AUSTRALIA

AND THE

INTERNATIONAL FINANCIAL INSTITUTIONS

2008-09

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*

The Hon Wayne Swan MP, Deputy Prime Minister and Treasurer

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Australia and the International Financial Institutions 2008-09

Section 10 of the *International Monetary Agreements Act 1947* provides that the Treasurer shall 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 Articles of Agreement of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) during that financial year.

Section 7 of the *International Bank for Reconstruction and Development (General Capital Increase) Act 1989* provides that the Treasurer shall 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 2008-09.

The IMF and the World Bank Group (comprising the IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes) publish annual reports that provide comprehensive reviews of the operations of these institutions. The IMF and World Bank also make information available on their websites: www.imf.org and www.worldbank.org.

I commend this report to the Parliament.

WAYNE SWAN
Deputy Prime Minister and Treasurer

Contents

Acronyms and abbreviations

ARPP	Annual Report on Portfolio Performance
AusAID	Australian Agency for International Development
DC	Development Committee
FTP	Financial Transaction Plan
G20	Group of 20
GFRP	Global Food Crisis Response Program
IBRD	International Bank for Reconstruction and Development
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IDA15	15th Replenishment of the International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IFIs	International Financial Institutions
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
NAB	New Arrangements to Borrow
PRGF	Poverty Reduction and Growth Facility
QAG	Quality Assurance Group
RBA	Reserve Bank of Australia
SDR	Special Drawing Right
WBG	World Bank Group

Preface

This report compiles information on Australia's dealings with the International Monetary Fund (IMF) and the World Bank for the period 1 July 2008 to 30 June 2009.[1]

The 2008-09 report is in three sections:

Section 1 reviews the crisis response undertaken by the two international financial institutions (IFIs) during 2008-09.

Section 2 reports on Australia's relations with the IMF as required under the *International Monetary Agreements Act 1947*. This section covers Australia's representation at the IMF, its June 2009 Article IV consultation, participation in IMF Institute courses, meetings and visits, and Australia's financial transactions with the Fund.

Section 3 reports on 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*. This section covers the World Bank's mandate and institutions, Australia's shareholdings and contributions, Australian representation and activities of the Bank during 2008-09.

Other sources of information

Treasury releases information on its activities through many publications, press releases, speeches and reports, including the Treasury 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 and www.worldbank.org, including information on their responses to the global economic crisis and communiqués from recent IMF and World Bank Spring and Annual Meetings.[2]

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1 Australia is a member of each of the IMF, World Bank, Asian Development Bank (ADB) and European Bank for Reconstruction and Development (EBRD). Information on each institution is provided in the Treasury Annual Report and is also available from the institutions themselves through their annual reports. There is no legislative requirement to provide an Annual Report to the Parliament on the ADB or the EBRD.

2 Communiqués are available on the IMF's website: http://www.imf.org/external/news/default.aspx?cm

Inquiries

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

The General Manager
International Finance and Development 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: Responding to the global economic crisis

The global financial and economic crisis presented extraordinary challenges for the International Financial Institutions (IFIs). The crisis demonstrated the need to reconsider their instruments for making loans and grants, secure additional resources and reform their governance structures to reflect the evolving economic weight of the membership. In these tasks, the G20 played a leading role in providing the political impetus needed for substantial improvements to be made.

The G20 and the IFIs

The G20 led in coordinating the global response to the crisis by its member countries and the IFIs. In addition to Finance Ministers and Central Bank Governors meeting four times during 2008-09, the emergence of G20 Leaders' Summits played an important role — with the first held on 15 November 2008 in Washington DC and the second on 2 April 2009 in London. The 19 member countries of the G20, which includes Australia, are also among the largest members of the International Monetary Fund (IMF) and World Bank.

In their Washington DC Summit declaration, G20 Leaders agreed that they would take all necessary action to restore jobs and economic growth. They agreed on a 47 point Action Plan which included reinforcing international cooperation, reforming the IFIs and ensuring that the IMF, World Bank and other multilateral development banks have sufficient resources to continue playing their role in overcoming the crisis. To take forward the agreed Action Plan, G20 Working Groups were established on IMF Reform, and on the World Bank and other multilateral development banks (MDBs).

At the London Summit, G20 Leaders agreed on a comprehensive action plan for recovery and reform. In relation to the IFIs, and drawing on the reports of the relevant working groups, this included:

- a US$1.1 trillion program to restore credit, growth and jobs in the world economy, including support for US$500 billion in additional resources for the IMF and at least US$100 billion additional lending by multilateral development banks;
- a call for a US$250 billion general allocation of Special Drawing Rights (SDRs) to inject liquidity into the world economy;
- agreement on the need to accelerate IMF quota reform and ensure all IFIs have the facilities they need to address the crisis and meet the needs of developing countries;
- a call for the IMF to assess regularly the actions taken and the global actions required to accelerate the return of the global economy to trend growth;

- a call for the IMF and Financial Stability Board to monitor progress in implementing the Leaders' agreed actions to build a stronger, more globally consistent supervisory and regulatory framework for the financial sector;
- commitment to implement the first phase of World Bank reforms agreed in October 2008;
- a call for World Bank voice and representation reforms to progress on an accelerated timescale, to be agreed by the 2010 Spring Meetings;
- agreement to review the flexibility of the joint IMF and World Bank Debt Sustainability Framework; and
- agreement that the heads and senior leadership of the international financial institutions should be appointed through an open, transparent, and merit-based selection process.

Response by the IMF

During 2008-09, the IMF's activities and roles expanded to historic levels in response to the global financial crisis and recession. Its assistance to help member countries address balance of payments needs expanded, with new lending commitments for the year exceeding US$158 billion, compared with US$1.5 billion in 2007-08, and including substantial assistance to low-income countries.

The IMF also overhauled its lending and conditionality framework, including the establishment of a new Flexible Credit Line, available on a precautionary basis, to meet the increased demand for crisis-prevention and crisis-mitigation lending from countries with robust policy frameworks and strong track records in economic performance. Three countries — Mexico, Poland and Colombia — entered into arrangements under the FCL for a total of US$78 billion. The IMF also commenced efforts to strengthen the effectiveness of its surveillance, including by enhancing its focus on macro-financial vulnerabilities and cross-border spill-overs.

