
Appendix B

Draft Joint Report

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

[This draft joint report was circulated for the information of Members and Associates of the International Monetary and Financial Committee. April 29, 2001]

Introduction

1. In July 2000, the World Bank (“Bank”) and International Monetary Fund (“Fund”) Executive Directors established separate Working Groups to review the process for selection of the heads of their respective institutions. Under the Bank’s Articles of Agreement, Executive Directors select the President; similarly, the Fund Executive Board selects the Managing Director.¹ While selections have reflected certain understandings among Bank and Fund members about the nationality of

1. To date, candidates for the Bank’s President have been nominated to the Executive Directors by the US Executive Director, and have always been US citizens; in the case of the Fund, until last year, the candidates for the Managing Director have been nominated to the Executive Board by Executive Directors appointed or elected by Western European countries, and have always been citizens of Western European countries.

the heads of the International Financial Institutions (IFIs), neither the Bank nor the Fund has specific formal selection procedures for the President/Managing Director.

2. The lack of a clear procedure raised critical issues during the 2000 selection process for the Fund Managing Director. Executive Directors in both institutions subsequently agreed that a concurrent review of the selection process was timely and necessary, and Working Groups were established in each institution to undertake this task. The Working Groups examined possible means for improvements to the selection process of the President and Managing Director, which would apply whether or not there are any understandings regarding the nationality of the President/Managing Director.

Past Selection Processes

3. The Bank selected its current President in 1995 and elected him to a second term in 1999. The search process was triggered by the incumbent's decision to leave his post before his term had expired. The Executive Directors agreed on several basic qualifications for the post.² The US government established a Search Committee (chaired by the Treasury Secretary) and used these qualifications in screening prospective candidates. The Committee (assisted by a professional executive search consultant) researched and reviewed a preliminary list of candidates. Recommendations from Member countries were reviewed, including non-US citizens. The US Executive Director kept the Dean of the Board informed about the various stages of the search process. Eventually, the US President chose a finalist (Mr. Wolfensohn) who was nominated to the Board by the US Executive Director. The Bank's Executive Directors subsequently selected Mr. Wolfensohn as President by adoption of resolution, per usual Bank procedures.
4. The 1999-2000 search process for the Fund Managing Director was also triggered by the incumbent's decision to leave his post before his term had expired. Although the Managing Director had notified the Executive Board several months before his planned departure, the selection process was not completed by the time he left the Fund. There were intensive consultations among capitals, not only involving European Union (EU) Member countries, but the United States, Japan, other European countries, and some developing countries. The selection process generated considerable publicity as well as criticism from outside observers about its nontransparency and "politics." For

2. Please refer to Annex 1 of the Interim Report of the Bank Working Group, dated 7 September 2000 (R2000-175).

the first time in the Fund's history, non-European candidates were nominated for the post. The Executive Board, meeting in informal session, used straw polls to determine if any of the three nominated candidates had a majority of support.³ None did (and there were several abstentions). A new candidate from the EU (Mr. Köhler) was eventually nominated to the Executive Board. The Fund's Executive Board subsequently selected him as Managing Director.

5. During the selection process, the Fund Executive Board met in informal session and noted the following principles recommended by a group of Executive Directors concerning the selection of the Managing Director, namely:
 - Executive Directors should be informed in a timely manner regarding candidates, including their credentials and knowledge of the institution;
 - all members of the Executive Board should be consulted in the process of considering candidates that leads to the selection of the Managing Director; and
 - 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.

Activities of the Bank and Fund Working Groups

6. The Bank and Fund Working Groups have met at least monthly since their establishment to review past practices and develop work programs. The Chairs of the Bank and Fund Working Groups participated in each other's meetings as observers and there was a regular exchange of working papers and minutes. The Working Groups subsequently prepared interim reports to their respective Boards in September 2000. The Bank Board sent an information note to the Bank Governors during the 2000 Annual Meetings; the Fund Executive Board sent an information note to the members of the International Monetary and Financial Committee (IMFC) at its September 2000 meeting. The IMFC "noted the work of the Fund Working Group which is being carried out in tandem with the Bank Working Group, and further noted that the two Working Groups will report together." Both Working Groups met jointly several times and agreed to prepare a draft joint report for submission to their respective Executive Directors/ Executive Board.

3. Such straw polls were also used in the mid-1980s when the Executive Board was choosing between two EU candidates.

7. The Bank and Fund Working Groups reviewed search and selection processes at various international institutions, including the IFIs, and recommend the following principles with regard to the search for and selection of the Bank President/Fund Managing Director:
- Executive Directors should establish clear criteria for identifying, nominating, and selecting qualified candidates for the posts;
 - Executive Directors should be informed in a timely manner regarding candidates, including their credentials and knowledge of the institution;
 - there should be a channel for facilitating smooth communication;
 - transparency and accountability are critical, subject to the need to protect the privacy of candidates; and
 - 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.
8. The Bank and Fund Working Groups' recommend that the process should (a) facilitate assessment of candidates according to their qualifications, experience and suitability; and (b) allow for consultation between Executive Directors and their authorities and within the Board in order to facilitate a final selection.

