FOREIGN AFFAIRS AND TRADE

SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates 1999-2000 – 10 February 2000

Hansard (pages 138-140)

Output 1.1 – Protection and advancement of Australia's international interests through the diplomatic network and Canberra-based diplomatic activity

Senator Hogg asked the following questions

(a) How much did the pianos that were purchased in New York and Washington cost in Australian dollars?

(b) What are the comparative costs of hiring?

(c) Were there any associated costs, such as piano stools, sheet music, that might have been associated with the purchase and, if so, what did that cost in total for each of the missions?

(d) How often would visiting Australian pianists use each of the pianos to perform before a US audience in those venues?

(e) If performances have been given, tell us how many people have attended each performance?

(f) Are there any maintenance costs associated with that?

(g) How many other posts (besides New York and Washington) have grand pianos?

Response:

(a) New York AUD31,866, Washington AUD33,348. The New York piano is located in the reception area of the Chancery. The Washington piano is located in the main hall of the Embassy.

(b) New York - hiring and moving a grand piano in New York is impractical, particularly as the Consulate is on the thirty fourth floor of an office building. Previous experience is that to rent a space that includes a piano has a minimum cost of USD1,000 per day.

Washington – hiring a grand piano in Washington involves a minimum lease cost of USD700 per day. Management of transportation and handling to prevent potential damage to the Chancery is also involved. Tuning is required in each case at present cost of USD100 per tune.

(c) There were no associated costs. A piano stool and protective cover were included in the purchase price of the pianos for both New York and Washington.

(d) New York – visiting Australian pianists have used the piano to perform before a US audience on ten occasions since its acquisition in May 1999, and Australian expatriates have used the piano on three other occasions.

Washington – one visiting Australian pianist has used the piano to perform before a US audience since its acquisition in May 1999, while local professional pianists have performed on six other occasions.

(e) In New York, the average attendance has ranged from 50 to 70 people, while in Washington attendances have averaged 150.

(f) Maintenance costs associated with these pianos are New York USD300 per year (estimated), and Washington USD200 per year (estimated).

(g) 37 other posts have grand pianos.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

ADDITIONAL ESTIMATES HEARING 10 February 2000

QUESTION TAKEN ON NOTICE

(Hansard page 176)

Output 1.1.5

Senator Cook

Was the minute (on the public consultations) attached to Senator Cook's media release sent to Mr Vaile's office?

Response:

An information copy of that Departmental minute was forwarded to the Minister's office. The Minister's office did not request this - this step was taken at the Department's initiative.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

ADDITIONAL SENATE ESTIMATES HEARING 10 February 2000

QUESTION(S) TAKEN ON NOTICE

(Hansard page 180)

Program 1

Subprogram 1.1.8

Senator Quirke

Which countries has Australia had bilateral arms control disarmament consultations with over the past six months? What consultations are planned in the lead-up to the [NPT] Review Conference?

Response:

In the period July to December 1999, Australia discussed arms control and disarmament in bilateral consultations with the United States, Germany, Russia, Iran, The Republic of Korea, Israel, Japan, New Zealand, the United Kingdom, Egypt, China, and Thailand. In the period leading-up to and immediately following the Nuclear Non-proliferation Treaty Review Conference in April 2000, consultations will have been conducted with, or are planned for Iran, the United States, Japan, Canada and the Republic of Korea. Discussions on arms control issues also take place on a regular basis between Australian representatives and the governments of their countries of accreditation. The matter is a subject of intense consultation between delegations to the conference of Disarmament in Geneva, including with the Australian delegation.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

ADDITIONAL SENATE ESTIMATES HEARING 10 February 2000

QUESTION(S) TAKEN ON NOTICE

(Hansard page 182)

Program 1

Subprogram 1.1.8

Senator Quirke

(a) Has the government sought any assurance that the new satellite relay station at Pine Gap, which supports DSP early warning satellites, will not be involved in any research, tests or trials relating to NMD systems?

(b) Has the United States given any undertakings that the Pine Gap relay station will not be involved in any NMD research test or trial?

Response:

(a) No. Hosting the Relay Ground Station in Australia is based on a common understanding of the missions to which the data passing through the Relay Ground Station contributes. The Government understands United States' interest in a limited national missile defence capability.

(b) No.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

SENATE ESTIMATES HEARING 10 February 2000

QUESTION(S) TAKEN ON NOTICE

(Hansard page 142)

Output 1.2.1

Senator Hogg

Has the government made any representations or expressed any views to Washington about the possibility that the United States may supply theatre missile defence systems to protect Taiwan from the threat of ballistic missiles?

Response:

As part of a regular bilateral dialogue on security matters, which includes annual political-military talks and visits by senior officials, the government has discussed with the United States the security implications of the possible future deployment of theatre missile defence systems in the Asia-Pacific, including Taiwan.

<u>SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE</u>

SENATE ESTIMATES HEARING 10 February 2000

QUESTION(S) TAKEN ON NOTICE

(Hansard page 181)

Program 1

Subprogram 1.2.8

Senator Quirke

What is the government's attitude to the United States' subcritical tests? Is this activity consistent with the Comprehensive Nuclear-Test-Ban Treaty - which I recognise they did not sign?

Response:

The sub-critical nuclear experiments conducted by the United States (and China and Russia) are not inconsistent with their obligations under the CTBT, and are intended to ensure that existing nuclear stockpiles are maintained in a safe and reliable condition.

The United States signed the Comprehensive Nuclear-Test-Ban Treaty on 24 September 1996. The United States Senate voted against ratification of the Treaty in October 1999.

<u>SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE</u>

SENATE ESTIMATES HEARING, 10 February 2000

QUESTION TAKEN ON NOTICE

(Hansard page 178)

Output 1.3

SENATOR COOK:

On page 283 of the Department's annual report, under program 4, secure government communications and security services, and subprogram 4.1: Australian Diplomatic Communications Network, table 93 noted that $210,538 was spent for security policy development, project management and review disaster recovery arrangements. Can someone enlighten me as to what that was spent on?

Response:

The Information Management Branch paid a total of $210,538 to Codarra Advanced Systems in 1998/99 for the consultancy services described below.

$122,765 related to Project Merlin (satellite network). Codarra provided assistance with the Request for Tender process, tender evaluation, contract negotiations, project implementation and project management.

$27,823 related to Project Aegis (desktop Internet access via a secure firewall at posts). Codarra provided assistance with the Request for Quotation (RFQ) process, including preparation of the RFQ documentation and answering technical queries from respondents.

$35,950 related to Security Policy Development. Codarra conducted a review to develop a policy that covered personnel, physical, communications and computer security aspects as they relate to the protection of sensitive information. The consultancy also reviewed products to allow information to be transferred around the Department's network in a secure manner.

$24,000 related to a Disaster Recovery Review. Codarra conducted a review of the exposure to or risk of disasters across all Departmental IT platforms, including prioritisation of the risks that were identified and development of a risk mitigation plan.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS AND TRADE

SENATE ADDITIONAL ESTIMATES HEARING 10 FEBRUARY 2000

QUESTION TAKEN ON NOTICE

(Hansard page 178)

Output 1.4

Senator Hogg:

> How many members of federal parliament were given assistance by Australian posts overseas in the past financial year? How many were members of the government and how many were members of the opposition and non-government parties?

Response:

> Excluding Ministers and Parliamentary Secretaries, 41 government and 47 non-government parliamentarians were assisted by Australian posts overseas during the past financial year.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

SENATE ESTIMATES HEARING 10 FEBRUARY 2000

QUESTION TAKEN ON NOTICE

(Hansard Page 178)

Output 1.4

Senator Cook

What was the matter on which legal advice was sought

Response:

Gregory, Rowcliffe and Milners were engaged by the Australian High Commission London to provide legal services in respect of a claim for compensation for unfair dismissal, including legal representation at an Industrial Tribunal Hearing.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

SENATE ESTIMATES HEARING 10 February 2000

QUESTION(S) TAKEN ON NOTICE

(Hansard page 178 and 179)

Program 1
Subprogram 4

Senator Cook

Why was it necessary to engage the consultants Selven Pty Ltd at a cost of $24 862 to provide the High Commission with advice on upgrades to its payroll system?

Response:

The High Commission in London generates payroll and monitors staff entitlements for approximately 750 Australian-based, locally engaged staff and superannuants. The Selven system that was being used was not year 2000 compliant.

Selven were engaged to provide an upgraded year 2000 compliant product ("Team Spirit") which would deal with the key problem which faced the high commission at that time, the introduction of new UK national insurance tables for UK taxpayers. The consultancy provided the High Commission with an IT solution for LES payroll issues up to and over what was then seen to be the critical year 2000 roll-over period.

