

DÁIL ÉIREANN

AN ROGHCHOISTE UM AIRGEADAS, CAITEACHAS POIBLÍ AGUS ATHCHÓIRIÚ, AGUS AN TAOISEACH

SELECT COMMITTEE ON FINANCE, PUBLIC EXPENDITURE AND RE- FORM, AND TAOISEACH

Dé Máirt, 4 Iúil 2017

Tuesday, 4 July 2017

Tháinig an Roghchoiste le chéile ag 2.30 p.m.

The Select Committee met at 2.30 p.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	
Pearse Doherty,	
Paschal Donohoe (Minister for Finance),	
Michael McGrath,	
Sean Sherlock.	

Teachta / Deputy John McGuinness sa Chathaoir / in the Chair.

Asian Infrastructure Investment Bank Bill 2017: Committee Stage

Acting Chairman (Deputy Sean Sherlock): Apologies have been received from Deputy Peter Burke. The usual provisos apply to mobile phones and I am now switching off my own. We are joined by the Minister for Finance, Deputy Paschal Donohoe. This meeting has been convened to consider the Asian Infrastructure Investment Bank Bill 2017 which was referred to the select committee by order of the Dáil on 1 June 2017. Subject to the agreement of the committee, if Committee Stage proceedings are not concluded by 3.45 p.m., it is proposed that the meeting would be adjourned at that time. Is that agreed? Agreed. No amendments have been tabled.

SECTION 1

Question proposed: “That section 1 stand part of the Bill.”

Minister for Finance (Deputy Paschal Donohoe): This is a very straightforward section that lays out the contents of the agreement and makes clear that any amendment to this agreement in future must be approved by means of a Dáil resolution in accordance with Article 29.5.2° of the Constitution.

Question put and agreed to.

Deputy John McGuinness took the Chair.

SECTION 2

Question proposed: “That section 2 stand part of the Bill.”

Deputy Paschal Donohoe: Subsection (1) of this section provides for the approval of the terms of the agreement establishing the Asian Infrastructure Investment Bank, thereby providing approval for the State being a party to the agreement. The articles of agreement establishing the Asian Infrastructure Investment Bank are included as a Schedule. Subsection (2) of the section provides that any future amendments to the agreement must be approved by the Dáil consistent with the Constitution and must be published in *Iris Oifigiúil*.

Deputy Pearse Doherty: I have no objections to the section and welcome that the Dáil needs to approve an amendment to the agreement. I have argued for such a provision in previous legislation, particularly the Finance (Certain European Union and Intergovernmental Obligations) Bill, which was originally the Single Resolution Board (Loan Facility Agreement) Bill. After some arguing we reached agreement that only the Dáil would have the power to amend to such agreements. Is this a new departure or is it a constitutional requirement that only Dáil Éireann and not simply the Minister can amend the agreement?

Deputy Paschal Donohoe: I understand it is a constitutional requirement.

Deputy Pearse Doherty: The Bill is very short legislation with which I have no problem; in fact I welcome it. Why did it take so long to join the Asian Infrastructure Investment Bank? Why did we not join in the first wave of European countries that signed up to the bank? We

would have had additional advantages as founding members. As a result of the delay in joining, we are not deemed founding members and therefore have different rights from other European countries that decided to act at the time.

Deputy Paschal Donohoe: Some debate took place in the European Union as to whether countries would join it. During the period we were considering what would be the best decision for our country to make, other countries decided to join and we now form the second group of countries from the European Union that are joining.

Deputy Pearse Doherty: What advantageous positions have we lost as a result of our delay and not joining the first wave of European countries, thereby not being deemed a founding member?

Deputy Paschal Donohoe: My understanding is that the main difference between us and a founding member applies to the voting weights. Founding members are allocated 600 additional member votes as a result of their status. However, we are joining on the same terms as all other countries which are joining at the same point as us. We will enjoy equivalent voting rights to them.

Deputy Pearse Doherty: That sounds like we could be outvoted. Will the Minister explain to the committee the significance of the voting weight of a member state at the Asian Infrastructure Investment Bank and the impact that would have on, for example, capital stock and the profit that would be recorded within the bank that would be distributed to its shareholders?

Deputy Paschal Donohoe: On the question on the difference in timing, as I said when we were weighing up the right approach for us, other countries decided to go ahead and join. The benefit of doing that, of course, was that it gave us the opportunity to observe the operation of the bank for a year and to be satisfied that we believed joining it would be right for the country. We were able to see how the governance arrangements worked and ensure we were satisfied with them.

Regarding callable capital, we believe it is very unlikely that capital will be called on. We do not see any issue caused by us being a member of the second group of countries to have joined.

Deputy Pearse Doherty: Is there a relationship between the vote share of a member and the capital stock that a member holds within the bank?

Deputy Paschal Donohoe: There is, in the sense that it is calculated relative to a country's share of the bank overall. I will first explain how our share is calculated. Our shareholding is calculated based on the remaining unallocated capital in the bank and an applicant's GDP share relative to non-regional banks in this round of applications. An initial estimate of our percentage shareholding suggests it will be in the region of 0.14% of the total value of the bank.

