

Explanatory Statement 1 of 2011

Proposed Amendment to the Articles of Agreement of the International Monetary Fund on the Reform of the Executive Board - adopted by the IMF Board of Governors on 15 December 2010

Practical and legal effect

1. The proposed treaty action is the formal acceptance by Australia of a proposed amendment to the Articles of Agreement of the International Monetary Fund ('the Articles') to establish an Executive Board consisting solely of elected Executive Directors. The Executive Board conducts the day-to-day business of the International Monetary Fund (IMF). The Articles establish two categories of Executive Directors: those who are appointed (by the largest five members), and those who are elected. The proposed amendment to the Articles will reform this historical system by eliminating the category of appointed Executive Directors and require that all Executive Directors be elected. Such a reform will help facilitate changes in the composition of the Executive Board to enhance the representation of emerging market and developing countries, and strengthen the legitimacy of IMF governance.
2. The treaty action will have a negligible practical, legal and financial effect within Australia.

Nature and timing of proposed treaty matter

3. This proposed amendment to the Articles to establish an all-elected Executive Board formed part of an international agreement on IMF governance reform reached by G20 Finance Ministers and Central Bank Governors on 23 October 2010, and welcomed by G20 Leaders at the November Seoul Summit. The IMF Executive Board approved the package of reforms on 5 November 2010, which were subsequently adopted by the IMF Board of Governors on 15 December 2010. The proposed amended treaty text is attached.
4. The proposed amendment to the Articles will enter into force for all members on the date on which the IMF certifies, by a formal communication addressed to all members, that three fifths of the members, having eighty-five per cent of total voting power, have accepted the proposed amendment to the Articles.
5. The Articles also contain an automatic entry into force provision. This means that acceptance of the proposed amendment to the Articles by the required majority of members will make the amendment binding on Australia by virtue of our membership of the IMF.

Reasons for Australia to take the proposed action relating to the treaty matter

6. Australia has been a strong advocate of reform of IMF governance with an aim to strengthen its legitimacy and effectiveness. Taking the proposed treaty action would be consistent with Australia's positions at the G20 Finance Ministers' and Leaders' meetings.

Implementing legislation

7. No legislative changes are needed to implement the proposed treaty action.