guidelines for choosing the IMF Managing Director are laid out in the IMF's Articles of Agreements and By-laws. Article XII, Section 4, states that "[t]he Executive Board shall select a Managing Director who shall not be a Governor or an Executive Director." This decision may be reached by a 50% majority of the IMF's Executive Board. Section 14(c) of the Fund's By-laws provides that "[t]he contract of the Managing Director shall be for a term of five years and may be renewed for the same term or a shorter term at the discretion of the Executive Board, provided that no person shall be appointed to the post of Managing Director after he has reached his sixty-fifth birthday and that no Managing Director shall hold such post beyond his seventieth birthday."

Informal Guidelines

The selection process is also constrained by informal guidelines among the Executive Board. Rather than formal voting, the decision on selecting an Managing Director has been made historically by consensus. If there is more than one candidate under consideration, potential candidates are weeded out by the Executive Board through informal straw polls. Within the Executive Board there is a very strong institutional aversion to voting. Executive Board Rule C-10 states that "the Chairman [Managing Director] shall ordinarily ascertain the sense of the meeting in lieu of a formal vote."[19]

The Selection of Recent IMF Managing Directors

Table 1 summarizes the selection process employed for the past seven Managing Directors, including Dominique Strauss-Kahn. The selection of a European has never been in doubt, but the United States and the broader membership had greater input into the selection process in the past. According to a 2008 study on the Managing Director selection process:

- The United States played a major role in the earlier appointments—including the appointments of the first three MDs, Camille Gutt (Belgium), Ivar Rooth (Sweden) and Per Jacobsson (Sweden).
- In the last four appointments, efforts were made amongst Europeans to agree to a single European candidate, but only with the last three appointments were such efforts successful.
- Up until 2000, the membership had been presented with some choice of European candidates, giving the United States and other non-European industrial countries and/or the developing countries a say in the final choice.
- In 2000, the United States exercised a de facto veto over the first European choice, Caio Koch-Weser, forcing European countries to nominate a second candidate.[20]

[19] Rules and Regulations of the International Monetary Fund, C--THE EXECUTIVE BOARD.

[20] David Peretz, *The Process for Selecting and Appointing the Managing Director and First Managing Director of the IMF*, Independent Evaluation Office of the International Monetary Fund, Washington, DC, March 2008.

