

EB/CREED/76/1

July 8, 1976

To: Members of the Committee on Rules for 1976  
Regular Election of Executive Directors

From: The Committee Secretary

Subject: Background Information

Mr. Jagannathan has suggested that the following papers be circulated to the members of the Committee for information:

- (1) Size and Structure of the Executive Board  
(SM/72/154, Supplement 1)
- (2) Resolution No. 27-12 of the Board of Governors  
taking note of the Report of the Executive  
Directors on the Size and Structure of the  
Executive Board
- (3) Report of the Committee on Rules for the 1974  
Regular Election of Executive Directors
- (4) A working paper on the current voting situation.

Calculations under Article XII, Section 3(c) has been circulated as EBD/76/137. Also EBD/76/140 proposes that Executive Directors decide to maintain the date of July 31 as the end of the "preceding two-year period" for the purpose of the calculations to be made under Article XII, Section 3(c).

Att: (4)

Other Distribution:  
Members of the Executive Board

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

Attachment 1

SM/72/154  
Supplement 1

July 25, 1972

To: Members of the Executive Board  
From: The Secretary  
Subject: Size and Structure of the Executive Board

There is attached for the records of the Executive Directors the text of the decision taken at Executive Board Meeting 72/82 (7/24/72) on the size and structure of the Executive Board.

Att: (1)

Other Distribution:  
Department Heads

Decision on Size and Structure of the Executive Board

- I. The Board of Governors is requested to vote without meeting pursuant to Section 13 of the By-Laws of the Fund upon the Draft Resolution attached hereto.
- II. The Secretary is authorized and directed to send the Report and Draft Resolution attached hereto to each member of the Fund, by airmail or other rapid means of communication, on or about August 3, 1972.
- III. The Executive Directors of the Fund have approved the submission of the attached Draft Resolution to the Board of Governors of the Fund for a vote without meeting pursuant to Section 13 of the By-Laws, and waive the requirement that Governors shall not vote on any motion presented by the Executive Directors until seven days after the dispatch of the motion.
- IV. To be valid votes must be cast by Governors or Alternate Governors by airmail or other rapid means of communication and must be received at the seat of the Fund on or before August 31, 1972. Votes received after that date will not be counted.
- V. All votes cast pursuant to this Resolution shall be held in the custody of the Secretary until counted.
- VI. All votes and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.
- VII. The Secretary is authorized to take such further action as he shall deem necessary or appropriate in order to carry out the purposes of this decision.

Report of the Executive Directors  
to the Board of Governors

Size and Structure of the Executive Board

1. In the course of the preparation of the Rules for the Conduct of the 1970 Regular Election of Executive Directors, questions were raised relating to the size and structure of the Executive Board. One of the questions was the optimal size of the Executive Board. Under Article XII, Section 3(b) of the Articles of Agreement, when countries not listed in Schedule A enter the Fund, the Board of Governors, by a four-fifths majority of the total voting power, may increase the number of executive directors to be elected. In the course of the discussion, it was observed that each increase in the number of executive directors to be elected in the past had been based on the acceptance of membership by countries that had, as a minimum, the number of votes considered appropriate for an increase in the circumstances then prevailing. In 1970 the application of that test would not have justified an increase in the size of the Executive Board to 21, and the same is true in 1972. It was also pointed out, however, that the approach followed in the past was not mandatory under the Articles, and that it was proper to take other factors into account, including the effect of the size of the Board on the dispatch of its business, in establishing the number of executive directors to be elected.

2. Another question that was discussed in 1970 stemmed from a request that the rules of election make provision for two seats for groups of countries in Africa. It was pointed out that the two additions, in 1963 and 1964, to the number of elected executive directors were based principally on the entry into the Fund during the early 1960's of a large number of countries in Africa. As a result, at present one executive director has been elected by 15 members and another by 18 members, all but one of which are in this area. There was broad support for the view that, if the large number of countries in this area were to elect only one executive director, the burden on him would be excessive, and he would be unable to give adequate attention to the interests of all members that elected him. Concern was expressed that this result would hinder the efficient conduct of the business of the Executive Directors, particularly when the interests of these members were involved. There was widespread support for the view that it was desirable that this large number of countries should have the opportunity to elect two executive directors under the present Articles.

