



Submission No 6

Review of IFAD Amendment Bill 2012

Name: AusAID

Joint Standing Committee on Foreign Affairs, Defence and Trade, 25 October 2012

Questions on Notice: AusAID

Questions on notice are based on draft Hansard provided on 25 October 2012.

Mr Ruddock asked (page 3, paragraph 2):

.....where else it [IFAD] is conducting programs in what you consider to be our region.

Mr Champion asked (page 3, paragraph 4):

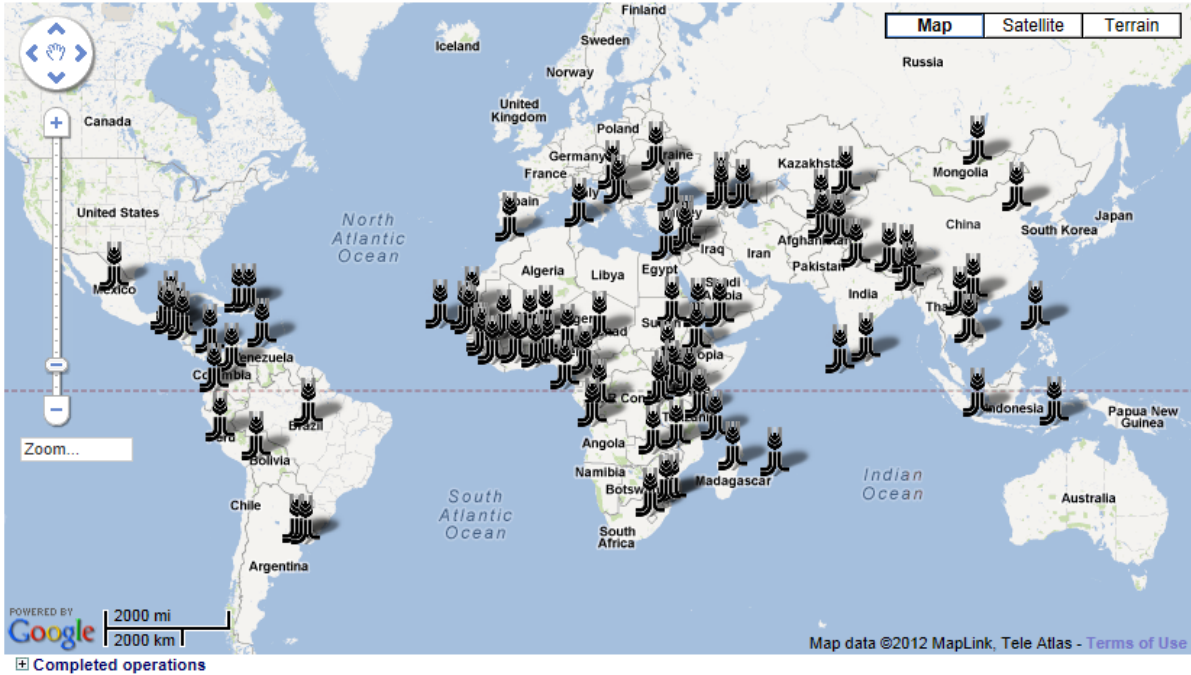
Perhaps also, where we might be running complementary programs ...

[Where are IFAD projects in the Asia-Pacific region and which are complimentary to AusAID's work?]

Answer:

- a) IFAD works in over 26 countries in the Asia-Pacific region. At the end of 2011, IFAD had 240 ongoing programs and projects in 93 countries and 1 territory across the globe. This included: 42 projects in Near East, North Africa and Europe, 61 projects in Asia and the Pacific, 31 projects in Latin America and the Caribbean, 54 projects in West and Central Africa and 52 projects in East and Southern Africa. See map below showing IFAD-funded projects and programs.
- b) The 61 ongoing IFAD programs and projects in the Asia-Pacific region include: 3 projects in Central Asia; 33 projects in South Asia; 23 projects in East Asia; and 2 projects in the Pacific.
- c) IFAD is currently engaged in 8 countries in the Asia-Pacific region where AusAID also has rural development and/or food security projects. These countries are: Cambodia; Indonesia; Laos; Philippines; Timor-Leste; Vietnam; Solomon Islands; and Tonga.
- d) Several AusAID and IFAD projects focus on addressing market failures and increasing business opportunities. There are complementarities between the work of AusAID and IFAD with these projects, particularly in Indonesia, as both organisations aim to improve business opportunities and market access for poor farmers. Although AusAID and IFAD focus on different provinces, there is capacity for the exchange of learnings.

