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**IMMEDIATE
ATTENTION**

Mr. George Nicoletopoulos

Room 8-313
#11

EB/CREED/80/4
Revision 2

August 4, 1980

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

From: The Committee Secretary

Subject: Report on the 1980 Regular Election of Executive Directors

There is attached an amended version of the draft report on the 1980 regular election of Executive Directors based on the Committee's discussion at the meeting held on Friday, August 1, 1980. Unless there is a request that this matter be taken up by the Committee prior to the close of business today, Monday, August 4, 1980, the draft report will be deemed approved by the Committee for transmittal to the Executive Board for its consideration.

Att: (1)

Other Distribution:
Members of the Executive Board
Department Heads

DRAFT

To: Members of the Executive Board August , 1980

From: Bernard J. Drabble, Chairman
Committee on the Rules for the 1980
Regular Election of Executive Directors

Subject: Report on the 1980 Regular Election of Executive Directors

As directed by the Executive Board (EBM/80/85, 5/30/80), the Committee on the Rules for the 1980 Regular Election of Executive Directors has considered the forthcoming election.

The Committee submits for the approval of the Executive Board and referral to the Board of Governors for a vote without meeting pursuant to Section 13 of the By-Laws the attached draft Report on the 1980 Regular Election together with supplemental regulations for the 1980 Regular Election and a draft proposed Resolution of the Board of Governors. The draft Report and the draft Resolution are based, first, on the notice that Saudi Arabia will appoint an Executive Director and, second, on the assumption that, by August 8, 1980, the Executive Board would have agreed for dispatch to the Board of Governors a proposed resolution on an increase in China's quota.

Section 13(c) of the By-Laws provides that votes are to be cast during such period as the Executive Board may prescribe. Section 13(d) of the By-Laws states that "the Executive Board may provide that no Governor shall vote on a motion during such period after the dispatch of the motion as the Executive Board prescribes." The Committee recommends that the Executive Board prescribe that votes be cast on or after the date the motion is to be sent to Governors, and be received on or before September 8, 1980. The Committee further recommends that the Executive Board not prescribe a period after dispatch of the motion during which no Governor may vote.

The following draft decision is proposed for adoption by the Executive Board:

1980 Regular Election of Executive Directors

1. 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, entitled 1980 Regular Election of Executive Directors, set forth in Attachment II to the Annex.

2. The Secretary is directed to send the Report of the Executive Board to the Board of Governors on the 1980 Regular Election of Executive Directors, in the Annex, and the draft Resolution on the 1980 Regular Election of Executive Directors to each member of the Fund by mail or other rapid means of communication on or before August __, 1980.

3. To be valid, votes must be cast by Governors or Alternate Governors on or after August __, 1980 and must be received at the seat of the Fund on or before September 8, 1980. Votes received after that date will not be counted.

4. The effective date of the Resolution of the Board of Governors shall be September 8, 1980, the last day allowed for voting.

5. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.

6. The Secretary is authorized to take such further action as he shall deem appropriate in order to carry out the purposes of this decision.

DRAFT

Report of the Executive Board to the Board of Governors

1980 Regular Election of the Executive Directors

1. Pursuant to Resolution No. 33-9 of the Board of Governors "a Regular Election of Executive Directors shall take place at the Annual Meeting of the Board of Governors in 1980." Draft Regulations for the Conduct of the 1980 Regular Election of Executive Directors recommended by the Executive Board are set forth in Attachment I to this Report.

2. The calculations made pursuant to Article XII, Section 3(c) and in accordance with Executive Board Decision No. 574-2 of May 18, 1950, as amended by Decision No. 2620-(68/141), of November 1, 1968, and the principle in Executive Board Decision No. 597-4 of July 28, 1950 indicate that Saudi Arabia is entitled to appoint an Executive Director for the two-year term beginning November 1, 1980. In accordance with Section 18(a) of the By-Laws, the Managing Director informed Saudi Arabia that it would be able to appoint. In response to the inquiries to it, Saudi Arabia informed the Managing Director that it would appoint an Executive Director pursuant to Article XII, Section 3(c) for the two-year period November 1, 1980 through October 1982 and that, as in the past, this Executive Director would cast votes only for Saudi Arabia.

