

CONFIDENTIAL

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COMMITTEE ON RULES FOR THE 1984
REGULAR ELECTION OF EXECUTIVE DIRECTORS

Meeting 84/1
10:30 a.m., July 10, 1984

J. Tvedt, Chairman

Executive Directors

M. Finaish
R. K. Joyce
R. N. Malhotra
G. Salehkhoul
N. Wicks

Alternate Executive Directors

W. B. Tshishimbi
C. Flamant, Temporary
M. Teijeiro

O. Kabbaj
T. A. Clark

J. W. Lang, Jr., Secretary
J. C. Corr, Assistant

Also Present

G. Lovato
Y. A. Nimatallah
J. J. Polak
A. R. G. Prowse

T. Yamashita

M. A. Senior
Zhang Z.

E. I. M. Mtei
J. L. Feito

External Relations Department: I. S. McDonald. Legal Department:
G. P. Nicoletopoulos, Director. Secretary's Department:
B. R. Hughes. Treasurer's Department: R. B. Hicks, G. Wittich.
Advisors to Executive Directors: S. E. Conrado, A. Vasudevan.
Assistants to Executive Directors: J. Bulloch, M. B. Chatah,
V. Govindarajan, E. Landis, C. A. Salinas, A. A. Scholten.

1. 1984 REGULAR ELECTION OF EXECUTIVE DIRECTORS

The members of the Committee considered a staff paper on the 1984 Regular Election of Executive Directors (EB/CREED/84/1, 6/20/84), together with a note by the Secretary on the calculations relating to additional appointed Executive Directors (EBD/84/184, 7/6/84). They also had before

them a draft report to the Executive Board of the Committee on Rules for the 1984 Regular Election of Executive Directors (ER/CREED/84/2, 7/6/84) and a working paper providing background material on the votes needed to elect Executive Directors.

(a) Appointment of Executive Director by Saudi Arabia

Mr. Nimatallah confirmed that his authorities intended to continue to appoint an Executive Director.

(b) Size of the Executive Board and critical percentages

Mr. Malhotra said that the number of elected Executive Directors should remain at 16. With regard to the question of critical percentages, he noted that one of the constituencies would not receive the minimum of 4 percent of eligible votes, and he wondered whether that situation would create problems.

The Director of the Legal Department replied that if, for example, there were 16 candidates, 15 of whom were elected with more than the minimum required votes, the sixteenth candidate would also be elected even if he or she did not receive the critical 4 percent. A more general question, to which Mr. Malhotra's point was related, was whether at least two Executive Directors would be elected by the African countries. Although there was no legal guarantee in the Rules for Election of Executive Directors or in the Articles of Agreement, there had been indications by the Board of Governors that, if the current structure of the Executive Board were endangered, the Board of Governors would create an additional chair by increasing the number of elected Directors. The question had been discussed in the course of the Second Amendment of the Articles. While it had been agreed not to create provisions establishing a geographical basis for the election of Directors, the sentiments of the Executive Board and the Board of Governors on the question had been included in the record of the legislative history of the Amendment, specifically in the Commentary on the Second Amendment.

Mr. Malhotra asked whether, if a situation arose in which the current structure of the Executive Board was endangered, it would require an amendment of the Articles to ensure the election of two Executive Directors from the African countries.

The Director of the Legal Department said that it would not be necessary to amend the Articles. Article XII, Section 3(b) read in part:

...(ii) fifteen shall be elected by the other members. For the purpose of each regular election of Executive Directors, the Board of Governors, by an 85 percent majority of total voting power, may increase or decrease the number of Executive Directors in (ii) above.

It was being proposed that the present number--16--should be retained; however, if the circumstances that he had referred to were to arise, the Board of Governors had indicated its intention to create a seventeenth chair.

Mr. Tshishimbi commented that, if the countries in Africa south of the Sahara were able to elect only one Executive Director, the burden that Director would be excessive, and he would be unable to give adequate attention to the interests of all members that had elected him. As was pointed out in Attachment II to EB/CREED/84/1, the Executive Board continued to be concerned with that problem and would "consider it promptly and propose immediate action should the necessity arise." Why did the Articles of Agreement not include a provision to the effect that, in order to preserve the balance in the Executive Board, the Board of Governors would change the number of Executive Directors to be elected to ensure that sub-Saharan Africa would elect at least two Executive Directors?