Deputy Pearse Doherty: How many shares?

Deputy Paschal Donohoe: We will have 1,313 shares. Luxembourg, for example, will have 697; Denmark will have 3,695; and Austria will have 5,008.

Deputy Pearse Doherty: We have 1,300 shares.

Deputy Paschal Donohoe: Yes.

Deputy Pearse Doherty: Do we have to provide anything to this bank for those shareholders? Is there a contingent liability in relation to those shareholdings? Is there a cost with those shareholdings?

Deputy Paschal Donohoe: We have to pay in an amount of money for it. The subscription for that is €25 million payable over five years.

Deputy Pearse Doherty: It is €25 million for 1,300 shares. Is that correct?

Deputy Paschal Donohoe: Yes.

Deputy Pearse Doherty: How much is that per share roughly?

Deputy Paschal Donohoe: I cannot give that to the Deputy immediately but we will work it out for him.

Deputy Pearse Doherty: My point is that if we had not dithered and waited, we would have got an extra 600 shares for free, which would have saved us about €12 million.

Deputy Paschal Donohoe: It was in our interest-----

Deputy Pearse Doherty: I ask the Minister to just answer the question. Is that correct or false? Would we have got 600 shares for free if we had been one of the founding members? If we had done what some other European countries did, we would have got an additional 600 founding member share votes, which would have equalled our capital stock in the bank.

Deputy Paschal Donohoe: No. The Deputy is correct that we would have got an additional 600 shares. However, my understanding is that would have pulled down the amount we would have contributed as well. In other words-----

Deputy Pearse Doherty: So it would have saved €12 million.

Deputy Paschal Donohoe: I ask the Deputy to let me answer the question. My understanding is that the amount of money that we pay in is related to the number of shares we have. The 600 shares we are discussing are voting shares. The amount we would pay in would have been roughly the same depending on when we joined.

Deputy Pearse Doherty: What about the 600 founding member votes?

Deputy Paschal Donohoe: They would not have influenced how much we paid in.

Deputy Pearse Doherty: Would they have an influence on the benefits in terms of the distribution from the bank and the future of distributions to be made?

Deputy Paschal Donohoe: It would have slightly improved our voting position but not influenced the amount we paid in. In other words - my understanding of this may shift as the Bill moves through the Houses - I understand that the point at which we joined does not influence the amount of capital we pay into the bank.

Deputy Pearse Doherty: As a result of not being a founder member, we have also lost “the privilege to designate the Director or an Alternate Director in its constituency permanently or on a rotating basis”. Is that correct?

Deputy Paschal Donohoe: No. I will inform the Deputy of my understanding of the vot-

ing power. Basic votes are the number of votes that result from an equal distribution among all members of the aggregate sum of basic votes. Share votes are the number of shares of the capital stock held by a member. I will come back to the Deputy on the matter of our role and whether this influenced our ability to appoint a member of the board of directors.

Deputy Pearse Doherty: I would appreciate that, but there are founding member privileges and we are not a founding member because we delayed this year. These privileges include the following, and I ask the Minister to correct me on this if I am mistaken: “The nomination and voting by Governors for Directors and the appointment of Alternative Directors by Directors shall respect the principle that each Founding Member shall have the privilege to designate the Director or an Alternate Director in its constituency permanently or on a rotating basis.”

Deputy Paschal Donohoe: I will come back to the Deputy on that.

Deputy Michael McGrath: My question is a related one, and the Minister may not have the answer to hand, but it concerns the governance issue. I think the indication is that the sitting Minister for Finance will be a governor and will attend one meeting a year. There will be 12 members of the board of directors - nine from the region and three non-regional members - and they will be drawn from or come from constituencies. We will be in the euro area constituency. Based on whatever system of rotation is in place, how often will Ireland get an opportunity to have a director, and what would the duration of the directorship be?

Deputy Paschal Donohoe: What I can tell the Deputy at this point is that the point at which we joined the bank does not influence or diminish our power to select a euro director and has not diminished our share of future directorships. We will have to consult with the other countries as to how this will be decided when we join. I will be in a position to tell the Deputy as we work our way through this.

Deputy Michael McGrath: There will be one director from the euro area.

Deputy Paschal Donohoe: That is correct.

Deputy Michael McGrath: How many euro area members of the bank are there currently?

Deputy Paschal Donohoe: I can tell the Deputy which countries have joined. I will read him out the full list. The EU members which have joined include Austria, Denmark, Finland, France, Germany, Italy, Luxembourg, Malta, the Netherlands, Poland, Portugal, Spain, Sweden and the UK.

Deputy Michael McGrath: That is 14 or 15.

Deputy Paschal Donohoe: Yes.

Chairman: The question then is-----

Deputy Pearse Doherty: May I come back on that? Of those on that list, how many are founding members?

Deputy Paschal Donohoe: They are all founding members.

Deputy Pearse Doherty: All of them are founding members bar us?

