

1982

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

International Financial Institutions (Share Increase) Bill 1982

EXPLANATORY MEMORANDUM

(Circulated by authority of the Treasurer the Hon. John Howard, MP)

OUTLINE

This Bill empowers the Treasurer to make the necessary agreements on behalf of Australia to purchase:

- (a) 6,287 additional shares of the capital stock of the International Bank for Reconstruction and Development; and
- (b) 9,976 additional shares of the capital stock of the International Finance Corporation.

The Bill empowers the Treasurer to make these agreements on such terms and conditions as the Treasurer determines and, where appropriate, to issue securities in payment. The Bill also appropriates the funds necessary to make payments under these agreements.

Clause 1 - Short title

This clause is self-explanatory.

Clause 2 - Commencement

This clause is self-explanatory.

Clause 3 - Interpretation

This clause is self-explanatory.

Clause 4 - Agreements for purchase of additional shares of capital stock of the Bank

In January 1980, the Board of Governors of the International Bank for Reconstruction and Development adopted Resolutions 346 (General Capital Increase) and 347 (Additional Capital Increase) which increased the Bank's authorised capital by approximately \$US40 billion and authorised the acceptance of increases in individual members' subscriptions. Copies of the Resolutions are attached.

To subscribe to the capital increase, the Treasurer, as Governor for Australia of the Bank, is required to submit an "Instrument of Subscription" setting out the number of additional shares to which Australia will subscribe on the terms and conditions laid down in the Resolutions. The Treasurer is required to state that all action necessary to authorise the subscription has been taken and to furnish to the Bank such information concerning the subscription as the Bank may request.

Australia is entitled to subscribe to 6,037 shares under the General Capital Increase and to 250 shares under the Additional Capital Increase, a total of 6,287 shares, valued at \$US758.43 million.*

* The Bank's Articles of Agreement express the Bank's capital in terms of 1944 US dollars. Since 1 April 1978, the effective date of the Second Amendment of the IMF Articles of Agreement, currencies no longer have par value in terms of gold and the pre-existing basis for translating the 1944 US dollars into members' currencies has ceased to exist. The implications of this change on the valuation of the Bank's capital stock are still being examined. The Bank in the meantime has continued and will continue to accept capital subscriptions at 1.20635 current US dollars to one 1944 dollar, the value of the 1944 dollar at the last par value of the US dollar, subject to the possibility that adjustment may be required when the standard of value issue is resolved. In view of the fact that the General Capital Increase (Resolution 346) is fixed in financial terms rather than on a share basis, any adjustment that is required when the valuation issue is resolved will be made by adjusting the allocation of shares.

Under the General Capital Increase, 92.5 per cent of the subscription is to remain on call with the other 7.5 per cent (\$US54.62 million) to be paid-in by Australia at the time of submitting its "Instrument of Subscription". Of the paid-in portion, 10 per cent (\$US5.46 million) has to be in the form of gold or US dollars and the balance (\$US49.16 million) in Australian dollars. The Australian dollar amount (\$A44.95 million at the current exchange rate) can be paid either in cash in a lump sum or by substituting a promissory note for the amount. The promissory note would be encashed on demand as and when the Bank required the funds or else as otherwise agreed with Australia.

Under the Additional Capital Increase, the full subscription price of the 250 shares remains on call. These shares are being issued to offset an unintended reduction in the aggregate voting power of developing countries which would otherwise result from the General Capital Increase.

The callable portion of Australia's subscription under the Resolutions may be called for payment only if required by the Bank to meet its obligations in respect of borrowings and guarantees. If the Bank continues to operate effectively in future - as we have every reason to expect that it will - this situation is not expected to arise. In practice, the callable capital of the Bank serves as security for its own extensive borrowing operations on world capital markets. No calls have ever been made on this part of the Bank's capital in the past.

Clause 5 - Agreements for purchase of additional shares of capital stock of the Corporation

In 1977 the Board of Governors of the International Finance Corporation adopted Resolution 100 which increased the authorised capital of the Corporation from \$US110 million to \$US650 million and provided for specified maximum increases in individual members' subscriptions. A copy of the Resolution is attached.