Table 1. Selection of IMF Managing Directors, 1963 - 2007

Managing Director	Comments on Selection Process
Pierre-Paul Schweitzer, France (1963–1973)	Mr. Schweitzer was backed by the United States from a field of several European candidates. However, the U.S. Treasury Secretary successfully lobbied against reappointment for a third term in 1973.
H. Johannes Witteveen, Netherlands (1973–1978)	Advanced economies, including United States and European countries, agreed to propose Emile van Lennep, Secretary General of the Organization for Economic Cooperation and Development (OECD) as Managing Director. Developing countries were unhappy with this choice and persuaded the Netherlands to propose former Finance Minister Witteveen instead, who proved acceptable to all.
Jacques de Larosière, France (1978–1987)	Mr. De Larosière, Governor of the French Central Bank, was first approached by the United States. There was no effort to produce a single European candidate, and several other names emerged, with Willem Duisenberg, former Netherlands Finance Minister, emerging as a serious candidate. Developing country support was divided, however, and Mr. Duisenberg withdrew in the face of support for Mr. de Larosière from all the G5 countries.
Michel Camdessus, France (1987–2000)	After Mr. de Larosière announced his intended retirement in September 1986 there were extended efforts to reach agreement in Europe on a single candidate, among the two leading candidates:: Onno Ruding, Netherlands Finance Minister and chair of the Interim Committee, and Mr. Camdessus, Governor of the French Central Bank. Despite a narrow European majority for Mr. Ruding, Mr. Camdessus did not withdraw, and both names went forward. The United States, Japan, Canada, Saudi Arabia, and the Nordic countries remained formally neutral, abstaining from the straw polls arranged by the Fund's Board (although U.S. Treasury Secretary James Baker quietly let it be known that he preferred Mr. Camdessus), giving the developing countries a decisive voice in choosing Mr. Camdessus.
Horst Köhler, Germany (2000–2004)	Almost immediately after Mr. Camdessus announced his intention to resign, the German Government proposed Deputy Finance Minister Caio Koch-Weser for the post. Although no other candidate emerged, it took several months for EU Finance Ministers to agree to support Koch-Weser. Two non-European candidates also emerged: Deputy Managing Director Stanley Fischer, proposed by a group of developing country Executive Directors, and Eisuke Sakakibara, Japanese Former Deputy Finance Minister, proposed by Japan. At that point the U.S. President and Treasury Secretary informed their German counterparts that the United States could not support the Koch-Weser candidacy, and after an initial straw poll of Executive Directors, which gave Koch-Weser 43% support, his name was withdrawn and Germany proposed Horst Köhler, President of the European Bank for Reconstruction and Development instead. He gained EU support, Mr. Fischer's and Mr. Sakakibara's nominations were withdrawn and on March 23, the Board selected Mr. Köhler as the only candidate.
Rodrigo de Rato, Spain (2004–2007)	Mr. Köhler resigned in March 2004 following his nomination for the German Presidency. In subsequent EU discussions, two candidates emerged: (1) Rodrigo de Rato, former Spanish Finance Minister; and (2) Jean Lemierre, French President of the EBRD. A developing country Executive Director proposed three non–European candidates, of whom one allowed his name to go forward to the final meeting. However, after an initial straw poll, the Executive Board decided to appoint de Rato by consensus on May 4, 2004.
Dominique Strauss-Kahn, France (2007 –)	In June 2007, Mr. de Rato announced his intention to step down after the 2007 IMF annual meetings. In early July, Executive Directors agreed to a process for selection of a successor, establishing a timetable, a candidate profile and inviting nominations without geographical preferences. However, ahead of that agreement, European Finance Ministers agreed to support the candidacy of Mr. Strauss-Kahn as proposed by the French Government. The U.S. Treasury Secretary confirmed that the United States would support any European candidate of "real stature." By the August 31, deadline there had been only two nominations – Strauss-Kahn, formally nominated by the German ED on behalf of all EU countries, and Josef Tosovsky, a former Prime Minister and Central Bank Governor of the Czech Republic, proposed by the Russian Federation. After presentations from and interviews with both candidates, the Executive Board selected Strauss-Kahn by consensus.

Source: Adapted from David Peretz, *The Process for Selecting and Appointing the Managing Director and First Managing Director of the IMF*, Independent Evaluation Office of the International Monetary Fund, Washington, DC, March 2008.

Debate over Leadership

The European-U.S. arrangement to split the leadership at the IMF and World Bank has created a lasting and lingering resentment throughout much of the world. Critics of the current selection process make two general arguments. First, the gentlemen's agreement on IMF and World Bank leadership is a relic of a global economy that no longer exists. Whereas the United States and Europe dominated the post-war economy, the current international economy is more diverse. Developing and emerging market countries contribute half of global output, up from 25% thirty years ago.[21] At the same time, the share accounted for by the G-7 countries has declined from 65% in 2002 to 51% in 2010. The global economy is now characterized by, what some analysts call, "multiple poles" of economic growth.[22] According to the Peterson Institute's Jacob Funk Kirkegaard, "the changes in the world economy mean that the IMF needs to be truly global, and that has implications for who takes over next."[23] Any agreement that grants the leadership position based on nationality, critics argue, unnecessarily limits the pool of potential candidates, excluding non-Europeans that may be exceptionally competent in addressing the issues before the IMF.

Second, critics also argue that the current system, where the Executive Board decides among candidates in secret closed door sessions potentially undermines the legitimacy of the eventual Managing Director. There is also concern that the IMF "practice what it preaches" since the IMF (along with the World Bank) aims to be at the forefront of promoting best practices in global governance.