FOREIGN AFFAIRS AND TRADE

SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

ANSWERS TO QUESTIONS ON NOTICE

Additional Estimates 1999-2000 – 10 February 2000

Hansard (page 179)

Output 1.4 – International services to other agencies in Australia and overseas

Senator Cook asked the following question

> Why is the Warsaw post paying AUD11,000 on advice on space planning?

Response:

> It is confirmed that this expenditure related to a complete design and documentation of floor layouts for the Australian Embassy in Warsaw, which is relocating from unsuitable accommodation in an old Polish Government building to commercially leased premises. The work was undertaken by the Warsaw office of an Australian architectural firm.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

SENATE ESTIMATES HEARING 10 February 2000

QUESTION(S) TAKEN ON NOTICE

(Hansard page 157)

Program 1

Subprogram 1.7

Senator Hogg

What nations, other than Australia, have discussions with Iran on arms control and disarmament issues?

Response:

We do not hold a full list of countries with which Iran has bilateral discussions on arms control and disarmament issues. However, we are aware of the following:

- the U.K. has regular disarmament talks with Iran. These began in February 1999 and, since then, four rounds of discussions have taken place. Planning is underway for a fifth round before mid 2000.
- France has regular (biannual) bilateral political consultations with Iran. Non-proliferation and disarmament issues are central to the agenda.
- Germany has periodic talks with Iran on a broad range of issues. Disarmament and arms control are always on the agenda.
- Switzerland recently held talks with Iran at State Secretary level "with a view to improving relations". Disarmament was on the agenda for that meeting.
- Italy, as the current President of the Nuclear Suppliers Group, will conduct non-proliferation talks in Tehran in March 2000.
- Canada holds discussions on disarmament and arms control issues with Iran on an ad hoc basis. The most recent talks were in January 1999 when the Chairperson of the Joint Standing Committee on Foreign Affairs and Trade (at Foreign Minister Axworthy's request) visited Iran to talk arms control and human rights.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

SENATE ESTIMATES HEARING 10 February 2000

QUESTIONS TAKEN ON NOTICE

(Hansard page 182)

Output 2.1

SENATOR COOK

I would like to acquire a copy of that information (referring to a Departmental consular travel advice on the dangers of piracy and pointing to some of the trouble spots).

SENATOR HOGG

And so would I.

Response:

A copy of the relevant travel advice is at attachment "A".

ATTACHMENT "A" TO QUESTION ON NOTICE SENATE ESTIMATES HEARING 10 FEBRUARY 2000 - HANSARD PAGE 182.

CONSULAR SERVICES - TRAVEL ADVICE

PIRACY AT SEA

2 February 2000

Australian seafarers should note that the number of reported piracy attacks worldwide in 1999 has risen 40 percent over the previous year as reported by the International Chamber of Commerce's (ICC) Commercial Crime Services. Recently, there has been an increase in incidents involving Australian citizens.

The 1999 annual report *Piracy and Armed Robbery Against Ships* prepared by the ICC's International Maritime Bureau has also noted a threefold increase in piracy attacks worldwide since 1991. The Bureau runs a 24-hour Piracy Reporting Centre based in Kuala Lumpur, Malaysia, which issues daily reports broadcast to all shipping on the safetyNET service of Inmarsat-C, and weekly reports on its internet site www.icc-ccs.org The services of the Centre are free, and are available to all ships, irrespective of their flag. The 24-hour Anti-Piracy HELPLINE numbers are (tel) 603 201 0014; and (fax) 603 238 5769. Other contact details are: (telex) MA31880 IMBPCI; and (e-mail) ccskl@imbkl.po.my

Ships are advised to take extra precautions and maintain anti-piracy watches, particularly when transiting through channels or when anchoring in areas frequented by pirates. While the majority of piracy attacks in 1999 took place in South East Asia, particularly around Indonesian waters, there have been recent incidents involving Australian seafarers off the coasts of Yemen and Somalia.

Sailors are strongly advised to avoid areas of civil conflict such as off the coast of Somalia, and the north and north-eastern coasts of Sri Lanka. Seafarers should also be vigilant when anchoring off remote or isolated areas where they may become targets of opportunity (eg. unwittingly being caught up in requests for payment for anchorage or petty crime).

Australian seafarers should ensure that they arrange insurance that covers their needs and the duration of travel. It should also be noted that some policies exclude acts of piracy from insurance cover.

> *NB: While every care has been taken in preparing this Travel Advice, neither the Australian Government nor its agents or employees including any member of Australia's consular staff abroad, can accept liability for injury, loss or damage arising in respect of any statement contained herein.*

Consular Services, including information for travellers and Travel Advices are also available from the Department's Homepage on the Internet, address:
http://www.dfat.gov.au/consular

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

SENATE ESTIMATES HEARING 10 February 2000

QUESTIONS TAKEN ON NOTICE

(Hansard page 182)

Output 2.1

CHAIR

And whether a person was shot in the groin or not (in reference to an earlier question regarding an Australian couple attacked by pirates in the Red Sea)?

Response:

Ms Gail Dawson was shot in the upper leg region by one of the pirates who attacked her husband Stephen Phillips and herself on their catamaran *Gone Troppo* of the coast of Yemen on 27 January 2000. The bullet was fired from the pirates' vessel and passed through the forward section of the dagger board casing on the port side, through a cupboard door, then out of the other side of the port hull across into the starboard hull, through a cupboard door and hit Ms Dawson in the upper leg region. The bullet caused a massive bruise and a slight cut in the skin. The wound was checked by a surgeon in Aden who advised there was no major injury. The couple made repairs to the catamaran in Aden and continued on to Port Said on 9 February 2000.

There was also an earlier pirate attack of an Australian yacht *Aphrodite III* on 12 November 1999 when an Australian family, the Tucker's (two young children and their parents) boat was boarded under gunfire and ransacked. The family was not injured, were provided considerable consular support, initially by the British Consulate in Aden and then from an officer from the Australian Embassy in Riyadh who travelled to Aden. The pirates were apprehended and Mr Tucker sailed the yacht to Cyprus after undertaking emergency repairs. The remainder of the family returned to Australia shortly after the incident and has now rejoined the boat in Cyprus to continue their travels.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

SENATE ESTIMATES HEARING, 10 February 2000

QUESTION TAKEN ON NOTICE

(Hansard page 182)

Output 2.1

SENATOR COOK

On page 283 of the annual report, under program 2, passport and consular services, $45,787 was spent to review passport work practices. Can someone tell me about how we unloaded nearly $50,000 on reviewing work practices in passport issue?

Response:

During 1998-99 the Department embarked on Project Delta, a major redesign of the passport processing system, forms and business rules, as recommended in a report prepared by Deloitte & Touche Consulting Group. The project introduced the use of scanning and electronic imaging techniques and workflow management software to automate many of the processes previously undertaken by clerical officers.

The introduction of the new business process into passport offices throughout Australia has meant that the previous staffing model and performance indicators are now redundant. Work practices have also changed significantly as the result of the move to a team-based environment designed to ensure a flatter management structure and a more flexible workforce.

A key element in the successful implementation of Project Delta was the need to review the new work practices to determine new production benchmarks for staff. The benchmarks are an essential performance monitoring tool designed to allow resources to be more closely aligned with passport demand and to ensure published passport issue times are achieved. The firm of Reengineering Australia, a CTC approved company, was selected to assist the Passport Branch carry out this project.

Initial results of the review indicates that the Department can expect passport productivity to increase by between 20 to 25 percent once the new system has been bedded down.

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

ADDITIONAL ESTIMATES HEARING 10 February 2000

QUESTION TAKEN ON NOTICE

(Hansard page 183)

Enabling Services

Senator HOGG

Asked Dr Thomas to provide a list of the posts in which the additional Third Secretary positions were being created.

Response:

The new Third Secretary positions are as follows:-

Berlin	position filled 15/12/1999
Dili	position filled 21/12/1999
Geneva WTO	position filled 7/9/1999
Ho Chi Minh City	position filled 8/10/1999
Tarawa	position filled 14/12/1999
Abu Dhabi	position to be filled 15/8/2000 (Occupant on language training)
Beijing	position to be filled 15/8/2002 (Occupant on language training)
Jakarta	position to be filled 3/4/2000 (Occupant on language training)
Tokyo	position to be filled 15/12/2002 (Occupant on language training)

SENATE LEGISLATION COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE

ADDITIONAL ESTIMATES HEARING 10 February 2000

QUESTION TAKEN ON NOTICE

(Hansard page 184)

Enabling Services

Senator HOGG

Asked Dr Thomas to provide a breakdown of anticipated reductions in staff in the corporate areas and passport production areas as a result of developments in the Department of Foreign Affairs and Trade's information technology systems.