The IMF's resource base was expanded following the G20 Summit in London, initially through immediate financing of US$250 billion to be subsequently incorporated into an expanded and more flexible New Arrangements to Borrow (NAB), increased by up to US$500 billion. On 12 May 2009, the Treasurer announced that as part of this international response, the line of credit that Australia has made available under the NAB since 1998 would increase to US$7 billion.

The crisis accentuated the need for a more representative and legitimate IMF. Australia took a leading role in facilitating discussion of reforms to the distribution of quota and the Fund's governance structures. In the lead up to the G20 Leaders' Summit in London on 2 April 2009, Mr Michael Callaghan, Executive Director (International) of Treasury's Macroeconomic Group, co-chaired (with South Africa) the Working Group on reform of the IMF.

Response by the World Bank

The World Bank took a leading role amongst the MDBs in responding to the crisis. The World Bank significantly increased its lending and also created innovative measures and programs to help developing countries to stabilise their economies, boost social safety nets and stimulate their economies.

The International Bank for Reconstruction and Development (IBRD) is the main arm of the World Bank Group (WBG) and lends to middle-income countries and creditworthy low-income countries. In 2008-09, the IBRD committed US$32.9 billion. This was a 144 per cent increase from 2007-08 lending of US$13.5 billion. The IBRD expects that it will triple its lending from pre-crisis levels to a total of US$100 billion over the three financial years 2009 to 2011.

The International Development Association (IDA), which assists low-income countries with poor creditworthiness, had less flexibility to respond with increased lending due to its funding and allocation structures. Despite these constraints, by front-loading and fast-tracking commitments, IDA funding reached US$14 billion across 63 countries, a 25 per cent increase from 2007-08 lending of US$11.2 billion.

The WBG focused these increased resources into programs and sectors that mitigate the impact of the crisis and facilitate recovery. Support was tripled for social safety net programs such as school feeding, nutrition, conditional cash transfer projects and cash for work. The new special purpose Vulnerability Financing Facility (VFF) streamlined crisis support to the poor and vulnerable through social interventions under the Rapid Social Response Program.

The IFC committed US$10.5 million and mobilised a further US$4 million from other sources in financial year 2009. This was a slight drop from financial year 2008 commitments of US$11.3 billion. The more difficult environment which resulted in net losses in 2008-09, limited the capacity of the International Finance Corporation (IFC) to respond further.

IFC initiatives were important in addressing both the immediate and longer-term needs of the private sector by helping to strengthen banks in developing countries, supporting small and medium size enterprises, bolstering trade and supporting critical infrastructure projects.

As with the IMF, Australia has supported voice reforms to enhance the legitimacy and effectiveness of the World Bank. The Development Committee agreed to a package for the first phase of reforms to enhance the voice and participation of developing countries in the WBG at the October 2008 Annual Meeting. The DC also agreed to accelerate the second phase of voice and participation reforms, including realigning shareholding to further increase the voice of developing countries, with agreement to be reached by April 2010.

Section 2: 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

Mandate

The International Monetary Fund (IMF) was conceived at the United Nations' Bretton Woods conference held in July 1944, where representatives of 45 countries agreed to establish institutions to govern international economic relations in the aftermath of the Second World War. The IMF came into formal existence in December 1945, when 29 members ratified its Articles of Agreement.

The IMF was established to promote growth and prosperity. The IMF's purpose (set out in Article I of its Articles of Agreement) is to promote international monetary cooperation; facilitate the expansion of trade contributing to employment growth; promote exchange rate stability to avoid competitive devaluation; assist in the establishment of a multilateral system of payments; and make resources available to members to reduce the costs of balance of payments adjustments.

The IMF achieves its mandate by: conducting surveillance over the economic policies of members, and providing policy advice to assist members in achieving key domestic objectives; providing technical assistance and training to members, enabling them to build the expertise required to implement sound economic policies; and providing temporary financing to members experiencing balance of payments difficulties to reduce the cost associated with significant economic adjustment.

Australia became a member of the IMF in 1947. The *International Monetary Agreements Act 1947* formalised Australia's IMF membership. The Act contains provisions, which have been updated through time, to enable Australia to meet any obligations that may arise by virtue of its IMF membership. A brief outline of these provisions, along with an indication of whether the provision was used during 2008-09, is included in Table 2.1.

Table 2.1: Activation of *International Monetary Agreements Act 1947* provisions in 2008-09

Section of the Act	Description of the provision	Provision activated
Section 5A	The Treasurer may provide the RBA with a written direction to exchange Special Drawing Rights (SDRs) or foreign currency on the Commonwealth's behalf.	There is a standing direction to the RBA to this effect.
Section 6 — Authority to borrow	Provides the Treasurer with the authority to borrow funds in order to meet obligations as members of the IMF, World Bank, and New Arrangements to Borrow (NAB).	The provision was not activated during 2008-09.
Section 7 — Issue of securities	Provides the Treasurer with the authority to settle obligations by issuing non-negotiable and non-interest bearing securities, should it be acceptable to the IMF and World Bank.	No new securities were issued to the IMF in 2008-09. However, in the past Australia has issued the IMF with non-negotiable and non-interest bearing securities to pay the Australian dollar component of Australia's quota subscription and to maintain the Australian dollar value of this component in SDR terms.
Section 8 — Payment of charges	Provides Australia with the authority to pay service and interest charges on any borrowing.	The provision was not used during 2008-09.
Section 8A — Appropriation for purposes of SDR Department	Provides the Treasurer with the authority to pay any obligations that arise due to Australia's membership of the SDR department.	The provision was exercised during 2008-09 to pay the quarterly interest charges on Australia's SDR holdings and the annual assessment fee.
Section 8B — Appropriation for the purposes of the New Arrangements to Borrow	Provides the Treasurer with the authority to meet obligations under the NAB. Australia's total commitment in 2008-09 under the NAB was SDR 801 million.	The provision was not used during 2008-09.
Section 8C — Financial assistance by Australia in support of Fund programs	Provides the Treasurer with the authority to enter into a loan or currency swap arrangement with a member who has received an IMF support package.	The provision was not used during 2008-09.

