

CONFIDENTIAL

November 6, 2008
Approval: 11/13/08

COMMITTEE ON RULES FOR THE 2008 REGULAR
ELECTION OF EXECUTIVE DIRECTORS

Meeting 08/2

10:00 a.m., July 17, 2008

A. Mozhin, Chairman

Executive Directors

J. Henriksson (NO)

J. Mojarad (MD)

L. Rutayisire (AF)

Alternate Executive Directors

S. Krishnan (IN), Temporary
D. Heath (UA)

H. Mori (BR) , Temporary

D. Vogel (AG), Temporary

K. Meyers, Secretary
W. Rahman-Garrett, Assistant

Also Present

A. Fayolle (FF)
Ge, H. (CC)
W. Kiekens (BE)
D. Kotegawa (JA)
T. Moser (SZ)

A. S. Shaalan (MI)

P. Warjiyo (ST)

A. Al Nassar (SA)
J. Bergo (NO)

S. O'Sullivan (CO)

C. Sucharitakul (ST)

Y. Yakusha (NE)

Finance Department: D. Andrews, C. Hatch. Legal Department: D. Eastman, H. Elizalde.
Secretary's Department: B. Esdar, P. Martin, C. Sevy. Senior Advisors to Executive
Directors: N. Riad, S. Rouai, . Advisors to Executive Directors: M. Daud, A. Eng,
S. Duggan, N. Imamura, H. Li, I. Mannathoko, A. Rieck, J. Thornton, E. Valle.

1. CREED—APPOINTMENT OF EXECUTIVE DIRECTORS UNDER ARTICLE XII, SECTION 3(c)

The Chairman (Mr. Mozhin) made the following statement:

The purpose of this meeting is very straightforward. We need to endorse the report on the regular elections of Executive Directors. There are quite a few important formal elements in the process. And for that reason, I would prefer to follow my speaking notes so that all of the important elements are covered.

The meeting is called to order. We meet this afternoon to consider the Rules for the 2008 Regular Election of Executive Directors, which were circulated to you in the form of a draft report in EB/CREED/08/04 on July 15, 2008. A background note on Additional Executive Directors Appointed Under Article XII, Section 3(c) was issued in EBD/08/77 on July 15, 2008.

It might be helpful for me to note a few matters before I open the floor for discussion. First, I should note that these rules are substantively the same as the rules for the 2006 election of Executive Directors.

Second, as you are aware, the background note on additional Executive Directors appointed under Article XII, Section 3(c) reflects the revised methodology for the purpose of measuring creditor positions that was adopted on Tuesday, July 15.

Third, as the 2008 regular election of Executive Directors is scheduled to be concluded on October 13, 2008, a reconsideration of Decision No. 597-4, which sets the terminal date for the 22-month period used in the calculation under Article XII, Section 3(c), is required. As in the past 3 elections that concluded in October rather than September, the rules recognize that the election will take place mainly in September, and recommend that no change be made in the terminal date, which is July 31, 2008.

Fourth, as in 2006, the proposed rules include a provision for 19 elected Executive Directors, and the same minimum and maximum percentages of eligible votes required for election (4 percent and 9 percent, respectively).

Fifth, as you may be aware, the World Bank's election committee recommended on July 9, 2008 that the number of elected Directors remain at 19, and that the minimum and maximum voting percentages in the Bank remain at 2 percent and 10 percent, respectively.

Does the staff have anything to add? If not, I would now welcome comments or questions from Board members on the draft report to the Executive Board. May I start please with the members of the Committee.

Mr. Heath thanked the Chairman for his good work on the issue. His chair supported the proposals in the documents.

Messrs. Mori, Mojarrad, Rutayisire, Torres, and Krishnan also expressed support for the proposal.

The Chairman (Mr. Mozhin) asked if there were any Directors who did not support the proposal, or who had questions.

Mr. Ge supported the proposal. He asked the staff to clarify the meaning of page 8, paragraph 9, in the report, which stated that the Executive Board also considered the maximum and minimum percentage of eligible votes requested for the election. The Board concluded that it was unnecessary to change the maximum of 9 percent and the minimum of 4 percent established in the schedule E of the Articles of Agreement. What did that 9 percent and 4 percent refer to?

