AUSTRALIA

AND THE

INTERNATIONAL FINANCIAL INSTITUTIONS

2005-06

Annual Report to the Parliament

Under the *International Monetary Agreements Act 1947* and the *International Bank for Reconstruction and Development (General Capital Increase) Act 1989*

By the Hon Peter Costello MP, Treasurer

ISBN 0 642 74379 7

Printed by CanPrint Communications Pty Ltd

Australia and the International Financial Institutions 2005-06

Under section 10 of the *International Monetary Agreements Act 1947*, the Treasurer is required to prepare and cause to be laid before each House of the Parliament, as soon as practicable after the end of each financial year, a report on the operations of the Act and of the operations, insofar as they relate to Australia, of the International Monetary Fund (IMF) and of the International Bank for Reconstruction and Development (IBRD) during that financial year.

Under section 7 of the *International Bank for Reconstruction and Development (General Capital Increase) Act 1989*, the Treasurer is required to prepare and cause to be laid before each House of the Parliament, as soon as practicable after the end of each financial year, a report on the operations of the Act during that financial year.

This report aims to meet the requirements of both Acts for the financial year 2005-06. In addition this report covers Australia's interactions with the Asian Development Bank (ADB) for the financial year 2005-06.

The IMF, the World Bank Group (comprising: the IBRD; the International Development Association; the Multilateral Investment Guarantee Agency; the International Finance Corporation; and the International Centre for Settlement of Investment Disputes) and the ADB publish annual reports that provide comprehensive reviews of the operations of these institutions. The IMF also makes information available on its website <www.imf.org>, the World Bank at <www.worldbank.org> and the ADB at <www.adb.org>.

I commend this report to the Parliament.

PETER COSTELLO
Treasurer

Contents

Acronyms and abbreviations

ADB	Asian Development Bank
ADBISF	ADB Institute Special Fund
ADF	Asian Development Fund
ATTF	Asian Tsunami Trust Fund
ADF IX	Eighth replenishment of the Asian Development Fund
APRA	Australian Prudential Regulation Authority
AusAID	Australian Agency for International Development
Austrade	Australian Trade Commission
DC	Development Committee
DMC	Developing Member Country
FSAP	Financial Sector Assessment Program
FTP	Financial Transaction Plan
G-20	Group of 20
GCI	General Capital Increase
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IFIs	International Financial Institutions
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
JSF	Japan Special Fund
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
NGO	Non-Government Organisation
OCR	Ordinary Capital Resources
OED	Operations Evaluation Department
PCR	Project/Program Completion Report
PNG	Papua New Guinea
PPAR	Project/Program Performance Audit Report
RBA	Reserve Bank of Australia
SDR	Special Drawing Right
TASF	Technical Assistance Special Fund

Preface

Introduction and guide to the report

This report compiles information on Australia's dealings with the International Monetary Fund (IMF), the World Bank and the Asian Development Bank (ADB) into one joint report.[1] Prior to 2002-03, separate reports were compiled for Australia's dealings with each of these multilateral institutions.

The report is in four sections:

Section 1 reviews key policy developments at the three international financial institutions (IFIs) during 2005-06 and up until the date of publication, highlighting Australia's involvement in policy discussions and IFI policy formulation and outcomes.

Section 2 reports Australia's relations with the IMF as required under the *International Monetary Agreements Act 1947*. Part 1 of this section covers Australia's representation at the IMF, its June 2006 Article IV consultation and participation in IMF Institute courses, meetings and visits. Australia's financial transactions with the Fund, involving both special drawing rights (the IMF's nominated currency) and Australian dollars, are covered in Part 2 of this section.

Section 3 looks at Australia's interactions with the World Bank as required under the *International Monetary Agreements Act 1947* and the *International Bank for Reconstruction and Development (General Capital Increase) Act 1989*. Part 1 of this section reports on the efficiency and effectiveness of the World Bank and examines World Bank programmes and policy performance, financial capacity, administrative budget and human resources. Part 2 of Section 3 provides details on Australia's shareholdings and contributions, Australian co-financing and procurement, and Australian representation at the Bank.

Section 4 presents Australia's interactions with the ADB. Part 1 looks at the efficiency and effectiveness of the ADB, and evaluates ADB operations, management and financial policies. Part 2 reports on Australia's representation at the ADB, its contributions, shareholdings, and involvement in co-financing and procurement. Whilst section 4 is not required by legislation, this information is presented in the interests of transparent reporting of Australia's involvement in key international institutions.

---

1 Australia is a member of the IMF, World Bank, ADB and the European Bank for Reconstruction and Development (EBRD). Information on all four institutions is provided in the Treasury annual report and is also available from the institutions themselves. Given Australia's small shareholding in the EBRD, and the EBRD's specific mandate, no additional reporting on its operations is contained in this report.

Other sources of information

Treasury releases information on its activities through many publications, press releases, speeches and reports, including the annual report. Copies of Treasury publications are available on line at <www.treasury.gov.au>. The IFIs also make a wide range of information available on their websites: <www.imf.org>; <www.worldbank.org>; and <www.adb.org>.

Inquiries

The contact officer to whom inquiries regarding this report may be directed is:

The General Manager
International Finance Division
The Treasury
Langton Crescent
PARKES ACT 2600
Telephone: 02 6263 3757
Facsimile: 02 6263 3390

A copy of this document can be located on the Treasury website at <www.treasury.gov.au>.

Section 1: Key developments

Over the last year, significant progress has been made on strategic reforms at the International Monetary Fund (IMF), culminating in a historic agreement at the Annual Meetings in September 2006 on quota and voice reform. Australia played a key role in building impetus for IMF reform, including through its chairmanship of the Group of Twenty (G-20).

In 2005-06, the IMF released its medium-term strategy, which included proposals to strengthen its effectiveness in surveillance, and its assistance to emerging markets and low-income countries. The IMF Managing Director and the World Bank President have also established an External Review Committee to consider IMF and World Bank collaboration. In June 2006 the IMF Managing Director, Mr Rodrigo de Rato, made his first official visit to Australia. Work continued throughout 2005-06 on Australia's Financial Sector Assessment Program, which was released along with Australia's Article IV report in October 2006.

Improving debt sustainability in low-income countries is an ongoing challenge, with the IMF and World Bank playing a key leadership role. In 2006, Australia became one of only a handful of countries to make an up-front payment to the World Bank to cover its share of the costs for the first decade of the Multilateral Debt Relief Initiative.

Over the past fiscal year, the World Bank has taken further strides towards improved development effectiveness. The Bank embarked on a comprehensive strategy to build governance and reduce corruption in its countries of operation. The Bank also developed strategies to strengthen its effectiveness in middle-income countries and clean energy approaches to development.

The Asian Development Bank (ADB) released its second medium-term strategy, setting out five strategic priorities: catalysing investment; strengthening inclusiveness; promoting regional cooperation and integration; managing the environment; and improving governance and preventing corruption. A review of the long-term strategic framework was also announced, to provide an agenda for the ADB's poverty reduction and growth-financing activities over the next 15 years. A greater emphasis on 'open regionalism' in Asia and the Pacific was formalised through the ADB's regional cooperation and integration strategy.

International Monetary Fund

The IMF's medium-term strategy was released by the Managing Director in September 2005.[2] In April 2006, a follow-up paper outlined specific proposals under the medium-term strategy, which encompass quota and voice reform, new directions in surveillance, the Fund's role in emerging markets, and more effective engagement in

---

2 See <http://www.imf.org/external/np/omd/2005/eng/091505.pdf>.

low-income countries. Further information on each of these elements is provided below.

Quota and voice reform

In September 2006, the IMF Board of Governors adopted a historic resolution on quota and voice reform aimed at enhancing the Fund's credibility and effectiveness.[3] As Governor of the Fund for Australia, the Treasurer voted in favour of the resolution.

These reforms will better align the Fund's governance structure with changes in the world economy, in particular by giving greater representation to rapidly growing emerging market economies while enhancing the participation and voice of low-income countries.

More specifically, Governors agreed to provide immediate quota increases to the four most clearly under-represented IMF members: China, Korea, Mexico and Turkey. They also agreed on a framework for implementing, within a two-year period, a second stage of reforms, including:

- agreement on a new quota formula which provides a simpler and more transparent means of capturing IMF members' relative positions in the world economy;
- a further series of quota increases for under-represented members based on the new formula; and
- enhancements to the voice of low-income countries through an increase in basic votes[4] and an increase in staffing resources available to the two African chairs in the Fund.

Australia has been a long-standing advocate of IMF quota and governance reform. The main objective has been to enhance the effectiveness of IMF crisis prevention and resolution by improving representation to reflect better the importance of rapidly growing emerging market economies whose quotas have not kept pace with their increasing weight in the world economy.

During 2006, under Australia's chairmanship, the G-20 made a key contribution to the package of reforms agreed by IMF Governors. Australia and the G-20 will remain engaged on these issues to help ensure that the second stage of reform is comprehensive and delivered on time.

---

3 A copy of the resolution is available on the IMF website at: <http://www.imf.org/external/np/pp/eng/2006/091406q.pdf>.

4 Each IMF member currently has 250 basic votes allocated to it regardless of its quota. Basic votes give effect to the principle of equality of states as compared with voting power derived from quotas reflecting economic and financial factors.

Surveillance

As part of its surveillance role, the IMF encourages dialogue among its member countries on the national and international consequences of their economic and financial policies.

The medium-term strategy has introduced new proposals to strengthen the Fund's multilateral and bilateral surveillance. The Fund has introduced a new multilateral consultation process in which issues of systemic or regional importance can be addressed collectively. The first multilateral consultation has begun and will focus on narrowing global current account imbalances while maintaining robust global growth. Participants in the first multilateral consultation process are China, the Euro area, Japan, Saudi Arabia and the United States.

