

Further Committee Questions

1. Does Australia go through a new treaty process every time we provide extra funds to the IMF?

This is the first time Australia has signed up to a bilateral loan agreement of this kind with the IMF, which is separate to other types of lending Australia engages in with the Fund, and is not covered by other treaties.

Australia does not need to go through a new treaty process every time we provide additional funds to the IMF. For example, increases in Australia's quota subscription such as that agreed in 2010 do not require a treaty process. They are covered by the IMF Articles of Agreement, a treaty to which Australia is already a party.

However, under the envisaged amendment to the *International Monetary Agreements Act 1947* required to give effect to this loan agreement, a treaty process would be required if Australia were to participate in any future bilateral loan agreements with the IMF.

2. The Reserve Bank of Australia states: "The IMF provides temporary financing to member countries with a balance of payments need. Financing is typically provided under an 'arrangement', which stipulates specific policies and measures (known as conditionality) that are intended to resolve a borrowing country's balance of payments difficulties. Disbursements of IMF loans to a country are generally dependent on the progress made by that country in implementing the agreed measures".
 - a. What input does Australia have in setting the 'conditionality' of loans?

Australia participates in the approval and monitoring of IMF program conditionality, and in reviews and revision of the Fund's Conditionality Guidelines, through participation at the IMF Executive Board. Australia is a member of the Asia and the Pacific constituency, and shares an Executive Director position in rotation with Korea. Treasury and the RBA provide advice directly to the constituency office on these matters as they arise.

The design of stipulated economic policies attached to IMF lending programs, that is, policy conditionality, is undertaken by IMF staff in consultation with the borrowing country, operating under guidelines provided by the IMF Executive Board. The Conditionality Guidelines, revised by the Executive Board in 2002, require that program related conditions be either '(i) of critical importance achieving the goals of the member's program or for monitoring the implementation of the program, or (ii) necessary for the implementation of specific provisions of the Articles [of Agreement] or policies adopted under them.'

Compliance with program conditionality is also assured by periodic program reviews. Staged disbursements under IMF programs can only take place upon the completion of reviews by the Executive Board. This mechanism enables the Executive Board to assess whether a program is on track and whether modifications are necessary for achieving the program's objectives.

Questions on Notice

1. Are there any examples of where the IMF has not repaid a creditor country in full, on time and with interest?

It has been confirmed by the IMF that it has on all occasions met its financial obligations under the terms entered into with counterparties.

2. How does the special drawing rates (SDR) interest rate compare with market interest rates?

The interest rate on the SDR is based on the weightings of each currency in the SDR valuation basket, the interest rate on the relevant short-term debt instrument of each currency in the basket, and the exchange rate of each currency against the SDR. The interest rates included in this calculation, and a comparable Australian Dollar financial instrument, for the week of 3 December to 9 December 2012, is set out in Table 1 below:

Table 1 – SDR interest rate and comparisons – 3 December 2012

currency	weight in the SDR basket (per cent)	Interest rate*
euro	37.4	-0.0081
Japanese Yen	9.4	0.1
UK Pound Sterling	11.3	0.23
US Dollar	41.9	0.08
Australian Dollar	-	2.98**

SDR Interest rate	0.07
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*Interest rate on the financial instrument of each component currency in the SDR basket, expressed as an equivalent annual bond yield: three-month Eurepo rate (effective January 1, 2006, the three-month Eurepo rate replaced the three-month Euribor rate); three-month Japanese Treasury Discount bills (effective February 5, 2009, the three-month Japanese Treasury Discount Bills replaced the Thirteen-week Japanese Government financing bills); three-month UK Treasury bills; and three-month US Treasury bills.

** 3-month overnight indexed swap rate, 3 December 2012.

3. Provide a list of the reviews that have been undertaken by the IMF since 2010 with the accurate names of the reviews, the status of the outcomes of those reviews, whether those reviews are publicly available and where they might be available.