Australia's representation

Board of Governors

The Board of Governors is the highest authority within the IMF and consists of one Governor and one Alternate Governor for each member country. The Treasurer, the Hon Wayne Swan MP, has been Australia's Governor of the IMF since 3 December 2007. During 2008-09 the Alternate Governor was the Secretary to the Treasury, Dr Ken Henry AC.

Member countries cast votes as required throughout the year. The Australian Governor's votes on IMF resolutions during 2008-09 are noted in Table 2.2.

Table 2.2: Australian Governor's votes on IMF resolutions 2008-09

Resolution title	Adoption date	Australian Governor's vote
Constituency Arrangements	1 November 2008	Supported
Draft Resolution on changes to Statute of IMF Administrative Tribunal	7 April 2009	Supported
Kosovo to Join IMF as the 186th Member	8 May 2009	Supported

International Monetary and Financial Committee

The International Monetary and Financial Committee (IMFC) advises the Board of Governors on the functioning and performance of the international monetary and financial system. Its 24 members represent the full IMF membership under the same constituency arrangements as apply in 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').

The Treasurer represented Australia at the Annual Governors' Meeting held on 13 October 2008, and represented Australia and the constituency of which Australia is a member at the IMFC meeting held on 11 October 2008 and 25 April 2009.

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 or elect their own Executive Director: the United States, Japan, Germany, France, the United Kingdom, China, Saudi Arabia and the Russian Federation. The remaining Executive Directors represent multi-member constituencies. During 2008-09, the constituency of which Australia is a member (the Asia and the Pacific constituency) comprised: Australia, Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands and Vanuatu.

In June 2009, Australia's constituency held 3.44 per cent of the voting power in the IMF, and Australia independently held 1.49 per cent.

Mr Richard Murray of Australia was the Executive Director for the constituency from 1 November 2006 until 31 October 2008. Dr Hi-Su Lee of Korea succeeded Mr Murray as Executive Director on 1 November 2008.

The Executive Director is supported by an Alternate Executive Director and a number of senior advisors/advisors from various countries represented in the constituency. While the 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.

The Treasury, with input from the Reserve Bank of Australia (RBA) and other agencies as appropriate, provides briefing to the Executive Director on key issues being discussed by the Board.

Australia's Article IV consultation

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

Australia's 2009 Article IV consultation included a visit by IMF staff from 12 June to 23 June. During their visit they met with the Treasurer, senior Treasury officials, the Governor of the RBA and senior RBA officials. They also met with officials from other agencies in the Treasury portfolio including the Productivity Commission and the Australian Prudential Regulation Authority, and representatives from the business community and unions.

The staff report on the consultation is available at www.imf.org.

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 2008-09, one Australian official attended an Institute course.

Table 2.3: Australian attendance at IMF Institute courses 2008-09

Name	Department	Course	Date
Rose Verspaandonk	Treasury	HQ 09.04 Macroeconomic Diagnostics	9 March — 3 April 2009

Meetings and visits

During the IMF/World Bank Annual Meetings in Washington in October 2008, the Treasurer met with IMF First Deputy Managing Director, Dr John Lipsky. The Treasurer met with the IMF Managing Director, Mr Dominique Strauss-Kahn, at the

G20 Finance Ministers' and Central Bank Governors' Meeting in Sao Paulo, Brazil in November 2008, and Washington in April 2009.

Part 2: Australia's shareholding in the International Monetary Fund and financial transactions

A member's shareholding in the IMF is determined by its allocated quota which broadly reflects its weight in the global economy. Australia's quota as at 30 June 2009 was SDR 3,236 million. A member's voting power in IMF decisions is also largely determined by its quota, with one vote allocated for each SDR 100,000 of quota. In addition, each IMF member has 250 basic votes. During 2008-09, Australia held 1.49 per cent of total IMF voting power.

Australia's financial transactions with the International Monetary Fund

Australia's financial transactions with the IMF in 2008-09 comprised:

- payments of Special Drawing Rights (SDR) charges and an annual assessment fee for Australia's allocation of SDRs;
- receipts of interest on Australia's SDR holdings;
- receipts of remuneration for Australia's contribution to IMF reserves; and
- transfers and receipts to facilitate Australia's contribution to the IMF's financial transaction plan, reflecting the borrowing and repayments of other members.

These transactions are described in the following sections.

Special Drawing Rights charges, interest and assessment fee

The SDR is an international reserve asset created by the IMF to supplement the existing official reserves of member countries. 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).

SDRs are allocated to member countries in proportion to their IMF quotas. Each member country may choose to hold more or fewer SDRs than its net cumulative allocation.

Australia's allocation of SDRs remained at SDR 471 million throughout 2008-09 while its actual SDR holdings at 30 June 2009 were SDR 112 million. Australia's SDR allocation is held by the Reserve Bank of Australia (RBA), having been sold to the RBA by the Commonwealth in exchange for Australian dollars.

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 of currencies.

In 2008-09, the Australian Government paid charges of SDR 8.42 million (A$17.47 million) on net cumulative allocations, and the RBA received SDR 2.06 million (A$4.28 million) interest on its holdings (Table 2.4).

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. Australia's annual assessment fee for the IMF's financial year ending 30 April 2009 was SDR 35,148 (A$71,049) (Table 2.4).

Remuneration

Remuneration is interest paid by the IMF to Australia for the use of its funds. It includes the proportion of the member currencies (quota) that was paid in SDRs and held by the IMF, and money lent out under the Financial Transactions Plan. The amount of a member's reserves held by the IMF can change frequently through 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.

Remuneration is accrued daily and paid quarterly, and the rate of remuneration is equal to the SDR interest rate minus an adjustment for burden sharing. 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 2008-09 totalling SDR 1.81 million (A$3.81 million) (Table 2.4).

The IMF's burden-sharing mechanism makes up for the loss of income from unpaid charges. 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.

