

Conclusions and recommendation

The National Interest Statement

- 5.1 Section 8E of the *International Monetary Agreements Act 1947* (IMAA), as amended in 1998, provides that a National Interest Statement (NIS) tabled under section 8D is to include:
- a description in as much detail as practicable of the terms and conditions of agreements made under the provisions of section 8C of the Act, and
 - reasons why such agreements are in Australia's national interest, with particular reference to foreign policy, trade and economic interests.

Terms and conditions of the loan

- 5.2 The NIS devoted considerable attention to the Morauta Government's reform measures, and to the involvement of the IMF / World Bank in this process. The terms and conditions of the loan are only dealt with briefly and in a general way.
- 5.3 The information provided in the NIS suggests that the loan was a commercial transaction, and that the costs of the funds would be covered. This was the first of two matters that the legislation requires the NIS to include. Only the barest minimum of detail was provided: the NIS could not be said to have provided 'as much detail as practicable'.

Chronology

- 5.4 The NIS included a satisfactory amount of material about the IMF's involvement in the PNG reform program. The sequence of events was not obvious from that document, nor from the Treasury's evidence at the public hearing. The chronology in Chapter 3 was put together from that material.¹

Australia's national interest

- 5.5 Purporting to deal with Australia's national interest, the NIS described Australia's relationship with PNG in terms of 'important and abiding historical, political, economic strategic and social connections.' As far as it went, this was an acceptable if basic summary of the position. It did not ground the relationship with PNG in any consideration of the overall national interest, or the factors used to arrive at this view.
- 5.6 At the public hearing, DFAT was pressed for further definition of Australia's national interests, how they are defined and for additional consideration of ways this loan served the national interest.
- 5.7 DFAT stated that, if Australia's loan contributed to assisting PNG making very much needed and welcome reforms, both countries would benefit. Additional material provided by the Department [more material to come, in brief from Chapter 3, for this area].
- 5.8 This is the second of the two matters that the legislation prescribes that the NIS must include. If there are other loans made under the provisions of IMAA in future, we hope that the material on Australia's national interest will have greater breadth and depth.

Parliamentary scrutiny

- 5.9 As the list of its reports in Appendix E makes clear, this Committee has taken considerable interest in Australia's nearest northern neighbour for many years. This inquiry provided the opportunity to review the relationship from a valuable if narrow perspective.
- 5.10 The Committee is in favour of loans of this type to countries that have a need for assistance from the international community. It also supports

1 See paragraph 3.6.

effective measures that increase accountability and transparency of the expenditure of funds, through scrutiny by the Parliament of such loans.

- 5.11 We have two concerns about the timing of matters relating to this loan.
- 5.12 The first is the tabling of the NIS. It was tabled on 28 August 2000, and IMAA imposes a two-month reporting period on the Committee. With the Olympic Games necessarily occupying so much attention in September, it was a difficult time for us to carry out an inquiry. There does not seem to be any reason why the NIS could not have been tabled after 21 June, but before 28 August 2000. In any event, there was no contact between the Treasury and the Committee in that period about the loan or the NIS.
- 5.13 It is inconceivable that the Treasury did not know that the NIS had to be tabled in both Houses of the Parliament, and would then be referred to this Committee for inquiry and report.²
- 5.14 The second concern is the timing of the referral of the NIS to the Committee in the process of approving the loan to PNG. Section 8F of IMAA simply states that once tabled the NIS stands referred to the Committee for inquiry and report within two months. It does not specify when that referral should take place.
- 5.15 If Parliamentary scrutiny is to be effective, referral to the Committee should take place earlier in the process of executing a loan under the provisions of IMAA. Referral of such a loan more than two months after it was executed is not a way of ensuring effective Parliamentary scrutiny. Such a process clearly concedes the principles of accountability and transparency, while equally obviously denying them in practice.
- 5.16 It is possible to devise a process that includes Parliamentary scrutiny, without delaying finalisation of such a loan.
- 5.17 In 1996, the Joint Standing Committee on Treaties was established to examine the texts of proposed treaties, and their National Interest Analyses (NIAs). That Committee generally considers texts and the NIAs between signature and ratification, with 15 sitting days after tabling in which to inquire and report. Depending on the program of Parliamentary Sittings, this period can be as short as five to six weeks.
- 5.18 If there are further loans under this legislation, it should be possible to arrive at a timetable that allows for consideration by this Committee before the execution of such loans.

2 The Treasurer delivered the Second Reading speech for the amending legislation on 12 March 1998: see *Hansard*, House of Representatives, p. P1099.

- 5.19 Such an approach would ensure that there is effective Parliamentary scrutiny of loans proposed under IMAA. There has only been one such loan in the two-and a half years since the amending legislation was passed. Including this Committee's inquiry earlier in the approval process would not be an onerous additional burden. It would also support the principles of accountability and transparency.

Recommendation 1

5.20 **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.**

Conclusion

- 5.21 Australia's relationship with PNG is one of its most important. It is also one that needs to be handled with the greatest sensitivity. Quite rightly, Australia already provides considerable assistance to PNG, and it is not appropriate for Australia to add lectures about ways things could or should be done. In any case, as referred by the Parliament, this inquiry is primarily concerned about Australian aspects of this loan to PNG.
- 5.22 A stable and prosperous PNG is clearly in Australia's national interest. If it assists the present PNG Government to move away from some of the destructive practices of the past, this loan will have served both countries well.

5.23 The Committee:

- notes the material it received on the Australian Government loan to Papua New Guinea, and
- while expressing its concerns about the timing of referral of the National Interest Statement, supports the execution of this loan.

P E Nugent MP
Acting Chairman