

Future capital increases under the *International Monetary Agreements Act 1947* and *International Finance Corporation Act 1955* as amended by the Treasury Laws Amendment (2020 Measures No.2) Bill 2020

At present, the *International Monetary Agreements Act 1947* (IMAA) and *International Finance Corporation Act 1955* (IFCA) must be amended each time there is a capital increase for the International Bank for Reconstruction and Development (IBRD) or International Finance Corporation (IFC). The amendments contained in the Treasury Laws Amendment (2020 Measures No.2) Bill 2020 remove the need for future legislative amendment to facilitate capital increases.

A capital increase for the IBRD or the IFC would only occur if agreed to by the required majority of the Board of Governors of the World Bank. Australia's Governor to the World Bank would be entitled to vote on any proposed capital increase. Australia's participation in the capital increase would be a matter for the government of the day. Australia could vote in favour of an increase but elect not to participate.

Should the Board of Governors approve a capital increase and Australia choose to participate, the proposed amendments would enable the responsible Minister to enter into agreements, on behalf of Australia, with the IBRD and IFC to buy additional shares of their respective capital stocks. This approach is consistent with other provisions in the IMAA that authorise the Minister entering into agreements with other countries in support of programs of the International Monetary Fund, the World Bank or the Asian Development Bank.

The decision to enter into an agreement to purchase additional shares would continue to be a treaty action subject to Australia's domestic treaty-making process. Any proposed agreement would need to be tabled in Parliament, together with a National Interest Analysis, for this Committee's consideration prior to the Minister signing it. The Governor-General would also need to approve the signing of the agreement.

In addition, the proposed amendments to the IFCA contemplate future capital increases facilitated by a direct change to the IFC Articles of Agreement (for example, by requiring members to hold a specified number of shares). This would be subject to the requirements outlined above, including approval by the Board of Governors and consideration by this Committee. The relevant amendments would also need to be implemented via a disallowable legislative instrument.

United States of America – participation in the IFC capital increase

It is open to each member state to decide whether to support a capital increase for the IFC and, if approved, whether to participate in that increase. The USA voted in favour of the US\$5.5 billion capital increase for the IFC, but will not purchase any additional shares in IFC capital stock. The USA has not made public the reasons for its decision not to participate.

The USA is currently the largest IFC shareholder. Following the completion of the capital increase, the USA will remain the largest shareholder, with a shareholding more than double that of the second largest shareholder (Japan).

IBRD and IFC lending activities

As at 30 April 2020, the total value of IBRD lending (including loans commencing from 2010–2011 onwards) was approximately US\$213.11 billion.

As at 22 May 2020, the total value of board-approved IFC investments (also commencing from 2010–2011) was as follows:

- Loans: US\$61.01 billion
- Equity: US\$16.00 billion
- Guarantees: US\$431.39 million
- Risk management: US\$220.52 million