

Amendment to the Agreement establishing the European Bank of Reconstruction and Development to admit Mongolia as a country of operations

- 3.1 The proposed *Amendment to the Agreement establishing the European Bank for Reconstruction and Development (Paris, 29 May 1990) in order to admit Mongolia as a country of operations* (the Amendment) constitutes an agreement to allow Mongolia to receive European Bank of Reconstruction and Development (EBRD) loans.

Background

- 3.2 The EBRD was established in 1991 to facilitate the transition towards open market economies and to provide incentives to private entrepreneurial investment in Central and Eastern European nations.
- 3.3 Australia is one of 60 member states of the EBRD (which also incorporates two intergovernmental institutions). Each state appoints a Governor to the EBRD; Australia's appointed Governor is the Treasurer, the Hon Peter Costello.
- 3.4 The EBRD provides loans for projects such as agribusiness, natural resources, power and energy, telecommunications and transport. All projects in receipt of EBRD funding must benefit the local economy through private sector development and satisfy banking and

environmental standards. Additionally, all projects are approved by the EBRD Board of Directors before funds are disbursed.¹

- 3.5 Mongolia has been a member state of the EBRD since October 2000, but as a non-European nation, it has been ineligible for loans. To be eligible for lending, Mongolia must be given the EBRD status of a country of operations, which in turn requires the unanimous agreement of all EBRD member nations.
- 3.6 Mongolia requested such status at the EBRD Board of Governors meeting on 30 January 2004. All Governors voted in favour of admitting Mongolia as a country of operations.²

Benefits of the Treaty

- 3.7 Granting Mongolia the status of EBRD country of operations would allow it to benefit from the technical and financial assistance of the EBRD. Australia recognises these benefits.

The Treasurer, as a governor of the EBRD, determined that Australia through the EBRD could play an effective role in fostering transition towards an open market based economy in Mongolia and hence voted in favour of the resolution, as did all other governors.³

- 3.8 As Mongolia stands to benefit from the Amendment and Australia will not bear any cost as a result, it is in Australia's interest to ratify the Amendment.
- 3.9 Until all member nations have ratified the Amendment, Mongolia will be prevented from accessing EBRD loans. As such, it is in Australia's interests to support Mongolia's access to development funding by taking this treaty action.

1 National Interest Analysis (NIA), paras 15-16.

2 NIA, para. 8.

3 Mr Roger Brake, *Transcript of Evidence*, 7 March 2005, p. 9.

Obligations and Costs

- 3.10 There are no new obligations or costs arising from this treaty. Australia's capital subscription to the EBRD (in the amount of 200 million Euros) remains the same.

Implementation

- 3.11 The *European Bank for Reconstruction and Development Act 1990* (Cth) will require amendment, as the original treaty establishing the EBRD is set out as a Schedule to the Act.⁴

Conclusion and Recommendation

- 3.12 The Committee believes that the Amendment will be beneficial to Mongolia. Australia has already shown its support for this treaty action by its supportive vote at the EBRD Board of Governors and the Committee reaffirms this action by recommending the ratification of the Amendment.

Recommendation 2

The Committee supports the *Amendment to the Agreement establishing the European Bank for Reconstruction and Development (Paris, 29 May 1990)* in order to admit Mongolia as a country of operations, and recommends that binding treaty action be taken.

Dr Andrew Southcott MP
Committee Chair

⁴ NIA, para. 19.

