
Solutions: How Much Reform?

Leadership selection in the major multilaterals has become increasingly divisive, distracting, and, in the case of the WTO, debilitating during the past decade. Conflict surrounding the candidacy of Koch-Weser at the IMF undermined the legitimacy of the selection process and divided the members of the Fund. The first nominations of non-Europeans directly challenged the European hold on the position of managing director as well as the convention that has awarded the World Bank presidency to the United States. A term-sharing agreement that finally ended the lengthy and bitter leadership battle at the WTO was widely regarded as a bad solution to an even worse failure of consensus. Preparations for the next WTO ministerial were delayed; the new director-general was awarded a divided and politicized organization.

Internal Consideration of Reforms

Given the costs imposed on these key multilateral organizations and the dissatisfaction among their members, each organization quickly resolved to consider reforms of leadership selection. At the IMF, the developing countries and Canada proposed the review, which began in July 2000 with the Japanese executive director as chair. Given the pairing of IMF and World Bank leadership selection under the US-European convention, a World Bank working group was convened at the same time.¹ On

1. The titles of these groups are 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.

26 April 2001, the IMF executive board endorsed the draft joint report of the two groups as “guidance for future selection processes.” (The Draft Joint Report is reproduced in appendix B.) The World Bank executive directors had endorsed the report on the previous day. Both boards also stipulated that the endorsement did not constitute a formal decision adopting the recommendations of the report.² The draft report was then forwarded to the International Monetary and Finance Committee, which noted the report in its 29 April communiqué.³

From the beginning, the IMF and World Bank working groups faced a strategic decision: whether to confront directly the US-EU convention that had dominated the selection process in the past or whether to propose less sensitive changes in the selection process. The working groups have chosen the second alternative in the draft report, which mentions the convention briefly and obliquely, first as part of the history of selection of the heads of IFIs and again in the principles “noted” by the executive board during the last selection, which declared that “the goal is to attract the best candidates regardless of nationality.” What is left unsaid is that those principles were not adopted then or in this declaration; the Koch-Weser nomination proceeded to its unhappy conclusion on the basis of a single European nominee. The draft report does make a number of recommendations that would substantially alter the selection process for the better, however, including the appointment of an advisory group (search committee) that is discussed below.

The WTO also resolved to draw lessons from its painful selection experience in 1998-99. Its progress has been slower, however. In July 1999, the General Council adopted a decision that “ a complete set of rules and procedures for such appointments shall be elaborated and adopted by the end of September 2000”.⁴ Like many of the deadlines during the selections of directors-general, this one was also missed, because of more pressing issues surrounding the Seattle ministerial. In July 2000, the chair of the General Council proposed to begin the process of consultation in autumn 2000 and posed a series of questions on the key issues that would be.⁵ Many of these were the same questions of process that were under consideration at the IFIs. By early 2001, Ambassador Kare Bryn of Norway began consultations with member governments on behalf of the General Council chair. Following these consultations, the chair would formulate

2. The chair’s summary at the IMF executive board meeting of 26 April 2001 is available as IMF, Press Release No. 01/19, 28 April 2001, <http://www.imf.org/external/np/sec/pr/2001/PR0119.htm>. The World Bank chair’s summary is available as World Bank Group New Release No. 2001/319/S, 28 April 2001, <http://wbln0018.worldbank.org/news/pressrelease.nsf/673fa6c5a2d50a67852565e200692a79/ef236a8c7fe41fd785256a3c007960ea?OpenDocument>.

3. International Monetary Fund, press release 01/20, 29 April 2001.

4. WTO General Council, *Annual Report 1999*, 33.

5. *Ibid.*

alternatives that could be considered by the General Council. Larger questions of management structure (such as the deputy directors-general) or governance were not part of this initial reform exercise. In the first rounds of consultation, the WTO membership appeared to be more reluctant to consider far-reaching changes in the selection process.⁶ The core issues for the WTO were defined as an authoritative interpretation of consensus decision rules and a strategy to follow when consensus failed. Behind these questions remains larger issues of governance as membership in the global trade organization continues to grow.

Leadership Selection in Other Organizations

The experience of other organizations, public and private, can provide some guidelines for reform of leadership selection in the major multilaterals. In their initial search for devices that would improve the legitimacy and the efficacy of leadership selection, the IFIs in particular have recommended changes that are familiar in other organizations, particularly the use of a search committee (advisory group). Since the global institutions have peculiar conventions and decision rules that set them apart from other large organizations, rules for selection of chief executives in counterpart organizations are unlikely to serve as a useful guide. For those parts of the selection process that precede a final choice among candidates, however, the parallels are much closer.

A review of current corporate CEO selection practices emphasizes that most corporations fail to spend enough time on the early stages of the selection process: defining the skills and experience that are needed, unearthing strong candidates, and conducting due diligence on those candidates.⁷ This shortcoming is readily observed among the government shareholders in leadership selection at the IFIs and the WTO. Qualifications for the positions are often framed by such vague formulations as “stature.” No formal proactive process produces candidates. Instead, a shortlist results from floating names informally or pressing nominees energetically. Often candidates are not well known, and governments do not spend much time or effort determining their qualifications.

Two other characteristics of selection and retention at other organizations stand in marked contrast to the practice of these international organizations. Much of the corporate literature on selection of CEOs emphasizes traditions of choosing either insiders, groomed for succession, or outsiders. International institutions invariably choose outsiders, a bias that probably reflects a determination on the part of member governments

6. Interview X, 15 March 2001; Interview U, 15 March 2001.

7. Horton 1999.

to prevent collusion between top management and staff. The IFIs and the WTO have failed to implement another practice that would increase the leverage of member principals over their agents at the top of these multilateral institutions. Formal performance reviews are not undertaken before reappointment of top executives at these organizations. Such broad evaluations are “increasingly commonplace” in private corporations.⁸ Such reviews can unearth hidden shortcomings in top management or signal pockets of discontent that have not found voice within the organization.

Selection Objectives and a Reformed Process

As described in chapter 1, national governments that select the leadership of the major economic multilaterals share certain global objectives for these organizations (good management that furthers the goals they have set) and for the process itself. Those objectives are combined with objectives of aligning the organization with national policies (at the expense of other members’ preferences) and maximizing the presence of fellow nationals at the top of these organizations. Reforming leadership selection does not mean the elimination of conflict, which can occur on any of these dimensions. Nor will it mean the eradication of “politics” and its replacement with the fantasy of a completely antiseptic, merit-based selection.