Recommendations on the Selection Policy and Process I: The Advisory Group and Procedures

9. A selection process commences when the Executive Directors have been advised that an incumbent is leaving during the term of office, or when they have agreed to seek candidates in view of the upcoming conclusion of an incumbent's term. As a first step, the Executive Directors would decide:⁴
- the qualifications of candidates to be considered for that selection (refer to paragraph 15);
 - on the establishment of a small Advisory Group (AG) to assist the Executive Directors in the selection process, the composition and size of the AG, and the procedure for identifying and nominating AG members;⁵

4. It is expected that meetings concerning the search and selection process would be in restricted executive session at the Bank and informal session at the Fund, and chaired by the Dean of the Board.

5. Including the coordinating role in this process of the Dean or such other Executive Director as may be designated by the Executive Directors/Executive Board.

- to establish the AG and agree on the terms of reference and modalities for the AG, including public disclosure of its members and terms of reference;
 - an expeditious timeframe for key steps in the search process, and procedures to be used in reaching consensus on the finalists (such as informal consensus or formal voting).
10. The Bank and Fund Working Groups recommend that each AG would be structured and operate as follows:
- the AG would be composed of 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;
 - the AG would be supported by executive search expertise, as necessary;
 - due consideration would be given to geographic balance in the AG; and
 - the Dean would serve as an observer in the AG and act as a liaison to the Board.⁶
11. The AG would review the qualifications of potential candidates and provide assessments on them to the Executive Directors without any formal ranking of the candidates. Assessments of “high potential” candidates could be supplemented with interviews and/or additional background checks, taking into consideration the need for confidentiality. All candidates should be reviewed by the AG.
12. Candidates should be nationals of a Member country, whether or not nominated by Member Governments. The Working Groups recommend that candidates whose names are not formally submitted by Governments should have their Government’s support (or non-objection) prior to being presented to Executive Directors for consideration.
13. At present, the Bank does not have an age limit for candidates. The Fund’s By-Laws state that a candidate is not eligible for the first appointment to Managing Director after he/she has reached age 65 and he/she cannot serve past age 70.⁷ The Working Groups recommend that there be no age limit for Bank President/Fund Managing Director. If the Fund Executive Board concurs with this

6. In case the Dean could not serve as an observer, the Board would appoint an Executive Director in his/her place.

7. Fund By-Law 14(c).

recommendation, it would be necessary to submit a resolution to the Governors requesting an amendment to the By-Laws.

14. The Bank's and Fund's By-Laws⁸ further state that the Bank President/Fund Managing Director is appointed for an initial term of five years that may be renewed at the discretion of the Executive Directors (Bank)/Executive Board (Fund) for the same five years or for shorter periods, with no limit on the number of extensions.⁹ The Working Groups recommend that the Bank President/Fund Managing Director normally should not be expected to serve more than two terms.
15. The Executive Directors may wish to consider any qualifications (e.g., academic background, experience, professional/technical background, etc.) prior to commencing the search and selection process. At the present time, the Fund Working Group does not see a need for specifying such qualifications. The September 2000 interim report of the Bank Working Group included an indicative list of qualifications¹⁰ that Bank Executive Directors may wish to use as a basis for discussion when they initiate the search process.

Recommendations on the Selection Policy and Process II: Executive Directors

16. The Bank and Fund Working Groups recommend that once the AG has completed its assessments, these assessments would be circulated to Executive Directors on a strictly confidential basis. The Executive Directors would consider the AG's assessments and agree on an initial shortlist. In coming up with this list, and any subsequent or final list, of candidates, the rules of procedure for the Bank and for the Fund¹¹ provide for ascertaining the sense of the meeting or formal voting, as necessary, should the Executive Directors decide to proceed along those lines.¹²
17. The Executive Directors would consult their authorities regarding candidates assessed by the AG. A deadline would be set for the

8. Bank By-Law 13(c) and Fund By-Law 14(c).

9. In the case of the Fund, the number of extensions is circumscribed by the applicable age limits.

10. Annex 3 of R2000-175.

11. The Bank Rules of Procedure for Meetings of the Executive Directors (Section 4) and the Fund By-Laws Rules and Regulations (Rule C10).

12. For example, Executive Directors could agree to have successive rounds of consensus or voting in which candidates with the least support would be eliminated after each round.

proposal of any new candidates to allow for assessment by the AG before a final shortlist is agreed by the Executive Directors.

18. The Executive Directors would decide on a final shortlist of candidates and on the modalities for public disclosure.
19. Once agreement has been reached by Executive Directors on a final choice, they would proceed with the formal selection, consistent with the procedures in each institution. In the event consensus could not be reached, the Executive Directors could decide to reopen the search process, drawing from the AG's list and/or inviting submissions of new candidates.

Appointment

20. The appointment contract for the Bank President/Fund Managing Director would subsequently be approved by the Executive Directors/ Executive Board.

Recommendation

21. Executive Directors of the Bank and Fund are therefore requested:
 - to endorse this report; and
 - to consider next steps in transmitting the report, including, in the case of the Fund, transmittal to the IMFC.