IFAD-fund projects and programmes



Mr Champion asked (page 3, paragraph 6):

My other question was in terms of Afghanistan and Pakistan.....Is IFAD engaged there in those two countries?

[If so, what does it do?]

Answer:

- a) IFAD works in both Afghanistan and Pakistan.

In Afghanistan:

- b) IFAD's work focuses on rural microfinance and livestock support. Taking into account the difficult security situation in most of the country, it has one current program in Afghanistan.
- c) The total cost of this program is US\$26.1 million, over 2009-2014, aiming to benefit over 25,000 households.
- In the microfinance sector, IFAD has chosen to focus on innovation and the program will act as a catalyst in the development of services and products adapted to the needs of small rural producers.
 - With regards to the livestock sector, the program builds on and expand the approaches successfully tested by other donors, including Food and Agriculture Organisation and the International Center for Agricultural Research in the Dry Areas.

In Pakistan:

- d) IFAD's strategy in Pakistan aims to combat rural poverty through rural development. The strategy focuses on:
- alleviating poverty in vulnerable and remote areas;
 - achieving community participation;
 - identifying opportunities for innovation; and
 - structuring institutional arrangements that capitalise on partnerships between public and private sectors.
- e) IFAD operations in Pakistan target areas with a high incidence of poverty or with specific development problems resulting from their geographic location, including mountainous regions, the coastal belt and low-rainfall areas. Within these areas, the target groups for programs and projects include:
- small farmers with limited land and livestock;
 - landless farmers, including small-scale livestock herders and fishers who depend on a combination of on-farm and off-farm wage employment; and
 - households headed by women who have little access to resources, services and assets of their own.

f) Ongoing operations in Pakistan include:

- *Program for Increasing Sustainable microfinance* (US\$ 46.6 million, 2008-13), aiming to benefit 160,000 households;
- *Southern Punjab Poverty Alleviation Project* (US\$ 49.1 million, 2011-16), aiming to benefit 80,000 households; and
- *Gwadar Lasbela Livelihoods Support Project* (US\$35.3 million, ongoing), aiming to benefit 20,000 households.

Mr Ruddock asked (page 7, paragraph 5):

'In the 2010 IFAD report, 90 per cent of reports were rated moderately satisfactory or better.'
[In the Australian Multilateral Assessment, AusAID notes that 90 per cent of IFAD projects were rated as moderately successful or above? Can you provide a breakdown by rating level?]

Answer:

- a) In 2010, IFAD reported that more than 90 per cent of projects were rated 'moderately satisfactory or better' with regards to their 'relevance'. Relevance is the extent to which the project strategy and activities are consistent with beneficiaries' requirements, country needs, institutional priorities and partner and donor policies.
- b) Of the 90 per cent of projects rated 'moderately satisfactory' or better:
 - 33 per cent of IFAD-funded projects were moderately satisfactory;
 - 48 per cent satisfactory; and
 - 15 per cent highly satisfactory.
- c) IFAD used a 6-point rating scale. Moderately satisfactory or better equated to a rating of 4 or above.

Source: *Annual Report on Results and Impact of IFAD Operations Evaluated in 2009*

- d) It should also be noted that project performance has improved over recent years. As reported in IFAD's annual Report on Development Effectiveness (2011), "the rating of IFAD's performance as a partner has improved steadily and substantially over the past decade. The percentage of projects in which IFAD's performance was rated in the satisfactory zone has risen from 39 per cent in 2002-2004 to 77 per cent in 2008-2010".

Mr Ruddock asked (page 7, paragraph 10):

[Can you]... highlight the particular parts of the review in 2011... [that reinforce the case for re-joining IFAD]?

Answer:

- a) AusAID's 2011 Review of IFAD was referenced within the National Interest Analysis, its submission to the Joint Standing Committee on Treaties and submission to this Committee. The 2011 AusAID review found that since Australia's decision to withdraw, IFAD has implemented significant reforms and is now considered by donors and developing countries to be an effective, results-focussed, value-for-money partner.