To subscribe to the capital increase, the Treasurer, as Governor for Australia of the Corporation, is required to submit an "Instrument of Subscription" setting out the number of additional shares to which Australia will subscribe on the terms and conditions laid down in the Resolution. The Treasurer is required to state that all action necessary to authorise payment of the subscription has been taken and to furnish to the Corporation such information concerning the subscription as the Corporation may request.

Under the Resolution, Australia is entitled to subscribe for a maximum of 9,976 shares. The subscription price per share is \$1,000 in terms of US dollars and must be paid in US dollars or other freely convertible currency or currencies. Australia would be required to pay 80 per cent of the subscription price at the time the shares are subscribed, with the balance to be paid by 1 August 1982.

Clause 6 - Agreements subject to terms and conditions

This clause enables the Treasurer to make appropriate arrangements with the Bank and the Corporation regarding the terms and conditions of the subscriptions by Australia to these institutions.

Clause 7 - Appropriation and issue of securities

- (1) This part of the clause appropriates the moneys necessary to make payments to cover the purchases of additional shares of the capital stock of the Bank and the Corporation.
- (2) This part of the clause provides the Treasurer with the authority to issue securities to the Bank.

**RESOLUTIONS ADOPTED BY THE
BOARD OF GOVERNORS OF THE BANK
BETWEEN THE 1979 AND 1980 ANNUAL MEETINGS**

Resolution No. 346

1979 General Capital Increase

WHEREAS the original capital stock of the Bank amounted to \$10 billion in terms of United States dollars of the weight and fineness in effect on July 1, 1944 (hereinafter referred to as 1944 dollars);

WHEREAS the Board of Governors, by Resolutions Nos. 128, 131, 194, 222, 264 and 315 increased the authorized capital stock to \$34 billion divided into 340,000 shares having a par value of \$100,000 each in terms of 1944 dollars.

WHEREAS the Executive Directors of the Bank, having duly considered the question of enlarging the resources of the Bank through an increase in its authorized capital, have concluded that action to increase the capital of the Bank would be desirable and have submitted an appropriate proposal therefor to the Board of Governors;

WHEREAS the Executive Directors have concluded that it would be desirable to reserve a portion of the increase in authorized capital for selective increases in the subscriptions of present members;

WHEREAS the Board of Governors expects that in the circumstances members will not wish to avail themselves of their preemptive rights pursuant to Article II, Section 3(c) of the Articles of Agreement of the Bank;

NOW THEREFORE the Board of Governors hereby resolves as follows:

1. The authorized capital stock of the Bank shall be increased by 331,500 shares of capital stock having a par value of \$100,000 each in terms of 1944 dollars; provided, however, that if as a result of determinations on the standard of value for Bank capital stock the increase in authorized capital is in excess of \$40,000,000,000 calculated as of the time of such determinations and on the basis of that value, the number of shares authorized by this Resolution shall be reduced so that such value shall be equivalent (to the nearest number of shares) to \$40,000,000,000.
2. Each of the members of the Bank listed below may subscribe up to the maximum number of shares of the Bank set forth opposite its name subject to adjustment as provided in paragraph 3 of this Resolution:

<i>Member Country</i>	<i>Maximum Number of Shares</i>	<i>Member Country</i>	<i>Maximum Number of Shares</i>
Afghanistan	327	Guinea-Bissau	25
Algeria	2178	Guyana	192
Argentina	4400	Haiti	163
Australia	6037	Honduras	102
Austria	2523	Iceland	208
Bahamas	253	India	10608
Bahrain	153	Indonesia	3639
Bangladesh	1163	Iran	5284
Barbados	130	Iraq	895
Belgium	6803	Ireland	1185
Benin	110	Israel	1566
Bolivia	247	Italy	9472
Botswana	69	Ivory Coast	478
Brazil	5055	Jamaica	558
Burma	553	Japan	16417
Burundi	163	Jordan	218
Cameroon	230	Kampuchea, Democratic	238
Canada	10410	Kenya	515
Cape Verde	15	Korca, Republic of	1304
Central African Republic	110	Kuwait	2998
Chad	110	Lao People's Dem. Rep.	110
Chile	1161	Lebanon	167
Colombia	1100	Lesotho	54
Comoros	15	Liberia	243
Congo	117	Libya	1485
Costa Rica	123	Luxembourg	278
Cyprus	260	Madagascar	256
Denmark	2362	Malawi	170
Dominican Republic	164	Malaysia	1934
Ecuador	344	Maldives	6
Egypt	1544	Mali	190
El Salvador	132	Mauritania	118
Equatorial Guinea	72	Mauritius	207
Ethiopia	137	Mexico	2954
Fiji	138	Morocco	1142
Finland	2003	Nepal	137
France	16443	Netherlands	7188
Gabon	215	New Zealand	1766
Gambia, The	61	Nicaragua	103
Germany	16485	Niger	110
Ghana	801	Nigeria	2753
Greece	885	Norway	2256
Grenada	22	Oman	180
Guatemala	156	Pakistan	2358
Guinea	224	Panama	202