3. It was not intended to reach any conclusions on these questions before the 1970 election. It was felt that these and other questions related to the question of the size and structure of the Executive Board deserved further study. Accordingly, paragraph 7 of the Report of the Executive Directors to the Board of Governors on the rules for the 1970 election stated that:

"The Executive Directors consider it desirable to continue to give attention to the problems of the size and structure of the Executive Board. They intend to complete a study of these matters within 2 years, bearing in mind the recurrent need to prepare for the biennial elections of Executive Directors."

4. Since the 1970 election, the Executive Board has discussed the following topics connected with the size and structure of the Executive Board:

- a. The consequences of the potential membership of numerous small states.
- b. Geographical and other patterns of distribution of directorships.
- c. Basic votes under Article XII, Section 5(a) and their relation to the election of executive directors.
- d. Additional assistance to executive directors.
- e. The possibility of new election rules for nominees of large groups of members.

5. As a first result of these discussions, in 1971 the Fund's administrative rules were changed by the Executive Directors to provide for the appointment of an Advisor to Executive Director, to assist each executive director who has been elected by more than ten members.

6. The Executive Board believes that, for the time being at least, the size of the Executive Board and the procedures for electing executive directors should continue as in the past. The Executive Board continues to be concerned, however, with the problem referred to in paragraph 2 above, and will consider it promptly and propose immediate action should the necessity arise.

7. In view of the foregoing, the Executive Board recommends that the Board of Governors adopt the following Resolution:

DRAFT RESOLUTION

The Board of Governors hereby resolves to take note of the Report of the Executive Directors on the Size and Structure of the Executive Board and in particular paragraphs 2 and 6 of the Report.

Resolution No. 27-12  
Size and Structure of the Executive Board

*In accordance with paragraph 7 of the Report of the Executive Directors to the Board of Governors on the Rules for the Conduct of the 1970 Regular Election of Executive Directors, the Executive Directors made a study of the size and structure of the Executive Board, bearing in mind the recurrent need to prepare for the biennial elections of Executive Directors. The Executive Board resolved on July 24, 1972 to submit a report on the size and structure of the Executive Board to the Board of Governors.*

*In accordance with Section 13 of the By-Laws, the following Resolution was submitted to the Governors on August 3, 1972 for a vote without meeting:*

Resolved:

The Board of Governors hereby resolves to take note of the Report of the Executive Directors on the Size and Structure of the Executive Board and in particular paragraphs 2 and 6 of the Report.

*The Board of Governors adopted the foregoing Resolution, effective August 31, 1972.*

Report of the Executive Directors  
to the Board of Governors

1974 Regular Election of Executive Directors

1. Pursuant to Resolution No. 27-11 of the Board of Governors, a Regular Election of Executive Directors shall take place at the 1974 Annual Meeting of the Board of Governors. Draft rules recommended by the Executive Directors for the conduct of the 1974 election are attached (Annex A). The Executive Directors have taken note that no member not already entitled to appoint a director will be entitled to appoint a director this year pursuant to Article XII, Section 3(c).
2. The Executive Directors do not propose any change in the number of directors to be elected, believing that no increase would be justified on the basis of the principles followed in the past. They note that the present number of twenty directors has made it possible to preserve the efficiency of the Executive Board while also permitting an acceptable distribution of seats between developed and developing countries, as well as a wide geographical representation. The Executive Directors also draw renewed attention to the report, made to the Board of Governors in August 1972 on the size and structure of the Executive Board. The type of problem to which that report drew attention, and which was noted by Resolution 27-12 of the Board of Governors, may recur this year and the Executive Directors underline the great importance of an acceptable balance in the representation on the Executive Board and on the proposed Interim Committee that would be based upon the same constituencies. There was a strong feeling among many executive directors that a lack of this acceptable balance would call for prompt corrective action.

3. The Executive Directors, therefore, recommend in the draft rules that the Board of Governors provide for the election of 12 directors under Article XII, Section 3(b)(iii) and for the election of 3 directors under Article XII, Section 3(b)(iv) in the 1974 Regular Election.
4. The Executive Directors have considered the desirability of setting an earlier date than heretofore for the closing of nominations in order that Governors might have more time for discussion and decisions in the event that more candidates are nominated than there are seats to be filled. They have concluded, however, that a lengthening of the period between the closing of nominations and the election would contribute little to solve the problem and recommend that nominations be accepted, as heretofore, up until noon on the day preceding the date of the election.
5. The Executive Directors recommend in the draft rules that the maximum and minimum percentages of eligible votes should be the same as in the 1972 Regular Election, i.e., 13 per cent and 5 1/2 per cent, respectively, in the election under Article XII, Section 3(b)(iii), and 38 per cent and 28 per cent, respectively, in the election under Article XII, Section 3(b)(iv).
6. It is also proposed in the draft rules that the Executive Directors elected in the 1974 Regular Election take office on November 1, 1974 and that the subsequent Regular Election of Executive Directors take place at the Annual Meeting of the Board of Governors in 1976.
7. A draft Resolution of the Board of Governors attached as Annex B, to approve the above recommendations, is proposed for adoption.