Maintenance of value of IMF quota

During 2008-09, Australia's quota remained at SDR 3,236 million. Part of this is held in reserve by the IMF 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 — in Australian dollars.

The exchange rate for the transactions between the Australian dollar and SDR amounts changes frequently. Consequently, the SDR value of the part of Australia's IMF quota held in Australian dollars is 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 is settled annually following the close of the IMF's financial year on 30 April.

During the IMF's financial year from 1 May 2008 to 30 April 2009, the value of the Australian dollar in terms of the SDR depreciated by 16 per cent. This meant that more Australian dollars were required to meet Australia's obligation to maintain the value of its quota in terms of SDRs. Australia had a maintenance of value obligation of A$996.2 million for the IMF's 2008-09 financial year. This financial transaction was settled in late 2009.

Table 2.4: Australia's transactions with the IMF in 2008-09 (cash basis)(a)

	Amount in SDRs	Amount in A$
Interest on RBA SDR holdings		
For 3 months ending 31 July 2008	874,690	1,599,653
For 3 months ending 31 October 2008	764,372	1,743,947
For 3 months ending 31 January 2009	286,231	654,991
For 3 months ending 30 April 2009	139,423	281,833
Total interest received	2,064,716	4,280,424
Charges on SDR allocation		
For 3 months ending 31 July 2008	3,515,588	6,429,386
For 3 months ending 31 October 2008	3,128,741	7,138,355
For 3 months ending 31 January 2009	1,191,695	2,726,991
For 3 months ending 30 April 2009	582,316	1,177,109
Total charges paid	8,418,340	17,471,841
Annual assessment fee paid to SDR Department	**35,148**	**71,049**
Remuneration for Australian holdings at the IMF		
For 3 months ending 31 July 2008	525,123	960,357
For 3 months ending 31 October 2008	426,786	973,730
For 3 months ending 31 January 2009	546,529	1,250,638
For 3 months ending 30 April 2009	309,853	626,345
Total remuneration received	1,808,291	3,811,071
Maintenance of Value transaction for 2008-2009		n/a

(a) The totals may differ from the sum of the amounts shown due to rounding.

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.

In 2008-09, Australia was involved in both the transfer and receipts sides of the FTP. Australia conducted two transactions totalling A$36.9 million to facilitate transactions on the receipts side of the FTP and two transactions, of A$748.2 million, on the transfer side.

Australian dollars can also be used by the IMF to settle minor $A-denominated administrative expenses incurred by the Fund. Australia transferred A$250,000 to the IMF for this purpose in 2008-09. Australia receives ongoing interest on such transfers through the IMF's quarterly payment of remuneration.

As noted earlier, FTP transactions (and any transfers for administrative purposes) directly impact on Australia's reserve position at the IMF. With the value of transfers outweighing the value of receipts during 2008-09, the amount of Australia's reserves held by the IMF rose during the year, from SDR 239 million to SDR 572 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 2.5 provides details of individual FTP transactions.

Table 2.5: Australia's reserve position in the IMF 2008-09[(a)]

Date	Description	Debit (SDRs)	Debit (A$)	Credit (SDRs)	Credit (A$)
Reserve position as at 30 June 2008				239,406,045	409,399,264
11 Aug 2008	FTP with Turkey (Receipt)	8,500,000	15,251,151		
7 Nov 2008	FTP with Hungary (Loan)			200,000,000	442,056,358
25 Nov 2008	FTP with Ukraine (Receipt)	9,350,000	21,627,398		
15 Dec 2008	Administrative transfer			43,232	100,000
24 Dec 2008	Administrative transfer			64,848	150,000
6 May 2009	FTP with Romania (Loan)			150,000,000	306,142,442
Reserve position as at 30 June 2009				571,664,125	1,178,603,864

(a) Because Australia's reserve position is denominated in SDRs and AUD/SDR exchange rates vary during the year, when expressed in Australian dollars, the 30 June 2009 reserve position does not exactly reflect summation of the opening position and transactions during the year.

Part 3: Key activities of the International Monetary Fund

During 2008-09, the IMF responded to G20 calls for immediate action to strengthen IMF surveillance, increase IMF resources, conclude the Fourth Amendment process and expand its support for low-income countries. In parallel to these events, the IMF reformed its lending and conditionality framework, enhancing its role in emerging and low-income countries.

As part of ongoing governance, and quota and voice reform, in 2008-09, Australia co-chaired, with South Africa, a Working Group on reform of the IMF and influenced the call for the next review of IMF quotas to be completed two years earlier than scheduled.

Further information on these reforms is provided below.

Surveillance

Effective IMF surveillance should enable the Fund to provide independent, objective and persuasive assessments and advice to policy makers at the national and international levels. The global financial crisis has highlighted the importance of the Fund's role in helping to identify key risks and vulnerabilities.

Consistent with the *2007 Decision on Bilateral Surveillance over Members' Policies*, adopted by the Fund in June 2007, bilateral surveillance remains at the core of the Fund's work and an essential input into its multilateral and regional surveillance activities.

The IMF released in October 2008, its first Statement of Surveillance Priorities (SSP) which provides a guide to Fund surveillance for the period 2008-2011. The SSP sets out four economic and four operational priorities. In 2008-09, economic priorities focused on resolving financial market stress and strengthening the global financial system.[3] Operational priorities draw from findings of the 2008-2011 Triennial Surveillance Review and include: risk assessment; multilateral perspective; analysis of exchange rates and external stability risks; financial sector surveillance; and real financial links.

During 2008-09, the IMF continued to strengthen surveillance over member countries, including financial sector risks and its multilateral surveillance functions. Fund staff prepared papers for Board discussion on integrating financial sector surveillance, and commenced reviewing the joint IMF/World Bank Financial Sector Assessment Program (with decisions made in September 2009).

Other progress of note includes establishing a macro-financial unit in March 2009; providing a guidance note on financial sector surveillance in April 2009; launching in May 2009 a vulnerability exercise for advanced economies to supplement the exercise

3 Economic priorities were revised in September 2009 to refocus priorities on implementing strategies for balanced and sustainable growth,

for emerging markets; and in June 2009, revising operational guidance for implementation of the *2007 Decision on Bilateral Surveillance over Members' Policies*.