As described in chapter 1, a reformed selection process should produce *consensus on an effective leader through a process of restrained competition*. The desired outcome of the process—an effective leader—is more likely to be effective if the *initial* stages of the process are competitive—comparisons are made among the widest eligible field—and if the *final* selection is one that is acceptable to the largest possible fraction of the membership. This summary definition is controversial in the eyes of some proponents of greater transparency and “democracy” in these organizations. They have urged more recorded votes and less reliance on consensus, since consensus reduces accountability and may obscure pressures exerted by the more powerful on the weak.⁹

The narratives in chapters 2 and 3 suggest two distinct risks, however. The WTO selection process was, if anything, too transparent, too competitive, and too much like a domestic majoritarian election, even though the final ballot was not held. The organization was careening toward an outcome in which there would have been clear winners and losers, evenly balanced within the membership. Although such an outcome could be

8. Conger, Finegold, and Lawler (2000, 127).

9. See Woods (2000), De Gregorio et al. (1999, 85-86). For an argument in favor of balancing financial contributions and wider representation in governance, see Kapur 2000.

sustained in a competitive domestic political system (and was in the US presidential election in 2000), it is unlikely to produce legitimate and effective leadership in an international organization. The IFIs, on the other hand, demonstrated too little competition in the early stages of selection, when the US-EU convention artificially restricted the field of candidates. Conflict centered on the quality of the individual produced from such an artificially restricted field, on interpretation of the convention itself, and, ultimately, on the legitimacy of the process. Consensus was achieved, but the organization still bore costs from a flawed process.

These contrasting shortcomings point to two types of reforms. The most radical—and the most necessary—deal with entrenched practices at the IFIs and the WTO. At the IFIs, an end to the US-European convention would widen the field of candidates, introduce welcome competition, and restore legitimacy to the selection process. The WTO, on the other hand, requires changes in its governance that will permit a more orderly, less divisive process that is more likely to result in consensus on a new director-general. A second set of changes, less likely to attract widespread opposition, would improve the selection process in each of these organizations and bring their practices into line with other comparable public organizations. Establishing the qualifications for a successful managing director, president, or director-general (the prenomination stage); ensuring the largest field of qualified candidates (recruitment and nomination stage); and selecting a leader by transparent and consensual rules are all essential to a reformed process of selection.

The US-EU Convention at the IFIs: Termination or Modification

■ *The US-European monopoly on the positions of World Bank president and IMF managing director should be dismantled through a G-7 declaration that endorses global diversity in the leadership of these international organizations and others. If the United States and the European Union are unwilling to end their duopolies, the other members of the IMF and the World Bank should insist that two or more candidates be presented for consideration in the next leadership selection.*

The joint report of the World Bank and IMF working groups refers to principles that were advanced by developing country executive directors during the last selection of an IMF managing director. Among them is “a plurality of candidates representing the diversity of members across regions would be in the best interests of the Fund; the goal is to attract the best candidates regardless of nationality.”¹⁰ Instead of this approach,

10. Draft Joint Report (2001), reproduced in appendix B.

the US-European convention that governed the selection assumed that any successful candidate would be European.

Among those I interviewed, a surprising number argued that the convention was crumbling. The nominations of Fischer and Sakakibara had laid down markers for the future: the developing countries and Japan could in any future selection deny consensus to the candidate proposed for either the World Bank presidency or the IMF managing directorship. The rigidity of the convention, although matched by others governing the regional development banks, is open to charges of blatant discrimination that would be disallowed if the convention restricted choice on the basis of gender, religion, or other characteristics. The duopoly held by the United States and Europe is itself unstable. The US veto of Koch-Weser and American stipulation of requirements for an IMF managing director encourage a challenge to its next World Bank nomination. Finally, the original logic of the convention has long since dissolved. An American World Bank president is no longer required to maintain the confidence of capital markets in the World Bank's financial probity. If an American passport is no longer a requirement for the World Bank presidency, then the requirement that the IMF managing director be a non-American (the original formulation of the convention) is also nullified. Certainly the German government's efforts to narrow the convention and render European prerogatives equivalent to American were in entirely the wrong direction.

Dismantling the convention is overdue. Those who argue that it cannot be ended base their predictions on the hold of the nationality principle and its web of regional and global bargains, as well as the value of such conventions as sources of reliable political patronage and domestic political support. Such pessimistic arguments carry some weight, but the hold of the nationality principle in these organizations must be loosened. The global multilaterals already have rejected national quotas in their staffs. Removing the US-European convention simply applies that principle of national nondiscrimination to the top management positions. In establishing a more legitimate set of qualifications for these positions, the global multilaterals may begin to erode the dominance of the nationality principle in other international institutions as well.

The convention should be dismantled in favor of a clear alternative criterion: global diversity in leadership of these organizations and others. A G-7 declaration should embody this new principle of leadership selection. No country or region should have a perpetual hold on any of these positions; regional assignments or strict regional rotation—the principle of selection in many UN agencies—should also be avoided. Without a clear statement of a positive principle that recognizes a broad geographical representation in the top global positions over time, the end of the convention could simply mean intensified competition between Europe and the United States for those positions.

The most powerful members could be restrained even more explicitly. Since the United States, Japan, and Europe exercise so much influence over these organizations, the G-5 governments could agree to a rule of self-denial: they would not nominate or promote their own nationals for these positions. Other governments might be permitted to nominate G-5 nationals, but the home government could not. Such an agreement is not unprecedented. In the early years of the global multilaterals, both the United States and the European Community tacitly agreed that nationals of the smaller industrialized economies were preferred candidates for these positions. The logic was that of the honest broker, a broker with a strong attachment to the principles and norms of these organizations. The United States held the World Bank presidency after 1946, but in 1961, smaller European countries claimed the top positions at the IMF, the GATT, and the OECD. As late as 1975, the same pattern held. In the 1980s and 1990s, however, the larger European states, particularly France, moved to claim these positions. In returning to a broad truce of this kind, the United States, the major economies of Europe, and Japan would signal that their competition for influence would not be played out in the selection of leaders for these key organizations.