8. For the convenience of members that participate in the election, the Executive Directors suggest that the election be scheduled to take place during the Tuesday morning session of the 1974 Annual Meeting in order to give the Governors time to take the election grouping into account in making arrangements for the proposed Interim Committee of the Board of Governors of the International Monetary Fund.

Annexes (2)

Proposed Rules for the Conduct of the 1974 Regular  
Election of Executive Directors of the Fund

1. Definitions: In these Rules, unless the context shall otherwise require:
  - (a) "Articles" means the Articles of Agreement of the Fund.
  - (b) "Board" means the Board of Governors of the Fund.
  - (c) "Chairman" means the Chairman of the Board or a Vice Chairman acting as Chairman.
  - (d) "Governor" includes the Alternate Governor or any temporary Alternate Governor when acting for the Governor.
  - (e) "Secretary" means the Secretary or any acting Secretary of the Fund.
  - (f) "Election" means the 1974 Regular Election of Executive Directors.
2. Date of Election: The election shall be held during the 1974 Annual Meeting at a time to be fixed by the Board.
3. Basic Rules--Schedule C: Subject to the adjustments set forth herein, the provisions of Schedule C of the Articles shall apply to the conduct of the election.
4. Executive Directors to be Elected Under Article XII, Section 3(b)(iii):
  - (a) Twelve Executive Directors shall be elected under Article XII, Section 3(b)(iii).
  - (b) In view of the number of Executive Directors to be elected under Article XII, Section 3(b)(iii):
    - (i) 5 1/2 per cent shall be substituted for "nineteen per cent" in paragraphs 2 and 5 of Schedule C.
    - (ii) 13 per cent shall be substituted for "twenty per cent" in paragraphs 3, 4, and 5 of Schedule C.
    - (iii) "Twelve directors" shall be substituted for "five directors" and "twelve persons" shall be substituted for "five persons" in paragraph 2 of Schedule C.
5. Executive Directors to be Elected Under Article XII, Section 3(b)(iv): Three Executive Directors shall be elected under Article XII, Section 3(b)(iv), and

- (a) The minimum percentage of the eligible votes required for election under this subparagraph shall be 28 per cent.
- (b) The maximum percentage of eligible votes for any one nominee for the purposes of paragraph 13 below shall be 38 per cent.

6. Nominations:

- (a) Any person nominated by one or more Governors entitled to vote in the election shall be eligible for election as Executive Director.
- (b) Each nomination shall be made on a Nomination Form furnished by the Secretary, signed by the Governor or Governors making the nomination and deposited with the Secretary.
- (c) A Governor may nominate only one person.
- (d) Nominations may be made until 12 o'clock noon on the day before the day on which the election is scheduled to be held. The Secretary shall post and distribute a list of the persons nominated.

7. Supervision of the Election: The Chairman shall appoint such tellers and other assistants and take such other action as he deems necessary for the conduct of the election.

8. Ballots: One ballot form shall be furnished, before a ballot is taken, to each Governor entitled to vote. On any particular ballot only ballot forms distributed for that ballot shall be counted.

9. Balloting--Order: The first ballot shall be simultaneous balloting of all the Governors entitled to participate in the election of Executive Directors under Article XII, Section 3(b)(iii), and all of the American Republics entitled to participate in the election of Executive Directors under Article XII, Section 3(b)(iv). The balloting for the Executive Directors elected under Article XII, Section 3(b)(iii), shall then be concluded before any further ballots are taken for the Executive Directors to be elected by the American Republics.

10. Balloting--General: Each ballot shall be taken as follows:

- (a) There shall be a call of members whose Governors are entitled to vote and each ballot, signed by the Governor, shall be deposited in the ballot box.
- (b) When a ballot shall have been completed, the Chairman shall cause the ballots to be counted and shall announce the names of the persons elected before the end of the session at which the election is held. If a succeeding ballot is necessary, the Chairman shall announce the names of the nominees to be voted on and the members whose Governors are entitled to vote.