In response to the G20 Leaders' Washington declaration, together with the FSB, the IMF developed a joint early warning exercise (EWE). The IMF/FSB EWE is intended to identify risks and vulnerabilities across financial institutions, markets, and countries, with particular emphasis on tail risks — defined as low probability, high impact events — that could lead to systemic crisis. The IMF and FSB conducted a pilot at the IMFC's April 2009 meeting. The exercise will report to the IMFC regularly with the first full exercise launched at the 2009 Annual Meetings.

The IMF also supported the G20 in 2008-09 through the provision of G20 surveillance notes and fiscal monitoring; assessing actions taken/required; together with the FSB, monitoring progress in strengthening financial supervision/regulation; and undertaking work on achieving balanced and sustainable growth.

Australia was active within the IMF, the FSB and G20 in promoting these outcomes. The value of many of these exercises however is dependent on traction of Fund advice.

IMF resourcing

In light of the ramping up of IMF lending, it was important that the Fund had sufficient resources to support the increased demand. The G20, at its London Summit in April 2009, agreed to triple the resources of the IMF to US$750 billion, initially through immediate financing of US$250 billion, to be subsequently incorporated into an expanded and more flexible New Arrangements to Borrow (NAB), increased by up to US$500 billion. Australia's commitment to this expanded arrangement will be US$7 billion.

As part of the immediate financing intended to bridge the gap until the expanded NAB comes into effect, the Fund approved bilateral borrowing agreements with its members — the first of its kind was signed with Japan in February 2009, for US$100 billion. To further supplement the IMF's borrowed resources, Fund staff proposed a note issuance framework. The framework aimed to allow members to lend to the Fund through the purchase of IMF-issued notes. The framework was approved by the Executive Board on 1 July 2009.

In June 2009, the US Congress approved a package of legislative measures which included the provision of domestic authority to move ahead on the limited sale of IMF gold. This decision is a central element of the IMF's new income model endorsed by the IMF Executive Board in April 2008. This decision will also enable the Fund to boost its concessional lending resources for LICs under a strategy supported by G20 Leaders and endorsed by the IMF Executive Board in July 2009. The IMF Executive Board, in late-2009, approved gold sales in a volume strictly limited to 403.3 metric tons.

A general SDR Allocation equivalent to US$250 billion was proposed by G20 Leaders at the London Summit on 2 April 2009 to increase global liquidity, and was supported by the IMFC at their meeting on 25 April 2009. Work on the case for a general SDR allocation was undertaken by Fund staff following this announcement in preparation for Executive Board consideration of the issue in July 2009. The general SDR allocation was subsequently made in August 2009.

It is important that the IMF remains a quota-based institution, with quota resources being the Fund's primary source of financing. The next review of quotas was scheduled to be completed by January 2011.

Fourth Amendment

At the April London Summit, G20 Leaders called for urgent ratification of the Fourth Amendment. The Fourth Amendment of the IMF's Articles of Agreement provided for a special one-time allocation of 21.5 billion SDRs. It was approved by the IMF Board of Governors in September 1997 and was designed to allow members to participate equitably in the SDR system.

Ratification required three-fifths of IMF members (112 members) having 85 per cent of total voting power to accept the Amendment to the Articles.

As at 31 March 2009 (latest update prior to 30 June 2009), 131 members representing 77.68 per cent voting power accepted the Amendments. The United States (holding 16.73 per cent of total voting power) were yet to formally notify their acceptance following Congressional approval and President Obama signing related legislation into law on 24 June.

Australia notified the IMF of our acceptance by an instrument signed 20 June 2001 and the International Monetary Agreements Amendment Act (No. 1) 2001, with Royal Assent on 20 March 2001, provided for the agreed changes in domestic legislation.

The Fourth Amendment entered into force in August 2009, and the SDR allocation was disbursed to members in September 2009.

IMF lending and conditionality framework

The Fund's lending framework has undergone major reform in 2008-09 aimed at better meeting members' needs, strengthening crisis prevention/resolution, and encouraging an early approach to the Fund. This covered all aspects of instruments and policies: conditionality framework; facilities; access levels; charges and fees; and maturities.

A key development was the establishment of a Flexible Credit Line (FCL) in March 2009. This new instrument provides large upfront financing to emerging market economies with a strong track record of economic policy and performance. Qualification is based on ex-ante conditionality. With uncapped access limits, availability on a precautionary basis, long repayment terms (3 ¼-5 years) and unrestricted renewals, the FCL strengthens Fund crisis prevention and response. As at 30 June 2009, three precautionary FCLs were in place with Mexico, Poland and

Colombia totalling SDR 52.2 billion. (The FCL replaced the Short Term Liquidity Facility established in October 2008, but not utilised.)

Greater flexibility has also been provided for the IMF's Stand-by Arrangement instrument — high access precautionary instruments (and front loading of access) will be made available for use on a more regular basis — providing an alternate crisis prevention instrument for countries.

In March 2009, access limits were doubled — to 200 per cent of quota on an annual limit and 600 per cent of quota on a cumulative basis. The exceptional access framework was also reformed. The Fund revised its surcharge and commitment fee schedules. Structures for high access and precautionary lending across facilities were also simplified.

The conditionality framework has been modernised to focus on review-based conditionality, with structural performance criteria to be discontinued. This move aims to ensure conditions are sufficiently focused and tailored, and reduce stigma. There has also been a move to greater reliance on ex-ante conditionality through the establishment of the FCL, and precautionary stand-by facilities.

IMF role in low-income countries

In October 2008, the IMF Managing Director released a mission statement for the Fund's work in low-income countries (LICs): 'the IMF's mission with regard to low-income countries is to help these countries achieve the macroeconomic and financial stability needed to raise growth and reduce poverty'.

