

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 64

Topic: European Bank for Reconstruction and Development

Hansard Page: E44-45

Senator Abetz asked:

Senator ABETZ—Is it Labor's policy to withdraw Australia's presence from the bank? It publicly announced that it would; is that correct?

Senator Conroy—If you are reading from a Labor Party document there, then I would define that as an announcement.

Senator ABETZ—That is a fair point. I put to you that it was an announcement before the election that it would do so and then after the election, in about February, the Treasurer, Mr Swan, announced that Canberra planned to withdraw from the EBRD; is that right?

Senator Conroy—I would have to take that on notice just to confirm that that is the case.

Senator ABETZ—Like Senator Cameron, I find the Reuters news service helpful from time to time. The articles states that Treasurer Wayne Swan said:

... that Canberra planned to re-direct funding closer to home, to impoverished smaller neighbours like East Timor and the Solomon Islands. Have East Timor and the Solomon Islands been advised that the funding that was to be redirected to them is now no longer going to be so redirected?

Senator Conroy—I will take that on notice and provide you with some information.

Senator ABETZ—Did Treasury express any views about the Treasurer's change of mind in relation to withdrawal from the European Bank?

Senator Conroy—That would probably go to advice to government.

Senator ABETZ—No. I am not asking what the advice was. Did it provide advice on the issue?

Senator Conroy—You have now changed your question.

Senator ABETZ—It was a carefully worded question. Did Treasury—

Senator Conroy—It was not at all.

Senator ABETZ—provide advice on the issue of the Treasurer announcing—

Senator Conroy—That goes to the content. You cannot say: 'Here is an issue; did you provide advice on it?', and then say that is not asking for the content of the advice.

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Senator ABETZ—They can say, ‘We provided advice,’ without telling us whether they were in favour or against the decision.

Senator Conroy—No, because the way you just put the question—

Senator ABETZ—Please, once again you are involving yourself in circumstances where you haven’t any—

Senator Conroy—If you want to rephrase the question—

Senator ABETZ—There is no need to rephrase the question. It is perfectly in order to ask—

Senator Conroy—We will take it on notice.

Senator ABETZ—Was advice provided?

Senator Conroy—We will take it on notice.

Senator ABETZ—This is just outrageous. Officers at the table are in a position to tell us whether advice was provided in relation to this matter: yes or no? If I wish to canvass what the advice is that clearly is another step but clearly—

Senator Conroy—We have taken it on notice.

Senator ABETZ—That is your right, but once again it highlights the non-responsiveness. Is the government aware that there have been comments that the European Bank for Reconstruction and Development is increasingly active in markets characterised by the spread of corrupt crony and clan capitalism and, to various degrees, authoritarianism?

Senator Conroy—I am not personally aware of those comments but I will draw them to the attention of the Treasurer to see if he has anything further to add.

Senator ABETZ—I am sure the Treasurer is aware of them because those comments were made by Willem Buiters, the EBRD’s former chief economist.

Senator Conroy—What is Peter Reith doing for a living? Is he earning his money then?

Senator ABETZ—As I understand it, Mr Reith gave a speech on the instructions of your government in 2008 indicating that the withdrawal—because the task had largely been done and that the mandate had been fulfilled. Mr Reith said:

The EBRD has achieved a great deal in its 17 years.

It is in this context of a job well done that the Australian government intends to withdraw from the bank from 2010, and more will be said about that in due course. Mr Reith gave a speech on behalf of your government indicating that and part of the reasoning and rationale as I understand it is that more and more people were becoming concerned that this bank was becoming involved in the spread of corrupt crony and clan capitalism and, to various degrees, authoritarianism and in fact was involving itself in projects being undertaken by billionaire Russian oligarchs. I would have thought that was something we as a country would not want to be involved in and that that was part of the consideration—

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Senator Conroy—I will draw those statements and comments to the Treasurer's attention, but the world has changed fairly dramatically since the election—

Senator ABETZ—Russian oligarchs would now be supported and clan capitalism and cronies will all be funded?

Senator Conroy—We clearly revised our view in the changed economic circumstances, but if the Treasurer would like to add anything further to that I will see if he has any further comments for you.

Answer:

Reuters news service reported on 22 February 2008, Australia's decision to withdraw its membership from the European Bank for Reconstruction and Development. The article reported that the Treasurer Wayne Swan told [the then] EBRD President Jean Lemierre that, 'Canberra planned to re-direct funding closer to home, to impoverished smaller neighbours like East Timor and the Solomon Islands'.

Australia will provide an estimated \$3.8 billion in official development assistance (ODA) in 2009-10, an increase of nearly \$650 million since 2007-08. Countries in the Asia Pacific region remain a major focus of Australia's aid program. The Solomon Islands is the third largest recipient of Australian aid and has been allocated an additional \$9.8 million in the recent Budget, bringing total commitments for 2009-10 to \$246.2 million. Development assistance to East Timor has been increased by \$20.7 million for 2009-10 bringing total commitments to \$117 million.

Information provided by the Treasury to the Treasurer's office which form the basis of policy advice to the Government is not available to the Committee.