- (c) If the tellers shall be of the opinion that any particular ballot form is not properly executed, they shall, if possible, afford the Governor concerned an opportunity to correct it before tallying the results; and such ballot form, if so corrected, shall be deemed valid.

11. Balloting and Election of Executive Directors Under Article XII, Section 3(b)(iii):

- (a) When on any ballot the number of nominees shall not exceed the number of Executive Directors to be elected, each nominee shall be deemed to be elected by the number of votes received by him on such ballot; provided, however, that if on such ballot the votes of any Governor shall be deemed under paragraph 4 of Schedule C to have raised the votes cast for any nominee above 13 per cent of the eligible votes, no nominee shall be deemed to have been elected who shall not have received on such ballot a minimum of 5 1/2 per cent of the eligible votes and a succeeding ballot shall be taken for which any nominee not elected shall be eligible.
- (b) If, as a result of the first ballot, the number of Executive Directors to be elected in accordance with paragraph 4 above shall not have been elected, a second and, if necessary, further ballots shall be taken. The Governors entitled to vote on such succeeding ballots shall be only (i) those Governors who voted on the preceding ballot for any nominee not elected, and (ii) those Governors whose votes for a nominee elected on the preceding ballot are deemed under paragraph 4 of Schedule C to have raised the votes cast for such nominee above 13 per cent of the eligible votes.
- (c) The votes of a Governor shall not be deemed under paragraph 4 of Schedule C to have raised the total votes for a nominee above 13 per cent of the eligible votes if without the votes of such Governors such total would be more than 5 1/2 per cent but not more than 13 per cent of the eligible votes.
- (d) If on any ballot two or more Governors having an equal number of votes shall have voted for the same nominee and the votes of one or more, but not all of such Governors could be deemed under paragraph 4 of Schedule C to have raised the total votes received by such nominee above 13 per cent of the eligible votes, the Chairman shall determine by lot the Governor or Governors, as the case may be, who shall be entitled to vote on the next ballot.
- (e) If a Governor shall abstain from voting on any ballot taken under Article XII, Section 3(b)(iii), he shall not be entitled to vote on any subsequent ballot and his votes shall not be counted within the meaning of Article XII, Section 3(i), toward the election of any Executive Director. - If at the time of any ballot a member shall not have a duly appointed Governor, such member shall be deemed to have abstained from voting on that ballot.

12. Votes Cast for Nominee Not Elected Under Article XII, Section 3(b)(iii)

Any member whose Governor has voted on the last ballot for a nominee not elected under Article XII, Section 3(b)(iii) may, before the effective date of the election, designate an Executive Director, who was elected under that provision, and he shall be deemed after the effective date of the election to have received that member's votes in the election.

13. Election of Executive Directors Under Article XII, Section 3(b)(iv):  
These Rules supplement paragraph 7 of Schedule C.

- (a) Each Governor eligible to participate in the election shall cast for one person all the votes to which he is entitled.
- (b) The three nominees receiving the greatest number of votes shall be elected, provided that no nominee shall be elected who receives less than 28 per cent of the eligible votes. The person elected with the least number of votes cast for the three elected nominees shall be deemed to have been elected by all the votes cast for him, all the votes not cast in the ballot through abstention from voting and all those cast for such other nominee or nominees as were not elected.
- (c) When on any ballot two or more Executive Directors remain to be elected and there are the same number of nominees, each nominee shall be elected by the number of votes received by him; provided, that if the votes of any Governor shall be deemed to have raised the votes cast for any nominee above 38 per cent of the eligible votes, no nominee shall be elected on that ballot who shall not have received 28 per cent of the eligible votes and a succeeding ballot shall be taken for which any nominee not elected on the preceding ballot shall be eligible.

14. Succeeding Ballots for Election of Executive Directors Under Article XII, Section 3(b)(iv):

- (a) If, as a result of the first ballot, the number of Executive Directors to be elected in accordance with paragraph 5 above shall not have been elected, a second and, if necessary, further ballots shall be taken. The Governors entitled to vote on such succeeding ballots shall be only (i) those Governors who voted on the preceding ballot for any nominee not elected or who abstained from voting on the preceding ballot and (ii) those Governors whose votes for a nominee elected on the preceding ballot are deemed to have raised the votes cast for such nominee above 38 per cent of the eligible votes. In determining whether the votes cast by a Governor are to be deemed to have raised the total of any nominee above 38 per cent of the eligible votes, the 38 per cent shall be deemed to include,

first, the votes of the Governor casting the largest number of votes for such nominee, then the votes of the Governor casting the next largest number of votes and so on until 38 per cent is reached.

