



## PARLIAMENTARY NETWORK ON THE WORLD BANK

### **Briefing on the selection process for the IMF Managing Director**

20 June 2011

Following Dominique Strauss-Kahn's resignation as Managing Director of the International Monetary Fund (IMF) on 19 May 2011, John Lipsky, the First Deputy Managing Director took over the transition as Acting Managing Director.

The IMF immediately launched the process for recruiting a new Managing Director. The IMF's Managing Director is the Chairperson of the 24-member Executive Board and the Head of all IMF staff. The Managing Director may be selected by the Executive Board through a majority of cast votes for a renewable five year term. In the past, the Board has made such appointments by consensus. Once selected, the Managing Director appoints a First Deputy Managing Director and two Deputy Managing Directors.

Countries could submit the names of their candidates until 10 June 2011 through their Executive Directors or through their Fund Governors. Thereafter, the IMF confirmed the names of the two candidates nominated. The IMF is not considering geographical preferences in its pre-selection procedure. The two candidates are

- Ms. Christine Lagarde (France), Minister of Economy, Industry and Employment, and
- Mr. Agustín Carstens (Mexico), Governor of the Bank of Mexico, as well as former Deputy Managing Director of the IMF.

This means that for the first time in IMF history, the Managing Director could be a non-European and/or a female. Another candidate, Stanley Fischer, Governor of the Bank of Israel, was ruled out. Grigori A. Marchenko, President of Kazakhstan's Central Bank, was a potential candidate but withdrew from the running.

The Executive Board will meet with both candidates at the IMF's headquarters in Washington, D.C. Mr. Carstens' meeting is scheduled for 21 June, while Ms. Lagarde will meet the Executive Directors on 22 June 2011. Thereafter, the Executive Board will gather to discuss the strengths of the candidates and make a selection. The objective is to complete the selection process by 30 June 2011.

### **On the candidates**

Before taking over as France's Minister of Economy, Industry and Employment, Ms. Lagarde has also acted as the country's Trade Minister from 2005 to 2007, and has also served as Chairwoman of the international law firm Baker & McKenzie. Ms. Lagarde has stated that she will push reforms at the IMF to give Brazil and other emerging economies more influence at the Fund. She is also planning intensified poverty reduction and aid distribution

measures in developing countries. She has been trying to reassure countries, such as China, South Africa and Brazil, who are opposed to the convention of having a European Managing Director, that she will serve the Fund neither as a European, nor as French. Indeed, much of Ms. Lagarde's campaign has been focused on ensuring that she will pay close attention to the needs of emerging countries. Ms. Lagarde would be the first woman to head the IMF.

Prior to heading Mexico's Central Bank, Mr. Carstens has been Deputy Managing Director at the IMF, and Minister of Finance under President Felipe Calderon. His potential election as IMF Managing Director might entail important changes in the organisation's work with developing countries as well as its governance structure (voting rights, etc.). Mr. Carstens has stated that his experience working with developing economies makes him an ideal candidate for the job. He considers that the balance of economic power has shifted since the beginning of the financial crisis, and that while Europe and the US have been struggling to get their economies back on track, Latin American and Asian economies have been experiencing good growth rates. According to Mr. Carstens, this imbalance would lead to a conflict of interest should a European be nominated to head the Fund. Mr. Carstens has also urged for stricter measures to solve the euro-zone debt crisis.

In recent days, both candidates have been campaigning globally to win the backing of as many countries as possible. So far Ms. Lagarde has won support from European Union countries such as Germany, Norway and the UK, as well as from the DRC, Egypt, Indonesia, Ivory Coast, South Korea, and the United Arab Emirates. European Commission President José Manuel Barroso, the Members of the European Commission, and US Secretary of State Hillary Clinton have also made their support public.

Mr. Carstens has the back up of Belize, Bolivia, Colombia, the Dominican Republic, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Spain, Uruguay, and Venezuela.

Brazil, India, Japan and the United States have not yet voiced their support.

### **PNoWB and the IMF**

The IMF has emerged as the central institution to address the international economic and financial crisis in close cooperation with the G20 and other international organizations. PNoWB in 2011 launched a new partnership with the IMF, in recognition of the central role parliamentarians played during the global economic and financial crisis, and continue to play in its aftermath. The new partnership also cements the ongoing cooperation with the IMF over the past few years. Parliamentarians are central actors in economic decision-making, and this closer collaboration attests to the importance of IMF-parliamentarian engagement worldwide.

Through this cooperation, the two organisations will ensure regular parliamentary participation in a parliamentary workshop during the World Bank/IMF Spring and Annual Meetings, as well as PNoWB's Annual Conference, and organise a field visit. The partnership will continue under the leadership of the new Managing Director.

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