- b) The review stated there is now a strong business case for Australia to re-join IFAD, supported by eight key arguments:
 - (i) IFAD's work contributes directly to Millennium Development Goal 1 (MDG1) to halve the proportion of the hungry and extremely poor people in the world by 2015. IFAD's work also contributes to improving gender equality (MDG3), environmental protection and climate change mitigation and adaptation (MDG7).
 - (ii) Despite its relatively small size, IFAD is widely seen as a developmentally effective, results-focused, value for money partner in the increasingly important rural development sector.
 - (iii) There is now close alignment between IFAD and Australia's priorities for food security and rural development as a vehicle for economic growth and poverty reduction.
 - (iv) IFAD offers partnerships in regions and sectors where Australia wishes to expand but lacks deep technical or country knowledge and presence.
 - (v) IFAD works with rural poor people in fragile and conflict-affected areas, sometimes in areas where Australia cannot go.
 - (vi) IFAD works to address large poverty concentrations in rural areas of emerging and middle income countries, all of which are members of the G20.
 - (vii) IFAD offers the opportunity for strong Australian influence and profile.
 - (viii) IFAD is a multilateral partner of choice that complements Australia's global investments in rural development, food security and poverty reduction more effectively than the alternatives.

- c) A copy of the Review can be found at **Attachment A**.

d) Other key paragraphs that reinforce the case for re-joining IFAD include:

- *Alignment with Australian development priorities including priority countries in South-East Asia and the Pacific* – page 2, paragraph 8, sentence 2-4; page 3, paragraphs 9-10 and Chart 1 on; and page 5, paragraph 18.
- *Increased cost effectiveness* – Annex – page xi, paragraphs 3.13 – 3.15; page xiv, paragraph 3.24; and page xv, Chart 10.
- *Improved results focus* – page 5, paragraph 17; Annex – page ii, paragraph 6, sentences 3-5; and Annex – page v, paragraph 2.7 – 2.9.
- *Improved role and mandate* – Annex – page iv, paragraphs 2.2 – 2.6; and Annex – page vi, paragraph 2.12.
- *IFAD's organisational effectiveness* – page 2, paragraph 12.

Mr Ruddock asked (page 11, paragraph 18 and page 12, paragraph 1):

[Can you provide more information on the President of IFAD's accommodation and remuneration package?]

Answer:

- a) The emoluments of the President of IFAD are governed by the by-laws for the Conduct of the Business of IFAD. In February 2009, the IFAD Governing Council approved, by resolution, salary, allowances and other entitlements of the President (including housing). Section 6(1) of the by-laws covers the emoluments of the President:
- The salary of the President of IFAD is on a par with that of the Director-General of the Food and Agriculture Organization of the United Nations.
 - The Fund makes housing arrangements for the President of IFAD and covers all costs relating to rent and related expenses, including service charges (condominium), electricity, gas, heating and authorised telecommunication charges.
 - The President is provided a representation allowance of US\$50,000 per annum.
 - The President is entitled to participate in insurance, medical, pension, retirement and other plans as may be established for the employees of the Fund and not otherwise covered by his emoluments.
 - Further information on the resolution of the Governing Council relating to the emoluments of the President can be found at <http://www.ifad.org/gbdocs/gc/32/e/GC-2009-32-Resolutions.pdf>.
- b) According to IFAD, towards the end of 2009 its management commenced efforts to identify savings with respect to the IFAD residence. A search for an alternative residence was initiated, with the President establishing a self-imposed limit to related expenditures resulting in the transfer to an alternative accommodation. (See paragraphs 92-95 of the minutes of the 101st session of the Executive Board: <http://www.ifad.org/gbdocs/eb/101/e/minutes.pdf>).

- c) In September 2010, IFAD's Executive Board agreed to establish an Emoluments Committee to set out clear guidelines relative to the residence of the President of IFAD, as well as to examine emoluments in general. This was prior to *The Economist's* article on 27 January 2011. At the Annual Meeting of the Governing Council in February 2011, the Council endorsed the establishment of an Emoluments Committee. The Committee completed its work and submitted a final report and draft resolution to the September 2012 Board session, which was approved for submission to the Governing Council for its consideration in February 2013 (<https://webapps.ifad.org/members/eb/106/docs/EB-2012-106-R-39.pdf>). The draft resolution, when adopted by the Governing Council, contains a ceiling for the housing arrangements and will establish the emoluments of the President appointed at the Governing Council in February 2013.

Mr Ruddock asked (page 13, paragraph 7):

How many projects are being undertaken by IFAD in the Pacific?

