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Room 8-313

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EB/CREED/80/1
Correction 1 Inserted

July 15, 1980

To: Members of the Committee on Rules for 1980
Regular Election of Executive Directors

From: The Committee Secretary

Subject: 1980 Regular Election of Executive Directors

The following corrections have been made in EB/CREED/80/1 (7/2/80):

Page 2, last complete para. following quoted material, lines 1-4:
for "As the Annual Meeting...deemed to end." read "As the Annual Meeting will not start until September 30, it is unlikely that the Regular Election will be held in September, and the Executive Board will have to take a decision to determine the date on which the two-year period will be deemed to end."

Page 5, first complete para., lines 1-2: for "As the Annual Meeting... July 1, 1980." read "As the next election is not expected to take place before October 1, 1980, the three-month period in advance will start on July 1, 1980."

Page 7, last para., line 9: for "October 1" read "September 30"

Corrected pages are attached.

Att: (3)

Other Distribution:
Members of the Executive Board
Department Heads

Two factors may affect the consideration of the appropriate regulations for the 1980 regular election. The first is whether a member again will be eligible to appoint an Executive Director in accordance with Article XII, Section 3(c). On the basis of the calculations to date, it appears almost a certainty that only Saudi Arabia will be eligible to appoint an Executive Director in accordance with that Article. The second is any change in quotas that might occur. These two factors are discussed in the next two sections. Section III discusses the substantive and procedural questions raised by these factors.

I. Appointment of an Executive Director in accordance with Article XII, Section 3(c)

Article XII, Section 3(c) provides that each of the two members, the holdings of whose currencies by the Fund in the General Resources Account have been reduced below their quotas on the average over the two years preceding an election by the largest absolute amounts in terms of the special drawing right, may appoint an Executive Director to serve during the next two-year term if they do not already appoint as one of the members with the five largest quotas. The calculations for this purpose are made on the basis of certain interpretations and conventions set out in "Calculations under Article XII, Section 3(c)", EBD/76/137, July 2, 1976, which is attached for information. (Attachment II)

The convention that will require action by the Executive Board this year is set out in Executive Board Decision No. 597-4 of July 28, 1950 (Selected Decisions, 8th Issue, p. 161), which states:

"The phrase 'the preceding two years' as used in Article XII, Section 3(c), shall be deemed to be the two-year period ending on the July 31 preceding the dates of regular biennial elections of Executive Directors. However, this decision shall be reconsidered if such regular elections are held in other months than September."

As the Annual Meeting will not start until September 30, it is unlikely that the Regular Election will be held in September, and the Executive Board will have to take a decision to determine the date on which the two-year period will be deemed to end. There seems no reason why July 31 should not be kept as the relevant date, i.e., this year. In the past when the election has been held in October, as last occurred in 1976, no change in the timing of the two-year period had been thought necessary. The purpose of Executive Board Decision No. 597-4 was to enable members to form their constituencies for the forthcoming election with knowledge of the members that are going to be involved in the election.

The same purpose is also reflected in the provisions of Section 18 of the By-Laws, Additional Directors. This By-Law provides, first, that

"Inquiries have been made with respect to the appropriate procedure for dealing with matters which require action by the Board of Governors and which arise in a period closely preceding the annual meeting of the Board. It is suggested that, as a matter of general procedure and provided circumstances of an exceptional nature do not dictate otherwise, such matters should be placed on the agenda of the annual meeting, rather than being handled by mail or cable vote, unless all steps preliminary to referral to the Board of Governors have been completed at least three months in advance of the meeting."

The understanding of that decision was that resolutions permitting the admission of new members or increases in quotas would not be submitted to the Board of Governors for adoption during the period referred to, but would normally be submitted for adoption at the annual meeting only after the impending regular election had been held. (See EB/CQuota/69/2, November 14, 1969, p. 2.)

As the next election is not expected to take place before October 1, 1980, the three-month period in advance will start on July 1, 1980. The Executive Board will have to decide whether the request from the People's Republic of China for an increase in quota can be considered and recommendations may be made to the Board of Governors either for a vote without meeting in accordance with By-Law 13 or during the Annual Meeting before the election is held. Even if the Executive Board were to decide to recommend that the Board of Governors act favorably on an increase in quota, a vote without meeting under By-Law 13 would be possible only if the recommendation could be made in sufficient time to assure adequate responses from Governors before Governors left for the various meetings that precede the Annual Meeting. The period for voting usually prescribed under By-Law 13 is four weeks.

The members of the Committee will have to consider the question whether China's participation in the forthcoming election either with its present quota of SDR 550 million or with an increased quota may necessitate a change in the number of the Executive Directors to be elected. In addition, if the Executive Board recommends that the Board of Governors adopt a resolution permitting China to increase its quota before the election, consideration will have to be given to the consequences for the procedure to be followed for the adoption not only of the resolution on China's quota but also the adoption of the supplementary regulations for this Regular Election. These questions are explored in the next section.

III. Questions for consideration

1. In light of what is said above, the Committee will need to consider both substantive and procedural questions. The main substantive questions involve:

rules early in the election process. For the Regulations to be adopted by a vote under By-Law 13, normally it would be desirable for all the matters of importance to the election to have been resolved by August 8 at the latest, the last business day before the informal recess that starts August 11, 1980. After the recess, there are only five weeks before the beginning of the Annual Meeting, so that a vote by mail would extend up to the time of the Annual Meeting.

The question of the timing of the recommendations on the supplementary regulations for the election may be affected by the substance and procedure recommended with respect to the request for a quota increase for China. If the recommendation is made that a quota increase be made available to China before the election and there is not sufficient time for a vote to be held by mail, the resolution would have to be voted by the Board of Governors at the Annual Meeting. If this procedure were followed, the Executive Board might wish to recommend that the regulations for the election be adopted during the Annual Meeting, perhaps in conjunction with the resolution on the increase in quota.

There have been a number of regular elections, although not in the recent past, for which the regulations have been adopted by the Board of Governors at a session of the Annual Meeting during which the election is held rather than earlier under By-Law 13. This procedure involved scheduling a meeting of the Joint Procedures Committee before the Annual Meeting, or at least, before the session at which the Regulations were to be adopted. On that basis, a Resolution proposing the adoption of the Regulations for the Regular Election could be introduced at a plenary session on September 30, the first day of the meeting, and it would stipulate, inter alia, the appropriate time for closing nominations and holding the election.