

**TREASURY RESPONSE TO QUESTIONS ON NOTICE – JOINT STANDING COMMITTEE ON TREATIES
HEARING ON THE NEW ARRANGEMENTS TO BORROW, 4 SEPTEMBER 2017**

1. In total, how many times has the IMF drawn-down funds from Australia under the New Arrangements to Borrow?

In January 1997, the IMF's Executive Board adopted the decision establishing the New Arrangements to Borrow (NAB), which became effective in November 1998.

- To date, the IMF has drawn down 22 loans from Australia under the NAB. The IMF drew down the first loan in December 1998. The remainder were drawn down between May 2011 and December 2015.
- Australia received 35 repayments of past NAB loans, the most recent being in August 2017.

The outstanding balance of our NAB loans is denominated in Special Drawing Rights (SDR), so its Australian dollar value changes with exchange rate movements. Figures below are rounded to the nearest million:

- As at 11 September 2017, the balance outstanding was SDR 323 million (A\$573 million).
- The balance peaked in Australian dollar terms at A\$1,004 million (SDR 569 million) in January 2014. The balance peaked in SDR terms at SDR 601 million (A\$998 million) in June 2014.

2. Is Treasury currently seeking advice on whether parliamentary oversight is required for any other borrowings or agreements where Australian taxpayers' money is being or has been lent to an international body?

Treasury is not currently seeking advice on any other borrowings or agreements.

3. In total, how much funding does Australia currently make available or is liable to provide to international financial institutions?

Australia has provided the following amounts¹ as paid-in contributions or contingent liabilities to international financial institutions.

- IMF
 - A\$11.67 billion (SDR 6.57 billion) as a paid-in quota contribution;
 - A\$3.94 billion (SDR 2.22 billion) as a contingent liability under the New Arrangements to Borrow; and
 - A\$8.19 billion (SDR 4.61 billion) as a contingent liability under the bilateral Loan Agreement between Australia and the IMF.
- World Bank Group

¹ All commitments are denominated in SDR (IMF), USD (World Bank, Asian Development Bank, Asian Infrastructure Investment Bank), or Euro (European Bank of Reconstruction and Development). These have been converted to Australian dollar amounts using the relevant exchange rate for 11 September 2017, rounded to two decimal places.

- A\$289.70 million (US\$233.35 million) in paid-in capital and A\$4.44 billion (US\$ 3.58 billion) in uncalled capital subscriptions with the International Bank for Reconstruction and Development;
- A\$58.76 million (US\$ 47.33 million) in paid-in capital with the International Finance Corporation;
- A\$7.70 million (US\$ 6.20 million) in paid-in capital and A\$32.85 million (US\$ 26.46 million) in uncalled capital subscriptions with the Multilateral Investment Guarantee Agency; and
- A\$862.30 million (US\$ 694.58 million²) in obligations to the International Development Association (to be drawn down in a series of payments from 2017-18 to 2023-24).
- Asian Development Bank
 - A\$460.02 million (US\$ 370.55 million) in paid-in capital;
 - A\$8.74 billion (US\$ 7.04 billion) in uncalled capital subscriptions; and
 - A\$834.20 million (US\$671.95 million³) in obligations to the Asian Development Bank’s Asian Development Fund (to be drawn down in a series of payments from 2017-18 to 2026-27).
- European Bank for Reconstruction and Development
 - A\$93.38 million (€\$ 62.60 million) in paid-in capital; and
 - A\$354.33 million (€\$ 237.54 million) in uncalled capital subscriptions.
- Asian Infrastructure Investment Bank
 - A\$916.45 million (US\$738.20 million) of paid-in capital (US\$295.28 million has been paid to-date with three remaining instalments of US\$147.64 million due in December 2017, 2018 and 2019); and
 - A\$3.66 billion (US\$2.95 billion) as uncalled capital subscriptions.

4. Is there a single party that holds a greater than 15 per cent share in the NAB, which allows them to block the activation of (and therefore borrowing under) the NAB?

There are two countries that hold a greater than 15 per cent share in the NAB:

- Japan’s contribution under the NAB is SDR 33.5 billion, which represent 18.4 per cent of total NAB contributions; and
- The United States’ contribution under the NAB is SDR 28.2 billion, which represents 15.5 per cent of total NAB contributions.

5. How much of Australia’s quota share is currently under loan by the IMF?

As quota is equivalent to paid-in capital and pooled for the general resources of the IMF, including for the purposes of lending, it is not possible to quantify specifically how much of Australia’s share is currently loaned out.

² These payments are fully funded through the Australian Overseas Development Assistance Budget.

³ These payments are fully funded through the Australian Overseas Development Assistance Budget.

At present, the vast majority of Australia’s quota (over 95 per cent) is held at the Reserve Bank of Australia, in the form of both cash and Australian dollar denominated promissory notes, and is not currently loaned out. However, as a country regarded as having a strong financial position and therefore a member of the current Financial Transactions Plan, Australia stands ready to convert its quota held at the RBA into ‘freely usable’ currencies if needed by the IMF for loans.

Additional Information

SDR Interest Rate Calculation

The Committee expressed an interest in the calculation of the SDR interest rate and its component interest rates.

The SDR interest is calculated weekly by the IMF, using the following method:

The value of the SDR itself is determined by a weighted basket of the five ‘freely usable’ currencies — the US dollar, Chinese yuan, Euro, Japanese yen, and UK pound.

As a result, the SDR interest rate is a weighted sum of the ‘representative interest rates’ for these five currencies.

The representative interest rates used are the annual bond yields of specific short-term debt instruments.

For 4 September 2017, the instruments and their corresponding rates:

Instrument	Rate (Annual Bond Yield)
Three-month US Treasury Bills	1.02 per cent
Three-month benchmark yield for China Treasury bonds as published by China Central Depository and Clearing Co	2.9691 per cent
Three-month spot rate for euro area central government bonds with a rating of AA and above published by the European Central Bank	-0.613434 per cent
Three-month Japanese Treasury Discount bills	-0.269 per cent
Three-month UK Treasury bills	0.19 per cent