Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: **BET 139**

Topic: **Interest Rates – IMF Lending**

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Senator BUSHBY asked:

Senator BUSHBY: Does the same interest rate apply for any part of Australia's quota that is then used by the IMF to lend to a member country?

Mr Storer: Yes, as far as I understand it.

Senator BUSHBY: Would you mind, if you are not 100 per cent sure, if you could take that on notice just to make sure.

Dr Parkinson: Sorry, what was the question?

Senator BUSHBY: It was just whether the same interest rate, the SDR rate, applies to money that is loaned on to member countries?

Dr Parkinson: Yes, that is the case. Well, actually, it is more complicated than that. It is predominantly, but not necessarily, the case. I think that is the right answer, but we will get back.

Senator BUSHBY: If you can clarify and take that on notice.

Dr Parkinson: We will just take that on notice.

Senator BUSHBY: Just to clarify as well, if the IMF called upon the government to make good its offer of the $7 billion as the contingent line of credit, would the interest rate we would receive on that as well be the SDR rate?

Dr Parkinson: It would be the same.

Answer

The IMF pays Australia interest on the proportion of Australia's quota and contingent line of credit (NAB) it uses for lending. The proportion of Australia's quota used for loans attracts the remuneration rate which is equal to the SDR rate adjusted for deferred charges. Drawings under NAB accrue the SDR rate. The interest rate on the recently announced $7 billion contingent line of credit made by Australia to the IMF will be determined by a bilateral agreement which is yet to be finalised.

IMF lending is tailored to address the specific circumstances of its membership. Low-income countries may borrow on concessional terms using concessional loans that carry zero interest rates until the end of 2013 (2012 for SCF loans). Other countries borrow through non-concessional loans that are subject to the IMF's market-related interest rate, known as the rate of charge, and large loans (above certain limits) carry a surcharge. The rate of charge is equal to the SDR rate, plus margin.

For the week beginning 18 June 2012 the rate of remuneration and the SDR rate was 0.13 per cent and the rate of charge was 1.13 per cent.