Response:

Following are the targets for total staff numbers in passport and corporate divisions over the next three years. These targets illustrate the reductions which have been planned as a result of the Department's rebasing exercise finalised in June 1999.

	1999 – 2000 Total Staff	2000 – 2001 Total Staff	2001 – 2002 Total Staff
Consular & Passport Division (CPD)	234	229	229
Corporate Management Division (CMD)	153	135	125
Diplomatic Security, Property and Information Management Division (DID)	224	199	189
	611	563	543

The Department expects no forced redundancies to result from the loss of 68 positions in the Department's passports and corporate divisions since the Department's annual attrition rate (eg. 127 in 1999) well exceeds these reductions.

These reductions flow from the introduction of new technology (DELTA passport, PeopleSoft human resources and SAP financial management information systems), better work practices and outsourcing of functions.

Passports Branch (in CPD) is currently in the middle of a tender process for outsourcing all passport interviews and identifying efficiencies in the state passport office network. Passports Branch will also market test the passport production process with a view to outsourcing.

Corporate functions outsourced or contracted-out to date include recruitment administration, training course delivery, mail processing/distribution, domestic property lease management and selected IT support, upgrade/integration, design & development services.

SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

ANSWERS TO QUESTION ON NOTICE

The Australian Trade Commission (Austrade)

1999-2000 Additional Estimates, Initial Hearings

10 February 2000

General questions on Portfolio Additional Estimate Statement

Hansard page 159

Senator Cook asked for a supplementary outline of Austrade's Output pricing changes from the Portfolio Budget Statements.

Answer:

Austrade's 1999-2000 Output pricing changes from the Portfolio Budget Statement (PBS) to the Portfolio Additional Estimates Statement (PAES) result from:

- the budget items listed on page 48 of the PAES, resulting in a net budget increase of $2.743 million; and
- the inclusion of the original capital use charge from the PBS in Output prices, an amount of $6 million.

The breakdown of these changes to Outputs as per page 50 of the PAES, compared to page 87 of the PBS, is as follows:

Output	PBS price ($m)	PAES price ($m)	Difference ($m)
1.1 Ongoing programs to show Australians the benefits of overseas trade	10.734	11.268	0.534
2.1 General advice and information on export and investment	17.898	18.792	0.894
2.2 Finding and delivering export and outward investment opportunities	26.983	28.331	1.348
2.3 Tailored export and outward investment advice and services	90.523	95.042	4.519
2.4 Advice and guidance to Federal Government and coordination of export activities	6.836	7.177	0.341
2.5 Inwards investment attraction services	12.020	12.620	0.600
3.1 Consular, passport and immigration services	10.081	10.588	0.507
4.1 Export finance assistance	155.623	155.623	0.000
Total	330.707	339.450	8.743

Attached is Austrade's Treasury Policy as referred to by Mr Peter Langhorne at the Senate Estimates hearing of 10 February, page 161. References to specific banks, markets and other financial counterparties involving limits and ratings have been removed from the text and appendices for commercial in confidence reasons.

The Austrade Board paper recommendation relevant to the currency components of the Treasury Policy included that:

"Following independent enquiry with our own and external bankers, as well as DFAT and the (then) Department of Finance, there is a consensus that as long as we continue to be provided with base funding adjustments by the Department of Finance to reflect exchange rate movements, then further hedging arrangements would potentially be open to the interpretation they were speculative transactions.

In some cases, however, it may be necessary to use forward purchase contracts to predetermine rates for future transactions, e.g. contract settlements. To do this, a limit of $500,000 would be sufficient to cover any foreseeable contingencies and the period would not exceed one month."

AUSTRALIAN TRADE COMMISSION

TREASURY POLICY STATEMENT

(Last Amended July 1999)

Austrade, The R G Casey Building, John McEwen Cres, Barton ACT 2600
GPO Box 2386, Canberra, ACT 2601, Australia
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TABLE OF CONTENTS

I. INTRODUCTION

This policy statement outlines the objectives and the approach that the Australian Trade Commission (Austrade) will use in managing its financial risks.

It will form the basis of a Delegation of Authority to the management of Austrade and more specifically the treasury function (Treasury) to undertake transactions in order to manage Austrade's financial risks within the parameters as defined.

Treasury management is defined as the management of Austrade's liquidity to ensure the right amount of cash resources are available in the right place, in the right time and in the right currency, while minimising financial costs and maximising the return on surplus funds, within acceptable levels of risk.

Austrade Treasury is responsible for managing the following financial risks incurred by Austrade:

- Credit Risk,
- Interest Rate Risk,
- Currency Risk,
- Liquidity Risk, and
- Operational Risk.

The above risks are defined and discussed in Section IV.

Broad policy issues are covered in the body of this Statement. Specific internal authorities, counterparties and limits, approved instruments, countries, currencies and liquidity requirements are included in the attached schedules.

This Policy Statement and Schedules must be continually reviewed and when necessary updated and or amended for submission to the Managing Director, for his approval within his delegated authority, or for submission to the Board of Directors ('Board'). This review should occur as required but at least annually.

The execution of this Policy is reliant upon the supply of significant information from internal operating units of Austrade, therefore the success of meeting the objectives within this Policy is dependent upon the adequacy, accuracy and timeliness of this information.

II. TREASURY OBJECTIVES

The primary objectives of Austrade Treasury are as follows:

- Safeguard Austrade's surplus funds by establishing and regularly reviewing Treasury credit limits.
- Improve Austrade's return from investing its surplus funds through the effective control and management of interest rate risk within acceptable levels.
- Ensure Austrade's continuing ability to meet its liabilities, when due, in both the short and long term through active liquidity management.
- Maximise Austrade's surplus funds through active cash management.
- Minimise the impact of currency changes on budgeted foreign currency expenditures and incomes.
- Seek continuing improvement in risk management strategies through ongoing evaluation and review of appropriate risk management techniques and strategies.
- Maintain adequate internal controls and staff levels.

III. RESPONSIBILITY STRUCTURE

The responsibility for the management and control of Austrade's financial risks is vested within:

- The Board of Directors,
- The Managing Director,
- The Executive General Manager Corporate and Government,
- The General Manager Corporate Finance and Assets,
- The Finance Committee, and
- The Group Manager Budgets and Assets/Manager Budgets and Investments/Funds Manager (Supervisor Treasury).

Outlined below are the primary responsibilities of each in relation to the Treasury Management process.

A. THE BOARD OF DIRECTORS

The Board of Directors (Board) under the Australian Trade Commission Act 1985 has the function, duty and power to determine the policy to be followed in the conduct of the affairs of Austrade and responsibility for the day to day conduct of Austrade's affairs (S 13). To the extent determined by the Board, the Board's functions and powers are managed by the Managing Director (S 53). The duties of the Managing Director, as set in Board resolution number 86/01/002, include policy formulation and management arrangements for the Treasury functions.

The Board will review on a monthly basis the result of Austrade's Treasury Management and as a minimum annually the key elements of the Treasury Policy Statement.

B. THE MANAGING DIRECTOR

The Managing Director is ultimately responsible to the Board for the performance of Austrade Treasury. He may approve this policy within the ambit of powers derived through Board resolution 86/01/002 or if deemed appropriate submit this policy and/or future amendments to the Board for its approval.

Power vested in the Managing Director to manage the treasury shall be delegated to Austrade personnel, in particular the delegations of authority to borrow, invest, operate bank accounts, and enter into financial transactions, such delegations to be made in accordance with parameters set out in Schedule I of this statement.

The Managing Director shall monitor the activities of the Treasury through Treasury Management Reports which shall be prepared in accordance with Schedule I Section 5, Operational Risk Management,for the information and approval of the Managing Director.

C. THE EXECUTIVE GENERAL MANAGER CORPORATE AND GOVERNMENT

The Executive General Manager Corporate and Government is the Executive General Manager responsible for the Corporate Finance area. The Executive General Manager Corporate and Government will monitor the activities of the Treasury through periodic Treasury Management Reports and will report to the Managing Director and the Board at least once a month.

D. THE GENERAL MANAGER CORPORATE FINANCE AND ASSETS

The General Manager Corporate Finance and Assets (Treasurer) will manage all staff within Treasury ensuring an efficient departmental structure, assigning staff responsibilities, evaluating staff performance, developing staff training and succession plans.