<i>Member Country</i>	<i>Maximum Number of Shares</i>	<i>Member Country</i>	<i>Maximum Number of Shares</i>
Papua New Guinea	230	Syrian Arab Republic	475
Paraguay	66	Tanzania	411
Peru	878	Thailand	1383
Philippines	1605	Togo	170
Portugal	1239	Trinidad & Tobago	624
Qatar	338	Tunisia	439
Romania	1873	Turkey	1527
Rwanda	163	Uganda	373
Sao Tome & Principe	13	United Arab Emirates	1032
Saudi Arabia	5300	United Kingdom	24336
Senegal	419	United States	72760
Sierra Leone	167	Upper Volta	110
Singapore	376	Uruguay	485
Solomon Islands	16	Venezuela	3534
Somalia	177	Viet Nam	707
South Africa	3241	Western Samoa	22
Spain	4260	Yemen Arab Republic	99
Sri Lanka	899	Yemen, P.D.R.	314
Sudan	657	Yugoslavia	2118
Suriname	152	Zaire	1157
Swaziland	92	Zambia	1077
Sweden	3441		

3. In the event that the number of shares authorized by this resolution shall be reduced pursuant to the proviso to paragraph 1 above, the amount authorized to be subscribed by each member shall be reduced correspondingly (to the nearest number of shares).

4. Each subscription authorized pursuant to paragraph 2 above shall be on the following terms and conditions:

- (a) the subscription price per share shall be par;
- (b) a member may subscribe from time to time prior to July 1, 1986, or such later date as the Executive Directors may determine; provided, however, that the Bank shall not accept any such subscription prior to September 30, 1981;
- (c) the subscribing member shall pay to the Bank (i) gold or United States dollars equal to ¾ % of the subscription price of the shares subscribed and (ii) an amount in its own currency equal to 6¾ % of such subscription price;
- (d) the Bank shall call the amounts of the 2% and 18% portions of subscriptions which are not required to be paid under paragraph 4(c) above only when required to meet obligations of the Bank for funds borrowed or on loans guaranteed by it, and not for use by the Bank in its lending activities or for administrative expenses;
- (e) before any subscription shall be accepted by the Bank, the following action shall have been taken:

- (i) the member shall have taken all action necessary to authorize such subscription and shall furnish to the Bank such information thereon as the Bank may request; and
- (ii) the member shall have made the payments provided for in paragraph 4(c) above; and
- (f) the maximum number of shares authorized to be subscribed at any time by a member pursuant to this Resolution shall be reduced by the number of shares such member is authorized to subscribe but has not then subscribed pursuant to Resolutions Nos. 313 and 314, adopted by the Board of Governors on January 3, 1977 and February 9, 1977, respectively, and Resolutions submitted after that latter date and prior to March 22, 1979 to the Board of Governors for a vote; provided, however, that no such reduction shall be made on account of shares authorized under Resolutions Nos. 313 and 314 which the member has formally notified the Bank by March 22, 1979 it will not subscribe.

5. If no determinations have been made on the standard of value issue by September 30, 1981, and if any member thereafter shall have subscribed a number of shares in excess of the number of shares authorized to be subscribed by it after reduction in accordance with paragraph 3 above, such excess shall be cancelled and any amounts paid thereon shall be credited to the member on account of the subscription price of the balance of the shares theretofore subscribed to the extent that the amounts provided for in paragraph 4(c) above have not been paid and any balance shall be returned to the member.

