PARLIAMENT OF AUSTRALIA
DEPARTMENT OF THE PARLIAMENTARY LIBRARY

ASIAN DEVELOPMENT FUND BILL 1978

Date Introduced: 17 August 1978
House: House of Representatives
Presented by: Hon. A. Peacock, Minister for Foreign Affairs

Short Digest of Bill

Purpose

To authorise a contribution of A$96.82m on behalf of Australia towards the second replenishment of the resources of the Asian Development Fund (ADF).

Background

The total contribution represents Australia's full share, namely 5.14%, of the basic target of US$2,000 million and supplementary contributions up to a maximum total contribution of 5.14% of US$2,150 million. The basic replenishment target which is envisaged to fulfil special fund loan requirements for the four year period 1979-82, was determined at a meeting of the Asian Development Bank's (ADB) donor member countries in April 1978. In addition, at this meeting a number of donor countries including Australia pledged supplementary contributions.

The ADF was established in June 1974 in order to provide a systematic mechanism for mobilising and administering resources for the Bank to lend on concessional terms to its poorest and least developed members. Administration of the earlier Special Funds - the Multi-Purpose Special Fund (MPSF) and the Agricultural Special Fund (ASF) - had been complicated by the fact that contributions of individual donors had been made voluntarily at the initiative of the countries concerned and were frequently tied to procurement in those countries. The resources of these previous funds have essentially now been transferred to the ADF.

Funds provided by the ADF are distinct from funds provided under the Bank's ordinary operations, whose funds are raised on the basis of the Bank's capital resources and its borrowings on the international capital market at commercial or near commercial terms. These funds thus bear commercial rates of interest.
The initial replenishment of the resources of the ADB entailed an Australian contribution of US$41.6 million of a total basic target of US$830 million (subsequently revised to US$809 million) which financed the Bank's concessional lending program over the period 1976-78. The Act authorising Australia's contribution to this replenishment was the Asian Development Fund Act of 1976.

In 1977, the criterion for determining eligibility for "concessional" loans was fixed at a benchmark of less than US$380 per capita GNP in 1975. Nine member countries were eligible for ADF loans in 1977 with Bangladesh and Pakistan receiving 31.2% and 26.1% respectively of the total loans of US$271.8m made available that year. The replenishment basic target of US$2,000m for the four year period 1979-1982, if achieved will thus allow a significant increase in the ability of the ADB to extend concessional loans.

The impact on the Australian Budget will be limited in the next year or so as encashment by the Bank of the promissory notes deposited with it, representing Australia's contribution, will not begin before 1979-80 when the pledged funds are actually required for loans disbursements.

Main Provisions

Clause 4 of the Bill authorises the Minister for Foreign Affairs to notify the Bank of Australia's intention to contribute to the Bank, for the purposes of the Asian Development Fund, amounts not exceeding in the aggregate A$96.82m.

Clause 5 enables the Treasurer to execute and issue to the Bank, promissory notes, payable to the Bank, which shall be non-negotiable and non-interest-bearing, and shall be payable at par value on demand.

Finance, Industries, Trade & Development Group
LEGISLATIVE RESEARCH SERVICE

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