The General Manager Corporate Finance and Property (Treasurer) will prepare reports on Austrade's Treasury activities and report quarterly to the Board Audit Committee. The reports will include position, activity, exception and performance elements.

E. THE FINANCE COMMITTEE

This responsibility body is being created to formalise the decision making process of Treasury and the information requirements from within Austrade.

The Committee will comprise of the:

- Executive General Manager Corporate and Government - Chairman
- General Manager Export Finance Assistance Programs
- General Manager Corporate Finance and Assets (Treasurer)
- Manager Legal and Risk Management
- Group Manager Budgets and Assets

The Managing Director may as he sees fit vary the composition of the Finance Committee from time to time.

The Finance Committee will meet as required, but at least twice a year and at such other times as requested by the Chairman and review the following specific areas and provide support to the Manager Budgets and Investments in making recommendations to:

- Review and recommend changes to the treasury management policies as outlined in this policy at least twice a year.

- Recommend for approval by the Board changes to the level of delegations of authority in the approval process for treasury transactions as derived from changes in market and budget needs.

- Recommend for approval by the Board changes to the approved list of counterparties.

- Recommend for approval by the Board the use of all new financial instruments and management techniques.

F. GROUP MANAGER BUDGETS AND ASSETS/MANAGER BUDGETS AND INVESTMENTS/FUNDS MANAGER

To manage Austrade's financial risk to achieve the objective within the limits of this Policy.

To formulate and recommend general risk management policies for the management of Austrade's financial risks of credit, liquidity, currency and interest rate. These recommendations are to be reviewed by the Finance Committee prior to being submitted to the Board for approval.

To report as per the Policy to management and the Board. The report should follow the dictates of the policy and will, at a minimum include:

- The performance of treasury in the management of Austrade's financial risks.
- The current risk management of Austrade with respect to the limits established in the policy.
- The degree of activity in each financial instrument authorised for use.

Investigate new financial products and techniques and generally keep abreast of current treasury management thinking and philosophies.

IV. POLICY

A. CREDIT RISK

Credit Risk is the risk that Austrade will suffer a financial loss due to the unwillingness and/or inability of a counterparty to a financial transaction to meet its commitments under that transaction.

A counterparty is a specific legal entity operating in a specific country with whom a financial transaction is undertaken and on whom Austrade is relying to fulfil specific financial obligations. (A counterparty's ability to honour a financial obligation may be affected by a Governmental decree or law in the country in which it is operating).

Within the context of Austrade's treasury operations, credit risk will arise primarily from the use of the following instruments/transactions:

- Deposits (excluding daily balances held in the Commission's operating account),
- Spot Foreign Exchange, and
- Forward Foreign Exchange Contracts.

The extent of the credit risk will depend on the instrument used. The degree of credit exposure associated with each instrument is determined by an Assessed Counterparty Exposure (ACE). An ACE is a measure of the perceived inherent credit exposure arising from transactions in each instrument or facility.

The total credit exposure to a counterparty will be recognised as the sum of the ACE adjusted for any valid and relevant set-offs, for all Treasury transactions entered into with that counterparty/country.

The management of credit risk has the objective of minimising financial loss through the default of a financial counterparty whether due to the financial insolvency of the counterparty, the inability of the counterparty to perform due to country decree, or any other circumstance.

Austrade's exposure to credit risk will be managed by:

1. Ensuring that all surplus funds are invested according to sub-section 72(e) of the *Australian Trade Commission Act 1985*:

   "72. The money of the Commission, other than the money standing to the credit of the Fund, may be applied only -

   (e) in making investments that the Commission is authorised to make under section 18 of the *Commonwealth Authorities and Companies Act 1997* as that section applies to the Commission."

2. Establishing approved counterparty and country limits detailing the maximum exposure that Austrade is prepared to accept to individual counterparties/countries based on the ACE of all outstanding transactions with each counterparty/country. These will be shown in Schedules 2 and 3.

Prior to entering into any transaction, the credit risk to Austrade must be assessed and a credit limit established.

The following guide-lines are to be used in establishing credit limits for counterparties:

1. The maximum limit given to any banking group should not exceed $50 million. This limit does not include funds standing to the credit of the Commission's operating account.

2. Based on ratings issued by Australian Ratings Services, Moodys and/or Standard and Poors the maximum credit limit for those financial institutions as rated is:

Current Rating	**Amount**
AA or above	$49 million
A	$30 million
Below A	$5 million
No Rating	$5 million

- No more than 40% of funds should be placed with any one institution with funds spread over 3 institutions.
- 40% of funds should be held in banks with Aa or better ratings and
- if investment levels go up to $100m, funds should be placed with three banks rather than two.

3. The credit limit is subject to the condition that it will not exceed 25% of the shareholder's funds of the legal entity concerned. Where the relevant entity is unconditionally guaranteed by its parent company, then the 25% will be applied on the shareholders funds of the parent company. The information on shareholder's funds is to be obtained from the entity's annual report.

   For banks domiciled outside Australia and where their net worth is not clearly defined the limit shall be $5 million until the net worth can be determined.

   Schedule 6 sets out the approved List of Instruments together with the calculation of the ACE for each instrument.

B. LIQUIDITY RISK

Liquidity risk is the risk that an unforeseen event or miscalculation in the required liquidity level will result in Austrade not being able to meet its obligations in an orderly manner and therefore give rise to poor investment income or to excessive **borrowing costs.**

Liquidity risk will be considered in three parts:

1. Day-to-Day Cash Management

This ensures that funds are available when needed.

To recognise the extent of this exposure, the following forecasts will be prepared:

- A daily rolling 10-working day cash flow forecast.

2. Short Term Liquidity Management

This is the management of liquid assets and stand-by facilities to cover the scenario where a sudden unforeseen event caused by either internal or external factors severely inhibits the cash flows expected or required.

To recognise the extent of this exposure, a cash flow forecast will be prepared monthly for a monthly 12-month rolling period.

3. Long Term Liquidity Management

This is the long term ongoing process of ensuring that income and Parliamentary appropriations are sufficient to meet the needs of Austrade.

For this purpose, the annual budget will form the basis of an annual 3-year rolling yearly cash flow forecast as estimated in the Corporate Plan.

Schedule 5 sets out minimum levels of financial assets and the period within which these assets should be available.

C. CURRENCY RISK

Currency Risk is the risk that Austrade will suffer unplanned expenditure due to adverse movements in exchange rates.

Since Austrade relies largely on Governmental appropriations in A$ for its income it is important that Austrade ensures that adverse currency movements will not lead to budget overruns.

Within the context of Austrade, currency risk will arise from currency exposures related to:

- Foreign currency denominated asset purchases and sales,
- Foreign currency expenditures in maintaining an overseas presence in various locations,
- Foreign currency account balances, and
- Foreign currency denominated property assets.

The currency exposures may be direct and therefore denominated in the foreign currency of settlement or indirect and therefore denominated in a foreign currency other than the settlement currency. That is, the currency of contract and the currency of settlement may or may not be identical. If they are not identical, then the currency of contract determines the exposure.

Currency exposures are to be recognised as follows:

1. Foreign Currency Denominated Asset Purchases and Sales

Currency exposures arising from these transactions are to be recognised from the moment Austrade is committed to buy or to sell until settlement has taken place.

2. Foreign Currency Expenditures in Maintaining an Overseas Presence in Various Locations.

Currency exposures arising from these transactions are to be recognised as a component of the budgetary process. Upon the approval of the budget these exposures are defined to equal the total budgeted foreign currency expense by currency for the budgetary period.

3. Foreign Currency Account Balances

Currency exposures are the total bank balances outstanding.

4. Foreign Currency Denominated Property Assets

These assets are considered to be not exposed to currency movements.

(They are exposed only for the time between commitment to buy or sell and settlement.)

The rationale for this is that Austrade maintains foreign currency property assets in A$ equivalent on its books. These assets are revalued periodically to reflect changes in foreign currency market value and exchange rate variations. While this accounting treatment remains, any currency hedging undertaken would create a currency exposure without an equal accounting treatment for the underlying asset. Should this accounting treatment change, then this part of the policy will need review and possible amendment.

Currency exposure is to be recognised on the basis of:

- The value in the currency of payment or receipt,
- The month or date of commitment, payment or receipt,
- The value expressed in A$ calculated at market exchange rate (adjusted for forward margins) prevailing on the day of recognition.

Schedule 4 sets out the operating limits for currency hedging transactions.

