

Check against delivery

Speaking Note

Introduction

I ask the Committee to consider a proposed amendment to the Articles of Agreement of the International Finance Corporation or IFC, part of the World Bank Group. In summary, this change to the Articles of Agreement of IFC would increase the voting threshold for approval of future capital increases at IFC. We are seeking Dáil approval for this change as the IFC Articles of Agreement are an international agreement involving a charge upon public funds, in line with Article 29.5.2 of the Constitution.

About IFC

First, I will provide some background on IFC and the reasons for this proposed change.

IFC is the part of the World Bank which seeks to promote private sector development in developing countries. It does so by providing loans,

investments and advisory services to companies engaged in projects with development impact.

World Bank Capital Increase

In April 2018 shareholders of the World Bank agreed on a capital increase for the Bank. The agreed financial package includes a \$7.5 billion capital increase for IBRD, the World Bank's main lending arm, and a \$5.5 billion capital increase for IFC.

The capital increase for IFC is a response to the ambition of the Sustainable Development Goals and the increased levels of finance required. Simply put, the SDGs will not be met through existing domestic resources or traditional overseas aid. The annual funding gap is estimated to be 2.5 trillion dollars. Therefore it is essential to leverage private sector capital to have a realistic chance of achieving the SDGs. Standing between policymakers and private finance, IFC is well-positioned to bridge this gap and encourage investment in developing countries.

The capital increase has the potential to double IFC investment up to \$25 billion by 2030. Under the agreed package, this increased investment will be

targeted toward the world's most disadvantaged countries, as well as to address gender equality and climate change. The capital package also includes reforms to increase efficiencies at the Bank.

We are supportive of the capital increase for the Bank which is the largest development actor globally with the scale, expertise and experience to deliver transformative development impact. The deliverables of the capital increase are closely aligned with Ireland's priorities as articulated in our new development policy, 'A Better World'.

Ireland has the option to take up shares in IFC under the capital increase which would require a total subscription of \$12.6 million over 5 years. Our subscription to IFC would count toward the UN target of providing 0.7 per cent of GNP for overseas development assistance (ODA). While we are supportive of the overall capital package, at this stage, a final decision on our take-up of shareholding has not been taken by the Minister for Finance.

Amendment of IFC Articles

An essential part of the agreement on the capital package was the proposed amendment to IFC's Articles of Agreement which we are here today to discuss. Specifically this amendment would increase the voting threshold for approval of future capital increases from 80 per cent to 85 per cent.

This change will maintain the veto power of the USA in relation to future capital increases at IFC. During negotiations the USA indicated that they would not contribute to the capital increase, but would not oppose the increase provided that it did not reduce their voting power below the level at which they could exercise a veto. This was an essential condition for the final agreement.

The Office of the Attorney General have advised that this proposed change will require Dáil approval. This is in line with Article 29.5.2 of the Constitution, which outlines that the State will not be bound by any international agreement involving a charge upon public funds unless the terms of the Agreement, including any amendments, have been approved by Dáil Éireann.

To be clear, the proposed amendment to the IFC Articles does not in itself result in any new charge upon public funds. However, as it is an amendment of

an agreement which may create a charge upon public funds we are seeking Dáil approval.

A Dáil resolution to approve this proposed change to the IFC Articles of Agreement will allow Ireland to vote in favour of the amendment. This will assist in paving the way for IFC to complete this capital increase and allow it to progress its important mission.