

Tabled 8 March 2001

**GOVERNMENT RESPONSE TO THE REPORT  
OF THE JOINT STANDING COMMITTEE ON  
FOREIGN AFFAIRS, DEFENCE AND TRADE  
ON THE 21 JUNE 2000 AUSTRALIAN  
GOVERNMENT LOAN TO PAPUA NEW  
GUINEA**

The US\$80 million Australian Government loan to Papua New Guinea of 21 June 2000 was the first provided following the 1998 amendments to the *International Monetary Agreements Act 1947 (IMAA)*. The amendments were made in the wake of the Asian financial crisis to provide a framework for the provision of financial assistance by Australia to countries undertaking economic adjustment programs with the support of the International Monetary Fund.

2. Under the amendments to *IMAA*, the Joint Standing Committee on Foreign Affairs, Defence and Trade is required to report within two months of the tabling of National Interest Statements tabled in support of loans made under *IMAA*. While supporting the execution of the loan to Papua New Guinea, the Committee raised a number of issues regarding the content of the National Interest Statement and noted concerns regarding process issues, in particular on the timing of matters relating to the National Interest Statement tabled in support of the loan.

### **The Content of the National Interest Statement**

3. Noting that the PNG loan is the first provided since *IMAA* was amended in 1998, the Committee has made three suggestions on the content of future National Interest Statements, viz, they should contain more detail on the terms and conditions of the loan, include a clear chronology, and provide information of 'greater breadth and depth' on the national interest. The Government acknowledges these concerns, and took them into account in the subsequent preparation of the National Interest Statement for the second loan to PNG, executed on 14 December 2000.

- The Statement for the second loan contains additional detail on the terms and conditions of the loan, consistent with normal principles of confidentiality applicable to such agreements.
- The Committee's proposal that a chronology be included in the National Interest Statement has been accepted; and
- Discussion of the national interest has been expanded to provide greater detail on the nature of Australia's relationship with Papua New Guinea, including in the context of the wider region.

### **Process Issues**

4. The Committee made the following recommendation regarding the timing of the tabling of the National Interest Statement for the 21 June 2000 loan.

'The Committee:

- Expresses its concerns about the timing of the tabling of the National Interest Statement for the Australian Government loan to Papua New Guinea, and the impact that this has had on its ability to examine this loan in an effective manner, and therefore
- Recommends that the *International Monetary Agreements Act 1947*, as amended in 1998, be further amended to ensure that Parliamentary scrutiny of loans proposed under its provisions occurs before such loans are executed.'

5. The Government agrees with the principle of the early tabling of National Interest Statements following the execution of loans made under *IMAA*. The Government notes, however, that there will sometimes be practical difficulties, arising from the Parliamentary sittings schedule, in giving effect to this principle.

6. In the case of the 21 June 2000 loan, the winter recess of July-August 2000 delayed what would otherwise have been an earlier tabling of the supporting National Interest Statement. The

Government notes that an early tabling of the National Interest Statement in support of the second Government loan to PNG was also not possible, as its execution on 14 December 2000 came after the last Parliamentary sitting day for 2000. While the National Interest Statement for the latter loan was posted on the Treasury web site on 19 December, in fulfillment of the requirement under *IMAA* for its public release 'as soon as practicable' after the execution of the loan, tabling of the Statement was not possible until the resumption of Parliament in February 2001.

7. The Committee's report on the 21 June 2000 Australian Government loan to PNG points to the benefits of close contact between Treasury officials and the Committee Secretariat over the timing of the tabling of National Interest Statements in support of loans made under *IMAA*. The Government accepts the desirability of such contact. In the context of the tabling of the National Interest Statement for the subsequent 14 December 2000 loan to PNG, Treasury officials liaised closely with the Committee Secretariat during the period of the preparation of the loan concerning an appropriate tabling date. The attention of the Secretariat was drawn to the public availability of the National Interest Statement on the Treasury web site.

8. However, the Government does not agree with the Committee's recommendation that *IMAA* be further amended to ensure that Parliamentary scrutiny of loans proposed under its provisions takes place before such loans are executed. It considers that this could considerably weaken Australia's capacity to provide rapid and effective assistance to countries facing financial crises. As noted above, the 1998 amendments to *IMAA* were conceived in the context of the Asian financial crisis, which called for speedy assistance by the international community to countries facing the effects of financial contagion. The second reading speech for the amendments to *IMAA* noted the importance of Australian Governments having the capacity to act swiftly 'to help mobilise international support ... [and] to provide commitments on our own participation' in economic rescue efforts. The longer lead time for the 21 June 2000 Australian Government loan to PNG renders it something of an exception to the type of loan typically expected under *IMAA*.

9. The introduction of a period of Parliamentary scrutiny of the accompanying National Interest Statement before a loan is disbursed, even for the relatively short period of 5-6 weeks suggested in the Joint Committee report, could critically circumscribe Australia's capacity to contribute to financial rescue packages and could weaken the effectiveness of international support efforts for countries in crisis.

10. The Government considers that the requirements of accountability and transparency are fully met by the current arrangements under *IMAA*. As previously indicated, in keeping with the spirit of *IMAA*, the Government accepts the principle that the National Interest Statement should be tabled as early as possible following the execution of a loan.