D. INTEREST RATE RISK

Interest rate risk is the risk that Austrade will suffer reductions in interest income due to reduction in interest rates. (Assuming that Austrade will not be a significant borrower).

Within the context of Austrade's operations, interest rate exposure occurs from the maturity profile of its investments of surplus cash. To maximise interest income, Austrade will invest in shorter term investments in a rising interest rate forecast scenario and invest in longer term investments when interest rates are forecast to decline.

It is recognised that there may be an inherent conflict between the needs of liquidity and interest rate risk management. In these circumstances, the constraints imposed by liquidity management prevail.

As a means of allowing Austrade a greater degree of flexibility investments of surplus funds may be made for periods not to exceed 365 day bills. In line with accepted commercial practice any 365 day bill with 90 days or less to maturity be regarded as a 90 day bill (within liquidity risk management constraint.)

This policy is specific only with respect to the interest rate risk on interest income from Austrade's investments. Should Austrade at some future date become a borrower, then this policy must be amended to include limits to the composition of the debt mix prior to any borrowing being authorized.

E. OPERATIONAL RISK

This risk includes financial loss due to mismanagement, error, fraud or unauthorised use of techniques and or financial products.

To ensure that all operational risks are properly managed, the Treasury must have adequate infrastructure including staffing information systems (both external and internal), control practises and general operating procedures.

Austrade will manage operational risk by establishing:

- A clear definition of the roles, responsibilities and authority of staff employed in the Treasury process,

- Adequate segregation of duties among staff to minimise the risk of error or fraud and enhance the detection thereof, and

- Adequate systems and controls.

Detailed management of operational risks are set out in a Treasury Procedure Manual.

V. SUMMARY

The Board will approve this Policy Statement for the management of Austrade's financial risks.

The Executive General Manager Corporate and Government will monitor the activities of the Treasury through periodic Treasury Management Reports, and will report to the Managing Director.

The Executive General Manager Corporate and Government will Chair the Finance Committee .

The General Manager Corporate Finance and Assets will monitor the activities of the Treasury through periodic Treasury Management Reports and will report to the Board Audit Committee on a quarterly basis and will be responsible for the implementation of the policy.

The Group Manager Budgets and Assets will manage the activities of the Treasury.

The Manager Budgets and Investments/Funds Manager will implement the policy in the most prudent and efficient manner.

Should Austrade management see a need for a position outside that allowed under this policy, and/or that changes should be made to the policy or delegations of authority, then the prior approval of the Board must be obtained. In making recommendations for change, the Board will be guided by the recommendations of the Finance Committee.

Management and performance reports will be prepared as required by the Board to indicate the exposure of Austrade to each of the financial risks identified, measures taken and the performance of management within the policy limits to achieve the treasury objectives.

Austrade will adopt a centralised approach to the management of its credit, liquidity, currency and interest rate risk through the Treasury. No branch, post or sole post is permitted to place investments, open bank accounts, borrow money or undertake a foreign currency transaction without the prior approval of the General Manager Corporate Finance and Assets.

All operating divisions will supply the necessary information in order that the Treasury can measure and forecast Austrade's financial risk as per this policy and take appropriate management actions.

Austrade's financial risk management activities are to be undertaken:

- According to the limits as set out in this Treasury Policy Statement, and
- According to the operational management approach defined in the various operating procedures

SCHEDULE 1

DISCRETIONARY LIMITS AND DELEGATED AUTHORITY

A. OBJECTIVE

The purpose of this schedule is to specify the detailed Treasury risk management rules within which various parties will operate.

The schedule is divided into 5 sections covering the five major Treasury risk management areas. These are:

1. Credit Risk
2. Liquidity Risk
3. Currency Risk
4. Interest Rate Risk
5. Operational Risk

Some Treasury risk management activities will be covered in more than one section therefore the sections are to be read in conjunction with each other.

Board approval is required for any changes to these schedules.

B. INTERPRETATION

Each section is designed in a top down approach and has a number of the subsections which relate to risk management activities considered to fall primarily within that major risk management section.

The columns in this Schedule are specific as follows:

Function:	Major risk management section followed by specific risk management activity as a subsection.
Event:	The stipulated activity for each subsection.
Authorised by:	For each event, the authority structure.
Limit/ Responsibility:	Within each event a number of levels of authority may exist to enable the event to be undertaken.

SCHEDULE 1

SECTION 1
CREDIT RISK MANAGEMENT

Function	Event	Authorised by	Limit/Responsibility
Counterparties and Credit Limits	Approval	Board	Approve list of countries/ counterparties and credit limits as specified in Schedules 2 and 3.
			Approve additions to country/counterparty lists. Confirm approval at least annually.
		General Manager Corporate Finance and Assets/Group Manager Budgets and Assets	Review recommendations for changes to Schedules 2 and 3 prior to submission to the Board/Managing Director.
		Manager Budgets and Investments/ Funds Manager	Prepare recommendations for Board approval for additions and the annual review of approved counterparties and countries as listed in Schedules 2 and 3.
	Utilisation	Manager Budgets and Investments/ Funds Manager	Manage and monitor credit limit usage in accordance with approved levels.

SCHEDULE 1

SECTION 2

LIQUIDITY RISK MANAGEMENT

Function	Event	Authorised by	Limit/Responsibility
New Financial Instruments	Approval	Board	Approve additions of new financial instruments.
		General Manager Corporate Finance and Assets/Group Manager Budgets and Assets	Review recommendations for changes to Schedule 6 prior to submission to the Finance Committee and the Board.
		Manager Budgets and Investments/ Funds Manager	Prepare Board recommendations specifying the following details: . Characteristics . Inherent Risks . Cash and Banking requirements . Accounting . Control Issues
	Utilisation	Manager Budgets and Investments/Funds Manager	Manage the use of instruments up to the limits as per Schedule 6.

Function	Event	Authorised by	Limit/Responsibility
Investments	Approval	Board	Approve a minimum of liquid assets and/or standby facilities as outlined in Schedule 5.
		General Manager Corporate Finance and Assets	Approve investments with a term to maturity greater than 90 days. Approve investments up to $20 million with a maturity less than 7 days and up to $10 million with a maturity greater than 7 but less than 90 days per transaction.
		Group Manager Budgets & Assets	Approve investments up to $10 million with a maturity less than 7 days and up to $5 million with a maturity greater than 7 but less than 90 days per transaction.
		Manager Budgets & Investments	Approve investments up to $7 million with a maturity less than 7 days and up to $3 million with a maturity greater than 7 but less than 90 days per transaction.
		Manager Budgets & Investments /Funds Manager	Maintain the minimum liquidity specified and report at least on a monthly basis.
Counterparty and Market Relationships	Establish/ Develop/ Maintain	General Manager Corporate Finance and Assets/Group Manager Budgets & Assets/ Manager Budgets & Investments/ Funds Manager	Establish, develop and maintain relationships with counterparties in the appropriate markets related to present and future requirements.

SCHEDULE 1

SECTION 3
CURRENCY RISK MANAGEMENT

Function	Event	Authorised by	Limit/Responsibility
New Financial Instruments	Refer Section 2 of this Schedule		
	Approval	Board	Approve for use each financial instrument up to a limit as per Schedule 6.
Hedging 1. Asset Purchases Investments and Sales 2. Foreign Currency Expenditures 3. Account Balances 4. Capital Purchases Sales 5. Debt	Utilisation	Group Manager Budgets & Assets Manager Budgets & Investments/ Funds Manager	Approve each transaction by the Manager Budgets and Investments/ Funds Manager To undertake transactions to ensure the limits for currency exposure as per Schedule 4 are maintained.

SCHEDULE 1

SECTION 4
INTEREST RATE RISK MANAGEMENT

Function	Event	Authorised by	Limit/Responsibility
New Financial Instruments	Refer Section 2 of this Schedule		
Funding Facility from Commonwealth	Approval	Board	Approve submissions for Minister of Finance approval.
		General Manager Corporate Finance and Assets/Group Manager Budgets & Assets/Manager Budgets & Investments	Review, ascertain need and recommend.
	Negotiation	Manager Budgets & Investments/Funds Manager	Negotiate detailed documentation and procedures.
	Borrowing/ Utilisation	General Manager Corporate Finance and Assets/Group Manager Budgets and Assets	Approve each transaction by the Manager Budgets and Investments/ Funds Manager
		Manager Budgets & Investments/Funds Manager agreed for each facility.	Arrange drawdowns and repayments as per the terms

Function	Event	Authorised by	Limit/Responsibility
Funding Facility otherwise than from Commonwealth	Approval	Board	Approve submissions to the Treasurer of the Australian Government for approval.
		General Manager Corporate Finance and Assets/Group Manager Budgets & Assets	Review, ascertain need and recommend after consideration of: . Characteristics . Inherent Risks . Cash and Banking requirements . Accounting . Control Issues
	Negotiation	Manager Budgets & Investments/Funds Manager	Negotiate detailed documentation and procedures.
		Manager Budgets & Investments/Funds Manager	Arrange drawdowns and repayments for each facility within the approved debt mix for fixed/floating and domestic and foreign currency.
		Group Manager Budgets & Assets	Approve each transaction by the Manager Budgets and Investments/Funds Manager.