In recognition that sound macroeconomic management is essential for LICs to achieve their policy objectives, the Fund focused in 2008-09 on better tailoring provision of advisory, financing and capacity building functions for LICs. This included ensuring its program design was sufficiently flexible to meet LIC members' requirements quickly and effectively, and addressing the demands of its more advanced low-income members. Modifications to the Exogenous Shocks Facility in September 2008 and March 2009 — provision of rapid and high access components of up to 50 and 150 per cent of quota respectively — was one step in addressing this policy agenda.[4]

During 2008-09, the IMF undertook a comprehensive review of the Fund's work in LICs, with the aim of enhancing effectiveness of their engagement. The Fund also deepened its collaboration with Civil Society Organisations in this process. A number of staff papers were considered by the Executive Board including topics of: facilities and financing framework for LICs; implications of the global financial crisis on LICs; changing patterns in LIC financing; implications for Fund policies on external

4 The rapid access component allows countries to access up to 50 per cent of its quota for each exogenous shock relatively quickly. The high access component provides access of up to 150 per cent of quota.

financing and debt; and debt limits in Fund supported programs. Decisions taking account of all strands were scheduled for July 2009.

G20 Leaders in April agreed 'consistent with the new income model, that additional resources from agreed sales of IMF gold will be used, together with surplus income, to provide US$6 billion additional concessional and flexible finance for the poorest countries over the next 2 to 3 years'. Between April and end June, Staff developed options for the use of resources linked to gold sales to fund concessional lending to be considered with LIC reforms in July 2009.

Also in line with G20 Leaders' calls in April,[5] the IMF, together with the World Bank commenced a review of the Debt Sustainability Framework with the view of reporting outcomes before the IMF/World Bank Annual Meetings in October 2009.

Capacity building remains a core part of the Fund's work in LICs. In May 2009, the IMF added to its existing six Regional Technical Assistance Centres when it established the Central America, Panama and the Dominican Republic Technical Assistance Centre. The IMF is planning to open three new centres: two in Africa, and one in Central Asia.

Topical Trust Funds are a new form of Fund capacity building technical assistance aimed at low and lower-middle-income countries. The Fund launched its first Topical Trust Fund to support technical assistance in Anti-Money Laundering and Combating the Financing of Terrorism in May 2009. Further work was undertaken in 2008-09 to establish several other Topical Trust Funds including on Financial Sector Stability and Development and managing natural resource wealth.

Australia made the last of twelve annual A$2.5 million payments to the IMF Poverty Reduction and Growth Facility (PRGF) interest subsidy account in 2008-09. Australia's total A$30 million contribution under this facility supports interest rate subsidisation on drawings by low-income countries.

Quota and voice reform

The financial crisis gave new impetus to reforming the IFIs. Australia has been a strong proponent of quota and voice reforms that will enhance the legitimacy and effectiveness of the IMF, including in its key role in promoting global financial stability, crisis prevention and resolution. Reform of the Fund's governance structures to ensure that emerging market and developing countries' quota and voting shares better reflect their weight in the world economy is crucial to achieving this goal.

In the lead-up to the G20 Leaders' Summit in London on 2 April, Australia co-chaired, with South Africa, a Working Group on reform of the IMF. The Working Group's

5 We have agreed to review the flexibility of the Debt Sustainability Framework and call on the IMF and World Bank to report to the IMFC and Development Committee at the Annual Meetings.

report,[6] released on 4 March 2009, informed discussions at the Leaders' Summit and influenced their call for the next review of IMF quotas to be completed by January 2011, two years earlier than scheduled. This review will enable the size of the IMF's quota resources to be considered in light of the crisis and the IMF's ongoing need for liquidity. It will also enable further progress on aligning the quota and voting shares of dynamic emerging market economies with their growing weight in the global economy, building on the quota reforms agreed in April 2008.

The G20 called on all IMF members to swiftly implement the April 2008 reforms. These reforms, which included quota realignment using a new quota formula, an increase in basic votes benefitting small and low income developing countries and an additional Alternate Executive Directors for large IMF constituencies, will come into effect when accepted by three-fifths of members having 85 per cent of total voting power (expected to occur in 2009-10). Australia formally accepted these reforms on 7 September 2009.

Strengthening IMF corporate governance arrangements

Australia has been a strong advocate of IMF corporate governance reform to ensure the Fund can effectively respond to members, is accountable for delivering its mandate, and remains relevant and legitimate in light of changing economic realities.

The Committee of Eminent Persons on IMF Governance Reform chaired by Trevor Manuel reported in March 2009 to the IMF's Managing Director.[7] The report provided a number of recommendations to strengthen the Fund's governance, including: activating a ministerial level council to take strategic decisions; expanding the Fund's surveillance mandate to provide appropriate coverage of macroeconomic policies, prudential issues and financial spillovers; elevating the Executive Board from an operational focus to a strategic and supervisory role; and introducing an open, transparent and merit-based system for the appointment of the Managing Director and Deputy Managing Directors. These recommendations have been discussed by the Fund's Executive Board and will inform the IMF's continuing reform agenda.

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6 A copy of the working group's final report is available on the G20's website: http://www.g20.org/Documents/g20_wg3_010409.pdf.

7 A copy of the report is available on the IMF's website: https://www.imf.org/external/np/omd/2009/govref/032409.pdf.

Section 3: Australia's interactions with the World Bank

(This section of the report is required under the *International Monetary Agreements Act 1947* and the *International Bank for Reconstruction and Development (General Increase) Act 1989*)

Part 1: Australia's shareholding and relations with the World Bank

Mandate

The WBG provides financial and technical assistance to developing countries in line with its poverty reduction mandate. The WBG's work also includes the advancement of the Millennium Development Goals (MDGs) through supporting investment, job creation and by empowering the poor to participate in development.

Institutions of the World Bank and Australia's shareholding

The WBG consists of five arms: the IBRD, IDA, IFC, Multilateral Investment Guarantee Agency (MIGA) and International Centre for Settlement of Investment Disputes (ICSID). Australia is a member of all five arms of the WBG. Australia's shareholding as at 30 June 2009 at the IBRD, IFC and MIGA are set out in Table 3.1.