If the convention cannot be ended immediately, more modest reforms would reduce its negative effects on the candidate pool and the selection process. First, a degree of competition could be imposed within the constraints of the convention: Europe and the United States (or a search committee) could be asked to present two or more nominees for each position. The 1987 nominations of Ruding and Camdessus were described as a European failure by much of the press. In fact, the presence of two candidates gave the United States, Japan, and the developing countries more influence over the selection of managing director. Demonstrated support from outside the United States or Europe could also be required of nominations. This requirement was one that both the United States and France imposed informally in the case of the Koch-Weser nomination in 1999.

Any proposal or schedule to end the US-European convention must confront additional questions of implementation and effects. Implementation requires a commitment mechanism, since it is unlikely that selection of both the World Bank president and the IMF managing director will take place simultaneously. In other words, if either Europe or the United States "gives up" its position, it must be assured that its counterpart will reciprocate in the next round. The reciprocal vetoes that the United States and Europe hold over each other's appointments renders this a relatively easy problem to solve, particularly with a G-7 declaration that commits both sides to an open selection process. The first mover also might announce that the selection process will be opened somewhat in its (first) round, perhaps by increasing the number of candidates. A failure to reciprocate would then impose lower costs. Perhaps the most effective

insurance, however, is provided by those outside the convention: Japan and the developing countries. They could wield their own voting power as both an incentive for loosening the convention and a means of enforcement for any agreed change.

An end to the convention at the IFIs also raises the question of other, more legitimate constraints on the field of nominees. Some argue that effective leadership at the IFIs requires a managing director or president from a creditor country. Any IMF managing director must be able to move the G-7 in the interests of financial crisis management. Certain leaders from emerging-market economies could satisfy that criterion for appointment (Ernesto Zedillo, for example); some candidates from smaller industrialized countries might fail the test. Former managing director de Larosière observed that if he had been from an emerging-market country during the 1980s debt crisis, his ability to deal with that crisis on behalf of the IMF membership might have been impaired.¹¹ His long-standing relations with other G-7 finance ministers and central bank governors provided a reservoir of trust that could be relied upon in dealing with financial crises. Citizenship in a G-7 or G-10 country may not be a requirement for these positions, but familiarity with the dense financial and monetary networks that link the industrialized countries may well be.

Finally, ending the convention will have direct implications for the intricate web of appointments based on the nationality principle that extends far beyond the IFIs. The draft joint report of the IFI working groups recognizes this ripple effect when it notes that “any decision concerning the selection process at the Bank and Fund should take into account any impact on the selection processes at other international financial institutions.” Any commitment to leadership selection without regard to nationality would eventually extend to the regional development banks. If the United States could no longer claim the World Bank presidency, it might (in the absence of the G-5 agreement described earlier) claim the leadership of some of these institutions. Conversely, if the United States were to become an active competitor for the top positions in a wider range of global institutions, its existing claims to the position of deputy in many of those institutions would be challenged. The unraveling of the convention is likely to extend well beyond the IFIs: it is a beneficial development, but one that would require careful negotiation and agreement.

Reforming Governance at the WTO

- *Short-term repairs of consensus building at the WTO should be supplemented by longer-term changes in governance that encourage consensus building through a new system of representation.*

11. Interview I, Jacques de Larosière, Paris, 14 March 2001.

If the US-European convention overshadows other reforms in leadership selection at the IFIs, reforms at the WTO also confront a deeply entrenched set of practices—a brand of consensus decision making that too often fails to produce consensus. The decision rules—formal and informal—of the IFIs have been more successful than those at the WTO. The IFIs use a system of weighted voting with a strong overlay of consensus decision making. Weighted voting ensures that the most powerful members of the organization do not have an aversion to straw votes or votes, in contrast to the WTO. The use of straw votes in selection of the IMF managing director has two salutary effects on decision making. Governments do not become locked into support for particular candidates; they can shift their votes in an effort to build consensus. Straw votes also provide an accurate gauge of sentiment among the members, in contrast to the somewhat more opaque consensus-building procedures at the WTO. In the narrow and hotly contested choice between Camdessus and Ruding in 1987, a straw vote that gave a narrow majority to Camdessus was finally sufficient to convince Ruding to withdraw and to allow the unanimous selection of his rival. The Koch-Weser candidacy also was ended by a straw vote in which the candidate failed to receive the support of a majority of the membership. In contrast to consensus decision rules, abstention damages a candidate under IFI voting rules, since positive support measured by voting shares measures a candidate's support. A large number of abstentions were ultimately fatal to Koch-Weser's chances. A more difficult test of IMF consensus building would have occurred if Koch-Weser had won a narrow majority in the initial straw vote. Given resistance to his candidacy by the United States and the developing countries, he might not have won the broad support awarded past managing directors, even in the absence of an alternative candidate.

When added to weighted voting, a strong norm of consensus at the IFIs creates reciprocal vetoes among Europe, Japan, and the United States and gives considerable influence to the developing countries. In 1973, the G-10 endorsed a candidate who was vetoed by a developing country minority. Developing countries also played an important role in both the Camdessus selection and the failure of the Koch-Weser candidacy. At no point in the contested decisions for managing director of the IMF has a candidate been imposed against the wishes of a substantial portion of the membership. (Since there have been no contested selections at the World Bank, one can assume that the decision rules of weighted voting would work in the same way there.)

Compared to the IFIs, WTO decision making operates under several handicaps. Its developing country members will not allow the introduction of a system of weighted voting that favor the major trading powers. On the other hand, members, particularly among the industrialized countries, have resisted majority voting in an organization that awards

one vote to each member. Given these conflicting preferences over decision rules, the WTO is left with a cumbersome system—consensus decision making without the shadow of a vote—that breaks down too often. The disarray of the organization during leadership selection is only one example of weaknesses in its decision making.

Short-term reforms at the WTO require revision of the criteria for assessing candidate support during the consensus-building process. If success at the IFIs is based on voting with a strong overlay of consensus, the WTO should implement changes that preserve consensus decision making but add a strong overlay of informal voting. Although the US government was adamantly opposed to either straw votes or recorded votes during the Moore-Supachai contest, one of the three criteria used by the General Council chair to assess candidate support was in effect a simple arithmetic tabulation of support, i.e., a straw vote. Although Moore had narrowly won on that criterion, member governments supporting Supachai were unwilling to concede the contest. The other criteria deployed were admitted to be more subjective by the chair and by member governments. If developing country members were willing to accept a “weighted” straw vote based on share of world trade to accompany a simple one-country, one-vote count, the opponents of voting might accept these joint indicators of support. If wide geographical spread in support were retained as a third criterion, then the candidate that ranked highest on these three criteria would be assumed to have the greatest chance of winning appointment by consensus. (This would in effect be consensus defined as concurrent majorities on the first two criteria with a measure of geographical distribution for the third.)