The Fund has agreed to review the 1977 Decision on Surveillance over Exchange Rate Policies and to broaden its internal consultative group on exchange rates to include all major emerging market currencies. Also under consideration is the possible introduction of a 'remit' for surveillance which would outline objectives for the Fund's surveillance activities to help ensure that they are focused on the key macroeconomic issues facing the membership.

To strengthen its bilateral surveillance, the Fund will provide a deeper analysis of financial sector issues in Article IV reports and will increase the multilateral dimension of Article IV surveillance through a strengthened focus on spill-overs and cross-country experience. It has also introduced rolling multi-year surveillance agendas and taken steps to streamline Article IV reports in alternate years for selected countries.

Australia supports these initiatives which should enable the Fund to improve the traction of its advice.

IMF role in emerging market economies

In the medium-term strategy, the Managing Director proposed further work be undertaken on the design of a possible high access contingent credit instrument. Work on such an instrument continued within the Fund throughout the year, with an initial Executive Board seminar conducted in August 2006. The seminar considered some of the design issues associated with such an instrument, including market signaling and the need to provide certainty to potential borrowers and safeguarding the financial resources of the Fund.

Australia has supported further work on a high access contingent credit instrument while recognising the inherent difficulties in designing such an instrument.

IMF role in low-income countries

Many low-income countries continue to face considerable economic challenges. While substantial progress has been made in many of these countries, much still remains to be done to achieve the sustained growth necessary to achieve poverty reduction.

In the medium-term strategy, the IMF identified that it needs to focus on strengthening the macroeconomic framework of low-income countries and monitoring debt sustainability, particularly in countries that have recently benefited from debt relief.

Australia has argued that the IMF has an important contribution to make in the development of low-income countries, but this should be consistent with its mandate and expertise. Australia supports the recognition in the medium-term strategy that Fund-supported programmes should include a framework to assist low-income countries to adopt medium-term debt management strategies and to avoid accumulating excessive debt.

In October 2005, the IMF introduced a new facility, known as the Policy Support Instrument (PSI), which enables the IMF to support low-income countries that do not want — or need — IMF financial assistance. Australia supports the new instrument as a way for the Fund to remain engaged with low-income countries without the need for ongoing financial support.

In late 2005, the IMF also established the Exogenous Shocks Facility (ESF) to provide concessional financing to eligible low-income countries that experience sudden and exogenous shocks but do not have a Poverty Reduction and Growth Facility (PRGF) programme in place. Australia agreed that its contribution to the PRGF ($30 million over 12 years) would also be available for the ESF.

External Review Committee on Bank-Fund Collaboration

The External Review Committee on Bank-Fund Collaboration was established in March 2006 by the heads of the IMF and World Bank to examine and report on the delineation of responsibility between the Bank and Fund and how their collaboration could be made more effective.

Mr Mike Callaghan, Executive Director, Revenue Group, at the Treasury — and a former Australian Executive Director at the IMF — is a member of the Committee. Other Committee members are: Mr Pedro Malan (Chairman of Unibanco and a former Finance Minister of Brazil), Chairman; Ms Sri Mulyani Indrawati (Indonesian Finance Minister); Mr Caio Koch-Weser (Vice-Chairman of Deutsche Bank); Mr William McDonough (Vice Chairman of Merrill Lynch); and Ms Ngozi Okonjo-Iweala (former Nigerian Finance Minister).

The Committee has been asked to examine: whether the current allocations of primary responsibility provide a clear enough foundation for Fund-Bank collaboration; whether the established areas of responsibility are consistent with Fund and Bank mandates; and how the current division of labour is being implemented and how this might be modified.

It will also consider what improvements could be made to Fund-Bank collaboration on thematic work such as financial sector issues, standards and codes, debt sustainability analysis in low-income countries, the poverty reduction strategy paper process, growth prospects, donor coordination, and debt relief.

The Committee is expected to complete its report in early 2007.

Visit by IMF Managing Director Mr Rodrigo de Rato

IMF Managing Director Rodrigo de Rato visited Australia in June 2006. His visit included meetings with the Prime Minister, the Treasurer, the Minister for Foreign Affairs, the Deputy Governor of the Reserve Bank of Australia, and the Shadow Treasurer. Mr de Rato also met with key business leaders, economic commentators, academics and Treasury officials, and gave an address at the National Press Club. The Managing Director's visit provided a valuable opportunity to discuss areas of strategic importance to Australia, including the role and operation of the Fund.

Australia's Financial System Stability Assessment (FSSA)

The Australian FSSA represents the outcomes of the IMF's Australian 2005-06 Financial Sector Assessment Program (FSAP). The FSAP is a joint initiative of the IMF and the World Bank designed to strengthen the monitoring of financial systems, assist countries in enhancing their resilience to crises, and foster growth by promoting financial system soundness. The initiative involves assessment of a country's observance of various financial sector standards and codes, and consideration of issues such as any risks to macroeconomic stability stemming from the financial sector and the capacity of the sector to absorb macroeconomic shocks.[5]

The FSSA was published on 24 October 2006 and the overall assessment is that Australia has a high-quality financial sector that is mature and strong. The banking system is sound with high earnings, strong asset growth and low levels of problem assets. There is generally a high level of compliance with international standards. A key feature of the FSAP was a range of stress tests on banks with the overall result suggesting that the banks' financial position is sound.

The FSSA notes nevertheless that the Australian financial sector faces a number of vulnerabilities including, for example, significant exposure of the banking sector to a

5 The IMF has previously undertaken FSAPs for over 100 countries, including France, Germany, New Zealand and the United Kingdom.

highly leveraged household sector; significant dependence on wholesale funding; and increased competitive pressure. The versatility and strength of the Australian economy is expected to generate fluctuations and pressures — the vulnerabilities identified by the IMF are well known to Australian regulators, which undertake appropriate supervisory and other regulatory activity to monitor and address these issues.

Implementation of the Multilateral Debt Relief Initiative

In September 2005, the International Monetary and Financial Committee and the Development Committee supported the G-8 proposal to cancel the debts of eligible Heavily Indebted Poor Countries (HIPCs) to the IMF, the World Bank's International Development Association (IDA), and the African Development Bank's development fund.[6] Australia has strongly supported the implementation of this proposal, which is now known as the Multilateral Debt Relief Initiative (MDRI).

Eligible MDRI countries received 100 per cent reduction of their debt to the IMF on 6 January 2006, to IDA on 1 July 2006 and to the African Development Bank on 1 September 2006. Australia was active in discussions at the IMF and World Bank Executive Boards on the implementation of the MDRI. Implementation of the MDRI requires donors to increase contributions to IDA (and the African Development Bank) in order to fund the write-off of HIPC debts to these organisations. On 12 September 2006, the Treasurer announced that Australia had made an upfront payment of A$136.2 million to IDA to pay for Australia's share of the first ten years of the initiative. Australia's contribution to the MDRI is in addition to the A$112 million already committed to the World Bank and IMF for debt relief provided under the HIPC Initiative and 100 per cent bilateral debt forgiveness for countries that qualify for HIPC Initiative debt relief.

World Bank

In 2005-06, the World Bank took further strides towards improved development effectiveness. Most notable was the development of policies to strengthen governance and reduce corruption in World Bank partner countries, enhance the effectiveness of its engagements in middle-income countries and incorporate clean energy approaches to development.

---

6 Countries that have reached completion point under the HIPC Initiative are eligible for MDRI debt relief. Completion point is the final stage of the HIPC Initiative and requires countries to have, amongst other things, implemented key policy reforms, maintained macroeconomic stability and begun implementing a comprehensive poverty reduction strategy.

Governance and anti-corruption

The World Bank has identified corruption as among the greatest obstacles to economic and social development. In 2006, World Bank President Wolfowitz initiated a proactive operational stance against corruption, resulting in the postponement or cancellation of World Bank activities in several partner countries.

At the 2006 Spring Meetings, the Development Committee focused on the need for a coherent global approach and strengthened Bank policy to improve governance and reduce corruption. It asked the World Bank to set out a strategy for discussion at the September 2006 Annual Meetings. *Strengthening Bank Group Engagement on Governance and Anti-corruption* responded to the Development Committee's request. The strategy endeavours to deepen engagement with partner countries on these issues, while at the same time more effectively mitigating fiduciary and reputation risks in Bank operations and programmes.

Australia was actively involved throughout the policy formulation process, and is supportive of the World Bank's comprehensive approach. Indeed, there are synergies between the World Bank's focus on this area and Australia's bilateral aid programme, with the Aid White Paper, released in April 2006, indicating Australia's commitment to develop a bilateral Anti-corruption for Development Strategy.

Strengthened engagement in IBRD partner countries

In 2005-06, the World Bank worked towards a new strategy for effective engagement with International Bank for Reconstruction and Development (IBRD) partner countries (or middle-income countries (MICs)), endorsed by the Development Committee in September 2006. The strategy focused on two key areas: unbundling the IBRD's services to MICs into three distinct categories; and increasing engagement of MICs in global programmes.

Australia supports the unbundling of services into three segments — strategic policy, financial services and knowledge services — particularly as it would likely enhance engagement between the IBRD and MICs, including for MICs with ready access to private capital and debt markets who may still benefit from the IBRD's strategic and knowledge services.

The Bank's strategy also placed greater emphasis on the World Bank Group's role in assisting the international community to design and implement strategies to address regional and global concerns, with a particular focus on greater engagement of the IBRD in MICs. The Bank's strategy attempts to strike a balance between the need to tackle global issues such as climate change, financial instability, trade integration and communicable diseases in MICs, and the IBRD's key objective of facilitating market access and private sector development in MICs.