6. In the absence of notice to the Bank from any member on or before July 19, 1979 that it intends to exercise its right to subscribe its proportionate share of the increase in capital provided for in this Resolution, such member will be deemed to have waived such right; provided, however, that if any such notice is received from any member the Secretary of the Bank shall promptly after the said date notify all other members thereof whereupon such other members shall have an additional 30 days after the said date to give such notice.

(Adopted January 4, 1980)

Resolution No. 347

Authorized Capital Stock and Subscription Thereof

WHEREAS the Resolution entitled "1979 General Capital Increase" (hereinafter referred to as the Main Resolution) provides for an increase (subject to adjustment) of 331,500 shares in the authorized capital stock of the Bank;

WHEREAS it is desirable further to increase the authorized capital stock of the Bank in order to provide for the subscription by each member to 250 additional shares of capital stock for the purpose of avoiding dilution of the voting power of certain members as a result of the General Capital Increase;

WHEREAS the understanding as among members is that, with respect to such subscriptions, the 2% and 18% portions of each subscription payable pursuant to the Articles of Agreement in gold or United States dollars and the currency of the subscribing member, respectively, shall not be called for use by the Bank in its lending activities or for administrative expenses;

WHEREAS it is also the understanding as among members that subscriptions pursuant to this Resolution will not be counted in determining limitations on guarantees and borrowings of the Bank pursuant to Article III, Section 3 of the Articles of Agreement of the Bank;

WHEREAS in order to achieve the purpose of authorizing such additional subscriptions it is necessary that members waive their right under Article II, Section 3(c) of the Articles of Agreement to subscribe their proportionate share of the increase in authorized capital stock pursuant to the present Resolution;

NOW THEREFORE the Board of Governors hereby resolves as follows:

1. The authorized capital stock of the Bank shall be increased by 33,500 shares of capital stock having a par value of \$100,000 each in terms of United States dollars of the weight and fineness in effect on July 1, 1944.

2. Each member may subscribe to 250 shares on the following terms and conditions:

- (a) the subscription price shall be par;
- (b) the subscription of each member shall be received by the Bank on or before July 1, 1986, or such later date as the Executive Directors may determine; provided, however, that the Bank shall not accept any such subscription prior to September 30, 1981; and
- (c) each member shall represent to the Bank that it has taken all action necessary to authorize such subscription and shall furnish to the Bank such information thereon as the Bank may request.

3. The Bank shall call the 2% and 18% portions of subscriptions made pursuant to this Resolution only when required to meet obligations of the Bank for funds borrowed or on loans guaranteed by it, and not for use by the Bank in its lending activities or for administrative expenses.

4. In the absence of notice to the contrary from any member on or before July 19, 1979, such member shall be deemed to have waived its right to subscribe its proportionate share of the increase in authorized capital under this Resolution.

5. Subscriptions to capital stock pursuant to this Resolution shall not be taken into account in determining the amount of the unimpaired subscribed capital, reserves and surplus of the Bank for purposes of Article III, Section 3 of the Articles of Agreement of the Bank.

6. This Resolution shall not become effective unless:

- (a) all members have waived their right to subscribe to their proportionate share of such increase; and
- (b) the Main Resolution has become effective.

(Adopted January 4, 1980)

**RESOLUTIONS ADOPTED BY THE
BOARD OF GOVERNORS OF IFC
BETWEEN 1977 AND 1978 ANNUAL MEETINGS**

Resolution No. 100

Increase of Capital

WHEREAS the authorized capital of the International Finance Corporation (the Corporation) is \$110,000,000, in terms of United States dollars, divided into 110,000 shares having a par value of one thousand United States dollars each, of which 107,611 such shares are issued; and

WHEREAS the Directors of the Corporation have concluded that it is desirable that the capital of the Corporation be increased and subscriptions to the increased capital be authorized and have submitted proposals therefor to the Board of Governors on the basis set forth below; and

WHEREAS the Board of Governors expects that, in order to facilitate such proposals, members will not wish to exercise their rights to subscribe a proportion of such increase pursuant to Article II, Section 2 (d) of the Articles of Agreement of the Corporation;