An alternative means of assessment is a modification of approval voting, in which member governments indicate their support for as many of the candidates as they wish, without ranking those candidates.¹² A simple tally of these votes would provide relative measures of candidate support. Approval voting avoids some of the pitfalls of strategic and insincere voting that can occur under systems that eliminate candidates in successive rounds of balloting. (The chair evaluated candidate support in the 1998-99 WTO leadership selection through successive rounds in which lagging candidates were eliminated from the competition.) Approval voting also avoids the outcome that infuriated many of the Supachai coalition: a candidate who leads consistently in successive ballots and is then overtaken by another candidate who picks up the second-place votes of eliminated candidates. In the context of consensus decision rules, approval voting would require some modification. If a veto-proof shortlist of candidates were created, as described below, then all of the candidates would in some sense be “approved” by all member

12. On approval voting, see Brams and Fishburn (1983), Hinich and Munger (1997, 107-09), and Fishburn (1986).

governments. Approval voting in this case would necessarily mean more than “acceptable.”

Voting under tight prior constraints could provide a third solution to the difficulties in consensus building at the WTO. Several members called for a vote during the Moore-Supachai contest, but many more resisted their call. Votes are explicitly allowed under the WTO Charter. If the membership agreed that a vote for director-general would only occur when consensus building had failed and that voting would be restricted to the selection process alone, members might become more comfortable with that alternative. Given the breakdown in consensus norms at the WTO, however, simple voting is not likely to produce directors-general who enjoy strong support from the membership. Any device that resembles voting should include explicit supermajority or concurrent majority rules that would guarantee success for a candidate only if her base of support were broad and representative of the membership.

Simple repairs of the WTO rules for consensus building will probably fail to produce a more efficient and less conflictual leadership selection. Reform of the leadership selection process should be embedded in broader governance changes. Decision making under the WTO borrowed from GATT consensus decision making by informal restriction on participation, the “concentric circles” or “green room” process. No formal rules determined which governments were admitted to these “issue-specific inner circles” that reached a tentative consensus on the issue at hand and then presented it to a wider group of members or to the membership as a whole.¹³

As both membership and stakes in the global trading system expanded in the 1990s, those members excluded from the innermost circles came to view this system as elitist and opaque. The consensus reached among the smaller group of members was viewed as a *fait accompli* presented to the membership as a whole. Since there were no formal criteria for inclusion or exclusion in these negotiating and discussion forums, their legitimacy could not be defended easily. As Richard Blackhurst describes, this consensus-building model can be improved by better dissemination of information and documentation to the wider membership. Those on the inside (or WTO staff members) could play a more active role in obtaining their reactions to the evolving consensus. Finally, however, some of the enlarged membership will be excluded from green-room meetings that they wish to attend in the interests of decision-making efficiency.¹⁴

Many members are reluctant to delegate decision-making powers at the WTO. In substantive negotiations, this delegation took place through the green-room process. In leadership selection, members delegated a

13. Blackhurst (2001); Schott and Watal (2000); Schott (2000).

14. Blackhurst (2001).

central role in assessing and building consensus to the General Council chair. In 1999, members challenged his role and the rules governing his actions in much the same way that they challenged the central role of the major trading powers in the WTO's concentric circles of negotiation. What must be reconstructed in any reformed WTO decision-making structure is governance that is more representative, transparent, and legitimate than the older practices of delegation and, at the same time, more efficient than existing consensus building on the basis of individual delegations.¹⁵

Observers of the WTO converge on a common solution that would move the WTO in the direction of the IFIs and other comparable global organizations. Three former directors-general recently called for examination of "a management board which could take routine decisions not affecting members' rights" and "a wider, senior level policy consultancy group to ensure that current trade issues are debated in the widest policy context."¹⁶ Blackhurst and Schott have proposed similar representative bodies in the form of a WTO consultative board or a "small informal steering committee . . . that can be delegated responsibility for developing consensus on trade issues among the member countries."¹⁷ Schott's proposed body is more formal than Blackhurst's (the latter's consultative board would only meet when a green-room meeting could not accommodate all those who wished to participate). Neither proposes an executive board that could take binding decisions on behalf of the membership, and neither argues for a revision of the WTO's consensus rules. In effect, both urge a more representative entity at the center of consensus building, one that would either supersede or supplement the green-room model that has recently failed. Representation on this board or committee would take place through regional or other groups freely chosen by member governments.

If representative bodies of this kind existed at the WTO, leadership selection might enjoy some of the advantages of the IFIs, although consensus decision rules would still produce a higher probability of deadlock. The leadership selection process would become more orderly, and its dynamic would be removed from the freelancing and uncoordinated activities of national delegations. The locus for building consensus would certainly be clearer, and the burden of managing the cumbersome process, now placed on the General Council chair, would be better distributed. Unfortunately, even modest reform proposals of this kind are unlikely to be implemented soon. The membership will not accept even an

15. On institutional solutions to the problem of large-number decision making, see Kahler (1993).

16. Dunkel, Sutherland, and Ruggiero (2001).

17. Schott and Watal (2000), 3; Blackhurst (2001).

informal board in the current climate, in which “internal transparency” is defined as opposition to small-group delegation.

Parameters of Leadership Selection

The changes just described—ending the US-European convention at the IFIs and transforming decision making at the WTO—are reforms that are critical to the legitimacy and effectiveness of these organizations. They also are controversial and contentious in their own right. Other reforms would serve to improve the leadership selection process in the absence of these more fundamental measures. Even if constraints such as the US-European convention persist, these proposals would define a selection process that is both more competitive and more likely to achieve consensus on an effective leader.

The first three address boundaries that shape the entire selection cycle in these organizations: participation by a semi-integrated Europe, the locus of oversight in national governments, and the timeliness of selection.