In taking the strategy forward, Australia emphasised the importance of taking a long-term approach to the World Bank's engagement in MICs, addressing issues such as: the financial viability of the IBRD in light of a declining loan portfolio; the progression (or 'graduation') of countries from borrowers to donors; and clear definition of the Bank's added value in MICs.

Clean energy for development

In 2005-06, the World Bank responded to a request by the Development Committee to develop an 'Investment Framework for Clean Energy and Development'. This three-pronged strategy is to accelerate investment in clean energy so that developing countries may meet energy demand for growth and for poverty alleviation; mitigate greenhouse gas emissions by moving to a low-carbon economy; and support developing countries in adapting to climate variability and risk. The World Bank proposes to utilise existing instruments more effectively to meet these challenges, and where there are gaps to introduce new strategies.

Australia recognises the importance of the World Bank's role in increasing access to energy in developing countries. Australia also encouraged the Bank to give greater attention to mainstreaming adaptation and climate risk management across its development activities.

Asian Development Bank

The ADB released *Medium-Term Strategy II* (2006-2008) in June 2006. The document sets out five strategic priorities for the ADB: catalysing investment; strengthening inclusiveness; promoting regional cooperation and integration; managing the environment; and improving governance and preventing corruption. A companion document to *Medium-Term Strategy II* is currently being developed which will outline a strategy for ADB engagement in Weakly Performing Countries. Australia continues to advocate for improved Multilateral Development Bank (MDB) engagement in small and fragile states, including those in the Asia-Pacific region.

In June 2006, the ADB announced that it will undertake a review of *Long-Term Strategic Framework* (2001-2015). This strategic work is crucial to ensure the ADB's continued effectiveness as a development institution in the rapidly evolving Asia-Pacific region. Australia has emphasised to the ADB that for the review to be influential in shaping the future of the ADB over the longer term, it should be broad-ranging, transparent and informed by extensive external consultation, including encompassing the views of stakeholder governments.

The ADB released *Regional Cooperation and Integration Strategy* in July 2006. The strategy aims to build and deepen integration in four interrelated pillars: cross-border infrastructure and related software; trade and investment; money and finance; and regional public goods such as prevention of communicable diseases and environmental degradation. Australia continues to support the ADB's work on regional cooperation and integration as a tool for tackling poverty in the Asia-Pacific region.

The ADB continued to finance projects eligible for tradable emission-reducing credits under the Clean Development Mechanism and extended its Clean Air Initiative-Asia, an initiative that has attracted a very diverse range of government and non-government members. The ADB also introduced an Innovation and Efficiency Initiative (IEI) to respond particularly to the needs of middle-income countries. The IEI is piloting new financial products such as local currency and sub-sovereign lending, greater use of guarantees and syndications and a Multi-tranche Financing Facility to support medium to longer term investment programmes efficiently.

Section 2: Annual Report of Australia's interactions with the International Monetary Fund

(as required under the *International Monetary Agreements Act 1947*)

Part 1: Australia's relations with the International Monetary Fund

Australia's representation

Board of Governors

The Board of Governors is the highest authority within the International Monetary Fund (IMF) and consists of one Governor and one Alternate Governor for each member country. The Governor of the IMF for Australia is the Treasurer, the Hon Peter Costello MP, and the Secretary to the Treasury, Dr Ken Henry AC, is the Alternate Governor.

Member countries cast votes as required throughout the year. The Australian Governor's votes on IMF resolutions during 2005-06 are noted in Table 2.1.

Table 2.1: Australian Governor's votes on IMF resolutions 2005-06

Resolution Title	Adoption Date	Australian Governor's Vote
Direct Remuneration of Executive Directors and their Alternates	24 August 2006	Opposed
Financial Statements, Report on Audit and Administrative and Capital Budgets	24 September 2006	Adopted by consensus

International Monetary and Financial Committee

The International Monetary and Financial Committee (IMFC) advises the Board of Governors on the functioning of international monetary and financial systems. Its 24 members represent the same constituencies as the IMF Executive Board (see below). International institutions, including the World Bank, also participate as observers in its meetings.

The IMFC meets twice a year, usually in September or October in conjunction with the full Governors' meeting (the 'Annual Meetings'), and in March or April (the 'Spring Meetings').

Australia was represented at the 2005 Annual Meetings by the Treasurer. Dr Martin Parkinson, Executive Director of the Treasury, led the Australian delegation at the 2006 Spring Meetings. Dr Parkinson also attended preparatory meetings of representatives of IMFC members (Deputies) prior to the Annual and Spring Meetings.

Executive Board

The Executive Board conducts the day-to-day business of the IMF and determines matters of policy under the overall authority of the Board of Governors. Executive Directors are appointed or elected by member countries or groups of countries.

The Board consists of 24 Executive Directors. Eight countries have single-member constituencies and appoint their own Executive Director and an Alternate Executive Director: the United States, Japan, Germany, France, the United Kingdom, China, Saudi Arabia and the Russian Federation. The remaining Executive Directors (and their Alternates) represent multi-member constituencies. The constituency of which Australia is a member has 14 members: Australia, Kiribati, Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Philippines, Samoa, Seychelles, Solomon Islands and Vanuatu.

In June 2006, the constituency of which Australia is a member held 3.33 per cent of the voting power in the IMF, and Australia independently held 1.5 per cent. However, following the first stage ad hoc quota increase agreed in Singapore in September 2006, the constituency now holds 3.87 per cent of the voting power of the IMF, and Australia independently holds 1.48 per cent. Since November 2004, Dr Jong-Nam Oh of the Republic of Korea has filled the Executive Director position. An Alternate Executive Director, a senior advisor and a number of advisors from various countries represented in the constituency support the Executive Director. Mr Richard Murray of Australia has filled the Alternate Executive Director position since March 2005, and took over the Executive Director position from Dr Oh on 1 November 2006.

The Treasury, with input from the Reserve Bank of Australia (RBA) and other agencies as appropriate, provides briefing to our Executive Director on key issues being discussed by the Board. The Executive Director must take into account the views of all constituency members. Although an Executive Director may speak on behalf of individual members of the constituency, in the event of a formal vote in the Executive Board all votes of the constituency must be cast as a bloc.

In recent years, Australia has argued the case for reviewing Fund representation arrangements to address the under-representation of certain fast-growing nations, particularly in Asia.

Australia's Article IV consultation

The IMF conducts regular discussions with the authorities of member countries on economic policies and conditions, in accordance with Article IV of its Articles of Agreement.

Australia's 2006 Article IV consultation included a visit by IMF staff between 1 and 9 June 2006. During their visit they met with the Treasurer, the Secretary and other senior officials from the Treasury, and the Governor and other senior officials from the RBA. They also met with officials from the other agencies in the Treasury portfolio including the Australian Securities and Investments Commission (ASIC), the Productivity Commission and the Australian Prudential Regulation Authority (APRA). The IMF staff members also held discussions with representatives from the business community, academics and unions.

In the Staff Report released after the consultation, the IMF concluded that the Australian economy is strong, stimulated by high terms of trade, and with sound macroeconomic and structural policies. The IMF noted that financial supervision is sound and the financial sector is healthy. The IMF observed that future growth prospects depend upon continued structural reform to lift productivity and ensure Australia is well placed to deal with rising healthcare costs and an ageing population.

IMF Institute courses

The IMF Institute is a specialised department of the IMF that provides training in economic analysis and policy and related subjects for officials of member countries. During 2005-06, seven Australian officials attended Institute courses.

Table 2.2: Australian attendance at IMF Institute courses 2005-06

Name	Department	Course	Date
Sachind Naidu	ABS	Balance of payments statistics	15 May-23 June 2006
Terry Pittorina	APRA	Supervisory challenges and financial stability	1-12 May 2006
Karen Taylor	Treasury	Financial programming and policies	6 March-21 April 2006
Scott Mitchell	Treasury	Financial programming and policies through distance learning	9 January-17 March 2006
Nghi Luu	Treasury	Macroeconomics diagnostics	3-27 October 2005
Robert Ewing	Treasury	Financial programming and policies	26 September-11 November 2005
Robert Stewart	AusAID	Fiscal policy in low-income countries	18-29 July 2005

Meetings and visits

Australian Treasury and other public sector officials have regular meetings with IMF representatives and members of our IMF constituency. During 2005-06, the following meetings took place:

- Officials from the New Zealand Treasury met with Australian Treasury officials in New Zealand in September 2005, for the annual bilateral meetings on the International Financial Institutions.

- Mr Takatoshi Kato, Deputy Managing Director of the IMF, met with officials from the Treasury, AusAID and the RBA in Australia in October 2005. Mr Kato discussed the progress of Pacific Island countries, regional financial integration and the IMF's strategic review.
- Treasury officials met with officials from the Korean Ministry of Finance and Economy in Canberra in July 2005. Discussions covered IMF and World Bank policy and governance issues, the role of the G-20, and the Korean and Australian economies.
- Ms Anne Krueger, then First Deputy Managing Director of the IMF, visited Australia in December 2005. Ms Krueger met with the Treasurer, and senior officials from Treasury. Discussions covered issues such as the international environment and the Fund's longer term role in crisis resolution, aid effectiveness, G-20 issues and the IMF's reform agenda.
- Mr Mark Allen, Policy Development and Review Department Director of the IMF, visited Canberra in March 2006 and met with officials from the Treasury, the Department of the Prime Minister and Cabinet, and the Office of National Assessments to discuss the IMF's Medium-Term Strategy and reform agenda.
- Mr Rodrigo de Rato visited Australia for the first time in his role as IMF Managing Director in June 2006. He met with the Prime Minister, the Treasurer, the Minister for Foreign Affairs, the Shadow Treasurer, senior Treasury officials, and academic and business representatives. Discussions covered issues such as the IMF's Medium-Term Strategy, and the international and domestic economic outlook.

