



**AN BILLE FAN EAGRAIOCHT UM CHOMHAR AGUS
FORBAIRT EACNAMAIUCHTA (CISTE TACAIOCHTA
AIRGEADAIS) (COMHAONTU), 1976
ORGANISATION FOR ECONOMIC CO-OPERATION AND
DEVELOPMENT (FINANCIAL SUPPORT FUND)
(AGREEMENT) BILL, 1976**

EXPLANATORY MEMORANDUM

Background

1. At the end of 1974 the OECD Secretary-General acting on an United States initiative proposed the creation of a fund of \$25 billion to act as a safety net for member countries in balance of payments difficulties arising generally out of the oil price increases. The fund was to be used to assist countries unable to obtain finance at a reasonable cost from other sources. It was also designed to help countries to avoid taking restrictive trade measures and to co-operate in reducing dependence on oil imports. A draft Agreement on these lines was prepared by a special working party of the OECD and has already been signed, subject to ratification, by all OECD countries including Ireland. The majority of these countries including the United Kingdom, Germany, France and Belgium have already passed the necessary legislation approving the Agreement.

The Agreement

2. The Financial Support Fund established by the Agreement will have resources of up to 20 billion IMF Special Drawing Rights—about US \$23 billion or £13 billion at current exchange rates. Finance will be provided by member countries on a quota basis as and when needed. In general it is expected that if a country approaches the Fund for assistance and is approved, the Fund itself will borrow the money needed on the basis of undertakings from the other Member countries in proportion to their quotas. A country's quota, therefore, determines its

- maximum liability to make advances or provide undertakings to the Fund,
- general level of access to loans by the Fund, and
- voting rights in the Fund.

The quotas of members are set out in an annex to the Agreement. Ireland's quota is SDR 120 million (about £80 million).

3. The Fund will be administered by a Governing Committee on which Ireland will be represented. The Agreement provides that the Fund will have immunities and privileges under national laws on the lines usually accorded to similar international bodies. The present Agreement provides that loans can only be made by the Fund for two years but the Agreement may be amended by unanimous agreement of the members.

The Bill

4. The purpose of the Bill is to approve acceptance by Ireland of the Agreement and to provide for its participation in the Fund.

The Sections

Section 1 defines terms used in the Bill.

Section 2 provides for the acceptance by the State of the Agreement.

Section 3 designates the Central Bank of Ireland as the agent responsible for transactions between the State and the Fund.

Section 4 provides that all payments, undertakings and receipts, other than those arising out of the liquidation of the Fund, shall be handled by the Central Bank on behalf of the State.

Section 5 empowers the Central Bank to issue notes and obligations and enter into commitments necessary for the exercise of its functions under Section 4. The section also provides that payments in respect of such notes, obligations or commitments shall be made by the Central Bank.

Section 6 provides on the liquidation of the Fund for

—payments by the Minister for Finance from the Central Fund or the growing produce thereof,

—payments to the Minister for Finance for the benefit of the Exchequer, and

—due payment to the Central Bank by the Minister for Finance from the Central Fund or the growing produce thereof of any unsettled amounts.

Sections 7, 8 and 9 are self-explanatory.

The Agreement is attached to the Bill as a schedule.

*An Roinn Airgeadais,
Meitheamh, 1976.*

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