Table 3.1: Australian share holdings at the World Bank Group

	IBRD	IFC	MIGA
Shares	24464	47329	3019
Share of subscribed capital (%)	1.55	2.00	1.73
Share of voting power (%)	1.53	1.97	1.50
Value of paid-in capital (US$ millions)	181.75	47.33	6.20
Value of callable capital (US$ millions)	2769.46	0.00	26.50

International Bank for Reconstruction and Development

The IBRD is focused on reducing poverty in middle-income and credit-worthy low-income countries through financing (loans, guarantees and related risk management products), analytical, and advisory services. The IBRD provides these services on a cost recovery basis and obtains most of its financing through international capital markets.

International Development Association

The IDA provides grants and highly concessional loans to the 82 poorest countries in the world. IDA is primarily financed by donor government contributions, which are replenished every three years. Additional sources of financing include transfers from IBRD and IFC, and borrowers' repayment of earlier credits.

Negotiations over the most recent replenishment of IDA (IDA15) were concluded in December 2007, with donor countries pledging a record US$25.2 billion, which will be paid in over nine years beginning in July 2008. IDA15 will total US$41.7 billion, an increase of US$9.5 billion over the 14th replenishment of IDA (IDA14) and the largest expansion in donor funding in IDA's history. Australia has contributed to every replenishment since 1961. In December 2007, Australia agreed to contribute A$583 million to IDA15, increasing our burden share to 1.8 per cent, up from 1.46 per cent for IDA14.

Australia contributed an additional A$107.9 million to IDA in May 2008 for debt relief initiatives including the Heavily Indebted Poor Countries Initiative, Multilateral Debt Relief Initiative and for arrears clearance.

International Finance Corporation

The IFC contributes to the WBG's overall poverty reduction mandate through its private sector operations. The IFC is the largest provider of multilateral financing for the private sector in the developing world.

Multilateral Investment Guarantee Agency

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

International Centre for Settlement of Investment Disputes

Established in 1966, ICSID is an autonomous institution that supports foreign investment by providing international facilities for conciliation and arbitration of investment disputes between foreign investors and their host countries.

Australia's co-operation with the World Bank Group

In 2008-09, AusAID worked with the WBG on around 100 joint activities, funded through co-financing agreements with a total value of A$296 million. These activities ranged from small analytical projects such as assisting with the development of telecommunications legislation in the Solomon Islands through to involvement in multi-donor programs like the A$50 million contribution to the Food Price Crisis Response Core Multi-Donor Trust Fund.

WBG commitments for 2008-09 are set out in Table 3.2.

Table 3.2: World Bank Group's 2008-09 Financial Activities

Institution	Established (year)	Number of members	Commitments 2007-08 (US$bn)	Commitments 2008-09 (US$bn)	Commitments to East Asia-Pacific 2007-08 (US$bn)	Commitments to East Asia-Pacific 2008-09 (US$bn)
IBRD	1944	186	13.5	32.9	2.7	6.9
IDA	1960	169	11.2	14.0	1.8	1.2
IFC	1956	182	14.6	10.5	1.6	1.2
MIGA (1)	1988	174	2.1	1.4	0.04	0.08

(1) refers to value of guarantees issued.

Australia's representation at the World Bank

Board of Governors

The highest decision-making body of the WBG is the Board of Governors, which consists of one Governor from each member country. During 2008-09, Australia was represented by the Treasurer, the Hon Wayne Swan MP. Australia's Alternate Governor was the then Parliamentary Secretary for International Development Assistance, the Hon Bob McMullan MP.

A list of resolutions on which Governors voted during 2008-09 is set out in Table 3.3, together with the Australian Governor's vote.

Table 3.3: Australian Governor's votes on World Bank Group resolutions — 2008-09

Resolution title	Adoption date	Australian Governor's vote
IBRD		
Direct Remuneration of Executive Directors and their Alternate	23 July 2008	Supported
2008 Regular Election of Executive Directors at the IBRD and election of Directors at the MIGA	20 July 2008	Supported
IBRD nominations for the 2008 regular election of World Bank Executive Directors	29 August 2008	Supported
Allocation of $115 million of FY08 Net Income	29 August 2009	Supported
Enhancing Voice and Participation of Developing and Transition Countries	14 January 2009	Supported
Election of term of the Executive Secretary	6 February 2009	Supported
Membership of the Republic of Kosovo	5 June 2009	Supported
IDA		
Membership of the Republic of Kosovo	5 June 2009	Supported
IFC		
Membership of the Republic of Kosovo	5 June 2009	Supported
MIGA		
MIGA Nomination for the 2008 regular election of World Bank Executive Directors	29 August 2008	Supported
Membership of the Republic of Kosovo	5 June 2009	Supported

Executive Director and constituency office

The WBG's Executive Boards (IBRD, IDA, IFC and MIGA), under the authority of the Board of Governors, take decisions on day-to-day business and policy matters of the WBG.

Each Board currently consists of 24 Executive Directors, with IBRD Executive Directors automatically elected to the IDA and IFC Board. MIGA Executive Directors are elected separately, however in practice, MIGA has the same Executive Board as other arms of the WBG (currently MIGA's Board is identical to the IBRD's Board).

An Executive Director to the IRBD is appointed by each of the five member countries that have the largest number of shares in the capital stock, currently the United States, Japan, Germany, the United Kingdom and France. The remaining Executive Directors are elected to represent individual countries (for example, China and Saudi Arabia) or a constituency of countries.

Australia belongs to a constituency that includes Cambodia, Kiribati, the Republic of Korea, Marshall Islands, Federated States of Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, the Solomon Islands and Vanuatu. As at

30 June 2009, Australia's constituency at the IBRD held 3.45 per cent of total voting power. As a result of the voice and participation package agreed in October 2008, Australia's constituency's voting power is expected to increase to 3.55 per cent.

By agreement between constituency members, the staffing of Australia's constituency office rotates. Dr Jim Hagan from Australia currently serves as the Executive Director (IBRD, IDA, IFC and MIGA) for Australia's constituency. Dr Hagan is serving a four year term as Executive Director, from 1 August 2007 to 31 July 2011. Prior to this, Mr Joong-Kyung Choi from the Republic of Korea held the Executive Director position for two years, ending 31 July 2007. Australia also holds an advisor position in the constituency office.