Part 2: Australia's financial transactions with the International Monetary Fund

Australia's financial transactions with the IMF in 2005-06 comprised:

- receipts of remuneration for Australia's contribution to IMF reserves;
- payments of special drawing right (SDR) charges and an annual assessment fee for Australia's allocation of SDRs;
- receipts of interest on Australia's SDR holdings;
- a payment by the IMF to Australia to maintain the value of Australia's quota;
- transfers and receipts to facilitate Australia's contribution to the IMF's financial transaction plan, reflecting the borrowing and repayments of other members; and
- a range of small transactions for administrative purposes.

These transactions are described in the following sections.

Special Drawing Right charges, interest and assessment fee

The SDR is an international reserve asset (akin to a currency), created by the IMF to supplement the existing official reserves of member countries. SDRs are allocated to member countries in proportion to their IMF quotas. The SDR also serves as the unit of account of the IMF. Its value is based on a basket of key international currencies (the US dollar, euro, Japanese yen and pound sterling).

The IMF levies charges on the SDRs that have been allocated to each member and pays interest on the SDRs that are held by each member. Charges and interest payments are accrued daily at the same rate of interest and paid quarterly. The rate of interest on SDR holdings is calculated weekly and is based on a weighted average of representative interest rates on short-term debt in the money markets of the SDR basket currencies.

Australia's allocation of SDRs remained at SDR471 million throughout 2005-06. Each member country may choose to hold more or fewer SDRs than its net cumulative allocation. The Australian Government does not hold any of its allocation of SDRs; rather, it has sold the SDRs to the RBA for Australian dollars. The RBA held SDR135 million at 30 June 2006. The Australian Government paid charges of SDR13.7 million on net cumulative allocations, and the RBA received SDR3.6 million interest on its holdings (Table 2.3).

In addition, the IMF levies an annual assessment fee to cover the cost of operating the SDR Department. The fee is determined according to participants' net cumulative SDR allocations. The fee to Australia for the IMF's financial year ending 30 April 2005 was SDR26,345 (Table 2.3).

Remuneration

The IMF pays remuneration (in effect, interest) on a member's reserve position in the IMF, except on a small portion that is provided to the IMF as an interest-free resource. The amount of a member's reserves held by the IMF can change frequently during the year. It increases when the IMF calls on the member to contribute some of its currency to lend to other members, and decreases when borrowing members make repayments to the IMF that are then returned to the member. These payments are usually prescribed in advance in the IMF's financial transaction plan.

Remuneration is accrued daily and paid quarterly, and the rate of remuneration is equal to the SDR interest rate. When receiving the remuneration, the Government instructs the RBA to exchange the SDR amounts for Australian dollars at the prevailing exchange rate. Australia received remuneration payments in 2005-06 totalling SDR13.3 million (Table 2.3).

The IMF's burden-sharing mechanism makes up for the loss of income from unpaid charges and is also used to accumulate resources in the Fund's Special Contingent Account. Resources collected from members under the burden-sharing mechanism are refundable to them as arrears cases are resolved, or as may be decided by the IMF. Thus, resources collected for unpaid charges are refunded when these charges are eventually settled.

Occasionally the Fund returns some burden-sharing through a refund. These amounts are not included in remuneration as paid by the Fund; rather, the Fund advises of, and pays, these amounts separately.

Maintenance of value of IMF quota

A member's IMF quota determines its maximum financial commitment to the IMF and its voting power, and has a large bearing on its access to IMF financing. During 2005-06, Australia's quota remained at SDR3,236 million. Part of this is held in reserve by the IMF and denominated in SDRs (this part is relevant for remuneration purposes) and part is held in Australia — a combination of promissory notes and cash amounts held at the RBA — and denominated in Australian dollars.

Because the exchange rate for transactions between the Australian dollar and SDR amounts changes frequently, the SDR value of the part of Australia's IMF quota denominated in Australian dollars is likewise subject to change. Under the IMF's Articles of Agreement, members are required to maintain the value of their quota in terms of SDRs. The adjustment required to maintain the SDR value of the quota is called the maintenance of value adjustment, and it is settled annually following the close of the IMF's financial year on 30 April.

During the IMF's financial year from 1 May 2005 to 30 April 2006, the value of the Australian dollar in terms of the SDR depreciated by 0.4 per cent. This meant that more Australian dollars were required to meet Australia's financial obligations to the Fund. As the maintenance of value adjustment, the Australian Government accrued a payable of A$27.1 million to the IMF during 2005-06 (the actual cash transaction took place outside the reporting period, on 3 August 2006).

Table 2.3: Australia's transactions with the IMF in 2005-06 (cash basis)[(a)]

	Amount in SDRs	Amount in A$
Interest on RBA SDR holdings		
For 3 months ending 31 July 2005	833,613	1,602,794
For 3 months ending 31 October 2005	916,717	1,778,997
For 3 months ending 31 January 2006	1,038,420	2,025,395
For 3 months ending 30 April 2006	1,133,452	2,175,949
Total interest received	3,922,202	7,583,135
Charges on SDR allocation		
For 3 months ending 31 July 2005	2,983,899	5,737,164
For 3 months ending 31 October 2005	3,223,942	6,256,437
For 3 months ending 31 January 2006	3,616,365	7,053,569
For 3 months ending 30 April 2006	3,922,798	7,530,808
Total charges paid	13,747,004	26,577,978
Annual assessment fee paid to SDR Department	26,345	50,576
Remuneration for Australian holdings at the IMF		
For 3 months ending 31 July 2005	4,485,569	8,624,436
For 3 months ending 31 October 2005	3,624,061	7,032,915
For 3 months ending 31 January 2006	3,359,420	6,552,409
For 3 months ending 30 April 2006	1,805,337	3,465,803
Total remuneration received	13,274,387	25,675,563
Burden-Sharing Refund	163,752	319,617
Maintenance of Value transaction (for 2004 -05 IMF financial year)(b)	**n/a**	**152,522,929**

(a) The totals may differ from the sum of the amounts shown due to rounding.
(b) The cash transaction that occurred during 2005-06 related to the 2004-05 MOV. In 2005-06, Australia accrued a payable to the IMF, for the 2005-06 MOV, however the cash transfer did not take place until the 2006-07 financial year.

Financial transactions plan and Australia's reserve position in the International Monetary Fund

The IMF manages its lending resources through a financial transactions plan (FTP). This is the mechanism through which the IMF selects the members whose currencies are to be used in IMF lending transactions and allocates the financing of those lending transactions among members included in the plan. Currencies of members included in the FTP can be used both for transfers (loans) from the IMF to borrowing members and for receipts (repayments) from borrowing members. Only currencies of IMF members with sufficiently strong balance of payments and reserve positions — such as Australia — are selected for use in the FTP.

Australia conducted five transactions totalling A$976 million to facilitate transactions on the receipts side of the FTP during 2005-06. This reflected strong global economic growth, with borrowing members taking the opportunity to repay their IMF loans. Table 2.4 provides details of individual FTP transactions as well as transfers from Australia to the IMF for the Fund's administrative purposes.

Australia transferred A$300,000 to facilitate funding of administrative expenses incurred by the IMF during 2005-06. The IMF's administrative expenses include personnel, travel, building occupancy and other such costs.

As noted earlier, these FTP transactions directly impact on Australia's reserve position at the IMF. With several receipts during 2005-06, the amount of Australia's reserves held by the IMF fell during the year, from SDR908 million to SDR403 million. This reserve position forms part of Australia's liquid international reserves, because subject to the representation of a balance of payments need, Australia can convert its SDR-denominated reserve asset into useable currency by drawing on the IMF.

Table 2.4: Australia's reserve position in the IMF in 2005-06[(a)]

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Reserve position as at 30 June 2005				**907,706,215**	**1,731,272,582**
15 Jul 2005	FTP with Turkey (Receipt)	53,000,000	102,361,064		
5 Aug 2006	FTP with Turkey (Receipt)	106,000,000	203,411,557		
2 Sep 2006	FTP with Turkey (Receipt)	34,596,000	67,600,812		
23 Dec 2005	FTP with Brazil (Receipt)	171,108,000	334,070,688		
6 Jan 2006	Administrative transfer			153,657	300,000
6 Feb 2006	FTP with Turkey (Receipt)	140,000,000	268,439,904		
Reserve position as at 30 June 2006				**403,155,872**	**795,807,090**

(a) As Australia's reserve position is denominated in SDRs and SDR/AUD exchange rates vary during the year, when expressed in Australian dollars, the 30 June 2006 reserve position does not exactly reflect summation of the opening position and transactions during the year.

Section 3: Annual Report of Australia's interactions with the World Bank

(as required under the *International Monetary Agreements Act 1947* and the *International Bank for Reconstruction and Development (General Capital Increase) Act 1989*)

Part 1: Efficiency and effectiveness of the World Bank

Effectiveness of World Bank operations

Managing for development results

The World Bank's mission is to reduce global poverty. To achieve this goal, the Bank assists developing countries to build a better climate for investment, jobs and sustainable growth. The Bank also actively invests in people from poor and developing countries, empowering them to participate in their countries' development.

The Bank attempts to evaluate its success by directly measuring its impact on poverty reduction. The primary measurement tool is results-based Country Assistance Strategies, specifying expected linkages between the Bank's interventions and long-term development goals and including measurable indicators of progress. The Bank commenced mainstreaming results-based Country Assistance Strategies in 2004-05.