Efforts to Reform the Selection Process

In July 2000, the IMF created a working group to advise the Executive Board and IMF staff on options for reforming the selection process. A draft report was endorsed by the Executive Directors on April 26, 2001, as guidance for the future selection of Managing Directors, but it was never formally adopted.[24] Instead of implementing the report's five recommendations (see box), the Executive Board adopted in 2007 a procedure that specified qualification criteria, established a nomination period, and provided for an interview process.[25] No explicit criteria or qualifications were defined.

[21] International Monetary Fund, Strengthening the International Monetary System: Taking Stock and Looking Ahead, Washington, DC, March 23, 2011.

[22] Justin Yifu Lin, "A Global Economy with Multiple Growth Poles," *World Bank*, October 2010.

[23] Colin Barr, "Crisis shoves IMF into real world," *Fortune*, May 16, 2011.

[24] International Monetary Fund and the World Bank, "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— Draft Joint Report," April 25, 2001.

[25] IMF Executive Board Moves Ahead With Process of Selecting the Fund's Next Managing Director, IMF Press Release No. 07/159, July 12, 2007.

2001 Recommendations of IMF and World Bank Leadership Reform

1) Executive Directors should establish clear criteria for identifying, nominating, and selecting qualified candidates for the post;

2) Executive Directors should be informed in a timely manner regarding candidates, including their credentials and knowledge of the institution;

3) There should be a channel for facilitating smooth communication;

4) Transparency and accountability are critical; and

5) Any decision concerning the selection process should take into account any impact on the selection process at other international financial institutions.

Source: International Monetary Fund and the World Bank, *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—Draft Joint Report*, April 25, 2001.

More recently, the selection process was discussed during various G-20 summits. Language was included in the 2009 Pittsburgh Summit communiqué, stating that "[a]s part of a comprehensive reform package, we agree that the heads and senior leadership of all international institutions should be appointed through an open, transparent and merit-based process."[26] The issue was not addressed, however, in either of the two most recent G-20 meeting communiqués (Toronto and Seoul).[27]

Outside of the official sector, various non-governmental organizations have also expressed concerns about the process. An April 2011 statement by European civil society organizations is indicative of their concerns and recommendations:

> 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.[28]

Furthermore, A 2010 report requested by Mr. Strauss-Kahn, representing a wide-range of NGOs, recommended that:

> The selection of the managing director and of his deputies should be based on a merit-based and transparent selection, without any restriction to the nationality of the candidates. As with the executive directors, the selection should rely on a thorough job description and a list of high professional requirements.[29]

[26] G20, *Leaders' Statement: The Pittsburgh Summit*, September 24-25, 2009.

[27] CRS Report R40977, *The G-20 and International Economic Cooperation: Background and Implications for Congress*, by Rebecca M. Nelson.

[28] Bretton Woods Project, Heading for the Right Choice? A Professional Approach to Selecting the IMF Boss, April 6, 2011.

[29] Coordinated by New Rules for Global Finance Coalition, *Report on the Civil Society Consultations with the*

Status of 2011 Managing Director Selection

Mr. Strauss-Kahn resigned his post on May 18, 2011. Earlier that day, U.S. Treasury Secretary Timothy Geithner commented that Mr. Strauss-Kahn "is obviously not in a position to run" the organization and it is important that the board of the IMF formally ratify Mr. Lipsky as Acting Managing Director.[30] According Mohamed El-Erian, Pimco Chief Executive, "the IMF is like an army, and the general is very important in that institution," He added, "the IMF is involved right now in the debt crisis in Europe. Newly democratic countries like Egypt are looking to it for help. And you need the IMF to coordinate this global healing. It is the worst possible time to lose your general."[31]

Some analysts had expressed concerns that the IMF Executive Board did not act quickly enough, and should have terminated his employment with the IMF immediately following his arrest. The Managing Director serves at the pleasure of the country membership and can be removed by the Executive Board at any time and for any reason. Mr. Strauss-Kahn served via a contract with various benefits due him upon separation. Reportedly, some IMF members were reluctant to force Mr. Strauss-Kahn out prior to more details emerging, or the conviction of Mr. Strauss-Kahn for any crime.[32]

On May 23, the IMF Executive Board formally began the process of selecting the next Managing Director. Any IMF Governor or Managing Director may nominate a candidate prior to June 10, 2011, and the Board anticipates selecting among the candidates by June 30, 2011.