The briefing provided to the Executive Director on matters coming before the Executive Board is prepared by relevant Australian Government departments and agencies, principally Treasury and AusAID. Periodic consultations are also held with non-government organisations.

Development Committee meetings

The Spring and Annual Meetings of the Development Committee (a joint ministerial committee of the World Bank and IMF), are normally held in April and October of each year, respectively. Australia was represented at the October 2008 and April 2009 meetings by the Treasurer, the Hon Wayne Swan MP, and Mr Michael Callaghan (Executive Director, Macroeconomic Group, Treasury) respectively.

Visits

In February 2009, Treasury hosted a visit by World Bank Director East Asia Region Vikram Nehru. In 2008-09, Treasury also arranged meetings between Mr Zoellick and the Treasurer, the Hon Wayne Swan MP, in the United States (October 2008, November 2008 and April 2008) and London (March 2009). The then Prime Minister, the Hon Kevin Rudd MP, and President Zoellick met in Japan (July 2008), United States (November 2008 and March 2009) and London (April 2009).

Part 2: Key activities of the World Bank

Long-term strategic direction

In October 2007, WBG President Zoellick announced the Bank's new long-term strategic direction, of pursuing inclusive and sustainable globalisation. The strategy is based on six pillars and aims to reposition the WBG to deal with changes in the WBG's client base as a result of changing global dynamics. The pillars are: overcoming poverty in the poorest countries; better engagement with middle-income countries; addressing the special challenges of fragile and conflict affected states; actively addressing regional and global public goods (for example, climate change, HIV/AIDS); supporting development in the Arab World; and fostering a 'knowledge and learning' agenda across the WBG. Australia supports the new WBG strategy, particularly its focus on fragile states.

Voice and participation reform

Australia has been a strong supporter of reform of the World Bank to enhance its legitimacy and effectiveness as the leading global development institution, and has played a constructive role in progressing discussions on reform options in many forums, including at the Executive Board, international meetings and bilateral discussions.

The Development Committee agreed to a package of reforms to enhance the voice and participation of developing countries at its October 2008 meeting. This first phase of reform included an additional chair at the Executive Board for Sub Saharan Africa; an IBRD voting share realignment, including through an increase in basic votes; measures to increase developing countries' voting power at the IDA; and support for broader governance reforms.

Once implemented, Australia's voting power at the IBRD is expected to marginally decline, to 1.49 per cent from 1.52 per cent. The decline in Australia's voting share is not expected to alter the dynamic within our constituency or our influence within the Bank. Australia has consistently argued that all members benefit from a more representative, legitimate and therefore more effective Bank.

The reform package will come into effect when accepted by three-fifths of members having 85 per cent of total voting power (expected to occur in 2009-10). Australia formally accepted the reform package on 18 September 2009.

Following earlier undertakings by the G20, the Development Committee agreed to accelerate the second phase of voice and participation reforms, including realigning IBRD shareholdings to further increase the voice of developing countries, with agreement to be reached by April 2010 (a year earlier than scheduled). Reaching agreement on a package of reforms within this deadline will be an important undertaking for the Bank in 2009-10.

Climate change strategy

In 2008-09, the Development Committee approved the Bank's Strategic Framework on climate change and developed its Climate Investment Funds. Donor countries have committed more than US$6.1 billion to the later funds, the largest of which is the Clean Technology Fund, which promotes financing for the demonstration, deployment and transfer of low carbon technology. A second fund, the Strategic Climate Fund, targets activities aimed at specific climate change challenges. These Funds allocate money through the World Bank and regional development banks, including the Asian Development Bank.

Global food security

In April 2009, the WBG increased the Global Food Crisis Response Program (GFRP)'s financing ceiling to US$2 billion. The GFRP provides countries financial support and technical advice to address the impact of high food prices on the poor. Since the program was created, projects totalling nearly US$1.2 billion have been approved with US$780.2 million being disbursed across 31 countries.

In 2008-09, the WBG also created the Multi-Donor Trust Fund (to which Australia contributed A$50 million in 2008-09) to facilitate the involvement of a broad range of development partners to support the GFRP.

Managing for development results

The WBG seeks to promote sustainable poverty reduction through the adoption of a 'results agenda'. The WBG's primary measurement tool is their Country Assistance Strategy, which focuses on the expected linkages between the Bank's interventions and long-term development goals.

The WBG also uses its IDA Results Measurement System, which focuses on aggregated results across IDA countries. Linked to the MDGs framework, it reflects the priorities and processes of national poverty-reduction strategies and assesses IDA's contribution to development results. An interactive website now facilitates the tracking of key indicators (www.worldbank.org/results).

Operations evaluation

Evaluation of the WBG's project quality is an integral part of the Bank's performance review processes. Major independent reviews of the WBG's performance are prepared by the Independent Evaluation Group (IEG) and the Quality Assurance Group (QAG).

The IEG is an independent unit within the WBG that reports directly to the Board of Executive Directors. The IEG's main publication is the Annual Review of Development Effectiveness. In 2008-09, the IEG found that the WBG's record on performance shows a moderately strong upward trend over the medium term. It also found that there has been a mixed record on implementing the agenda to strengthen the Bank's orientation, capacity and monitoring of development results.

The internal QAG monitors the quality of the WBG's operational work, including loans and advisory services during implementation The QAG's main publication is the Annual Report on Portfolio Performance (ARPP). This publication provides a strategic overview of the size, composition and quality of the Bank's lending portfolio and the Analytic and Advisory Activities program. Its latest report (for 2007-08) notes a significant decline in overall performance for fiscal year 2007-08, which is a departure from the results of the previous three years.

The 2007-08 ARPP recommended that the WBG focus on the Africa Region, particularly in Fragile States. It also recommends focusing on health, nutrition and population sectors and public sector governance. Addressing weakness in project design and ensuring adequate and timely restructuring of problem projects in these segments were also highlighted as being important for improving portfolio performance.