Answer:

- a) There are two (2) projects currently underway, and one (1) soon to be commenced in the Pacific region. These include:
- *Productive Partnerships in Agriculture Project* in Papua New Guinea, total project cost US\$46.21 million over 2010-2017 (co-financed with the World Bank);
 - *Rural Development Program* in Solomon Islands, total project cost US\$30.39 million over 2010-2013 (co-financed with the World Bank, European Commission and AusAID – implemented by World Bank), aiming to benefit 60,000 households; and
 - *Rural Innovation Project* in Tonga, total project cost US\$4.0 million over 2012-2017 (yet to commence), aiming to benefit over 2,000 households.

Mr Ruddock asked (page 13, paragraph 7):

Can you provide specific details of projects by IFAD in the Solomon Islands?

Answer:

- a) IFAD currently has one active project in the Solomon Islands, the Solomon Islands Rural Development Program. The program is designed to support the implementation of key priorities identified under the Solomon Islands Agriculture and Rural Development Strategy.
- b) The Rural Development Program is a nation-wide program and will eventually cover all provinces. It is expected to reach 70 per cent of the rural population or about 60 per cent of the total population of Solomon Islands.
- c) Approximately 300,000 people or 60,000 rural households are expected to benefit from improved access to local infrastructure and services, agricultural support services and rural business development, including financial services. The program will pay particular attention to disadvantaged groups and women.
- d) The development objective of the program is to raise the living standards of rural households by establishing improved mechanisms for the delivery of priority economic and social infrastructure and services by the public and private sectors. This is being achieved through:
 - increased, cost-effective and sustained provision of local services and basic infrastructure, determined through participatory planning and prioritised by villagers themselves;
 - increased capacity of agricultural institutions to provide demand-driven agricultural services at the local level; and
 - support for rural business development.
- e) The program has three components:
 - i. **Provision of local infrastructure and services delivery**
 - To increase rural community access to and use of local infrastructure and services by building the capacity of key stakeholders and providing allocations to communities to select, plan and implement subprojects.
 - ii. **Improved agricultural services**
 - To improve smallholder access to and use of agricultural services and build the capacity of service providers to deliver.
 - iii. **Rural business development**
 - To facilitate rural enterprise development through the provision of an equity financing facility and associated training and technical assistance.

- f) The program is fully aligned with the objectives of the subregional strategic opportunities program for the Pacific Islands and the IFAD Strategic Framework 2011-2015.

Mr Champion asked (page 14, paragraph 3):

Perhaps you could put a question on notice with the full context of Mr Tapp's comments.

(referring to JSCOT Report 60, page 24, paragraph 5.26):

Mr Charles Tapp noted that working through IFAD in the Pacific only added an additional layer of bureaucracy and additional transaction costs. Can you please elaborate with the full context of Mr Tapp's comments?

Answer:

- a) Mr Tapp's comment in paragraph 5.26 of Report 60, refers to the lack of comparative advantage and focus of IFAD in the Pacific.
- b) IFAD's presence in Pacific island countries is small. It has little experience in working in the Pacific. IFAD acknowledges that its first attempt to engage in the Pacific had minimal success as its focus was centred on a regional basis. IFAD has drawn several cogent lessons from this including:
- it must engage with Pacific nations first and build up a regional strategy, rather than pursue a top down approach;
 - that country context and expert partners are critical to success; and
 - that the diversity of the Pacific and IFAD's usual business models need to be assessed for compatibility.
- c) IFAD is developing a new strategy for working in the Pacific, which is due to come out early 2013. It has also posted its Manager for the Asia-Pacific region from Rome to Jakarta to facilitate closer contact.
- d) Australia will encourage IFAD to liaise closely with regional bodies and other donors in designing and implementing activities to ensure effective coordination and harmonisation of aid, increasing aid impact and reducing the transaction costs for Pacific island countries. This is consistent with the objectives of the Cairns Compact on Strengthening Development Coordination in the Pacific which Australia will seek IFAD's commitment. IFAD Joining IFAD would enable Australia to offer its knowledge and technical expertise in the Pacific to ensure IFAD projects are implemented effectively.
- e) Joining IFAD, would provide Australia the opportunity to broaden our geographic reach to regions of Africa, the Middle East, and South Asia. IFAD has a long-term and deep engagement in these regions.

- f) IFAD is also continuing to transform its financial and human resource management systems as part of its process of internal administrative reforms. IFAD's management reports annually through its Report on Development Effectiveness regarding its implementation of these reforms.

Mr Ruddock asked (page 14, paragraph 14):

.....can you, in relation to your view, expand on what you assert were the challenges that remain in human resources and financial management [and how IFAD is addressing them?]