Additionally, the 14th Replenishment of the International Development Association (IDA) led to the establishment of a Results Measurement System. Under this system, aggregate development progress will be measured against 14 country outcome indicators based on the Millennium Development Goals. The performance of IDA country programmes and projects will be assessed against their contribution to these outcomes.

Operations evaluation

Evaluation of Bank strategies, policies and projects are an integral part of the Bank's performance review process. Reviews of Bank performance are prepared by the Independent Evaluation Group (IEG).[7] IEG is an independent unit within the Bank that reports directly to the Board of Executive Directors. IEG's evaluations seek to provide an objective basis for assessing the results of the Bank's work, to ensure accountability in the achievement of objectives and to facilitate learning from experience.

---

7 Previously called the Operations Evaluation Department (OED).

The IEG *2006 Annual Review of Development Effectiveness* reports that the proportion of satisfactory development outcomes in International Bank of Reconstruction and Development (IBRD) and International Development Association (IDA) projects completed in 2004-05 was 82 per cent, up from the previous year's result of 77 per cent. 2004-05 was the fourth year in a row in which operations' outcomes met or exceeded the Bank's target of 75 per cent satisfactory outcomes.

The IEG also analyses the extent to which a project improves the institutional environment, which includes factors such as accountability, good governance, the rule of law, and the participation of civil society. Projects expected to have a substantial institutional development impact increased to 68 per cent (weighted by disbursements), up from 58 per cent in 2003-04 and 48 per cent in 2002-03.

In 2006, the IEG released the *Annual Review of FY2005 Evaluation Findings in International Finance Corporation (IFC)*. This report evaluated development and investment results from 210 randomly selected IFC investment operations approved in the period 1997-99 and evaluated between 2002 and 2004. IEG found that 47 per cent of the evaluated operations achieved high development and high investment outcomes, similar to the results of the previous year based on the analysis of 217 operations approved in the period 1996-98.

Financial performance of the World Bank

International Development Association

The International Development Association (IDA) provides highly concessional financing to the world's poorest countries. IDA's resources help support country-led poverty reduction strategies in key policy areas, including raising productivity, providing accountable governance, building a healthy private investment climate, and improving access to education and health care for the poor.

In 2005-06, IDA provided US$9.5 billion in new financing commitments for 167 projects, rising from US$8.7 billion for 160 projects in 2004-05 and breaking the previous record of US$9.0 billion in 2003-04. The 2005-06 activities consisted of US$7.6 billion in loans and US$1.8 billion in grants. Africa received the largest commitment of IDA resources with US$4.7 billion, or 50 per cent of the total. South Asia received $2.6 billion of new commitments in 2005-06 while East Asia and the Pacific received $1.1 billion of new commitments, approximately 12 per cent of new commitments.

IDA is financed from reflows from earlier loans, resources from donor governments and transfers from the IBRD. Negotiations on the 14th Replenishment of IDA concluded during 2004-05 with approximately US$33 billion to be made available over three years, including approximately US$18 billion in new contributions from 40 donor countries. This represents the largest expansion of IDA resources in two decades with overall resources increasing by approximately 25 per cent. Australia participated in a mid-term review of the IDA14 replenishment in November 2006.

In March 2006, the IDA Board agreed to provide $37 billion dollars in debt relief to completion point Highly Indebted Poor Countries (HIPCs), as part of IDA's participation in the Multilateral Debt Relief Initiative (MDRI). This initiative will be financed by donors over the 40-year life of the MDRI. Australia paid its contribution to financing the first 10 years of the initiative in September 2006.

IDA's financial support to poor countries takes systematic account of vulnerability to debt in accordance with the World Bank and IMF's Debt Sustainability Framework for Low Income Countries. Poor countries with the highest levels of debt will receive support from IDA in the form of grants, while relatively less debt-burdened countries will continue to receive highly concessional long-term loans, or in a few cases, a mixture of grants and loans. It is expected that around 20-30 per cent of total IDA support in the coming two years will be on grant terms.

International Bank for Reconstruction and Development

The International Bank for Reconstruction and Development (IBRD) aims to reduce poverty in middle-income and credit-worthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and analytical and advisory services.

New IBRD lending rose to US$14.1 billion in 2005-06, representing a US$0.5 billion increase from 2004-05 levels. The East Asia and Pacific region received 17 per cent of new commitments by IBRD amounting to US$2.3 billion. In spite of the growth in new lending, 2005-06 represented another year of negative net disbursements (that is, loan repayments exceeded loan disbursements) with total loans outstanding falling to US$103.0 billion, from US$104.4 billion at the end of 2004-05.

In 2005-06, the IBRD reported operating income of US$1.7 billion. In 2006, the Board of Governors approved a transfer of $500 million to IDA from allocable net income in fiscal year 2006 and an additional transfer of $300 million to IDA from the surplus account.

International Finance Corporation

The International Finance Corporation (IFC) promotes economic development through the private sector within the World Bank's overall poverty reduction mandate. The IFC invests with local or foreign business partners in developing economies, often in high-risk commercial environments, to add new commercial capacities in local markets and demonstrate viable opportunities to local business. The IFC also assists private businesses in developing countries to secure financing in international financial markets and provides advice and technical assistance to business and governments.

In 2005-06, the IFC committed to 284 new projects and new financing of US$6.7 billion. Latin America & the Caribbean received the largest proportion of new commitments, at 31.8 per cent of the IFC's total commitments in 2005-06. The East Asia and Pacific region received US$1.0 billion in new commitments from IFC in 2005-06, an increase from US$0.8 billion in 2004-05.

The IFC has recorded positive annual profits in each year since its inception in 1956. In 2005-06, IFC recorded an operating income of $1,409 million, down $1,953 million in 2004-05. Recent strong profits reflect contributions across each of IFC's main product lines: loans, equities and treasury operations.

Multilateral Investment Guarantee Agency

The Multilateral Investment Guarantee Agency (MIGA) promotes foreign investment into emerging economies by offering political risk insurance (guarantees) to investors and lenders. The MIGA also provides technical assistance and advice to help developing countries to attract and retain foreign investment.

In 2005-06, the MIGA issued 66 guarantees amounting to US$1.3 billion, an increase from 62 guarantees worth US$1.2 billion in 2004-05. This year's guarantees covered 34 new projects and 7 existing projects. Of these, 21 projects were in IDA-eligible countries and 6 of the projects were in the Asia and Pacific region.

Net income declined by $107.8 million to $23.2 million in 2005-06 as a result of a much smaller release of provision for claims compared to that in 2004-05. In FY05 net income was substantially higher, largely as a result of a release of provision for claims of $106.8 million due to the adoption of provisioning methodology.

The International Centre for Settlement of Investment Disputes (ICSID) helps encourage foreign investment by providing international facilities for conciliation and arbitration of investment disputes between foreign investors and their host countries. Australia signed the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States on 24 March 1975, and deposited its instrument of ratification on 2 May 1991.

World Bank administrative budget and human resources

The total administrative budget for 2005-06 was US$2,103 million (net of reimbursements). In June 2006, Executive Directors approved a total administrative budget of US$2,119 million for 2006-07, reflecting an increase of $16 million (0.8 per cent).

The 2006-07 administrative budget includes an average increase in Bank staff salaries of 3.1 per cent, which is in line with the growth in the Washington-area Consumer Price Index.

Part 2: Australia and the World Bank

Australia's shareholdings and contributions

Australia continued actively to support the World Bank's operations in 2005-06 through both its capital shares and additional replenishments and contributions. This included contributions of A$88.1 million to the IDA and the HIPC Initiative, together with cofinanced and trust fund activities.

International Development Association

As at 30 June 2006, Australia had contributed US$2.1 billion (A$2.8 billion) to IDA (in accrual terms), equal to 1.72 per cent of total IDA subscriptions and contributions. During 2005-06, Australia provided A$88.1 million to IDA and HIPC.

Australia has committed to provide a total of A$424 million to the 14th Replenishment of IDA.

In September 2006, Australia also made an upfront payment of A$136.2 million to IDA for Australia's share of the first ten years of the Multilateral Debt Relief Initiative.

International Bank for Reconstruction and Development

As at 30 June 2006, Australia held 24,464 shares in the IBRD, valued at US$3.0 billion (A$4.0 billion) and representing 1.56 per cent of the total capital subscribed to by members of the IBRD. Of this amount, US$182 million (A$244.9 million) is paid into the IBRD, with the remaining US$2.8 billion (A$3.8 billion) at call.

International Finance Corporation

As at 30 June 2006, Australia held 2.0 per cent of the IFC's capital stock, valued at US$47 million (A$63.2 million).

Australia subscribed to an additional 20,578 shares allocated to it under the 1991 general capital increase (GCI). The final installment was paid in August 1999. No further payments are required by Australia under the 1991 GCI.

Multilateral Investment Guarantee Agency

As at 30 June 2006, Australia's shareholding in the MIGA was 3,019 shares, valued at US$33 million (A$44.4 million) and equal to 1.74 per cent of MIGA's total capital stock.

Australia became a member of the MIGA on 10 February 1999 by subscribing to 1,713 shares, and subscribed to a further 1,306 shares under the 1998 GCI. The final installment of Australia's commitments under this GCI was paid in March 2002. No further payments are required by Australia under the 1998 GCI.

International Centre for Settlement of Investment Disputes

Members are not required to make a financial contribution to the ICSID as the expenses of the ICSID Secretariat are financed out of the Bank's budget, and the costs of individual proceedings are borne by the parties involved.