- (b) The votes of a Governor under subparagraph (a) above shall not be deemed to have raised the total votes for a nominee above 38 per cent of the eligible votes if without the votes of such Governor such total would be more than 28 per cent but not more than 38 per cent of the eligible votes.
  - (c) If on any ballot two or more Governors having an equal number of votes shall have voted for the same nominee and the votes of one or more, but not all of such Governors, could be deemed under subparagraph (a) above to have raised the total votes received by such nominee above 38 per cent of the eligible votes the Chairman shall determine by lot the Governor or Governors, as the case may be, who shall be entitled to vote on the next ballot.
15. Elimination of Nominees: If on any ballot two or more nominees shall receive the lowest number of votes, no nominee shall be dropped from the next succeeding ballot, but if the same situation is repeated on such succeeding ballot, the Chairman shall eliminate by lot one of the nominees from the following ballot.
  16. Announcement of Result: After the last ballot the Chairman shall cause to be distributed a statement setting forth the result of the election.
  17. Effective Date of Election of Executive Directors: The effective date of election shall be November 1, 1974. Incumbent elected Executive Directors shall serve through the day preceding such date.
  18. General: Any question arising in connection with the conduct of the election shall be resolved by the tellers, subject to appeal, at the request of any Governor, to the Chairman and from him to the Board. Whenever possible, any such question shall be put without identifying the members or Governors concerned.

PROPOSED RESOLUTION

1974 REGULAR ELECTION OF EXECUTIVE DIRECTORS

RESOLVED:

(a) That the proposed Rules for the Conduct of the 1974 Regular Election of Executive Directors are hereby adopted; and

(b) That a Regular Election of Executive Directors shall take place at the Annual Meeting of the Board of Governors in 1976.

VOTES TO ELECT EXECUTIVE DIRECTORS

- |   |                       |
|---|-----------------------|
| 1. Total votes of 128 members, July 1, 1976:  | 324,114               |
| 2. Of which, votes of members appointing Executive Directors:<br>United States, United Kingdom, Germany, France, Japan:                     | <u>139,250</u>        |
| 3. Votes of members eligible to participate in electing Executive Directors:  | 184,864 <sup>1/</sup> |
| 4. Of which, votes eligible to be cast for election under Article XII,<br>3(b)(iv): Votes currently cast by Messrs. Suárez, Kafka, Gavaldá: | <u>29,490</u>         |
| 5. Votes eligible to be cast for remaining Executive Directors elected under<br>Article XII, Section 3(b) (iii):                            | 155,374 <sup>1/</sup> |
| 6. Of which, votes currently cast by the following Executive Directors:   |                       |

Mr. Palamenghi-Crispi	16,280
Mr. Drabble	14,320
Mr. Liefertinck	13,780
Mr. Deif	12,610
Mr. Jagannathan	12,380
Mr. de Groote	11,910
Mr. Asbrink	11,630
Mr. Kharmawan	11,574
Mr. Whitelaw	11,240
Mr. Monday	10,650
Mr. Amuzegar	10,060
Mr. Yaméogo	<u>9,020</u>
Total	145,454

7. Adjustment for votes of:

China <sup>2/</sup>	5,750
Grenada <sup>3/</sup>	270
Papua New Guinea <sup>3/</sup>	450
South Africa <sup>2/</sup>	<u>3,450</u>
	<u>9,920</u>

8. Sample percentages of total votes eligible to be cast under Article XII,  
Section 3(b) (iii): 155,374

5 per cent = 7,768.7	10 per cent = 15,537.4
5 1/2 per cent = 8,545.6	11 per cent = 17,091.5
6 per cent = 9,322.4	12 per cent = 18,645.3
7 per cent = 10,876.2	13 per cent = 20,199.0
8 per cent = 12,430.0	14 per cent = 21,752.8
9 per cent = 13,983.7	

<sup>1/</sup> Total would be increased if any applicant country were to become a member before the election.

<sup>2/</sup> Did not participate in the last election.

<sup>3/</sup> Became members after the last election.