



The Hon David Bradbury MP

FEDERAL MEMBER FOR LINDSAY

Parliamentary Secretary to the Treasurer

17 November 2010

Main Committee

International Financial Institutions Legislation Amendment Bill 2010

Second Reading

Mr BRADBURY (Lindsay) (Parliamentary Secretary to the Treasurer) (10.17 AM)

I begin by thanking all members who contributed to the debate—the member for Casey and the member for Fraser for his very wide-ranging and informed contribution to this debate on the [International Financial Institutions Legislation Amendment Bill 2010](#), which will implement parts of the reform agenda of the World Bank.

The first purpose of the bill is to amend the International Monetary Agreements Act 1947 to enable Australia to subscribe to its additional capital share at the International Bank for Reconstruction and Development. The second purpose of the bill is to amend the International Finance Corporation Act 1955 to allow Australia to adopt a proposed amendment to articles of agreement of the International Finance Corporation and to amend the Multilateral Investment Guarantee Agency Act 1997 to adopt four amendments to the MIGA convention which have been recently adopted by the MIGA Council of Governors. In so doing, the bill will deliver on the commitment at the G20 Pittsburgh and Toronto summits to ensure that the international financial institutions have appropriate capital for their resourcing needs as well as the commitment to ensure developing countries increase their voting power at the World Bank.

In its quick and effective response to the crisis, the G20 has built a reputation as the premier forum for international economic cooperation. Recognising the central role of the international financial institutions in mobilising critical financing in response to the financial and economic crisis, the G20 committed to achieving US\$350 billion in capital increases for the multilateral development banks.

Growth in developing countries fell from an average of about seven per cent in the five years preceding the crisis to 1.6 per cent in 2009, resulting in an additional 64 million people living in extreme poverty in 2010. The World Bank is playing a critical role in supporting recovery in developing economies and, therefore, the global economy. As the global recovery still faces significant challenges, it is important that G20 countries follow through on these commitments by implementing the necessary changes

domestically. Australia's capital contribution would be at a cost of around US\$51.6 million to be paid in over five years. This subscription appeared as a capital measure in the 2010-11 budget and does not impact on the budget bottom line. Australia's contribution would represent a very small part of Australia's aid program over this period.

The G20 also committed to ongoing and important governance reforms to make the international financial institutions more transparent, accountable and effective. The capital increase will implement the important voice reforms agreed by shareholders of the World Bank, which will increase the voting power of developing and transition countries. The G20 endorsed this package of voice reforms, which will strengthen the long-term effectiveness and legitimacy of the World Bank Group.

This bill will allow Australia to adopt a proposed amendment to the articles of agreement of the IFC that will improve the voice and participation of developing and transition economies in the IFC by increasing their basic votes, implementing the G20 commitment. The bill will also allow Australia to adopt four amendments to the MIGA Convention recently adopted by MIGA's council of governors. This will modernise MIGA's mandate and expand the agency's scope, allowing a greater range of projects to be eligible for MIGA coverage.

These reforms will enhance the relevance of these institutions. It is important that Australia demonstrates its commitment to the G20 agenda by ensuring prompt implementation of these reforms. Strengthening the legitimacy, credibility and effectiveness of the international financial institutions will make them even stronger partners for us in the future.

Supporting this bill will enable Australia to demonstrate its leadership globally, as well as supporting recovery from the global recession in our region. I commend the bill to the House.