- *Leadership selection in global institutions should be insulated from bargaining over top regional positions in Europe and elsewhere. In the longer run, European representation in global institutions should be consolidated.*

Individual European governments have retained membership in the global multilaterals, despite the growing competence of the European Union in commercial, monetary, and financial affairs. Europe’s uncertain unity within the global multilaterals has created two points of conflict with the rest of the world. First, the nationality principle remains powerful within the European Union. Bargaining among European governments over positions within the European Union and other regional and international organizations has been tightly linked to leadership selection in the three global multilaterals. European governments value the patronage and symbolism of a presence on the commission and other European bodies, for example. As recently as the Nice Summit in December 2000, the smaller members of the European Union resisted fiercely and successfully attempts to reduce their individual hold on appointments to the commission.¹⁸ Since this is one of the supranational organs of the European Union, the logic behind rigid national apportionment is even less convincing than it is at the global level. Given the continuing hold of the nationality principle within Europe, Europe may not be willing to

18. The large countries in the European Union will give up their second commissioner beginning in 2005. It was also agreed at Nice that after 2007 (and further enlargement), the size of the commission might be capped at 20, which implies that every member would not have an appointment on the commission.

accept a selection process in global organizations that moves away from that principle. As one American policymaker remarked acidly, until the Europeans stop treating these global positions “like trading cards,” conflict is likely to continue.¹⁹

European bargains have regularly influenced the candidate pool at the global level. A decision on the OECD secretary-general’s renewal was delayed in 1994 because of indecision in Europe regarding the next president of the European Commission. When talented Italian candidates were mentioned during the 1999-2000 IMF selection, they were quickly set aside to avoid offending Germany (“Germany’s turn”). They were also ruled out in part because Italy had just obtained the presidency of the European Commission (Romano Prodi) with German support. Britain’s hold on the top civilian NATO position weighed against its national candidates as well.

Whether deeply ingrained EU bargaining based on national balancing will be modified over time is uncertain. In the near term, the global multilaterals could attempt to discourage national “trades” across regional and global lines. In other words, internal European or regional bargaining over positions according to the nationality principle should not be allowed to spill over into the selection process for global organizations. If regions wish to embrace the nationality principle in their internal allocation of positions, those allocations should be divorced, so far as possible, from global selections.

National bargaining and balancing within Europe is only one effect that Europe’s partial integration has on global selection, however. “Europe” itself has been a variable in these selections. At times, the European Union worked assiduously to present a single candidate (always a European candidate, of course) for the top positions at the IMF or the GATT/WTO. European diplomacy mobilized behind Ruggiero’s candidacy for the WTO director-generalship in 1994-95 and (late in the game) Koch-Weser’s candidacy for the IMF managing directorship in 1999-2000, spurred in the latter case by German complaints of US “bullying.” When there was no European candidate in play, Europe often failed to develop a common position or to exercise needed leadership. The fractious WTO leadership contest in 1998-99 was the clearest example. By agreement, Europe could not have a candidate in that race. It divided its support among all of the candidates, and in the climactic meetings of the General Council was unable to use its collective weight in favor of a consensus candidate or a set of procedures. In this instance, national governments jealously guarded their prerogatives vis-à-vis the European Commission.

Consolidation of European representation in these organizations will offer a solution in the longer term. As C. Randall Henning has described,

19. Interview K, 31 October 2000.

the present constituency system inflates the weight of Europe within the IFIs. Nine different executive directors represent the 15 members of the European Union. European executive directors also represent a large number of non-EU governments in their constituencies, and those governments tend to follow the lead of their EU executive directors.²⁰ The mixed constituency system hinders European coordination at the IMF and World Bank; despite efforts to reach a common European position, multiple interventions at executive board meetings are still typical.²¹ An added complication is the Eurogroup (members of the Economic and Monetary Union), which does not include the United Kingdom, an important financial power and a member of the G-7.

Although consolidation of the European position in these organizations could contribute to a more coherent European presence and participation, the process is likely to be a long one. The current semi-integrated equilibrium creates confusion for the rest of the world, but it satisfies some EU members, particularly the smaller members that head their own constituencies at the IMF and World Bank. Since those members are not part of the G-7, they face a substantial diminution in their weight within the IFIs after consolidation. Consolidation also could bring paralysis to the IFIs if the European Union does not agree to internal decision rules that would ease the development of a common external policy.²² If single members could block a common position, the effects on the global organizations could be even worse than the current mixed status. Henning outlines a bargain that might eventually be reached at the IMF: clarification of how the EMU would establish a common position within the global multilaterals; consolidation of the European quota and voting weight to match that of the United States; and retention of the IMF headquarters in Washington, DC. Discussions to reach a similar bargain at each of the global multilaterals affected by European unifications should begin sooner rather than later.

■ *The selection of new leaders should be managed at the ministerial level.*

Selection has suffered from excessive and early involvement by top political leaders, who commit their governments to particular candidates and make considered comparisons or final consensus difficult. German Chancellor Schröder pushed the candidacy of Koch-Weser at the IMF in the face of clear negative signals from the United States and other members of the European Union. High-level political attention ensured that the final veto of Koch-Weser's candidacy was more damaging to the

20. Henning (1997); Henning and Padoan (2000, 47-51).

21. Interview L, 2 November 2000.

22. Henning (1997), 55.

individual candidate, the credibility of the German government, and US-German relations than a nomination managed by the finance ministry. In some WTO campaigns, pressure was exerted on behalf of candidates by the highest levels of national government. On the other hand, the 1998-99 WTO selection owed part of its intensity and final deadlock to a dynamic created by delegations in Geneva, national representatives that were not closely monitored by their capitals.

Engagement and monitoring at the ministerial level situates these contests at the appropriate level of political and policy importance. Ministerial oversight also may reduce the prominence awarded the nationality principle when top political leaders are involved.

- *If deadlines established for a selection cannot be met, the selection process should begin anew. Interim leadership should be chosen in the absence of agreement within the time limits.*

Inability to reach a timely decision on new leadership has plagued leadership selection at the IMF and the WTO. Delays and failures to meet self-imposed deadlines have spurred internal reform initiatives. Establishing a clear time line for each stage of the process, particularly nomination and final selection, could prevent some of the perverse results observed in recent selections. If nominations are never in fact closed, governments will delay a decision among existing nominees and hope that a white knight will save them from an unattractive choice.

