

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 65

Topic: Australia's withdrawal from the EBRD

Hansard Page: E46

Senator Abetz asked:

Senator ABETZ—You might want to take this on notice, especially you Mr Flanagan, to advise whether the Treasury position is that Treasury maintains its support for Australia's withdrawal from the EBRD as it has largely met its transition mission; that it does not have a significant role in the financial crisis; that it reverses an earlier decision; and it exposes the government to criticism about current EBRD directions, especially in Russia. Does that sound familiar at all to you?

Mr Flanagan—There are parts of that which sound similar to the constituency statement we would have made in the annual meetings in early 2008. I would have to confirm all of it. The latter parts of it I would have to check as to whether they were incorporated. In terms of the statement that was made much more recently, two weeks ago at the annual meetings we indicated that the change in the growth prospects and economic situation in Eastern Europe was a factor that we did have to take into account now in terms of whether we would maintain our membership of the European Bank for Reconstruction and Development. In light of the G20 and other responses to recognise the role of multilateral development banks in assisting developing countries, the constituency statement indicated that was the rationale for maintaining membership of the European Bank for Reconstruction and Development at this stage.

Senator ABETZ—Does this sound familiar to you as well? First of all, when was the decision made to remain in the EBRD and to reverse the decision to withdraw? When was that decision taken?

Mr Flanagan—I would have to check. It was made either late last year following the G20 discussions or earlier this year.

Senator ABETZ—Tell me whether this sounds familiar:

A consequence of staying in the EBRD is that Australia may have to account to taxpayers for EBRD policy which has provided increasing levels of support to Russia, including projects with billionaire Russian oligarchs that should have access to private sector finance. Does that sound familiar? It either does or it does not?

Mr Flanagan—I would have to check the records. I know that they are the sorts of comments that are being made by commentators. I do not have a recollection that they were the sorts of comments that we would have provided, unless we were directly reflecting—

Senator ABETZ—I am reliably informed that what I have in front of me is in fact Treasury advice on this matter which it is quite clear the government has deliberately gone against. There is also this statement: To reverse Australia's public statement to

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

exit the EBRD at the 2008 EBRD annual meeting could look from an international perspective as ill-advised, inconsistent and lacking credibility, particularly as our announcement generated international press coverage largely positive in nature. Does that sound familiar to you?

Mr Flanagan—Once again, I can see those arguments being made. I would have to check as to whether they were formally given in advice or not—

Senator ABETZ—But they were made by Treasury to the government, trying to advise them not to reverse this decision. This decision had Treasury support to get out of the EBRD for all the reasons of cronyism, Russian oligarchs and so on. It was a bad space to be in and Australia took a lead to get out. Treasury supported it. Even the Labor Party was of the view that we should be getting out of this show. Now, all of a sudden, we have done a backflip. Has Russian oligarchy finished? Has the clan capitalism finished? Has the cronyism finished? All of the things in this advice to government remain the same today, do they not?

Mr Flanagan—I would have to check the advice, but in any good advice we would include both the pros and the cons of an issue. I assume what we are hearing here certainly would be seen as disadvantages of continuing membership. There would be a series of other reasons that would have been provided in any advice in terms of rationales as to why to stay engaged, which would have touched on those issues about our role in the G20 and looking to the role of the multilateral development banks to try to deal with issues facing developing countries, including in Eastern Europe, given the quite extraordinary reduction in their growth prospects during 2009. The actual press coverage of the decision of the announcement has actually been reasonably positive.

Answer:

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.