NOW THEREFORE THE BOARD OF GOVERNORS RESOLVES THAT:

A. The authorized capital stock of the Corporation is hereby increased to \$650,000,000, in terms of United States dollars, by the creation of 540,000 additional shares having a par value of one thousand United States dollars each, the issuance of certain such shares being authorized as set forth herein;

B. In the absence of notice to the contrary from any member on or before September 1, 1976, such member shall be deemed to have waived its right to subscribe its proportionate share of capital stock authorized but unissued;

C. Each member of the Corporation may at any time, or from time to time, on or before February 1, 1978 (or such later date as the Directors may determine), subscribe up to the number of shares of capital stock of the Corporation set opposite the name of such member in the table attached to this Resolution;

D. After February 1, 1978 (or such later date as the Directors may determine under paragraph C hereof) any remaining shares, not subscribed under paragraph C, may be subscribed on or before February 1, 1979 (or such later date as the Directors may determine) by such member or members, in such amount or amounts and at such time or times as the Board of Governors may determine;

E. The provisions of this Resolution shall become effective when Governors exercising not less than three-fourths majority of the total voting power shall have voted in favor of this Resolution on or before December 31, 1976, or such later date as the Directors may determine;

F. Each subscription authorized hereunder shall be on the following terms and conditions:

1. The subscription price per share shall be \$1,000 in terms of United States dollars and such subscription price shall be paid in United States dollars or other freely convertible currency or currencies; provided that, if payment is made in such a currency or currencies other than United States dollars, the Corporation shall exercise its best efforts to cause such currency or currencies to be promptly converted into United States dollars and the same shall constitute payment of, or towards, the subscription price only to the extent that the Corporation shall have received effective payment of United States dollars.
2. Payment of the subscription price for shares subscribed shall be made either:
 - (a) in cash in full, for all such shares at any time or for some such shares from time to time, provided that such payment shall not be made in amounts and at times less favorable to the Corporation than those specified in paragraph F.2 (b) of this Resolution; or
 - (b) in the manner and on the dates following:
 - in respect of 40% of the total number of shares subscribed, on August 1, 1977, or, at the election of the subscribing member, within a period of six months after such date. Payment in respect of not less than one half of such 40% (i.e. in respect of not less than 20% of the total number of shares subscribed) shall be in cash in full. Payment in respect of not more than one half of such 40% (i.e. in respect of not more than 20% of the total number of shares subscribed) shall be represented by an unqualified commitment of the government of the subscribing member to make payment in cash in full on August 1, 1978, or, at the election of the subscribing member, within a period of six months after such date;
 - payment in respect of 20% of the total number of shares subscribed, in cash in full on August 1, 1979, or, at the election of the subscribing member, within a period of six months after such date;
 - payment in respect of 20% of the total number of shares subscribed, in cash in full on August 1, 1980, or, at the election of the subscribing member, within a period of six months after such date;
 - payment in respect of 20% of the total number of shares subscribed, in cash in full on August 1, 1981, or, at the

election of the subscribing member, within a period of six months after such date;

provided that, if any member shall so request, the Directors may, at any time, determine that any one or more of such periods shall be extended by an additional period, not in any case exceeding six months; and provided further that, if any member shall, pursuant to this Resolution, be authorized to subscribe after the expiry of any one or more of such periods, such member shall, upon subscription, pay in cash all amounts theretofore expressed to be payable according to the foregoing schedule (as the same may be extended by the Directors) and the balance in accordance with such schedule (as the same may be so extended); or