If deadlines for selection are not met, interim leadership should be installed and the selection process should be reopened, beginning with new nominations. At the WTO, the terms of deputy directors-general should be staggered to provide interim leadership if necessary. Term sharing, a resolution of last resort at the WTO in 1999, should be avoided. Its Solomonic solution creates instantaneous lame ducks and fails to permit consistent leadership that matches an organization's program cycle. Meeting deadlines at each stage of the process should become less difficult if more time is spent in the initial stages developing clear criteria and minimal qualifications for each position and recruiting a strong field of candidates.

Reforming the Process: From Search to Reappointment

In addition to reforms specific to each organization and proposals that deal with the entire cycle of leadership selection, the choice of a chief executive would be improved by changes at each stage in the selection process. These recommendations are directed to all of the organizations.

Candidate Qualifications: Revising the Criteria of Effective Leadership

- *At the start of each selection cycle, the governing body of each organization should establish precise minimum qualifications and a list of desirable characteristics for the next leader. Qualifications and characteristics should track current and prospective organizational agendas.*

The draft joint report of the Bank and Fund working groups urges executive directors to “establish clear criteria for identifying, nominating, and selecting qualified candidates for the posts.” Historically, career profiles and implicit qualifications for candidates have been remarkably consistent in these organizations. Members have rarely questioned those implicit selection criteria. At least one of the divisive episodes described—the IMF managing director selection in 1999-2000—might have been avoided if minimum qualifications had been specified in advance.

With one exception, managing directors of the IMF have satisfied one of two career profiles: on the one hand, finance minister or central bank governor of a small European country (1946-63, 1973-78) or a *directeur du trésor* or central bank governor of France (1963-73, 1978-2000). The sole exception, Jacobsson, arrived at the Fund from a central bank milieu, the BIS. Since the IMF’s role has changed dramatically as private finance has come to dominate the global monetary and financial systems, qualifications for a successful managing director should presumably change as well. The IMF has recently emphasized building its expertise in private financial markets, although no recent managing director has had extensive experience in private finance.²³ Since central bank governors and ministers of finance make the selection, their natural tendency is to choose “one of us.” A strong case can be made that Robert Rubin, former US secretary of the treasury and Arminio Fraga, current central bank governor of Brazil, illustrate a career path that should characterize future managing directors: substantial understanding of private financial markets combined with a background in public finance and macroeconomic policy.

Paradoxically, the World Bank has clung to *its* defining qualifications—a career in private finance—as the organization has become more involved in a wider range of development activities. Only two World Bank presidents—McNamara and Conable—did not arrive at the Bank after a career on Wall Street. (McNamara did bring important financial and private sector expertise.) The World Bank has perhaps the most difficult task in defining a realistic job description and set of qualifications for its

23. Köhler has had the most extensive experience in private banking, as head of the German Savings Bank Association from 1993 to 1998.

presidency. The Bank may find few individuals who combine expertise in economic development and private finance as well as an ability to voice the development agenda and mobilize the Bank's diverse constituencies. Rather than producing a wish list of characteristics that have no chance of realization, the Bank and the other multilaterals may wish to explicitly or implicitly select a management team, in which deputies or vice presidents provide essential elements in the required package of expertise. Of course, if the choice of deputies is constrained by national or regional considerations, constructing such a management team will be more difficult.

At the WTO, members have failed to pay careful attention to necessary qualifications before nominations are opened. In this case, however, a marked shift occurred over the past decade in the qualifications demanded of a director-general. From the retirement of Eric Wyndham White until the selection of Sutherland, the GATT director-general was a Swiss economic diplomat. Confronting the end of the Uruguay Round, GATT members opted for an energetic politician to close the final bargains. After the foundation of the WTO, however, political seniority or "stature" seemed to become an overriding qualification overnight, as the nominations in 1994-95 and 1998-99 indicated. All candidates in the most recent selections have been cabinet ministers, prime ministers, or presidents. Whether such high political rank had any close association with likely success as director-general is far from clear. Political qualifications certainly raised the stakes and the level of conflict in each contest. WTO members should examine whether the new responsibilities of a WTO director-general require such a radical alteration in the qualifications accepted under the GATT.

National government principals should avoid one common assumption in framing qualifications: the organization needs someone like us. The IMF may require an individual with more experience in private financial markets than the average finance minister or central bank governor. The WTO may not require a trade minister or senior politician as director-general. Some of the most successful heads of these organizations have had strong political skills without the handicaps of a political career: McNamara, de Larosière, Camdessus, and Dunkel. Finally, required expertise need not be found in a single individual. More efficient use of top positions in these organizations can create management teams that are stronger than any of the individuals who compose them.

The experience of the IMF, the World Bank, and the WTO point to several lessons that might be applied if these organizations begin a more systematic examination of the qualities desired or required for their top positions. Only the membership or their representatives can define those qualities; the task cannot be delegated. Successful leadership of these organizations requires reexamination of the principal purposes of the organization over time. If those purposes are obscure, identifying the

best candidates or field of candidates will be difficult at best. Desirable qualities in a leader may vary with the cycle of an organization's activities. At the WTO, for example, directors-generals who broker trade negotiations may require different skills than those who oversee the implementation of negotiation results.

Expanding the Candidate Pool: Constraints and Search Committees

Remarkable consistency in the career profiles of candidates over time (with a shift in profile from the GATT to the WTO) may suggest a failure to reexamine the necessary qualifications for top leaders. It may also demonstrate a unwillingness to engage in a proactive process of recruitment and expansion of the candidate pool. A woman has never been nominated for any of these positions. Supachai is the only national of a developing country selected to head any of these organizations. Candidates have all reflected a certain view of necessary seniority: youth has not been an advantage. Most important, bargaining and conventions based on the nationality principle have severely constrained the pool of candidates.

- *Each organization should reexamine its historical reluctance to consider candidates from within the organization for the top leadership position.*

Although the nationality principle has imposed the most significant informal constraints on candidate nomination and selection, all of these organizations also have observed another unbroken rule: successful candidates are never found among those who work in the organization. This practice stands in stark contrast to many other organizations, which may decide between inside and outside candidates, but rarely disqualify insiders. Until Fischer was nominated for managing director at the IMF, no one within the organization had been a candidate for the top job. (Koch-Weser had spent much of his career at another IFI, but he was not at that post when nominated.)