SCHEDULE 1

SECTION 5
OPERATIONAL RISK MANAGEMENT

Function	Event	Authorised by	Limit/Responsibility
Bank Accounts	Opening Closing	General Manager Corporate Finance and Assets	To approve the opening and closing of all bank accounts.
		EGM of Regions, MFA of Regions, STC of Posts	To approve all changes to account signatories
		Group Manager Budgets & Assets/ Manager Budgets & Investments.	To recommend for approval the opening and closing of all bank accounts accounts.
		Manager Budgets & Investments/Funds Manager	To recommend changes to account signatories.
		Accounting Function	To maintain records of all bank accounts and signatories.
		Manager Budgets & Investments/ Funds Manager	To monitor and negotiate all fees.
		Accounting Function	Bank account reconciliations.

SCHEDULE 1

Function	Event	Authorised by	Limit/Responsibility
Policy Statement	Revise Update	General Manager Corporate Finance and Assets/Group Manager Budgets & Assets	Review recommendations for changes to treasury policy prior to submission to the Finance Committee and the Board/Managing Director.
		Manager Budgets & Investments/Funds Manager	To recommend changes to update this policy statement for Board approval.
Procedures	Approve	General Manager Corporate Finance and Assets	Approve the Procedure manual.
	Prepare/ Operate	Manager Budgets & Investments/Funds Manager	Prepare, maintain, revise and administer overall Treasury procedures and document in a manual.
Staffing	Quantity/ Quality	General Manager Corporate Finance and Assets/Group Manager Budgets & Assets	Administer, review, monitor position descriptions/delegations and monitor performance. Define training needs.
Capital Expenditure Treasury	Approve	Group Manager Budgets & Assets	Approve all expenditure within the limits as set by the annual budget.
Treasury Systems	Establish Develop Maintain	Group Manager Budgets & Assets/ Manager Budgets & Investments/Funds Manager	Establish, develop and maintain adequate security both internal and external for Treasury.

Function	Event	Authorised by	Limit/Responsibility
Information Internal/ External	Provision	Manager Budgets & Investments/ Funds Manager	Internal - Obtain and formulate sufficient information to form the basis of risk profiles on: . Credit . Interest Rate . Currency . Liquidity . Operational External - Gather and monitor sufficient information to manage the internally identified risks in an effective manner.
Reporting	Review	Managing Director/The Executive General Manager Corporate and Government/ General Manager Corporate Finance and Assets/ Group Manager Budgets & Assets	Receive and review management performance and exception reports on the risk management activities of management.
	Provision	Manager Budgets & Investments/ Funds Manager	Formulate and prepare Management reports covering all areas of risk management including exceptions to the policy.
Budget	Approval	General Manager Corporate Finance & Assets/Group Manager Budgets & Assets	Approve the Treasury budget.
	Provision	Manager Budgets & Investments/ Funds Manager	Prepare an annual operating and capital expenditure budget for Treasury.

SCHEDULE 2

APPROVED LIST OF COUNTERPARTIES

Credit exposures for the following counterparties are approved.

The degree of exposure to a counterparty varies according to the nature of the transaction. Schedule 6 sets out the Assessed Counterparty Exposure (ACE) for each type of transaction authorised. These ACE's must be used in determining the total counterparty credit exposure at any one time.

All ratings are those of Australian Ratings Services, Moodys, and/or Standard & Poors *.

Effective from: April 1999

Short term ratings are assumed to be a rating below A.

Current Rating	Amount
AA or above	$49 million
A	$30 million
Below A	$5 million
No Rating	$5 million

- No more than 40% of funds should be placed with any one institution with funds spread over 3 institutions.
- 40% of funds should be held in banks with Aa or better ratings and
- if investment levels go up to $100m, funds should be placed with three banks rather than two.

(a) The credit limit is subject to the condition that it will not exceed 25% of the shareholder's funds (net worth) of the legal entity concerned. Where the relevant entity is unconditionally guaranteed by its parent company, then the 25% will be applied on the shareholders funds of the parent company. The information on shareholder's funds is to be obtained from the entity's annual report.

For banks domiciled outside Australia where their net worth is not clearly defined the limit shall be $5 million until the net worth can be determined.

(b) Daily balances in posts' operating accounts domiciled with the Westpac and ANZ banks should not affect the Treasury Policy credit exposure levels set for investment purposes with those two banks.

(c) As a result of concerns with possible risk exposure bank credit limits adjusted by Board Audit Committee at its December 1998 meeting.

SCHEDULE 3

APPROVED LIST OF COUNTRIES

This schedule sets out the maximum country credit limit for all transactions with approved Counterparties in each country. The country limit is defined to include all of the relevant currencies held for a particular country whether the currency is held in Australia or overseas.

Effective from: April 1999

Country	**Maximum Country Credit Limit**

The authority of the Managing Director must be obtained to accommodate large one-off transactions in excess of these limits (eg. proceeds from property sales, funds for large one-off payments).

SCHEDULE 4

APPROVED LIST OF CURRENCIES

Currency exposures as defined and recognized in the Policy.

All transactions that have the effect of reducing currency exposures as defined in the policy are to be considered hedging transactions. These include but are not limited to forward exchange contracts, foreign currency borrowings, deposits or account balances.

(1) Foreign Currency Denominated Asset Purchases and Sales. These exposures are to be separately recognised and reported. Hedges taken to protect the A$ value of these transactions are not to exceed the amount or term of the exposure.

(2) Foreign Currency Expenditures in Maintaining an Overseas Presence in Various Locations. Hedging transactions to reduce the risk of budgetary problems due to adverse currency transactions are limited to the lesser of the maximum hedges shown below or the total budgeted expenditure in that currency for the next six months.

Effective from: 30 November 1993

Currency	**Maximum Hedges**
All currencies for all countries in the Approved List of Countries	$500000*

* Limited to use of forward contracts to prepurchase currency for extraordinary operating cost expenditure, for periods not exceeding 30 days.

SCHEDULE 5

REQUIRED LIQUIDITY LEVELS

The following required levels of liquid financial assets are approved.

Liquid assets with a term to maturity within 7 days	$3 million minimum
Liquid assets with a term to maturity in excess of 90 days	$30 million maximum
Approval by the Assistant Federal Treasurer (dated 23 May 1996) to increase the overdraft level for the operating account from $1m to	$5 million maximum

SCHEDULE 6

APPROVED INSTRUMENTS

The following table lists the instruments approved for use, the maximum term, and the Assessed Counterparty Exposure (ACE).

Effective from: MARCH 1992

The table is to be read as follows:

Instrument:	The financial instrument approved for use in the Treasury financial management activities.	
Maximum Maturity:	The maximum term to maturity for each instrument.	
Assessed Counterparty:	(i) Amount:	The amount of the ACE recognised for the transaction.
Exposure:	(ii) Term:	The period over which the ACE is recognised for the transaction.

SCHEDULE 6

Instrument	Maximum Maturity	Amount	Assessed Counterparty Exposure Term	 Counterparty
Short Term unsecured A$ Deposits	180 days	105% of deposit in order to allow for interest accruals	For the term of the deposit	Borrower
Short Term unsecured foreign currency deposits	180 days	115% of deposit in order to allow for interest and currency movements	For the term of the deposit	Borrower
Short Term Deposits secured by				
1) Govt stock	180 days	105% of deposit to allow for interest	Term of the deposit	Government
2) Bank accepted bills	180 days	100% of face value	Term of the deposit	Acceptor
Bills of Exchange /Promissory Notes	180 days	100% of face value	Until maturity or sale of the Bill	Acceptor
Spot Foreign	Two business days	100% of contract value	On settlement date	Counterparty
Forward Foreign Exchange	180 days	- 20% of contract value	Until settlement date	Counterparty
		- 100% of contract value	On Settlement Date	Counterparty

SENATE FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE

ANSWERS TO QUESTION ON NOTICE

The Australian Trade Commission (Austrade)

1999-2000 Additional Estimates, Initial Hearings

10 February 2000

Outcome 1, Output 1.1
Topic: *Awareness of Austrade*

Hansard page 163

Senator Cook asked:

What percentage of people knew about Austrade in the Austrade Community Awareness Study?