The Director of the Legal Department replied that the inclusion of the statement of the sentiments of the Board of Governors in the Commentary on the Second Amendment had been intended to give further assurance that the Board of Governors would act to increase the number of Executive Directors if circumstances required. The question of regional representation had been extensively discussed in the course of the discussions on the Second Amendment, but it had not been felt appropriate to include provision for that purpose. In fact, provisions guaranteeing a minimum representation for the "American Republics" had been taken out of the Articles.

Mr. Tshishimbi remarked that he accepted that the question had been amply discussed at the time of the Second Amendment and that it had been decided not to include a provision for geographical representation in the Articles of Agreement. Nevertheless, perhaps it would be useful if the Executive Board could reaffirm its concern and its commitment to take appropriate steps to ensure that there was a proper balance in the Executive Board.

Mr. Wicks stated that he agreed with Mr. Malhotra that the number of elected Executive Directors should be maintained at 16. He had a good deal of sympathy for the views put forward by Mr. Tshishimbi. The burden on the African Executive Directors was extremely heavy; it would be unthinkable to allow a situation to arise in which only one Executive Director represented African countries. In that regard, the remarks of the Director of the Legal Department with reference to the commitment of the Board of Governors to ensure a proper balance in the Executive Board had been reassuring.

Mr. Mtei suggested that further assurance that no problem might arise could be given if the Committee recommended that the lower critical percentage be reduced to 3.5 percent from 4 percent. Such a course of action would reduce the possibility that the members of one of the African constituencies might not be able to elect an Executive Director if, for example, there were more than 16 candidates.

The Director of the Legal Department commented that, while it was possible to lower the percentage, to do so might not meet the concerns expressed by Mr. Mtei. Indeed, such action could create additional problems because it would increase the possibility of the emergence of a separate constituency from another geographical area.

Mr. Flamant said that his chair supported the maintenance of the existing geographical balance in the Board.

Mr. Joyce stated, that, like Mr. Wicks, he believed it was essential that there should continue to be at least two Executive Directors from Africa. He would prefer to maintain the lower critical percentage at 4 percent for the reasons outlined by the Director of the Legal Department.

Mr. Malhotra remarked that in its report the Committee could express the unanimous hope that the present regional balance in the Executive Board would continue.

Mr. Nimatallah said that he supported Mr. Malhotra's suggestion.

The Chairman concluded that the Committee members agreed that the number of elected Executive Directors should be maintained at 16, taking account of the view of the Board of Governors expressed in Resolution No. 36-3, and that the Committee also agreed that the critical percentages should be 9 percent and 4 percent, as set forth in Schedule E of the Articles of Agreement.

(c) Draft "Regulations for the Conduct of the 1982 Regular Election of Executive Directors"

The Committee members approved without change the draft regulations set out in Attachment III to EB/CREED/84/1.

(d) Draft Report of the Committee on Rules for 1984 Regular Election of Executive Directors

The Committee members agreed to consider the draft report in EB/CREED/84/2 page by page.

Page 1

The Secretary noted that in the second line of the last paragraph the date "June 30, 1984" should be corrected to read "June 15, 1984."

Page 2

Mr. Malhotra suggested that the wording of the first full paragraph on page 2 could be strengthened by adding:

...and expects that the present regional balance of representation in the Executive Board will be maintained.

Pages 3-4

The Secretary observed that normally the Fund and the World Bank coordinated the mailing dates for the two sets of election rules. He suggested that the blank in paragraph 2 of the draft decision should read "July 25, 1984" and that the blank in line 3 of paragraph 3 should read "September 4, 1984." He would be in touch with the Secretary of the World Bank in order to ensure that the same dates would be included in the corresponding decision taken by the Executive Board of the Bank.

Page 5

No comment.

Page 6

The Secretary said that the letter by the Chairman of the Executive Board to the Saudi Arabian authorities would be sent in August. Accordingly, the date would be amended.

Page 7

No comment.

Page 8

The Chairman remarked that the final complete sentence would require a slight amendment to take account of the suggestion by Committee members to reaffirm the Executive Board's commitment to maintaining a desirable geographical balance in the Board.

Pages 9-10

No comment.

The Committee members approved the draft report to the Executive Board with the suggested amendments.

APPROVED: November 20, 1984