



THERE'S A BETTER WAY. PHOTOGRAPHER: ANDREW HARRER/BLOOMBERG

ECONOMY

A Chance to Fix the Way the IMF Picks Its Leader



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The board of the International Monetary Fund was right to reaffirm its [full confidence](#) in Christine Lagarde as the institution's managing director despite her [conviction for negligence](#) on Monday by a Paris court. She has done a good job as the head of one of the world's most important [multilateral institutions](#).

But there's more to be done by the country representatives who govern the IMF. They should



be taking the latest set of legal problems as an opportunity to modernize an antiquated and feudal selection process.

Monday's ruling against Lagarde pertains to the handling of a business dispute that goes back almost a decade to when she was France's minister of finance. The court found that she didn't do enough to gather information about a conflict between a businessman and the former state-owned bank Credit Lyonnais over the 1993 sale of Adidas, thereby undermining a proper assessment of whether the disagreement should go to arbitration. The court, however, refrained from imposing any financial penalty or prison term.

It's not the first time that an IMF director has faced legal issues. Both of Lagarde's predecessors, Rodrigo Rato, who served from 2004 to 2007, and Dominique Strauss-Kahn, who led the organization from 2007 to 2011, found themselves [embroiled](#) in messy legal proceedings.

The resulting [embarrassments](#) coincide with the IMF beginning to appoint politicians to its top management position, replacing a long series of technocrats who had dominated the managing directorship since its establishment in 1944. These included [Per Jacobsson](#), [Pierre-Paul Schweitzer](#), Johannes Witteveen, [Jacques de Larosiere](#) and [Michel Camdessus](#).

The Lagarde case risks amplifying longstanding credibility challenges facing an institution whose member countries, led by the advanced economies, have been too timid about reforming key elements of its governance – particularly those relating to representation.

Voting power on the board is still tilted in favor of the advanced economies, and Europe in particular; the managing director's position is still de facto reserved for a European national; other senior managerial appointments remain influenced by nationality considerations; and country interactions are still seen as lacking even-handedness, particularly when it comes to developing countries. The antiquated nature of IMF governance is even harder to defend in the context of the publicity surrounding the repeated legal problems of recent managing directors.

Still, the board had good reasons to keep Lagarde despite her conviction. She has been highly effective, well liked and much admired, and she has significantly improved the IMF's external standing and deepened important relationships. Moreover, the lack of any penalties softened the bite of Monday's ruling.

Had the board decided to opt for a new director, it would have had to fall back on what is still a flawed selection process. Specifically, it is too nationality-centric and insufficiently meritocratic; it involves backroom deals and horse trading among a small set of countries; it is influenced more by the defense of national prestige than adherence to a well-crafted job description; and the way it is conducted undermines the needed due diligence.

In short, it is outmoded and biased and lacks legitimacy, inclusiveness, transparency and, therefore, [credibility](#).

The IMF board should take this opportunity to go beyond reaffirming its full confidence in Lagarde's leadership. It should also move decisively toward creating a selection process that is genuinely open to all nationalities based on merit, that allows for deep due diligence by an internationally balanced and credible committee, and that involves a fair final vote by member countries. Without all that, the IMF risks another blow to its credibility, thereby undermining its much-needed contribution to global policy coordination and well-being, as well as its role as a trusted adviser to national authorities.

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