China, Brazil, Russia, and other emerging market countries are increasing their efforts to appoint a non-European official to head the IMF. Some, including Bessma Momani at the University of Waterloo argue that giving emerging economic powers greater say in the Fund's leadership would make them "less prone to accumulate foreign currency reserves as insurance against a crisis and turn to the IMF for help instead."[33]

At the same time, European leaders are fiercely defending Europe's hold on the position. German Chancellor Angela Merkel has strongly advocated for a European successor to Mr. Strauss-Khan. "Of course, the emerging countries have a claim in the medium term to fill one of the positions, either IMF chief or World Bank chief."[34] However, she added that "in the current situation, in which we have significant problems with the euro and the IMF is strongly involved in this, there is something to be said for it being possible to put up a European candidate and to canvass for that in the international community."[35] According to European officials and some analysts, the current heavy IMF focus in Europe requires a European at the IMF's helm.[36] However, of the 26 countries that are currently in IMF programs, only a handful are from Europe: Greece, Ireland, Latvia, Poland, Romania, and soon Portugal, and account for less than half of total IMF

Internationational Monetary Fund on Reform of IMF Governance, August 2010.

[30] "Geithner: Strauss-Kahn not in position to run IMF," *Associated Press*, May 17, 2011.

[31] Ben White, "With IMF chief Dominique Strauss-Kahn behind bars, bailouts are iffy," *Politico*, May 18, 2011.

[32] Dominic Rushe, "IMF board split on how to react to Dominique Strauss-Kahn detention," *Guardian*, May 18, 2011

[33] Sandrine Rastello, "Strauss-Kahn Case Bolsters Push for Change in IMF Selection," *Bloomberg*, May 16, 2011.

[34] Geir Moulson, "Merkel presses for quick decision on IMF boss," *The Associated Press*, May 19, 2011.

[35] Ibid.

[36] Wofgang Munchau, "The IMF Needs Another European Head," *Financial Times*, May 16, 2011.

outstanding commitments.[37] "Maybe the next Managing Director of the IMF will come from Europe," comments Edwin Truman, a former U.S. official currently at the Peterson Institute for International Economics, "but there is no reason that the person should come from Europe."[38]

Some analysts argue that calls for a non-European director from the emerging economies mask divides that make it difficult for emerging economies to unite behind one credible candidate. These calls, the argument goes, are part of the larger issue of the influence of emerging economies play in the international financial institutions, and could ultimately lead toward additional shifts toward emerging economies, even if the next IMF Managing Director is European.

Potential candidates that have been mentioned in the press and by commentators include: Gordan Brown, former Prime Minister of the United Kingdom, Tharman Shanmugaratnam, Singaporean Finance Minister; Kemal Dervis, former Turkish finance minister; Christine Lagarde, French Finance Minister; Trevor Manuel, former South African finance minister; Agustin Carstens, Mexican central bank governor; Montek Singh Ahluwlia, an economic advisor to the Indian government and former head of the IMF's Independent Evaluation Office; and Min Zhu, Senior Advisor to the IMF Managing Director and former Deputy Governor of the People's Bank of China.[39]

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[37] Edwin Truman, *The Future of the IMF*, Peterson Institute for International Economics, May 16, 2011.

[38] Ibid.

[39] For example, see: Arvind Subramanian and Nicolas Véron, *A Quick Guide to the Upcoming Contest for the Next MD of the IMF*, Peterson Institute for International Economics, May 17, 2011.