Australian cofinancing

Operationally, AusAID continued to collaborate with the World Bank on a number of cofinanced activities to complement Australia's IDA contribution. Specific achievements included:

- contributing US$2 million over two years to the Knowledge for Change Trust Fund to expand World Bank research activity in the Asia-Pacific region and broaden the dissemination of the World Bank's research and analysis;
- contributing A$5 million to the Multi-Donor Trust Fund for the Avian and Human Influenza Facility to minimise the risk and socio-economic impact of avian influenza and avoid a possible human pandemic; and
- providing US$600,000 for research on the particular issues of economic growth and integration of small states in the global economy including case studies within the Pacific.

Procurement by Australian firms

Australia's membership of the Bank allows Australian firms to compete for contracts to supply goods and services financed by the Bank. Decisions on the supply of goods and services to Bank-financed projects are usually made in borrowing countries by their executing agencies under guidelines agreed by the Bank. In addition, the Bank finances some contracts for project preparatory work by consultants from its own resources or from donor-contributed funds. The Bank's procurement guidelines use international competitive bidding principles, with some preference for local suppliers.

The Australian Trade Commission (Austrade), through its network of domestic and international offices, assists Australian companies to pursue Bank project work and procurement opportunities. Austrade has a Trade Commissioner in Washington assisting companies with Bank work. Austrade offices in borrowing countries also provide assistance by representing the interests of Australian firms to implementing agencies.

Australian representation at the World Bank

Governors and Executive Directors

The highest decision-making body of the World Bank Group, which includes the IBRD, the IDA, the IFC, the MIGA and the ICSID, is the Board of Governors. The Board of

Governors consists of one Governor from each member country. The Treasurer, the Hon Peter Costello MP, is Australia's Governor to the Bank. The Parliamentary Secretary to the Minister for Foreign Affairs is the Alternate Governor. During 2005-06, this position was initially filled by the Hon Bruce Billson MP and subsequently by the Hon Teresa Gambaro MP. A list of resolutions on which Governors voted during 2005-06 is set out in Table 3.1 together with the Australian Governor's votes.

Table 3.1: Australian Governor's votes on World Bank Group resolutions — 2005-06

Resolution title	Adoption date	Australian Governor's vote
IDA		
Additions to Resources: Financing the Multilateral Debt Relief Initiative	21 April 2006	Supported
IBRD		
Transfer from Surplus to Fund Trust Fund for Earthquake Recovery and Reconstruction in Pakistan	07 December 2005	Supported
Low-Income Countries Under Stress Implementation Trust Fund: Request for Replenishment and Special Support for Sudan	21 February 2006	Supported
Reclassification of the Czech Republic	20 June 2006	Supported
MIGA		
MIGA 2005 Review for FY00-04	05 July 2005	Supported
Reclassification of the Czech Republic	20 June 2006	Supported
International Centre for Settlement of Investment Disputes (ICSID)		
Amendments of the ICSID Regulations and Rules and Additional Facility Rules	01 December 2006	Supported

Annual meetings of the Governors of the Bank and the IMF normally take place in September/October each year. Meetings of the Development Committee, a joint ministerial committee of the Bank and the IMF, are held in September/October and April/May of each year. Australia was represented at the September 2005 Annual meetings by the Treasurer. The Australian delegation at the April 2006 meetings was led by Dr Martin Parkinson, Executive Director, Macroeconomic Group. There are also preparatory meetings of the Development Committee (Deputies), which were attended in 2005-06 by Dr Parkinson.

Executive Board

The Executive Board takes decisions on the day-to-day business of the World Bank Group and determines matters of policy under the overall authority of the Board of Governors.

The Board consists of 24 Executive Directors. An Executive Director is appointed by each of the five member countries that have the largest numbers of shares in the capital stock. The remaining Executive Directors are elected to represent other individual countries or constituencies of countries. Australia belongs to the constituency that also includes Cambodia, Kiribati, Republic of Korea, Marshall Islands, Federated States of

Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands and Vanuatu.

As at 30 June 2006, the constituency in which Australia is a member held 3.45 per cent of the voting power of the Bank, and Australia independently held 1.53 per cent. By agreement between the member countries, the staffing of the constituency office rotates. During 2005-06, Mr Joong-Kyung Choi from the Republic of Korea was Executive Director and Mr Terry O'Brien from Australia was Alternate Executive Director. Australia also holds an advisor position in the Executive Director's office.

The briefing provided to the Executive Director on matters coming before the Bank Executive Board is prepared by relevant Australian Government departments, principally Treasury and the Australian Agency for International Development (AusAID). Periodic consultations are also held with non-government organisations, which provide a useful forum for discussion of key policy issues at the multilateral development banks.

Bilateral meetings

Australian Government ministers and/or officials have regular meetings with World Bank management and staff. During 2005-06, the following meetings took place:

- Mr Paul Wolfowitz, President;
- Ms Robin Cleveland, Chief of Staff to the President;
- Mr Shengman Zhang, Managing Director;
- Mr Danny Leipziger, Vice President, Poverty Reduction and Economic Management;
- Mr Jim Adams, Vice President and Head of Network Operations Policy and Country Services, and Ms Sarah Cliffe, World Bank Coordinator of the LICUS initiative;
- Mr Paati Ofosu-Amaah, Corporate Secretary, World Bank Group;
- Mr Joong-Kyung Choi, Executive Director (representing Australia); and
- Mr Terry O'Brien, Alternate Executive Director (representing Australia).

Section 4: Australia's interactions with the Asian Development Bank

Part 1: Efficiency and effectiveness of the Asian Development Bank

Financial resources

The Asian Development Bank's (ADB's) resources are comprised of its ordinary capital resources (OCR), Special Funds, and Trust funds. While OCR and Special Funds are used to finance operations that are solely under ADB administration, Trust funds are externally funded and are administered by the ADB on behalf of donors.

Ordinary capital resources

The ADB's OCR operations are principally financed through paid-in capital provided by member governments and funds borrowed from private placements in capital markets. The ADB's accumulated retained income (reserves) is also a source of finance for these operations.

Subscribed capital

As at 31 December 2005, the subscribed capital stock of the ADB was 3,509,728 shares, valued by the ADB at US$50.2 billion. The subscribed capital stock consists of two components: paid-in capital; and callable capital.

Paid-in capital is available for disbursement as part of the ADB's normal operations. As at 31 December 2005, the ADB's paid-in capital stock was valued by the ADB at US$3.5 billion, with Australia's contribution valued at US$204.9 million. During 2005, the ADB approved 32 OCR loans totalling US$4.4 billion, compared with 33 OCR loans totalling US$4.1 billion in 2004.

The callable portion of the ADB's subscribed capital is available for the protection of the ADB's creditors and can only be called upon if it is required to meet the ADB's obligations in relation to its borrowings or to cover outstanding guarantees. No call has ever been made on the ADB's callable capital. As at 31 December 2005, the ADB's callable capital stock was valued by the ADB at US$46.6 billion, with Australia's subscription to callable shares valued at US$2.7 billion.

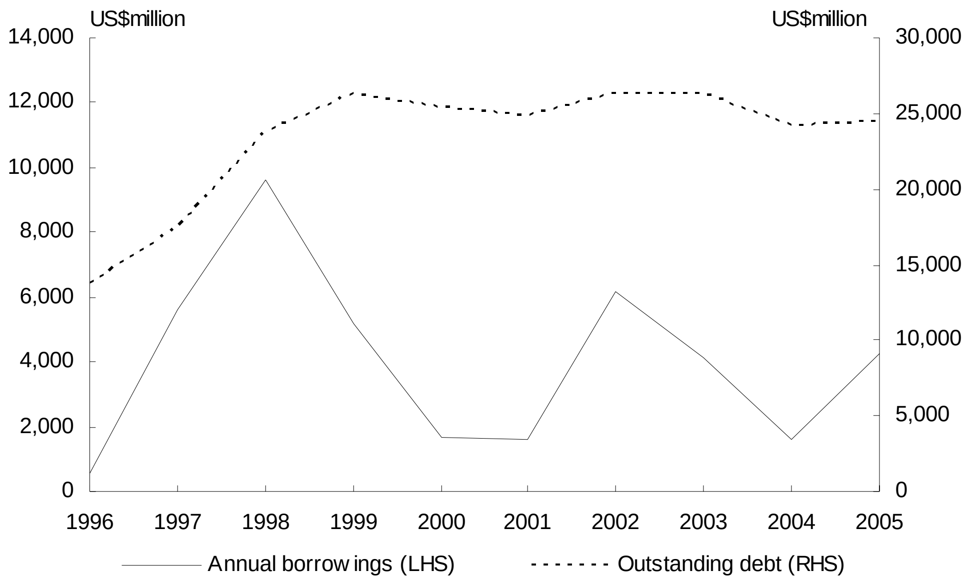
Borrowings

The ADB's primary borrowing objective is to ensure the availability of funds at the lowest possible cost for its lending operations. In pursuit of this objective, the ADB continued in 2005 the strategy of: issuing liquid benchmark bonds to maintain the ADB's strong presence in key currency bond markets; raising funds through cost-efficient opportunistic and private placement transactions to minimise borrowing costs; and emphasising borrowings with longer maturity ranges to smooth the ADB's debt redemption profile. Throughout 2005, the ADB serviced the dual objectives of strengthening regional bond markets and providing local currency financing for private sector operations via local currency bond issues.

In 2005, the ADB raised medium- and long-term funds to the value of US$4.0 billion, compared to US$1.6 billion in 2004. While 2005 borrowings are significantly higher than 2004 they are in line with historical borrowing levels (see Chart 4.1).

The average maturity of 2005 borrowings was 4.3 years compared with 7.9 years in 2004. As at 31 December 2005, the ADB's outstanding debt amounted to US$24.4 billion (see Chart 4.1).