Answer:

- a) AusAID acknowledges that IFAD still faces additional human resource and financial management challenges. Within its Change and Reform Agenda, IFAD has identified these challenges, and AusAID agrees with them.
- b) IFAD reports on progress on implementing its Change and Reform Agenda in annual reports and in its annual Report on Development Effectiveness.
- c) The most recent Update on the Implementation of the Change and Reform Agenda can be found on the IFAD website at: <http://www.ifad.org/gbdocs/eb/102/e/EB-2011-102-R-34-Rev-1.pdf>.
- d) AusAID will focus efforts to ensure IFAD's continued commitment to reform efforts to improve governance and management of the organisation.
- e) AusAID will also focus on IFAD reforms regarding better reporting on results achieved at the country level, human resource management, strengthening country leadership and ownership, strengthening national monitoring and evaluation systems, and promoting gender equality and women's empowerment across its program.
- f) As highlighted in the Australian Multilateral Assessment on IFAD, AusAID will also focus on IFAD sharpening its focus on its scaling up to achieve substantial and sustainable development impact and speeding up disbursement rates as areas for improvement.

Mr Ruddock asked (page 3, paragraph 13):

...if it could be demonstrated that they had achieved efficiencies in their administration...

Answer:

- a) As outlined in AusAID's 2011 Review of IFAD, IFAD's administrative costs compared to its professional activities had significantly reduced. To manage corporate overheads, the IFAD Executive Board introduced an institutional efficiency ratio in 2005. IFAD was required to work towards reducing the administered costs ratio to a target of 13.5 per cent by 2012.
- b) As noted in IFAD's 2011 Report on Development Effectiveness, IFAD's efficiency ratio (measured as a ratio of the administrative budget to the IFAD program of loans and grants) has decreased from 15.9 per cent in 2008 to 11.7 per cent in 2011. This is significantly better than the target of 13.5 per cent. When external resources directly managed by IFAD are also taken into account, the efficiency ratio is 9.5 per cent, in line with figures for other multilateral development banks.
- c) It should be noted that over the period 2008 to 2011, IFAD's program of loans and grants increased by almost 70 per cent (from US\$701 million to US\$1,189 million). IFAD's administration costs have only gradually increased over the four year period from US\$111.6 million to US\$138.6 million. IFAD employs 498 staff, as reported in IFAD's 2011 Annual Report.
- d) IFAD has increased its direct supervision and country presence, which are two key pillars of IFAD's new business model. Projects are now supervised more frequently and usually at a lower cost; the flow of disbursements has increased, while the response time for meeting the requests of recipient countries has been shortened. IFAD will have 40 country offices by the end of 2013, resulting in closer coordination and greater efficiency offered by direct supervision at the country level.
- e) IFAD is also continuing to transform its financial and human resource management systems as part of its process of internal administrative reforms. IFAD's management reports annually through its Report on Development Effectiveness regarding its implementation of these reforms.

Mr Ruddock asked (page 16, paragraph 4):

Has the government's plan to re-join the fund ever been mentioned in discussions about our campaign for the non-permanent seat on the UN Security Council?

Mr Ruddock asked (page 16, paragraph 9):

Has the government's plan to re-join the fund been included in any material that was circulated in relation to the campaign or representations made to other governments?

Mr Ruddock asked (page 16, paragraph 11):

Has the Australian ambassador and permanent representative to the United Nations been involved in any discussions about the fund?

Mr Ruddock asked (page 16, paragraph 13):

Has he requested a briefing and/or received briefing notes about the fund and has any information been provide to him?

Mr Ruddock asked (page 16, paragraph 18):

Do you know whether Minister Carr raised the matter on any of his overseas appointments?

Answer:

- a) No. AusAID has consulted the United Nations Security Council Task Force within the Department of Foreign Affairs and Trade. The Task Force has advised that there was no relationship between the UNSC campaign and the decision to re-join IFAD at any point.

Additional information requested

On page 4, paragraph 16, Mr Wojciechowski stated that AusAID could give examples of publications demonstrating AusAID's engagement with multilaterals, such as the World Bank. This is to demonstrate to the Committee what Australia might be looking for in terms of how AusAID publicises our work with IFAD.

The AusAID-World Bank publication can be access at <http://www.aisaid.gov.au/Publications/web/unlockingpotential/Documents/unlockingpotential.pdf> .

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