

1990

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT BILL 1990

EXPLANATORY MEMORANDUM

(Circulated by authority of the Treasurer the
Hon P.J. Keating, MP)

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EUROPEAN BANK OF RECONSTRUCTION AND DEVELOPMENT BILL 1990

GENERAL OUTLINE

This Bill appropriates money for making any payment that Australia is required to make under the agreement establishing the European Bank for Reconstruction and Development. Under the agreement, Australia has been allocated 10,000 shares (value ECU 100 million), which represents one percent of the initial authorised capital stock of the Bank.

The Bill also permits the Treasurer to authorise the issue of securities to the extent to which the Bank is prepared to accept, in lieu of cash payments, promissory notes or other obligations issued by Australia.

FINANCIAL IMPACT STATEMENT

Of Australia's proposed shareholding in the Bank of ECU 100 million, ECU 30 million (approximately A\$45 million) will be paid-in capital. Payment will be made in five equal instalments of ECU 6 million (approximately A\$9 million) over five financial years 1990/91-1994/95. Half of each instalment may be made in promissory notes or other obligations, which may be drawn down as the Bank needs funds for disbursement as a result of its operations.

While the Bank Articles provide that the callable portion of subscription may be called to meet the Bank's liabilities, it is not expected that such a call will be required. The Articles limit the total amount of the Bank's outstanding loans, equity investments and guarantees to the amount of its subscribed capital, reserves and surpluses. No call on callable capital has ever been made by other multilateral development banks.

NOTES ON CLAUSES

Clause 1 - Short title

This clause is self-explanatory.

Clause 2 - Commencement

This clause is self-explanatory.

Clause 3 - Definitions

This clause is self-explanatory.

Clause 4 - Appropriation

This clause provides for the appropriation of moneys necessary for payments that Australia is required to make to the Bank under the Agreement and for the redemption of securities issued under subsection 5(1). Such payments and securities may be required for Australia's subscription to the initial authorised capital stock of the Bank and for callable capital stock. The clause includes payments that Australia is required to make in a form other than money. This will allow Australia, if it wishes, to pay its instalments to paid in capital in cash even though under Article 6(2) of the Agreement, these instalments may be made in part through promissory notes on other obligations.

Clause 5 - Issue of securities

This clause allows the Treasurer to authorise the issue of securities in lieu of payments that Australia is required to make to the Bank. This is relevant to Article 6(2) of the Agreement which allows members to make one half of each instalment of their paid in shares in promissory notes or other obligations. Such notes or obligations are required to be non-negotiable, non-interest-bearing and payable to the Bank at par value upon demand.