Chart 4.1: ADB borrowings and outstanding debt (1996-2005)



Source: ADB Annual Reports.

Special Funds

The ADB is authorised by its Charter to establish and administer Special Funds. As of 31 December 2005, the ADB managed the Asian Development Fund (ADF); the Asian Tsunami Trust Fund (ATTF); the Pakistan Earthquake Fund; the Technical Assistance Special Fund (TASF); the Japan Special Fund (JSF); and the ADB Institute Special Fund (ADBISF).

Asian Development Fund

The ADF is the concessional lending arm of the ADB which provides loans to the ADB's poorest developing member countries. In 2005, 40 ADF loans to the value of US$1.4 billion were approved, with disbursements totalling US$1.2 billion.

The eighth replenishment of the ADF (ADF IX), authorised by the ADB's Board of Governors in August 2004, became effective on 29 April 2005. Donors endorsed a total replenishment of US$7.0 billion, representing a 25 per cent increase over the ADF VIII replenishment. Australia was the third-largest donor to the ADF IX replenishment, after Japan and the United States.

Up to 21 per cent of the ADF IX replenishment will be provided in the form of grants, rather than as concessional loans. Donors agreed to channel 3 per cent of the grant envelope into the Bank's TASF, which will be particularly valuable for countries without substantial lending programmes.

Asian Tsunami Trust Fund

The US$600 million multi-donor Asian Tsunami Trust Fund (ATTF) was established on 11 February 2005, to provide rapid reconstruction and technical assistance to countries affected by the 26 December 2004 Indian Ocean tsunami. Australia contributed an additional US$3.8 million to the fund.

Pakistan Earthquake Fund

The Pakistan Earthquake Fund was established in November 2005 in response to the Pakistan earthquake on 8 October 2005. The ADB contributed US$80 million to this fund.

Technical Assistance Special Fund

The Technical Assistance Special Fund (TASF) was established to provide technical assistance on a grant basis. The TASF receives funding from direct voluntary contributions from donors, from OCR, and from income on investments. In 2005, Australia committed US$14.5 million to the TASF. At the end of 2005 total TASF resources amounted to US$1,258 million. Of this, US$1,042 million was committed leaving an uncommitted balance of $215.5 million.

Japan Special Fund

The Japan Special Fund (JSF) was established in 1988 to provide assistance to borrowing members to help prepare projects and to undertake technical or policy studies. The JSF particularly supports activities related to the three pillars of the ADB's poverty reduction strategy — pro-poor economic growth; socially inclusive development; and good governance.

As of 31 December 2005, Japan's cumulative contribution to the JSF since its inception amounted to approximately US$904.2 million. In 2005, the JSF financed 14 per cent of the total amount of technical assistance approved by the ADB, including 33 per cent of the total amount of project preparation technical assistance during the year.

Asian Development Bank Institute Special Fund

The Asian Development Bank Institute Special Fund (ADBISF) was established to fund the operational expenses of the ADB Institute. The ADB Institute was established in 1997 to foster development management training and the exchange of ideas on development policy issues.

As of 31 December 2005, cumulative commitments to the ADBISF amounted to approximately US$110.1 million, of which US$93.6 million had been used primarily for research and capacity-building activities.

Trust funds

The ADB currently manages and administers the Japan Scholarship Program, the Japan Fund for Poverty Reduction and the Japan Fund for Information and Communication Technology, and channels financing of a number of trust funds provided by bilateral donors to support technical assistance and soft components of loans.

Operating activities

The ADB draws on its resource base to channel assistance to its developing member countries through, inter alia, loans, technical assistance, grants, guarantees and equity investments and policy dialogue.

Loan operations

In 2005, the ADB approved 72 loans for 64 projects, valued at US$5.8 billion, compared with 79 loans valued at US$5.2 billion in 2004 (see Table 4.1). The average loan size in 2005 was US$80.5 million, compared with US$66.0 million in 2004.

The number of OCR loans remained unchanged in 2005 — 32 approvals in both 2004 and 2005 — however, the value of financing increased to US$4.4 billion in 2005 from US$4.0 billion in 2004. Although the number of ADF loans declined to 40 in 2005 (from 47 in 2004), the value of ADF loans increased to US$1.4 billion in 2005, from US$1.2 billion in 2004.

Loan disbursements in 2005 totalled US$4.7 billion. Of total loan disbursements, OCR disbursements were US$3.5 billion (74 per cent) and ADF disbursements were US$1.2 billion (26 per cent).

A total of 21 developing member countries and one regional project received loans in 2005. Among these, the People's Republic of China and Indonesia were the largest borrowers, receiving US$1.5 billion and US$1.1 billion respectively (around 26 per cent and 20 per cent of 2005 loans respectively). The transport and communications sector received the largest share of loans, with 30 per cent of total lending. Other sectors that received loans included: energy with 19 per cent; law, economic management and public policy with 13 per cent; and water supply, sanitation and waste management with 11 per cent.

Table 4.1: Loan approvals (2002-2005)

Year	Asian Development Fund US$million	Ordinary capital resources US$million	Total US$million
2002	1,650	4,008	5,658
2003	1,379	4,706	6,085
2004	1,242	3,997	5,239
2005	1,376	4,421	5,797

Source: 2005 ADB Annual Report.

Technical assistance

Technical assistance grants amounting to US$198.7 million were approved in 2005, including US$89.5 million from the TASF, US$28.4 million from the JSF, and US$2 million from the Asian Tsunami Fund. The largest recipient of technical assistance grants was the People's Republic of China (US$18.3 million), followed by Pakistan, Vietnam, and Indonesia.

Grants

Grants amounting to US$1.2 billion were approved in 2005, of which US$570.0 million was funded from the Asian Tsunami Trust Fund. Indonesia and Sri Lanka were the primary recipients. The amount provided in grants was unusually large due to the creation of special, time-bound funds for tsunami and Pakistan earthquake rehabilitation.

Cofinancing and guarantee operations

The ADB's cofinancing strategy is designed to: encourage additional private capital for developing member countries, by assisting cofinanciers in the appraisal and management of risks; and promote official cofinancing arrangements, particularly for low-income countries.

As of 31 December 2005, cofinancing and guarantee operations totalled US$7.4 billion for 34 projects, more than the ADB's total lending of US$5.8 billion.

The ADB provides both partial credit guarantees and political risk guarantees in support of its cofinancing activities. These guarantees are designed to mitigate the risk exposure of commercial lenders and capital market investors and are provided for projects where ADB is directly participating (they are not issued on a stand-alone basis).

The partial credit guarantee provides comprehensive cover (of both commercial and political risks) for a specific portion of the debt provided by cofinanciers on either public or private sector projects. The political risk guarantee provides cover against specifically defined political risks, such as expropriation, political violence and breach of contract.

Equity investments

In 2005, the ADB approved 10 equity investments for regional investment funds and financial institutions (US$217.1 million), compared with 11 approved in 2004 (US$164.0 million).

Management efficiency

Administrative budget

The ADB's actual administrative expenses for 2005 amounted to US$294.3 million, a saving of US$5.5 million against the original budget of US$299.8 million. The primary sources of the savings were lower than expected staffing costs and business travel.

The 2006 budget of US$312.9 million, approved by the Board of Directors in December 2005, financed a number of important initiatives, including: the implementation of various programmes under the ADB's reform agenda and Managing for Development Results framework; expansion of OCR and private sector lending, including an increased emphasis on sub-sovereign and non-government lending; and enhanced regional and subregional cooperation and integration.

In noting its support for the 2006 budget, Australia emphasised the ongoing importance of improvements in productivity and organisational capability.

Human resource management and development

At the end of 2005, the ADB had a total staff of 2,456 coming from 53 of its 64 member countries. The total comprised 887 professional staff members and 1,569 local staff members.

In 2005, the ADB made some progress in implementing the Human Resources Strategy, approved by the Board of Directors in 2004, but sustained efforts to change the management culture to strengthen the focus on project implementation (not simply approval) and the maximisation of development effectiveness will be needed over several years. The new human resources strategy is designed to enhance organisational capacity, establish an effective performance management system, and strengthen leadership and accountability for performance. The strategy is a key component of the ADB's broader strategic framework, and complements other important policies including: the Long-Term Strategic Framework; Managing for Development Results; and the Poverty Reduction Strategy.

The ADB established a Learning and Development Unit in 2005 tasked with a strategic approach to staff learning and development needs.

Evaluation of ADB operations

Evaluation of completed projects/programmes

The ADB has a two-stage evaluation system for completed projects/programmes.

The first stage is the preparation of a Project/Program Completion Report (PCR) or Technical Assistance Completion Report by the operational division responsible for processing and implementation. The completion reports provide a concise history of the project/programme from identification to completion. The reports also suggest areas for follow-up action and offer recommendations to improve ADB operations, policies and procedures.

To ensure an independent evaluation, the second stage consists of the preparation of a Project/Program Performance Audit Report (PPAR) by the Operations Evaluation Department (OED). The PPAR covers all completed programmes and a sample of completed projects. The PPAR evaluates the effectiveness and sustainability of a project or programme in achieving its objectives and audits the Project Completion Report for adequacy and integrity, focusing on specific issues warranting closer attention.

PPARs are prepared after projects and programmes have been in operation for sufficient time to permit a reasonable estimate of future achievements — usually at least three years of operational history — and provided a PCR has been circulated to the ADB Board of Directors.

Box 4.1: The ADB's evaluation classification categories

Highly successful: This rating is given to projects and programmes whose achievements exceed expectations with very high probability that the purpose and goals will be achieved sustainably and efficiently over the project or programme life, and that there are no significant unforeseen negative impacts.