3. Article XII, Section 3(b) provides that the Executive Board shall consist of five Directors appointed by the five members having the largest quotas and 15 Directors elected by the other members. Section 3(b) further provides that the number of 15 Directors to be elected "shall be reduced by one or two, as the case may be, if Executive Directors

are appointed under (c) below [i.e., Article XII, Section 3(c)], unless the Board of Governors decides, by an eighty-five percent majority of the total voting power, that this reduction would hinder the effective discharge of the functions of the Executive Board or of Executive Directors or would threaten to upset a desirable balance in the Executive Board." Therefore, with the appointment of an Executive Director by Saudi Arabia pursuant to Article XII, Section 3(c), the number of Directors to be elected will be reduced from 15 to 14 unless the Board of Governors decides, by the prescribed majority, to maintain the number of elective Directors. Faced with a similar situation in 1978, the Executive Board recommended and the Board of Governors agreed that an appointment of an Executive Director under Article XII, Section 3(c) should not be permitted to reduce the number of elective Executive Directors to 14 and in the Regulations for the 1978 Election provided that 15 Executive Directors be elected. The Executive Board again recommends that there should not be a reduction in the number of elective Executive Directors because of the appointment of Saudi Arabia for the two-year term beginning November 1, 1980. Paragraph 5(a) of the Draft Regulations provides that the number of elective Executive Directors will not be fewer than 15.

4. The People's Republic of China requested the Fund to increase the quota of China to "an amount commensurate with the importance of China in the world economy." The Executive Board in a separate action is recommending that the Board of Governors approve an increase in the quota

of China to SDR [] billion. This recommendation is being submitted to the Board of Governors for a vote without meeting in accordance with Section 13 of the By-Laws. The Executive Board considered the size and structure of the Executive Board in the light of this increase in the quota of China and possible other developments that might affect existing constituencies. The Executive Board believes that for it to be able to conduct its business efficiently, the size of the Board should be held to the minimum consistent with a desirable balance in its composition. Taking account of these considerations and the objectives set forth in Chapter 0, Section 2 of the Report by the Executive Directors to the Board of Governors on the Proposed Second Amendment to the Articles of Agreement, the Executive Board recommends that the number of elective Executive Directors be increased to 16 provided, however, that the number of elective Directors be only 15 if either (i) the total number of votes that Governors can cast in the first ballot of the Election has not been increased to more than 250,000 votes or (ii) fewer than 16 nominees receive on the first ballot at least 4.3 per cent each of the total votes that could be cast in that ballot. The total number of votes that Governors can cast in the first ballot of the 1980 Election will be increased to more than 250,000 votes if the proposed increase in the quota for China becomes effective before the election. The proposed supplemental regulations are intended to give effect to this recommendation. Paragraph 5(a) of these regulations provides that 16 Executive Directors shall be elected but that only 15 Executive

Directors shall be elected if either (i) the total of the votes that Governors can cast in the election has not been increased to more than 250,000 before the first ballot, or (ii) on the first ballot fewer than 16 of those persons nominated receive at least 4.3 per cent of the total votes that can be cast. In either event, the 15 with the highest numbers of votes will be elected if each has received more than 4.3 per cent of the total votes that can be cast. If fewer than 15 are elected on the first ballot, there would be a second ballot and Governors who voted for a nominee not elected or whose votes were deemed to have increased the votes of a nominee elected above 9 per cent of the total votes that could be cast would be entitled to vote for any of the eligible nominees not elected on the first ballot. If 15, but no more, Executive Directors are elected on the first ballot so that there would be no second ballot, members whose Governors voted for a nominee not elected would be able to designate, before November 1, 1980, an Executive Director that has been elected and the votes of that member would be counted towards his election.

5. In making these recommendations the Executive Board had in mind the relevant considerations in the discussion of this matter in Chapter 0, Section 2 of the Report by the Executive Directors to the Board of Governors on the Proposed Second Amendment to the Articles of Agreement. However, in light of the uncertainties and the circumstances that might develop, the Executive Board felt that the Board

of Governors should stand ready to consider the result of the Election in the light of Chapter O, Section 2, of the Report, and if it were determined that the election did not meet those objectives, that the Board of Governors should consider during the Annual Meeting whether it would be appropriate to provide for the election of an additional Executive Director. Paragraph 15(b) of the Regulations provides for this review and possible further action by the Board of Governors.

6. The Executive Board considered the maximum and minimum percentages of eligible votes required for election in light of the fact that Saudi Arabia would appoint an Executive Director under Article XII, Section 3(c). The Executive Board concluded that it was not necessary to change the maximum 9 per cent established in Schedule E of the Articles of Agreement, but that the minimum 4 per cent established in that Schedule should be changed to 4.3 per cent, and stated this position in paragraph 6 of the draft Regulations.

7. It is also recommended that the subsequent Regular Election of Executive Directors take place in the Regular Meeting of the Board of Governors to be held in 1982.

8. A draft Resolution of the Board of Governors, set forth in Attachment II, by which the Board of Governors would adopt the Regulations for the Conduct of the 1980 Regular Election of Executive Directors, set forth in Attachment I, and the recommendation under 7 above relating to the timing of the subsequent Regular Election, is proposed for adoption by a vote without meeting in accordance with Section 13 of

the By-Laws. The recommendation that the number of elective Executive Directors be increased to 16, and that it should be 15 if certain conditions are not met, requires that the draft Resolution be adopted by an eighty-five per cent majority of the total voting power, as specified in Article XII, Section 3(b).