Deputy Paschal Donohoe: We are in the second group of countries, as I said earlier. Other countries that are considering joining include Belgium, Hungary and the Czech Republic.

Deputy Pearse Doherty: I wish to go back to the point I made earlier. I am reading from the provision titled “Founding Member Privileges”. There must be respect for the principle “that each Founding Member shall have the privilege to designate the Director or an Alternate Director in its constituency permanently or on a rotating basis”. This, to me, reads very clearly that we are at a disadvantage compared to the list of 13 or 14 other countries the Minister read out because we are not founding members and that they have more privileges than us with regard to the appointment of the director or alternate director within the constituency, which would be the euro area. Is that the Minister’s understanding or that of his officials?

Deputy Paschal Donohoe: No. I do not believe we will be at a disadvantage compared to other countries. There is, as the Deputy said, a particular status conferred upon a founding member, but I believe Ireland’s choice to take a year to understand how the organisation will work and then to join was the right one to make.

Deputy Pearse Doherty: Irrespective of whether or not we believe it was the right choice - I would dispute that with the Minister - this is black and white, not subjective. It is laid down in the articles of the foundation of the bank. There is a privilege assigned to the other European countries that are now deemed founder members regarding their right to appoint the director or an alternative director in the euro area, and we do not have that privilege. We fall into the second category, which is a lower-----

Deputy Paschal Donohoe: We are in the second category, and there is also the difference, as I said earlier, regarding the founding member votes. They are two areas-----

Deputy Pearse Doherty: May I ask the Minister one last question on this section? Over the course of the year in which his Government was considering whether it would be good to go in and out and weighing this up - we should recognise that we lost some privileges as a result of that - what were the concerns that have been set to one side? What was it that had to be weighed up and was then set to one side that allowed the Minister to take the initiative to publish this Bill for us to sign up to the bank that was not clear to him or to his predecessor 12 months ago? Signing up earlier would have entitled us to additional rights within the bank.

Deputy Paschal Donohoe: I am not clear what the matter was that the former Minister, Deputy Noonan, would have dealt with but I am clear that if an organisation is being set up that will involve our State making a contribution to it, it appears to me to be sensible to spend a period of time to observe how the organisation will work. That is what has happened, as a result of which I am able to come before the committee and say we will invest the €25 million, which is a significant amount of money, in this organisation that will provide infrastructure in Asia and that we are satisfied that it is in our interest to do so.

Question put and agreed to.

SECTION 3

Question proposed: “That section 3 stand part of the Bill.”

Deputy Paschal Donohoe: This section makes provision for payments to be made to the bank in accordance with the State’s obligation under the agreement. It is a routine section in such agreements providing for payments and receipts to be made to and from the Central Fund and establishing that the Central Bank shall act as a depository for transfers to and from the Asian Infrastructure Investment Bank. Contributions to international financial institutions are conventionally sourced from the Central Fund and not from the Vote of a Government Depart-

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ment. In addition, any moneys received by Ireland from the Asian Infrastructure Investment Bank in respect of our membership will be directed to the Central Fund. Arrangements will be put in place for an account to be set up at the Central Bank of Ireland. Payment in respect of Irish membership will be paid from the Exchequer to this account, which will then be transferred to an account held by the AIIB. Payments in respect of our membership will be arranged and conducted on behalf of the Minister for Finance in his or her capacity as governor for Ireland at the Asian Infrastructure Investment Bank.

Question put and agreed to.

SECTION 4

Question proposed: “That section 4 stand part of the Bill.”

Deputy Paschal Donohoe: This section provides that the Act may be cited as the Asian Infrastructure Investment Bank Act 2017. It also provides that section 3 regarding payments to the bank will come into operation on the day on which the State becomes a member of the bank.

Deputy Pearse Doherty: On this section, again going back to the timing of this, this infrastructure bank has been around for more than 12 months so it is not the case that we just had to weigh it up for 12 months. What was the final date by which we could have applied to be in the first round, the first wave, which would have made us a founder member? Can the Minister also inform me when his officials or his predecessor’s officials recommended that we engage or sign up to the Asian Infrastructure Investment Bank?

Deputy Paschal Donohoe: The decision on becoming a member of the group was taken in early 2015. The Department’s recommendation that the Minister join the bank was in the second half of last year when Second Stage of the Bill was taken.

Question put and agreed to.

Schedule agreed to.

Title agreed to.

Bill reported without amendment.

Chairman: As the Bill has completed Committee Stage and is scheduled for Report Stage on Wednesday, 12 July, it is recommended that members submit Report Stage amendments to the Bills Office without delay. The deadline for receipt of amendments is 11 o’clock on Thursday, 6 July.

Message to Dáil

Chairman: In accordance with Standing Order 90, the following message will be sent to the Dáil:

The Select Committee on Finance, Public Expenditure and Reform, and Taoiseach has completed its consideration of the Asian Infrastructure Investment Bank Bill 2017 and has not made amendments thereto.

The select committee adjourned at 3 p.m. until 2 p.m. on Tuesday, 3 October 2017.

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