Answer:

In response to the question 'Have you or have you not heard of an organisation called Austrade, also known as the Australian Trade Commission?", 62.1% of respondents answered that they had heard of the organisation.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

AusAID

Additional estimates 1999-2000–10 February 2000

Topic: Assistance to Bougainville

Hansard page 184

Senator Cook asked:
Given that you do have this project (Bougainville Coastal Trunk Road Rehabilitation Project), can you tell me who the contractor is and what the value of the project might be?

Correction:
Mr Dillon advised it was SMEC. However the managing contractor for the main part of the Bougainville Coastal Trunk Road Rehabilitation Project is a joint venture arrangement between Barclay Mowlem/QCPP. The contractor for the first interim phase was Cardno MBK International.

The overall value of the of the project is $8.19 million for both the interim phase (valued at approximately $260,000) and main phase (valued at $7,930,000) of the project.

Hansard page 185

Senator Cook asked:
When was the tender for the project awarded and when is the first phase of the project expected to be completed.

Answer:
The first interim phase of the Bougainville Coastal Trunk Road Rehabilitation Project was awarded to Cardno MBK International Pty Ltd on 19 March 1999. The first phase undertook roadworks from April 1999 along the northern stretch of the coastal road on mainland Bougainville. This work was completed in September 1999.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

AusAID

Additional estimates 1999-2000–10 February 2000

Senator Cook asked:
When will the whole project be completed?

Answer:
The second and main phase of the project was awarded to Barclay Mowlem/QCPP Joint Venture. The tender was awarded on 14 May 1999. The work on this phase was originally expected to be completed by December 2000.

Senator Cook asked:
Did you say there is some doubt about whether it will be on time and completed?

Answer:
Project completion may be affected by security problems. Currently there is a delay caused by two no go zones restricting project work to the north and south of Arawa. We will endeavour to minimise disruption to the project, but project completion will be delayed if the no go zones remain in place.

Senator Cook asked:
Has the contractor been paid anything for work completed?

Answer:
AusAID has paid for the completion of works under the first phase and emergency works under the current phase, as well as associated preparatory work.

Senator Calvert asked:
Was what you were referring to on Bougainville the wharf at Kieta?

Answer:
Kieta Wharf was rehabilitated with New Zealand funding. It is now operating, although partially blocked by a sunken ship. Communities in the area have now agreed that this should be left as a memorial. Australian support was not provided because of difficulties of operating in this area and differences within the local community as to the merits of the project. The Australian Government is about to conduct preliminary studies of the viability of wharves at Buka, Kangu and Mamagota. This is, however, on hold due to travel restrictions south of Arawa, where Kangu and Mamgota are located.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

AusAID

Additional estimates 1999-2000–10 February 2000

Senator Calvert asked:
Has the hospital at Arawa that was destroyed been replaced with anything apart from that emergency shelter – I suppose that is all you could call it – on Buka Island? Is a proper hospital being planned or put together?

Answer:
The destroyed Arawa Hospital has been replaced by the Arawa Health Centre which occupies two remaining wings not damaged during the conflict. In 1999, AusAID funded a basic refurbishment of these wings to allow it to be used for patient care as a health centre. A contract is being negotiated with SMEC to upgrade the Arawa Health Centre into a 40-bed facility. It is expected that this upgrading work will be completed by December 2000.

AusAID completed construction of the 84-bed Buka Town Hospital at a cost of $6.7 million in June 1998. This facility provides comprehensive medical services for the whole of Bougainville Province.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

AusAID

Additional estimates 1999-2000–10 February 2000

Topic: Assistance to Rabaul

Senator Calvert asked:
Has the recovery of Rabaul since the volcano erupted progressed reasonably well?

Answer:
The reconstruction work on the Gazelle Peninsula since the volcanic eruption has progressed well. The international program of assistance to the immediate response phase has largely been completed. Australian assistance through the $42 million Gazelle Reconstruction Project on basic infrastructure has been completed apart from 1.3km of road construction in Kokopo, which will be completed by May 2000.

The Gazelle Reconstruction Project has assisted the GoPNG to restore essential services on the Gazelle Peninsula, focussing on the reconstruction of roads, police facilities and housing, schools and community facilities in Kokopo.

Hansard page 186

Senator Calvert asked:
Has their been a resurgence of tourism to East New Britain?

Answer:
As facilities are being developed in Kokopo and the Gazelle Peninsula, there has been a small recovery in tourism to East New Britain, but numbers are small, reflecting levels more widely in PNG.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

AusAID

Additional estimates 1999-2000–10 February 2000

Topic: Vietnam–population award

Hansard page 188

Senator Harradine asked:
Did the UNFPA support Vietnam in being awarded that population award?... Can you take it on notice and provide us with that information to whether the UNFPA supported it?

Answer:
AusAID has requested this information from UNFPA, and will provide a response to the Committee when it is available.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

AusAID

Additional estimates 1999-2000–10 February 2000

Topic: HIPC debt initiative

Hansard page 186

Senator Harradine asked:
What are the general conditions placed on developing countries for loans from the World Bank and the IMF?

Answer:
Experience has shown that sustained economic growth, sound policy frameworks, transparent and well-functioning institutions, and poverty-targeted programs are critical to developing countries' efforts to raise living standards, reduce poverty and, ultimately, to graduate from "developing country status". The conditions associated with World Bank development loans and IMF adjustment loans[1] represent the agreed, up-front, steps the borrowing country will take to put in place sound policy and governance frameworks. While these commitments are negotiated with the Bank and the Fund, they are "owned" by the developing country concerned, which takes responsibility for their implementation. Conditionality aims to benefit both the borrowing country (providing an assurance that promised loans will be disbursed when policy changes are implemented) and the lender (ensuring that scarce resources go to developing countries committed to reform, good governance and anti-corruption and are not wasted).

In recent years, the World Bank and the IMF have focused on the "poverty reduction" dimension of development. The conditions associated with their programs have placed greater emphasis on poverty alleviation. At the September 1999 Annual Meetings of the World Bank and IMF, Ministers agreed that future concessional lending to the poorest countries would be underpinned by agreed Poverty Reduction Strategy Papers (PRSPs). These are country-owned strategies identifying priorities for public action to reduce poverty and specifying monitorable indicators for success or failure. They will be formulated by developing countries themselves: in the first instance Heavily Indebted Poor Countries (HIPCs) and eventually by all countries benefiting from World Bank and IMF concessional loans. The World Bank and IMF are assisting the countries concerned to develop PRSPs in a participatory process involving civil society, NGOs, donors and development partners.[2]

[1] Development and adjustment loans help countries address destabilising balance of payments (and other macroeconomic) difficulties and meet domestic (ie. budgetary) financing gaps in a non-inflationary way. The World Bank also makes "investment loans" in support of discrete projects or a program of projects.

[2] At the 1999 Annual Meetings, Ministers agreed that (after a transition period) countries will be required to have PRSPs in place in order to qualify for debt relief under the World Bank/IMF Heavily-Indebted Poor Countries Initiative (HIPC).

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

AusAID

Additional estimates 1999-2000–10 February 2000

Set out below is more specific information on the conditions associated with World Bank development lending and IMF adjustment lending.

World Bank

World Bank lending supports a range of policy and institutional changes in areas such as poverty reduction, the provision of efficient and effective social safety nets, corporate and financial sector reform and anti-corruption/good governance.[3]

World Bank lending during (and after) the East Asian financial crisis included loans to support – and improve the design of - key "social safety net" programs to reduce adjustment pressures on the poor and vulnerable. The conditions associated with these loans were designed to ensure that these programs were appropriately targeted, implemented as designed and effectively evaluated. Consultation with local populations and non government organisations (NGOs) in program design and monitoring was a key part of this approach. World Bank loans also supported reforms designed to strengthen local banking systems, facilitate corporate and financial sector restructuring and reduce corruption and increase transparency of public institutions.

The World Bank provides highly concessional loans to the world's poorest countries through the International Development Association (IDA). The allocation of loans under this facility is guided by assessments of each borrower's policy and institutional performance, in particular in the areas of poverty reduction and good governance/anti-corruption. IDA credits must also be underpinned by agreed Poverty Reduction Strategy Papers (PRSPs), developed by developing countries themselves in consultation with other development partners and local populations.

IMF

The IMF uses its financial resources to help members redress balance of payments problems and cushion the impact of adjustment. IMF financing is provided through both its general resources and through its concessional financing facility.

