

1993

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

THE INTERNATIONAL DEVELOPMENT ASSOCIATION
(FURTHER PAYMENT) BILL 1993

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Development Cooperation and Pacific
Island Affairs, the Honourable Gordon Bilney MP)

INTERNATIONAL DEVELOPMENT ASSOCIATION (FURTHER PAYMENT) BILL 1993

OUTLINE

The purpose of this Bill is to:

authorise a contribution by Australia of \$A350 million towards the Tenth Replenishment of the International Development Association.

The International Development Association (IDA) is the concessional lending arm of the World Bank. IDA provides highly concessional loans for development activities in most of the world's poorest countries.

Australia has been a member of the Association since it was established in 1960 and has contributed to the previous nine IDA replenishments. The International Development Association Act 1960 authorised the first Australian contribution to the Association. Further contributions were authorised under further payment Acts in subsequent years. The most recent contribution to the Association was authorised under the International Development Association Act of 1990.

The Tenth Replenishment of IDA (IDA-10) consists of commitment authority, provided through donor contributions and changes to IDA liquidity policy, of SDR13 billion (approximately \$US18 billion at the exchange rates determined during the course of the negotiations) plus estimated reflows from the repayment of IDA loans (called credits) and transfer from other World Bank net income of some SDR3 billion. These bring total resources available to IDA for its lending operations over the period 1993-94 to 1995-96 to SDR16 billion (\$US22 billion). Australia's basic contribution of \$A345.9 million amounts to 1.46 per cent of donor contributions. A supplementary contribution of \$A4.1 million was also committed. This represents a substantial reduction in Australia's contribution to and share of IDA, reflecting tight economic and budgetary constraints.

FINANCIAL IMPACT STATEMENT

In accordance with Australian practice, payment will be made in the form of non-negotiable, non-interest bearing promissory notes. The promissory notes will contribute to the IDA-10 lending authority for the period 1993-94 to 1995-96. It is expected that the promissory notes will be encashed over a period of ten years beginning in 1993-94. Funds required for 1993-94 and beyond will be met from the global aid vote.

ESTIMATES FOR DRAWDOWNS FOR IDA-10 (Amounts in \$A million)

Year	1993/94	1994/95	1995/96
	9.4	28.3	47.0

These estimates are subject to change as they are dependent upon exchange rates and the actual rate of disbursements by the Association.

Notes on Clauses

Clause 1 - Short title

1. This clause provides that the short title of the Act is "International Development Association (Further Payment) Act 1990".

Clause 2 - Commencement

2. This clause provides that the Act will come into operation on the day on which it receives Royal Assent.

Clause 3 - Interpretation

3. This clause provides that expressions have the same meaning as they have in the "International Development Association Act 1960". The 1960 Act authorises Australia's first contribution to the International Development Association.

Clause 4 - Contribution to Association

4. This clause specifies that Australia will contribute a further \$A350 million to the International Development Association.

Clause 5 - Issue of Promissory Notes

- 5.1 Sub-clause (1) specifies the manner in which Australia will meet the commitment specified in Clause 4, ie by lodging promissory notes with the Association.
- 5.2 Sub-clause (2) specifies the terms under which a promissory note will be lodged. That is:
 - (a) it must be payable to the Association;
 - (b) it must be non-negotiable and non-interest bearing; and
 - (c) it must be payable at its par value on demand.

Clause 6 - Appropriation

6. This clause appropriates from Consolidated Revenue the funds required to meet the encashment of promissory notes specified in Clause 5.



9 780644 271158