Successful: Where the degree of achievement is insufficient or some negative results have occurred that prevent a highly successful rating, a project or programme will receive a successful rating if there is no major shortfall, and the expected purpose and goals will be mostly achieved sustainably over most of the expected economic life of a project or programme. In addition, the project or programme must be relevant to both the developing member country's and the ADB's objectives, and its implementation and operations must be efficient, with any negative impacts small in relation to the gains under the project.

Partly successful: While the evaluation anticipates a significant shortfall in achieving the purpose and goals envisaged for the project or programme, a partly successful classification means that some components will achieve major benefits (for example, equivalent to at least half the level originally expected).

Unsuccessful: The evaluation considers that the project is a technical and economic failure in the sense that it expects the facilities to operate at a low level of installed capacity, if at all, or with high cost requiring a large subsidy. There may be many negative impacts, and efficiency is very low.

A total of 709 completed public and private sector projects/programmes had been independently evaluated up to 31 December 2005. The PPARs rated 60 per cent of these projects/programmes as successful, 31 per cent as partly successful and 9 per cent as unsuccessful. PPAR ratings by sector show continuing high success rates for transport and communications and for energy projects/programmes. While further analysis is required before a firm conclusion can be drawn, these results suggest that the financing of infrastructure projects is a major strength of the ADB.

Development effectiveness

A strategic shift has occurred in recent years in the ADB's approach to evaluation and assessments of its development effectiveness more generally. The ADB has moved to increase its focus on the evaluation of the outcomes of its thematic and sector work and country strategies over a number of years, with relatively less attention paid to the evaluation of individual projects.

This is consistent with the adoption by the ADB of a more intensive results orientation in the specification of project-specific performance criteria and in Country Strategies and Programs. The first of the results-based Country Strategies and Programs have been prepared on a pilot basis, beginning in October 2004. Results-based Country Strategies and Programs are intended to specify more clearly the development results the strategy seeks to secure and facilitate the development of a logical chain through which these may be achieved. It will be some years before the efficacy of this approach can be assessed.

Part 2: Australia and the Asian Development Bank

Governors and Directors

The Board of Governors is the ADB's highest policy-making body, consisting of one Governor for each member country. As at 30 June 2006, the Treasurer, the Hon Peter Costello MP, was Australia's Governor, while the Parliamentary Secretary for Foreign Affairs, the Hon Teresa Gambaro MP, was Australia's Alternate Governor. Ms Gambaro succeeded the Hon Bruce Billson, in March 2006. The Australian Governor's votes on ADB resolutions during 2005-06 are noted in Table 4.2.

Table 4.2: Australian Governor's votes on ADB resolutions — 2005-06

Resolution Title	Adoption Date	Australian Governor's Vote
Transfer of Asian Development Bank Ordinary Capital Resources Surplus to the Pakistan Earthquake Fund	25 November 2005	Supported
Conversion of ADF Resources into Other Currencies	28 November 2005	Supported
Development Status of the Republic of Palau	16 December 2005	Supported
Remuneration of the Asian Development Bank Directors and Alternate Directors	6 February 2006	Opposed
Retirement Benefits for Asian Development Bank President	6 February 2006	Supported
Membership of Brunei Darussalam	25 April 2006	Supported
Membership of Ireland	25 April 2006	Supported
Financial Statements and Independent Auditors' Reports	6 May 2006	Supported
Allocation of Net Income	6 May 2006	Supported

The 2006 ADB Annual Meeting of the Board of Governors was held in May, in Hyderabad, India. Australia's Minister for Revenue and Assistant Treasurer, the Hon Peter Dutton MP, led the Australian delegation, which included senior officials from Treasury, the Australian Agency for International Development (AusAID), and the Department of Foreign Affairs and Trade.

The Board of Governors has delegated authority for conducting the day-to-day oversight of ADB operations to the Board of Directors. Directors exercise their authority through the supervision of the ADB's financial statements; approval of the ADB's administrative budget and other key planning documents; and the review and approval of country strategies, policy documents and all major loan, equity and technical assistance operations.

Eight of the Board's 12 Directors represent regional countries while the remainder represent non-regional countries. Each Director represents a constituency of member countries, except for Japan, the United States, and the People's Republic of China, which hold their own seats.

Australia belongs to a constituency that also includes Azerbaijan; Cambodia; Hong Kong, China; Kiribati; Federated States of Micronesia; Nauru; Palau; Solomon Islands; and Tuvalu.

Australia is the largest shareholder in this constituency, holding around 5.0 per cent of the ADB's voting power at 31 December 2005, with the total constituency voting power at 8.6 per cent (see Table 4.3).

Table 4.3: Constituency voting power (as at 31 December 2005)

	Voting power	
Member	**Number of votes**	**Per cent of total**
Australia	218,449	4.979
Azerbaijan	29,445	0.671
Cambodia	15,459	0.352
Hong Kong, China	32,979	0.752
Kiribati	13,851	0.316
Micronesia	13,851	0.316
Nauru	13,851	0.316
Palau	13,823	0.315
Solomon Islands	13,945	0.318
Tuvalu	13,759	0.314
Total	**379,412**	**8.649**

Source: 2005 ADB Annual Report.

Mr Stephen Sedgwick, formerly the Secretary to a number of Australian Government departments, was elected Director of our constituency on 1 April 2002. Mr Sedgwick's term expires on 31 March 2007. Mr Richard Moore of Australia currently serves as the constituency's Alternate Executive Director. During 2005-06, Mr Sedgwick served as Dean of the ADB's Board of Directors and Chairman of the Board Compliance Review Committee, while Mr Moore was a member of the ADB's Development Effectiveness Committee.

By agreement between the member countries of our constituency, the Directors are supported by two Advisors, one of whom rotates between the constituency's Pacific Island members, and the other between Cambodia, Hong Kong, and Azerbaijan. Ms Senny Phillip from the Federated States of Micronesia has held the Pacific advisor position since July 2004, and Ms Vusala Jafarova from Azerbaijan the other advisor position since June 2005.

Briefing for Australia's Director on matters coming before the ADB Board is prepared by relevant Australian Government departments, principally Treasury and AusAID. Throughout the year, the views of non-government organisations (NGOs) are sought on matters of particular interest to those bodies. For example, Australian officials met with NGOs in the margins of the 2006 ADB Annual Meeting in India.

Australian shareholding and contributions

Australia is the fourth-largest regional shareholder in the ADB and the fifth-largest overall.

As at 31 December 2005, Australia held 204,740 shares in the ADB, valued by the ADB at US$2.9 billion (A$4.0 billion as at 31 December 2005) and representing 5.8 per cent of the total capital stock of the ADB. Of this, US$204.9 million (A$279.3 million as at 31 December 2005) is paid-in capital, and the remaining portion (US$2.7 billion — A$3.7 billion as at 31 December 2005) is subject to call.

In 2005-06, Australia provided a $97.3 million contribution to the Asian Development Fund (ADF), the concessional loan facility of the Asian Development Bank.

Australian cofinancing

In 2005-06, Australia and the Asian Development Bank cooperated on a number of cofinanced activities including:

- a programme to improve educational systems in Samoa. The programme will help about 40,000 primary school students through better schools and learning materials and will improve the curriculum and teaching methods;
- a programme to assist in the prevention and control of HIV/AIDS in Papua New Guinea. The programme will focus on establishing partnerships with rural development enclaves to enable health care services to provide voluntary counselling and testing, treatment and care.

Procurement by Australian firms

Australia's membership of the ADB enables Australian suppliers to bid for work generated under ADB-financed activities. ADB-financed activities provide sizeable commercial opportunities for Australian firms and can be stepping stones to further work in the Asia-Pacific region. Competitiveness in terms of price, quality and timely delivery are the key determinants of a successful bid.

In 2005, contracts totalling US$3.7 billion (excluding contracts for technical assistance projects) were awarded by executing agencies in member countries for consulting services and procurement of goods and related services for civil works. Technical assistance contracts totalling US$163.0 million were awarded for consultancy services.

The Australian Trade Commission (Austrade), through its network of domestic and international offices, assists Australian companies in pursuing ADB project work and consulting opportunities. Austrade Manila is the liaison post for the ADB head office, based in Manila, and works closely with key Bank representatives in coordinating and arranging the annual Australian business mission to the ADB. Austrade maintains a close working relationship with the ADB project officers and assists Australian companies to pursue ADB projects by representing their interests with implementing agencies.

In 2005, the ADB's procurement from Australian firms (including goods, related services, civil works, and consulting services under loans and technical assistance operations) was valued by the ADB at US$59.9 million (A$81.7 million as at 31 December 2005).

Bilateral meetings

During 2005-06, Australian officials frequently met with senior ADB representatives including:

- President, Mr Haruhiko Kuroda;
- Vice Presidents Mr Lawrence Greenwood, Mr Liqun Jin, Ms Khempheng Pholsena, Mr Geert van der Linden, and Mr Joseph Eichenberger;
- Department Director Generals Mr Philip Erquiaga (Pacific), Ms Shamshad Akhtar (South East Asia), Mr Rajat Nag (South East Asia), and Mr Kunio Senga (South Asia);
- Mr Kazu Sakai, Director General, Strategy and Policy Department;
- Professor Masahiro Kawai, Head, Office of Regional Economic Integration;
- Mr Robert Siy, Director, Pacific Operations Division (Area A);
- Mr Indu Bhushan, Director, Pacific Operations Division (Area B);
- Ms Naomi Chakwin, Regional Director, Pacific Liaison and Coordination Office;
- Mr Stephen Sedgwick, Executive Director (representing Australia); and
- Mr Richard Moore, Alternate Executive Director (representing Australia).