The conditions associated with the provision of general financial assistance depends, *inter alia,* on the extent of assistance provided. Financial assistance, normally associated with Stand-By or Extended Arrangements, is made in phases and released when agreed policy changes and performance targets are met. These are set out in an agreed Letter-of-Intent/Memorandum of Economic and Financial Policies which is

[3] Adjustment lending will not normally be undertaken unless an appropriate IMF arrangement is in place. If no IMF arrangement is in place, Bank staff will ascertain, before making their own assessment, whether the IMF has major concerns about the adequacy of the country's macroeconomic policies. This will be taken into account before the Bank authorizes the release of loan tranches.

prepared by the borrowing country. Agreed performance targets generally cover bank credit, government or public sector borrowing, trade and payments restrictions, and international reserve levels.

The IMF also has available a concessional financing facility -- the Poverty Reduction and Growth Facility (PRGF) -- which is the principal means by which the IMF provides financial support to low-income countries facing protracted balance of payments problems. Conditions attached to provision of PRGF loans are similar to those required for Stand-By and Extended Arrangements, but in recent years have emphasised the importance of targeted social safety net measures and programs to protect the most vulnerable. Targets for health and education spending are routine parts of PRGF-supported reform programs. As mentioned above, PRGF programs must in addition be underpinned by agreed Poverty Reduction Strategy Papers (PRSPs).

The Department of the Treasury provided significant contribution in the preparation of this response.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

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Senator Harradine asked:
And in particular, what conditions do poor countries have to meet to qualify for debt relief under the World Bank's and IMF's Enhanced HIPC Debt Initiative?

Answer:
From its inception, the HIPC Initiative has targeted relief to the heavily indebted poor countries (HIPCs). In order to qualify for consideration under the Initiative, a country must:

- Be eligible for concessional finance from the World Bank and IMF (the World Bank's concessional program, the International Development Association, lends only to those countries that had per capita incomes of less than $US895 in 1998; a country needs to be IDA-only to be eligible for assistance under the HIPC Initiative).

- Face an unsustainable debt burden beyond available debt-relief mechanisms such as the Naples terms (under which low income countries can receive a reduction of eligible external debt of up to 67 per cent in net present value terms).
  - Under the Enhanced HIPC Initiative, the definition of "unsustainable debt burden" has been substantially broadened[4] to ensure that more relief is delivered to a larger range of countries.

- Establish a track record of reform and sound policies through World Bank and IMF-supported programs. A country must pursue these programs for 3 years before qualifying for consideration of debt relief (ie. the decision point)

Under the original HIPC Initiative, countries were required to show a further 3 year track record of reform under World Bank and IMF-supported programs in order to obtain debt relief. As a result of the enhancements to the Initiative approved in 1999, countries which implement a number of key reform commitments can obtain relief more rapidly (from the decision point).

These requirements aim to ensure that countries which obtain relief make a permanent exit from the cycle of unsustainable debt, and that the savings from debt relief are directed to poverty reduction. The HIPC Initiative provides relief on the basis that recipient countries put in place sound policy and governance frameworks so that

[4] The qualifying debt-to-export ratio for HIPCs was reduced to 150 per cent from 220 per cent. The higher a country's debt to export ratio, the more difficulty it faces in meeting its debt repayments and interest commitments.

resources freed up by debt relief are channelled to poverty reduction, health and education and are not wasted.

At the IMF/World Bank Annual Meetings in September 1999, Ministers agreed to strengthen the link between debt relief provided under the HIPC Initiative and poverty reduction. Poverty Reduction Strategy Papers (PRSPs) are the key mechanism to achieve this. The PRSPs are country-driven plans identifying priorities for public action that will have the greatest impact on poverty and provide frameworks to help prevent the misuse of funds freed up by debt relief (e.g. on expenditure on military equipment and corrupt practices). The IMF and the World Bank are assisting developing countries to develop these in a participatory process involving civil society, donors and international development institutions. After a transition period, all HIPCs will be required to have PRSPs in place before they reach their completion point under the Initiative when debt relief is provided unconditionally.

The Department of the Treasury provided significant contribution in the preparation of this response.

Senate Foreign Affairs, Defence and Trade Legislation Committee

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Topic: US support for debt forgiveness

Hansard pages 187-188

Senator Harradine asked:
What are the details of the United States' announcement of support for the forgiveness of debt owed by developing countries?

Answer:
The United States has yet to make a firm funding commitment to the Trust Fund established by the World Bank for provision of debt relief under the HIPC Initiative. While the Clinton Administration (in its formal budget request for the 2001 fiscal year and in a supplemental budget request for 2000) has requested a total of $US600 million over three years for the Trust Fund, including $US210 million in 2000, Congress has yet to approve this.

On 15 November 1999, the US Administration and Congress reached in principle agreement on a funding deal for the IMF's HIPC Initiative (and Poverty Reduction Growth Facility) Trust Fund. The deal permitted US representatives to vote in favour of the off-market sale of part of the IMF's gold reserves. It specified that nine-fourteenths (or 64 per cent) of the interest earnings on the profits from these sales should be earmarked for debt relief (the fate of the remaining 5/14 is to be determined later). The agreement also authorised the use of the US share (approximately $US300 million) of a special reserve account in the IMF for debt relief.

On a bilateral level, in the same agreement in November last year, the United States Congress appropriated $US110 million for the 2000 fiscal year to reduce debt owed to the US Government by HIPCs. The $US210 million budget request, combined with the $US110 million already appropriated, would cover the cost to the United States of forgiving the $US3.8 billion owed by the 33 HIPCs most likely to receive debt relief.

The Department of the Treasury provided significant contribution in the preparation of this response.

Senate Foreign Affairs, Defence and Trade Legislation Committee

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Topic: Transparency and accountability in IMF loans

Hansard page 191

Senator Schacht asked:
What measures have been taken by the IMF to ensure greater transparency and accountability in the financial markets of the economies that were provided assistance in the wake of the Asian financial crisis?

Answer:
In response to the experiences of the Asian crisis, the IMF is analysing a range of reforms aimed at improving the strength of the international financial system. A number of reforms have already been introduced or are in the process of being introduced in the area of enhanced transparency and accountability. These measures include:

- The IMF's Special Data Dissemination Standard (SDDS) has been strengthened in the areas of international reserves and external debt.

- In consultation with others, the IMF has developed standards or codes of good practices in its main areas of responsibility:
  - Code of Good Practices on Fiscal Transparency — Declaration on Principles, which was adopted by the IMF in April 1998; and
  - Code of Good Practices on Transparency in Monetary and Financial Policies, which was adopted in September 1999.

- With IMF input, the Basel Committee on Banking Supervision is addressing gaps in regulatory standards. The IMF is encouraging and assisting countries to achieve compliance with the Basel Committee's Core Principles for Effective Bank Supervision.

- In order to better integrate the use of international standards and codes in IMF surveillance, the IMF has prepared and published two rounds of experimental country Reports on Observance of Standards and Codes (ROSCs or "Transparency Reports").

- In collaboration with the World Bank, the IMF is undertaking a pilot Financial Sector Assessment Program which should facilitate early detection of financial system weaknesses and support a better co-ordinated dialogue with national authorities.

The Department of the Treasury provided significant contribution in the preparation of this response.

Senate Foreign Affairs, Defence and Trade Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

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Senator Schacht asked:
What has the IMF done to trace the siphoning off of funds that it has lent to developing countries by their elite?

Answer:
The IMF endeavours to ensure that its resources are used for their intended purposes. This issue was discussed at the September 1999 meeting of the IMF Interim Committee of the Board of Governors. The communiqué of the meeting noted:

> "Experience in a few cases has highlighted the importance of promoting transparency and accountability especially when IMF resources are being used. In this connection, the Committee notes that the implications of corruption and money laundering raise important issues for the credibility and effectiveness of IMF programs, and calls on the IMF to perform an authoritative review of its procedures and controls to identify ways to strengthen safeguards on the use of its funds and to report at its next meeting [in April 2000]. The Committee considers that further actions for strengthening governance at the national and international levels are crucial. In the financial area, governments must maintain strong internal financial controls and tighten supervision and regulation of domestic financial institutions and off-shore banking centers, including measures to deter money laundering. The Committee urges the IMF to enhance its support for members' efforts in these areas, building on its guidelines and other international standards for fostering good governance and transparency in all member countries, including through the application of the codes of good practice that the membership has established in the fiscal and monetary areas."

The Department of the Treasury provided significant contribution in the preparation of this response.