Table 2 – IMF Reviews since 2010

Title	Status of Review	Publicly Available	Available at:
2010			
<i>Fourteenth General Review of Quotas</i>	Agreed to in 2010; however, still yet to be ratified and implemented. Most likely to be completed in 2013.	Yes	http://www.imf.org/external/np/fin/quotas/pubs/index.htm http://www.imf.org/external/np/exr/facts/quotas.htm
<i>Independent Evaluation Office: IMF Interactions with Member Countries</i>	Completed in 2010	Yes	http://www.ieso.org/ieo/pages/CompletedEvaluation108.aspx
<i>Review of the Method of Valuation of the SDR</i>	Completed in 2010	Yes	http://www.imf.org/external/np/sec/pn/2010/pn10149.htm
<i>The Fund's Mandate—An Overview of Issues and Legal Framework</i>	A set of reviews, completed in 2010	Yes	http://www.imf.org/external/np/sec/pn/2010/pn1033.htm
<i>Review of the Safeguards Assessments Policy</i>	Concluded in 2010	Yes	http://www.imf.org/external/np/sec/pn/2010/pn10113.htm
<i>Review of the Adequacy of the Fund's Precautionary Balances</i>	Reviewed in 2010	Yes	http://www.imf.org/external/np/sec/pn/2010/pn10137.htm
2011			
<i>Crisis Program Review</i>	Concluded in 2011 (update of 2009 review)	Yes	http://www.imf.org/external/np/spr/2011/crisprorev/index.htm
<i>2011 Review of Conditionality</i>	Completed in 2012	Yes	http://www.ieso-imf.org/external/np/sec/pn/2012/pn12109.htm
<i>2011 Triennial Surveillance Review</i>	Concluded in 2011	Yes	http://www.imf.org/external/np/sec/pn/2011/pn11130.htm
<i>2011 Triennial Surveillance Review—Review of the 2007 Surveillance Decision and the Broader Legal Framework for Surveillance</i>	Part of the 2011 Triennial Surveillance Review, and completed in 2011	Yes	http://www.imf.org/external/pp/longres.aspx?id=4597
<i>Review of the Fund's Involvement in the G-20 Mutual Assessment Process</i>	Concluded in 2011	Yes	http://www.imf.org/external/np/sec/pn/2011/pn1172.htm
<i>Review of the Standards and Codes Initiative</i>	Concluded in 2011	Yes	http://www.imf.org/external/np/sec/pn/2011/pn1138.htm
<i>The Fund's Financing Role—Reform</i>	Reviewed in 2011	Yes	http://www.imf.org/external/np/sec/pn/2011/pn11152.htm

<i>Proposals on Liquidity and Emergency Assistance and the Review of the Flexible Credit Line and Precautionary Credit Line</i>			
<i>Independent Evaluation Office: IMF Performance in the Run-Up to the Financial and Economic Crisis: IMF Surveillance in 2004-07</i>	Evaluation concluded in 2011	Yes	http://www.imo-imo.org/imo/pages/CompletedEvaluation107.aspx
<i>Independent Evaluation Office: Research at the IMF: Relevance and Utilization</i>	Evaluation concluded in 2011	Yes	http://www.imo-imo.org/imo/pages/CompletedEvaluation124.aspx

2012

<i>Review of Facilities for Low-Income Countries</i>	Concluded in 2012	Yes	http://www.imf.org/external/np/sec/pn/2012/pn12108.htm
<i>Review of Data Provision to the Fund for Surveillance Purposes</i>	Concluded in 2012	Yes	http://www.imf.org/external/np/sec/pn/2012/pn12125.htm
<i>Quota Formula Review</i>	To be completed by January 2013	Yes	http://www.imf.org/external/np/sec/pn/2012/pn1235.htm
<i>Review of Eligibility to Use the Fund's Facilities for Concessional Financing</i>	Reviewed in 2012 - more comprehensive review of PRGT eligibility in early 2013	Yes	http://www.imf.org/external/np/sec/pn/2012/pn1222.htm
<i>Review of the Adequacy of the Fund's Precautionary Balances</i>	Review in 2012	Yes	http://www.imf.org/external/np/sec/pr/2012/pr12132.htm
<i>Eighth Review of the Fund's Data Standards Initiatives</i>	Concluded in 2012	Yes	http://www.imf.org/external/np/sec/pn/2012/pn1218.htm
<i>Independent Evaluation Office: Learning From Experience At The IMF: An IEO Assessment of Self-Evaluation Systems</i>	Evaluation on-going (to be concluded in 2013)	Yes	http://www.imo-imo.org/imo/pages/Ongoing.aspx
<i>Independent Evaluation Office: The Role of the IMF as Trusted Advisor</i>	Evaluation on-going (to be concluded in late 2012/early 2013)	Yes	http://www.imo-imo.org/imo/pages/Ongoing.aspx
<i>Independent Evaluation Office: International Reserves: IMF Advice and Country Perspectives</i>	Evaluation on-going (to be concluded in late 2012/early 2013)	Yes	http://www.imo-imo.org/imo/pages/Ongoing.aspx