Since the grooming of potential successors is an important part of leadership selection in many private corporations, this peculiarity requires explanation. The national principals in these organizations may turn to outsiders because of their belief that the top job is political, rather than technical, and requires a careful balancing of national preferences. Parachuting an outsider into the organization also may reinforce member control over management and prevent the development of internal networks that could reduce their influence over time. Even the nomination of Fischer, who had been at the IMF for only six years, did not violate

this precept entirely. If these organizations move toward the development of management teams, however, promotion from the inside might be considered more easily. In any case, automatic elimination of this pool of possible candidates deserves reexamination.

- *Search committees should be used to develop a long list of qualified candidates for each selection. The committee should actively and confidentially recruit and evaluate candidates on behalf of the executive boards (IFIs) or general council (WTO). Evaluations should adhere to the qualifications and characteristics stipulated by each organization at the start of the selection process.*

The most innovative suggestion in the joint Bank-Fund report on leadership selection is the proposed advisory group (AG) or search committee that would assist the executive directors in the first stages of leadership selection. As the joint report suggests, composition of the AG might itself become a point of conflict, since that group would shape the “long list” of candidates for top positions. What is most original in the description of the AG is the extensive delegation that the IFIs would make to a group composed entirely of knowledgeable outsiders, “eminent persons familiar with the goals of the institution and drawn from, but not necessarily restricted to, academia, diplomacy/international affairs, and international development, banking, or finance.”²⁴ Geographical balance would also figure in the composition of the AG. Only the dean of each executive board, a figure who has traditionally organized and overseen the selection process, would serve as an observer on the AG and as liaison to the executive board. The AG itself could call on additional executive search expertise to accomplish its task, which is the construction of an unranked long list of candidates, based on the qualifications previously agreed by the respective executive boards. The list would be submitted to the executive directors accompanied by assessments made by the AG. This early stage in the selection process would necessarily be confidential.

The proposed advisory group provides a strong basis for a reformed search and nomination procedure at the IFIs and the WTO. A search committee serves two valuable roles in a reformed selection process: widening the candidate pool and providing evaluations that effectively eliminate unqualified candidates. Current selection procedures rely exclusively on government nominations in the early stages of the cycle. A proactive advisory group or search committee could solicit nominations and determine levels of interest among a much wider candidate pool. Women, for example, who have been absent from the candidate lists in these organizations, could be actively recruited.

Although the draft report is not explicit on the source of nominations or suggestions to the AG, it does indicate that nominees must be acceptable

24. Draft Joint Report, paragraph 10 (reproduced in appendix B).

to their governments and that their governments must be members of the organization. The search committee should solicit suggestions and recommendations from a wide range of sources, governmental and non-governmental. Governments should be encouraged to nominate talented individuals who might be ignored by their home governments. This provides another avenue for eroding the nationality principle, since national governments often decline to nominate highly qualified candidates for political or ideological reasons. Nongovernmental organizations, often critical of the global economic organizations for their lack of transparency, should also be encouraged to submit nominations. Through their national governments, nongovernmental organizations have participated in the selection of the heads of UN specialized agencies. The expert information that they have provided on candidates has often been useful to member governments.²⁵ Given the confidentiality that is necessarily imposed at this stage in the selection process, little harm can come from a large number of nominations, so long as those individuals fit the qualifications specified by the governing boards.

Matching nominees with stated qualifications is a second contribution of a search committee. Its collective assessment of candidates is less likely to be colored by national bias. Even without the power to eliminate candidates, a search committee could perform the valuable role of a gatekeeper, preventing national governments from promoting clearly unqualified candidates without objection or comment. The mere fact of an expanded candidate pool would also offer a clearer benchmark against which national favorites could be compared. In this second role, the search committee would vet candidates in a fashion similar to the American Bar Association review of US federal judicial appointments. Their evaluation could be overridden in the next stage of the process, but the existence of such an assessment would provide a valuable resource at that later, more political stage.

Constructing a Veto-Proof Shortlist

- *The submission of the search committee's annotated list of qualified candidates to the governing bodies of these organizations begins the most important phase in the selection process. National governments, through the governing bodies, must next construct a list of acceptable candidates—a veto-proof shortlist. If the organizations can determine acceptable procedures for building such a list, they should be able to avoid deadlock over final selection.*

Perhaps the most important stage in the nomination process follows the submission of the AG's "long list" to the executive board. It is at this

25. Interview P, 2 November 2000.

point, the construction of a shortlist of candidates, that national governments would become directly involved. The draft report indicates that governments could nominate additional candidates at this point in the process, but the search committee would vet those candidates like all others. (In other words, governments could not force their favored candidates into the process without independent scrutiny.) The draft report also suggests that the usual formal or informal decision rules could be used to decide on the shortlist.

What the draft report does not mention is most critical for avoiding later deadlock over candidates. At this point in the process, governments should exercise their veto regarding any candidates that are unacceptable to them. They should be required to give cause, within the confidential confines of the executive board or general council, for their decision. After the shortlist is constructed, however, it should be veto-proof. Reaching final consensus on a single candidate would then become much easier. In other words, all candidates on the short list should be at least acceptable to a broad cross section of the membership.

Each organization must decide the breadth of support required for a candidate to reach the shortlist. A certain level of cross-regional support, for example, could be necessary for inclusion. At the IFIs, a minimum share of votes might be a prerequisite. In past selection cases, governments were sometimes unwilling to register strong opposition to a candidate early in the process. Although the United States and other governments clearly signaled their dissatisfaction with the Koch-Weser candidacy in 1999, a formal refusal to support his candidacy came too late to avoid public division among governments and the unnecessary embarrassment of a talented public servant. In similar fashion, although all governments signaled the broad acceptability of the four candidates for director-general at the WTO in December 1998, it became clear that on either side of the Moore-Supachai contest there were governments who were in effect unwilling to countenance a full term for the other candidate.

Governments often are unwilling to risk offense to a friendly government by signaling that its candidate is unacceptable. Preparation of an annotated long list of candidates by a search committee would provide governments with convenient cover for vetoing candidates. The evaluations of the AG will provide ammunition against clearly unqualified candidates as well as making it difficult to veto “high potential” candidates.²⁶ The procedure—like all other mechanisms—is not proof against either governments that fail to signal their opposition to candidates honestly or new information that hardens opposition to a candidate after the shortlist has been constructed. (Such information, derived from Supachai’s campaign, seemed to have hardened US opposition to his candidacy.)

26. That qualifier is used in the Draft Joint Report (see appendix B).

Nevertheless, arriving at a shortlist of highly qualified candidates, each acceptable to most, if not all, member governments, would reduce the burden of consensus building that currently rests on formal and informal decision rules.

