

Senate, Monday 30 October 2000

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

Senator GIBBS (Queensland) (4.18 p.m.) —On behalf of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I present a report of the committee entitled *Australian government loan to Papua New Guinea*, together with the Hansard record of the committee's proceedings, minutes of proceedings and submissions received by the committee. I seek leave to move a motion in relation to the report.

Leave granted.

Senator GIBBS —I move:

That the Senate take note of the report.

The report that I have just tabled is important for two reasons. Firstly, it represents some degree of parliamentary involvement in the scrutiny process. This is significant and something that the committee supports. That involvement is, however, heavily qualified, and I will return to this point. 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 committee members. Before dealing with those two related points and the information provided to us in this inquiry, I would like to make some general comments on this loan to the PNG government.

This loan of \$133.2 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 reforming work.

The terms of this loan are strictly commercial. PNG's record of repaying other loans is such that the committee is confident that this loan will be repaid in full and on time. 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 or individuals. A short public hearing was held on 12 September at which very useful evidence was taken from a range of witnesses, particularly from the Treasury, the DFAT portfolio and from 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, although many things remain to be done, 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 very recent events in PNG will not lead to a weakening of its government's resolve to continue its reform program.

The next point I want to address is the timing of the referral of loans 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. It was granted on 21 June 2000, but the national interest statement 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 in 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 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 to 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 for all participants if there is no opportunity to make this scrutiny both timely and effective or if the loan has already been granted. In supporting this loan, therefore, 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. The NIS refers to a further loan to PNG of \$A30 million. The committee understands that negotiations for this loan are under way at present. Even if our recommendation is accepted, it is unlikely that the legislation will be amended in time for a change to the current process. It is likely, therefore, that the three payments making up this additional loan will be dealt with in the same unsatisfactory way as the larger loan that is the subject of this report.

The final point I would like to cover relates to some of the material given to us by the departments involved in the process of executing this loan. 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 interests. 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. This brief statement was repeated at the hearing on 12 September.

Australia's national interest—the other matter required to be covered by the legislation—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 that 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 the process. DFAT's additional material provided little additional light on either issue, largely repeating with slight variations what had already been put forward. I would hope 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 this report to the Senate

Question resolved in the affirmative.