- (c) in the case of any member which shall be in circumstances of economic hardship, on such date or dates not, in any case, later than August 1, 1983, as the Directors may determine at the request of such member.
3. Each subscription shall be made by the subscribing member depositing with the Corporation not later than February 1, 1978 (or such later date as the Directors may determine) in a form acceptable to the Corporation, an Instrument of Subscription whereby the member:
- (a) subscribes to the total number of shares specified in such Instrument; and
 - (b) commits itself to pay for such total number of shares in a manner consistent with paragraph F.2 of this Resolution; provided that, in cases where qualification is required by legislative procedures, such commitment shall be unqualified as to payment for not less than the first 40% of the total shares subscribed but may be qualified by a condition that payment for not more than 60% of the total shares subscribed is subject to appropriate legislative action which that member undertakes to seek as soon as practicable; and
 - (c) represents to the Corporation that it has taken all action necessary to authorize such subscription; and
 - (d) undertakes to furnish to the Corporation such information as to the foregoing matters as the Corporation may request.
4. Shares of capital stock shall be issued to a subscribing member, which has delivered an Instrument of Subscription in accordance with paragraph F.3 of this Resolution, only as full cash payment is made for such shares at any time or from time to time, and such member shall hold such shares upon such issue; provided always, however, that no shares shall be issued before August 1, 1977, or the date on which the provisions of this Resolution become effective in accordance with paragraph E of this Resolution, whichever is later.

G. To the extent that any shares of capital stock, which have been subscribed pursuant to this Resolution, shall not have been paid for in

cash in full on or before the last date prescribed for payment for such shares in accordance with this Resolution, the subscription of such shares shall become void.

H. Any shares of capital stock remaining unsubscribed after the last date prescribed under paragraphs C and D hereof shall remain authorized and unissued, issuable by the Corporation in accordance with its Articles of Agreement.

(Adopted November 2, 1977)

INTERNATIONAL FINANCE CORPORATION

(Table Attached to Resolution No. IFC-100)

Capital Stock for Subscription

<i>Member</i>	<i>Maximum Number of Shares</i>	<i>Member</i>	<i>Maximum Number of Shares</i>
Afghanistan	563	Israel	3,136
Argentina	6,547	Italy	17,120
Australia	9,976	Ivory Coast	869
Austria	4,531	Jamaica	955
Bangladesh ¹	1,615	Japan	22,777
Belgium	11,231	Jordan	396
Bolivia	412	Kenya	857
Brazil	9,006	Korea	2,311
Burma	937	Kuwait	4,164
Cameroon	379	Lebanon	195
Canada	17,352	Lesotho	105
Chile	1,940	Liberia	407
China, Republic of	—	Libya	2,702
Colombia	1,695	Luxembourg	440
Costa Rica	223	Madagascar	440
Cyprus	468	Malawi	285
Denmark	4,026	Malaysia	3,644
Dominican Republic	284	Mauritania	190
Ecuador	639	Mauritius	334
Egypt	2,534	Mexico	5,284
El Salvador	234	Morocco	1,940
Ethiopia	273	Nepal	251
Finland	3,622	Netherlands	11,412
France	23,713	New Zealand	2,630
Gabon	374	Nicaragua	175
Germany	29,549	Nigeria	5,206
Ghana	1,427	Norway	3,979
Greece	1,500	Oman	270
Grenada	50	Pakistan	3,303
Guatemala	284	Panama	427
Guyana	279	Papua New Guinea	376
Haiti	284	Paraguay	107
Honduras	173	Peru	1,583
Iceland	418	Philippines	3,081
India	15,357	Portugal	1,701
Indonesia	6,133	Rwanda	206
Iran	9,430	Saudi Arabia	9,140
Iraq	1,587	Senegal	551
Ireland	2,057	Sierra Leone	285

¹ Bangladesh and United Arab Emirates have not completed membership formalities. The number of shares shown represents an increase over initial subscription.

<i>Member</i>	<i>Maximum Number of Shares</i>	<i>Member</i>	<i>Maximum Number of Shares</i>
Singapore	1,538	United Arab Emirates ¹	1,752
Somalia	223	United Kingdom	23,500
South Africa	5,447	United States	111,493
South Vietnam	1,243	Upper Volta	190
Spain	7,469	Uruguay	764
Sri Lanka	1,672	Venezuela	6,990
Sudan	1,237	Western Samoa	52
Swaziland	149	Yemen Arab Republic	137
Sweden	5,815	Yugoslavia	2,288
Syria	847	Zaire	1,996
Tanzania	674	Zambia	991
Thailand	2,679	Total Shares	
Togo	285	Allocated	468,829
Trinidad & Tobago	1,138	Available for	
Tunisia	786	Allocation	11,171
Turkey	2,587	GRAND TOTAL	480,000
Uganda	551		

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