Senate committee rejects transparency on export finance billions

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The federal government's controversial Export Finance and Insurance Corporate had escaped reforms aimed at exposing its inner workings to public scrutiny.

A Senate inquiry into controversial multibillion-dollar government corporate welfare body the Export Finance and Insurance Corporation has recommended only minimal changes to its secretive structure.

The Senate Foreign Affairs, Defence and Trade Legislation Committee majority report, tabled in the Senate this week, followed a 2012 Productivity Commission probe into EFIC's operations triggered by concerns from civil society that the body was abusing its mandate in order to featherbed multinationals with taxpayer cash.

Despite its referral to the committee and numerous Greens amendments, a government bill to respond to the recommendations, currently before the Senate, is expected to pass before the conclusion of the 43rd Parliament — the Labor-dominated committee recommending only that the government "make provision for an independent review of EFIC's performance to be conducted three years after the bill has been passed".

The PC proposed sweeping transparency improvements and a re-orientation towards small and medium enterprises. However, the bill failed to tackle the most pressing points, including EFIC's blanket exemption from freedom of information legislation and a cessation of finance for resource projects located in Australia.

The little-known de facto bank provides loans and insurance to Australian businesses on the proviso the recipients are unable to source cash in the commercial market. It describes its role as helping "Australian-based businesses to win and finance export, offshore investment and onshore export-related opportunities" and is a major player in Asian development circles, more so, activists say, than AusAID or the Asian Development Bank.

Unlike its global counterparts, an FoI free pass means it operates in the shadows with opaque links to the office of Trade Minister Craig Emerson. It holds two funds: a "commercial account" worth about $2.7 billion and a smaller $0.7 billion "national interest" account under the direct watch of the minister. Its board of directors is populated by blue-chip luminaries including Commonwealth Bank director and former ANZ CEO Andrew Mohl and Billabong director Sally Pitkin.

EFIC has been responsible for funding a slew of questionable projects for big multinationals that already boast billion-dollar balance sheets, including Rio Tinto's Oyu Tolgoi mine in Mongolia (approved while the review was underway) and ExxonMobil's liquefied natural gas project in the southern highlands of Papua New Guinea. It has previously assisted BHP's Ok Tedi mine in PNG and and the Porgera gold mine in the 1990s.

Environmentalists have raised persistent concerns over Oyu Tolgoi's impact on water resources in the Gobi desert and the nomadic goat herders who live nearby. There are currently two major complaints currently before the World Bank.

The PC report criticised EFIC's arm's-length agreement with the minister and said it had strayed from its *raison d'être* by indulging in unjustifiable corporate welfare. It recommended a tilt towards SMEs — currently around 25% of EFIC's operations are focused on big-money "category A" resource projects in the developing world.

However, the government only agreed or "agreed in part" to 16 of the 22 recommendations and noted the remaining six. While disclosure was improved for projects on the commercial and national interest account, some specific financial details would remain hidden under commercial-in-confidence provisions. And some multinational projects could still be funded under a loophole allowing support for projects in emerging or frontier markets.

The Senate committee report acknowledges EFIC's problems but fails to take up any of the proposed amendments raised in numerous critical submissions. Civil society groups that submitted proposals included anti-poverty campaigners Jubilee Australia, Human Rights Law Centre, Aid/Watch, Greenpeace, Oxfam, the CAER (Corporate Analysis, Enhanced Responsibility) and Australian Lawyers for Human Rights, as well as three federal government departments. Just one business submission, from US conglomerate General Electric, was received.

Additional comments submitted by the committee's participating member, NSW Greens Senator Lee Rhiannon, slammed the bill for not "going far enough to ensure transparency, accountability and adherence with international standards on human rights and the environment":

"In light of the consistency of recommendations from the public submissions and the strength of the evidence given at the public hearing, the Australian Greens are surprised that the Committee's Report does not take up any of the recommendations in these submissions."

Jubilee Australia executive director Carmelan Polce told *Crikey* that while "the report acknowledged the need for more transparent and accountable structures, it then goes on to ignore our recommendations on transparency and accountability".

"The Productivity Commission recommendations on transparency, accountability and FoI laws should be embraced … the very real risk is that the public knows nothing about the environmental and human rights risks of the mega mining, oil and gas projects that they lend money to," she said.

A spokesperson for EFIC referred *Crikey* to its submission to the inquiry published on the committee website.

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