Candidate Information and Candidate Campaigns

- *Additional information on the shortlist of candidates should be made available to member governments, but active campaigning by national governments in support of candidates should be discouraged.*

With the creation of a shortlist of candidates the balance between confidentiality and transparency in the selection process would tilt decidedly toward transparency. When the names of the shortlisted candidates become public, a wider range of interested parties will enter the debate over their qualities. During its last selection, the WTO General Council invited all candidates to Geneva for informational sessions, a useful innovation that might be replicated in the other global multilaterals.

Active campaigning, on the other hand, has become increasingly common in leadership contests and has had increasingly negative effects. Although campaigns provide additional information regarding the candidates, they often force candidates and their supporting governments into hardened positions. At the WTO, intense campaigning has politicized the organization. Allegations were made in the last selection that positions were promised in exchange for support. Since restraints on campaigning by governments or candidates are difficult to enforce, limits should be placed on what the candidates can offer. For example, by firmly fixing in advance the number of DDG positions and the qualifications of those who will fill those positions, the WTO could limit further politicization of the organization. In addition, members of the WTO staff should be forbidden to participate actively or covertly in the campaigns of any candidates for director-general. The organizations also could reduce some of the incentives to campaign by providing additional venues at which candidates could introduce themselves to member governments.

Reducing the Stakes: Term Limits, Formal Review, and Collective Leadership

- *Conflict over leadership selection can be eased by lowering the stakes of each contest. Three innovations serve this purpose:*
 - (1) *term limits, fixed in advance;*
 - (2) *formal performance reviews before reappointment; and*
 - (3) *construction of leadership teams at the top of each organization.*

Conflict surrounding leadership selection can be reduced if the stakes at issue are also reduced. Rising conflict over leadership selection is owed in part to the growing importance of these organizations, whether measured by expanding memberships or wider scope. Ending the convention and otherwise undermining the nationality principle would lower the symbolic stakes of these contests. Leaders also might promote policies opposed by members or simply mismanage the organization. These potential agency costs also increase the stakes of leadership selection.

Three reforms serve to reduce the risks of incompetent or unresponsive management for member governments. Term limits are perhaps the easiest to implement. The draft joint report on leadership selection at the IFIs suggests that Bank presidents and IMF managing directors should not serve more than two terms.²⁷ Fixing maximum terms in advance allows for orderly succession, and, at the same time, permits successful presidents or managing directors to complete major initiatives. At the IMF, term limits of this kind would have allowed the US government to avoid its blunt and embarrassing veto of a third term for Managing Director Schweitzer. Term limits also would have eliminated the cause for conflict over Paye's reappointment at the OECD. In most international organizations, term limits are seldom imposed, and evicting incompetent leadership is often difficult. Unfortunately, at the WTO, the membership has moved in the opposite direction and shortened the terms of directors-general in the last two leadership cycles. These abbreviated terms make it difficult for directors-general to see major initiatives, such as new trade rounds, through to completion.²⁸

A second strategy for monitoring leadership performance is the institution of performance reviews before reappointment. In many other organizations, performance reviews are accepted as a condition for reappointment. Even if the likely outcome is reappointment, review provides a useful safety valve for members who are concerned that a managing director or director-general might perform badly and still remain in office. Both term limits and reviews, which could shorten tenure if performance is poor, reduce the risks to the membership in any initial appointment. By reducing the risks that an appointed leader will be retained despite poor performance, these rules and practices reduce the stakes in a particular selection. If members perceive lower stakes, conflict over initial appointments may decline.

A third avenue for reducing the stakes at issue in leadership selection has been mentioned: elevate the stature of deputies and select a management team along with the chief executive. A reformed leadership selection

27. Draft Joint Report, paragraph 14 (see appendix B).

28. Ruggiero was limited to one term of four years; Moore and Supachai were each awarded three-year terms with no possibility of renewal.

process and an appropriate management structure require separate discussion and evaluation. As the narratives in chapters 2 and 3 demonstrate, however, the two intersect at a number of points. The appointment of deputies can serve to complicate selection of the top executive or to reduce the likelihood of divisive conflict over the top position.

To the degree that the nationality principle motivates national governments and governs appointments, deputies have provided compensation for those who do not obtain the top position. Extending the nationality principle to the next tier of organizational leadership (delicately termed geographical balance) may reduce pressure for fellow nationals in the top position. On the other hand, claims for fairer distribution of deputy director-general posts at the WTO have driven the numbers of DDGs up over time and created new conflicts among members. (Witness the widespread resentment over DDG compensation to Kim in 1995.) If the US-European convention is ended at the IFIs, the current national distribution of deputies will be questioned at both the IMF and the WTO. In particular the claim of the United States for a senior deputy at each of these organizations will no longer appear legitimate.

Movement toward appointment of deputies through a merit-based rather than nationality-driven process can contribute to an improved selection process for the chief executive. Division of labor and expertise among senior management permits a more realistic and confident assessment of the skills required for the top post. Stipulated qualifications for the top position may become more precise and less daunting as a result. So long as their terms do not run concurrently with the top leadership post, deputies can provide the interim leadership required when top leadership selection fails to find a candidate. Deputies might even provide candidates for the top position itself if the constraints of the nationality principle are stripped away and the bias against internal candidate eases. Finally, the creation of a management team at the top of these organizations is a further means of reducing the stakes in selection of the chief executive. Since a highly qualified top management team could compensate for the shortcomings of a chief executive, the stakes in choosing a top leader diminish.

A Reformed Selection Process

The changes advocated here will not end conflict over leadership selection in the major global economic organizations. Arguments about the best candidate for a position also are arguments about the future of these organizations, and those debates are necessary and valuable for the organizations themselves. Reforms of this kind do promise better leadership for organizations that confront changing global responsibilities and the demands of large and growing memberships. The reforms that are

most significant—ending the convention that constrains selection at the IFIs and transforming governance at the WTO—also will face the most political resistance from member governments. Specification of qualifications, expansion of the pool of candidates, and constructing a veto-proof shortlist also are useful parts of a reform agenda. Reducing the stakes in each leadership contest may serve to minimize unwanted conflict. These reforms promise both a process that is less divisive and distracting and an outcome that is more legitimate. The key question remaining is whether the most powerful member governments have an interest in reform.