The Chairman (Mr. Mozhin) explained that there was a rule that every time the minimum and maximum percentages needed for the Executive Directors in elected chairs had to be approved. There was no chair among the elected chairs that had a percentage of votes larger than 9 percent. There was one appointed chair which had a higher voting power and a larger percentage of votes. The rationale behind the rule was to ensure that constituencies established in the Fund were not too large, so that there was not too much concentration of voting power in the Board. For that reason, there was a cap on the a maximum percentage of votes for an Executive Director. On the other side, the minimum level of support was also established. The Secretary (Mr. Meyers) had also endorsed that explanation.

Mr. Ge asked whether the percentage referred to each office.

The Chairman (Mr. Mozhin) confirmed that paragraph 9 on page 8 specified the maximum and minimum percentage for every individual Executive Director's office.

Mr. Fayolle asked for clarification about the 2 percent and 10 percent that were mentioned in the same section of the report.

The Chairman (Mr. Mozhin) noted that those percentages applied to the World Bank.

Mr. Fayolle asked whether the Fund was applying the same rules as the World Bank.

The Chairman (Mr. Mozhin) stated that there were differences between the Fund and the World Bank. The percentages were flexible and were not necessarily that significant, as the Board was aware of the voting power of every elected chair. The Fund's elected chairs had a percentage of votes that was between 4 and 9 percent. That range excluding appointed Executive Directors.

The Secretary (Mr. Meyers) confirmed that that was the case.

The Chairman (Mr. Mozhin) clarified that the minimum amount of 4 percent was not the percentage of the total vote, and that the Fund excluded appointed Executive Directors from falling within the range specified in the report.

Mr. Fayolle said the Fund complied with the rules.

The Chairman (Mr. Mozhin) agreed that the Fund, like the World Bank, complied with the rules. However, there were chairs that had less than 4 percent of voting power.

The staff representative from the Legal Department (Mr. Elizalde) noted that those percentages did not relate to the total voting power of Executive Directors in the Board. It related to the number of votes that could be voted in favor of electing an Executive Director, and for that purpose, only the votes of members that were eligible to vote in the election of Executive Directors were taken into account. That was to say, the votes of the five members that appointed Executive Directors were not taken into account in determining the percentages needed for electing Executive Directors.

The Chairman (Mr. Mozhin) asked the staff whether the constituencies were sized in such a way that when the appointed chairs' voting power was excluded, the other constituencies would be above 4 percent.

The staff representative from the Legal Department replied that for the most part that was correct for elections but that in any event, when the number of positions to be filled corresponded to the number of candidates, the 4 percent was not binding.

The Chairman (Mr. Mozhin) made the following additional statement:

I assume that we can conclude now that we have an endorsement of the committee for the report. The report will be circulated to the Board for a lapse-of-time approval.

I also take it that Directors would wish to recommend that the number of elected Directors be kept at 19, and that the minimum and maximum voting percentages be kept at 4 percent and 9 percent, respectively.

The only remaining matter to address is the appropriate dates to be inserted in the blanks in the proposed decision. I would suggest that as the Chairman of the committee, I could circulate my report on the outcome of our meeting to the Executive Board for lapse-of-time consideration tomorrow morning. The lapse of time period could close at the close of business on Thursday, July 25. The period of the vote by the governors on the proposed resolution could then be July 28 through August 11 as indicated in the proposed decision.

Mr. Kiekens noted that the period for nominating candidates was relatively short compared to the voting period for the election.

The Secretary (Mr. Meyers) explained that the period allotted for nominations was constrained by the need to allow time, during July 28 to August 11, for the approval of the rules.

The Chairman (Mr. Mozhin) stated that there was a very tight schedule, as the Fund was two to three weeks behind the World Bank because of the complications with Article XII, Section III (c). The office of his governor had already received documentation from the World Bank and was asking where the Fund stood on the issue. Unfortunately, the Fund was desynchronized with the World Bank, so period for the approval of the rules would be a very condensed process. That was the reason why the Fund's governors should be reminded of the very tight schedule.

The meeting adjourned at 10:17 a.m.

APPROVAL: November 13, 2008