Attachments I and II

REGULATIONS FOR THE CONDUCT OF THE 1980 REGULAR ELECTION OF
EXECUTIVE DIRECTORS OF THE FUND

1. Definitions: In these Regulations, 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 or a Vice Chairman acting as Chairman of the Board.
 - (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 1980 Regular Election of Executive Directors.
 - (g) "Eligible votes" means the total number of votes that can be cast in the election.
2. Date of Election: The election shall be held during a plenary session of the 1980 Annual Meeting to be held Wednesday, October 1, 1980.
3. Eligibility: The Governors eligible to vote in the election shall be all of the Governors except those of the members that:
 - (a) are entitled to appoint an Executive Director pursuant to Article XII, Section 3(b)(i);
 - (b) have notified the Managing Director, in accordance with the procedure established by the Executive Board, of their intention to appoint an Executive Director pursuant to Article XII, Section 3(c).
4. Schedule E: Subject to the supplemental regulations set forth herein, the provisions of Schedule E of the Articles shall apply to the conduct of the election.

5. Number of Executive Directors to be Elected:

- (a) Sixteen Executive Directors shall be elected, provided however, that only fifteen Executive Directors shall be elected (i) if the eligible votes for the first ballot have not been increased to more than two hundred fifty thousand votes, or (ii) if fewer than sixteen nominees receive at least four and three-tenths per cent each of the eligible votes on the first ballot.
- (b) If sixteen Executive Directors are to be elected, "sixteen persons" shall be substituted for "fifteen persons" in paragraph 2 of Schedule E.

6. Proportion of Votes Required to Elect:

In paragraphs 2 and 5 of Schedule E "four per cent" shall be changed to "four and three-tenths per cent". In paragraphs 3, 4, and 5 "nine per cent" shall not be changed.

7. Nominations:

- (a) Any person nominated by one or more Governors eligible to vote in the election shall be eligible for election as an 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.

8. 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.

9. Ballots and Balloting:

- (a) One ballot form shall be furnished, before a ballot is taken, to each Governor eligible to vote. On any particular ballot only ballot forms distributed for that ballot shall be counted.

- (b) Each ballot shall be by a call of members whose Governors are eligible to vote and each ballot, signed by the Governor, shall be deposited in the ballot box.
 - (c) When a ballot has been completed, the Chairman shall cause the ballots to be counted and shall announce the names of the persons elected promptly after the tellers have completed their tally of the ballots. 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 eligible to vote.
 - (d) If the tellers are 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 the ballot form, if corrected, shall be deemed valid.
 - (e) If a Governor does not vote on any ballot, he shall not be entitled to vote on any subsequent ballot and his votes shall not be counted, under Article XII, Section 3(i)(iii), towards the election of any Executive Director.
 - (f) If, at the time of any ballot, a member does not have a duly appointed Governor, such member or its Governor shall be taken not to have voted on that ballot.
10. If on any ballot there are more nominees than the number of Executive Directors to be elected and two or more nominees tie with the lowest number of votes, no nominee shall be ineligible for election in 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.
11. If on any ballot two or more Governors having an equal number of votes have voted for the same nominee and the votes of one or more, but not all, of these Governors could be deemed under paragraph 4 of Schedule E to have raised the total votes received by the nominee above nine 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.
12. When on any ballot after the first ballot, the number of nominees is the same as the number of Executive Directors to be elected, and no nominee is deemed to have received more than nine

per cent of the eligible votes, each nominee shall be considered elected by the number of votes received even though a nominee may have received less than four and three-tenths per cent of the eligible votes.

13. If the votes cast by a Governor raise the total votes received by a nominee from below to above nine per cent of the eligible votes, the votes cast by the Governor shall be deemed under paragraph 4 of Schedule E not to have raised the total votes of the nominee above nine per cent.
14. Any member whose Governor has voted on the last ballot for a nominee not elected may, before the effective date of the election, designate an Executive Director who was elected, and that member's votes shall be deemed to have counted towards his election.
15. Announcement and Review of Result:
 - (a) After the tally of the last ballot, the Chairman shall cause to be distributed a statement setting forth the result of the election.
 - (b) The Board of Governors, at the request of any Governor, will review the result of the election in order to determine whether, in light of the objectives set forth in Chapter 0, Section 2 of the Report by the Executive Directors to the Board of Governors on the Proposed Second Amendment to the Articles of Agreement an additional Executive Director should be elected to serve for the term of office commencing November 1, 1980.
16. Effective Date of Election of Executive Directors: The effective date of election shall be November 1, 1980, and the term of office of the elected Executive Directors, and of any Executive Director appointed under Article XII, Section 3(c), shall commence on that date. Incumbent elected Executive Directors shall serve through October 31, 1980.
17. General: Any questions 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.

Draft Resolution

1980 Regular Election of Executive Directors

RESOLVED:

- (a) That the proposed Regulations for the Conduct of the 1980 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 1982.