

**COMMITTEES: Foreign Affairs, Defence and Trade Committee: Report**

**Mr JULL** (Fadden) (12.45 p.m.) —On behalf of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I present the committee's report entitled *Australian government loan to Papua New Guinea*, together with the minutes of proceedings and evidence received by the committee.

Ordered that the report be printed.

**Mr JULL** —The report that I have just tabled is important for two reasons. Firstly, it represents parliamentary involvement in the scrutiny of this loan. This is significant and something that the committee supports. Secondly, the legislation that prompted this report and the timing of the tabling of the document about the loan have both caused some concern to the committee. I propose to talk about the loan itself and the issues that arose during our consideration of this matter. I understand that my colleague the honourable member for the Northern Territory will address issues relating to parliamentary scrutiny of loans by the government. This loan of \$A133.2 million was granted to PNG under the provisions of the International Monetary Agreement Act 1947, as amended in 1998. This enables the government to lend money to other countries, provided at least one government or organisation intends to provide, or has provided, money to the proposed recipient. Further, when loans are made under this act, it prescribes that a national interest statement setting out the nature and terms of the loan is to be tabled in the parliament. The national interest statement is also to set out the reasons why the loan is in Australia's national interest, having regard in particular to foreign policy, trade and economic interests. In this case, both the World Bank and the International Monetary Fund are working with PNG and lending it money to assist its reform agenda.

There can be no doubt that making this loan to PNG is in Australia's national interest, and it is supported by the committee. The historical and geographic ties between the two nations are such that it would be unthinkable not to assist the government of Sir Mekere Morauta to continue its reform work. The terms of this loan are strictly commercial. PNG's record of repaying other loans is such that the committee is confident this loan will be repaid in full and on time. The NIS also refers to an additional \$30 million that will be loaned to PNG. The committee understands that negotiations for this loan are under way at present. It is likely that the three payments making up this additional loan will be dealt with in the same way as the larger loan that is the subject of this report.

Although the time to consider this matter was short, the Foreign Affairs Subcommittee of the joint committee carried out a standard inquiry process. A total of seven submissions were received from five organisations and individuals. A short public hearing was held on 12 September, at which very useful evidence was taken from a range of witnesses, notably from the Treasury, the DFAT portfolio and a panel from the ANU. These witnesses all supported the loan and the efforts of the Morauta government to implement a program of reform in PNG. I believe that my colleagues would agree that the witnesses from the ANU were surprisingly optimistic about PNG's prospects under the Morauta government. I am sure that all those with an interest in our closest northern neighbour hope that recent events in PNG will not lead to a weakening of its government's resolve to continue its reform program. In supporting this loan, the committee has also recommended that the legislation be amended to ensure that parliamentary consideration of any future loans is included earlier in the approval process. There is little purpose in the committee scrutinising a loan that has already been granted. Unfortunately, this situation is likely to recur when the additional loan of \$30 million to PNG is referred to us. I commend the report to the House.

**Mr SNOWDON** (Northern Territory) (12.50 p.m.) —It gives me great pleasure to support my colleague the honourable member for Fadden in connection with the report entitled Australian government loan to Papua New Guinea of the Joint Committee on Foreign Affairs, Defence and Trade he has just tabled. I would like to talk about two issues that were of concern to the committee, and which he alluded to. At the outset, I should stress that no-one on the committee had any difficulty about the granting of the loan to the PNG government. The first point with which I will deal is in relation to the timing of the referral of a loan such as this to the joint committee for inquiry and report. Loans made under the International Monetary Agreements Act 1947, as amended, stand automatically referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade, for inquiry and report within two months. Such a time frame does not encourage a long or detailed inquiry. Further, the legislation does not specify when in the approval process loans should be referred to the committee. Thus, the national interest statement was tabled some time after the loan was approved—that is, while the loan was granted on 21 June 2000, the NIS was not tabled in the parliament until 28 August 2000.

Committee members had some difficulty in understanding why the joint committee was included in the process at all. Parliamentary scrutiny is a good and desirable thing but, to be effective in the consideration of loans such as this, it must occur earlier in the approval process than it does under this legislation. It is possible to include such scrutiny and approval processes without causing delays. For example, the approvals of government projects over a specified cost have to include time for consideration by the Public Works Committee. This has been so since the early years of the Federation. Since 1996, all treaties proposed for ratification must be examined by the Joint Standing Committee on Treaties. Only 15 sitting days are allowed for its processes. This period is often as short as five or six weeks—rather shorter than the two months specified in the legislation for these loans.

As the report states, what we see in this case is a concession of parliamentary scrutiny in theory but a denial of it in practice. We have recommended that the legislation be further amended to ensure that parliamentary scrutiny occurs before loans are executed under its provisions. We believe time can and should be made for scrutiny of these loans. Surely it is a waste of effort on all sides if there is no opportunity to make this scrutiny both timely and effective. The NIS states that an additional loan of \$A30 million will be made to PNG shortly. It is unlikely that, if our recommendation is accepted, the legislation will have been amended to avoid a repetition of the situation set out in this report.

The second point relates to some of the material given to us by departments involved in this process. The act is quite specific about the matters to be covered in the national interest statement: the terms and conditions of the loan and, broadly, Australia's national interest. The section in the national interest statement on the terms and conditions of the loan was not very helpful. It simply stated that the loan agreement 'contains standard commercial terms and conditions, including an indemnity clause designed to protect the Commonwealth's interests.' Australia's national interest was not given much more consideration than the loan itself in the national interest statement. It was brief and, as far as it went, satisfactory. Unfortunately, neither the statement nor the evidence at the public hearing gave any indication of how Australia's national interest is defined or what factors are taken into account during that process. DFAT's additional material provided little additional light on either issue, repeating, with slight variations, what had already been put forward. I would hope, and I know that the committee shares this view, that the quality of the information provided by these organisations could improve if further loans are made under the provisions of this legislation. I commend the report to the House.

**Mr SPEAKER** —Does the member for Fadden wish to move a motion in connection with the report to enable it to be debated at a later date?

**Mr JULL** (Fadden) —I move:

That the House take note of the report.

I seek leave to continue my remarks later.

Leave granted.

**Mr SPEAKER** —In accordance with standing order 102B, the debate is adjourned. The resumption of the debate will be made an order of the day for the next sitting and the member will have leave to continue speaking when the debate is resumed.