
The Parliament of the Commonwealth of Australia

Report 60

Treaties tabled on 2 March 2004

Consular agreement with Vietnam

World Tourism Organization

Constitution and Convention of the International Telecommunication Union

Withdrawal from the International Fund for Agricultural Development

May 2004
Canberra

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Membership of the Committee

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Mr Kerry Bartlett MP

Mr Steven Ciobo MP

Mr Martyn Evans MP

Mr Greg Hunt MP

Mr Peter King MP

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Resolution of Appointment

The Resolution of Appointment of the Joint Standing Committee on Treaties allows it to inquire into and report on:

- a) matters arising from treaties and related National Interest Analyses and proposed treaty actions presented or deemed to be presented to the Parliament
- b) any question relating to a treaty or other international instrument, whether or not negotiated to completion, referred to the Committee by:
 - (i) either House of the Parliament, or
 - (ii) a Minister; and
- c) such other matters as may be referred to the Committee by the Minister for Foreign Affairs and on such conditions as the Minister may prescribe.



List of abbreviations

ACFOA	Australian Council for Overseas Aid
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
DCITA	Department of Communications, Information Technology and the Arts
DFAT	Department of Foreign Affairs and Trade
DITR	Department of Industry, Tourism and Resources
EB	Executive Board
IEE	Independent External Evaluation
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
ITU	International Telecommunication Union
JSCOT	Joint Standing Committee on Treaties
NIA	National Interest Analysis
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development

SARS	Severe Acute Respiratory Syndrome
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
VCA	Vietnamese Community in Australia
VCCR	Vienna Convention on Consular Relations
WFP	World Food Programme
WTO	World Tourism Organization



List of recommendations

Consular Agreement between Australia and the Socialist Republic of Vietnam

Recommendation 1

The Committee supports the *Consular Agreement between Australia and the Socialist Republic of Vietnam* and recommends that binding treaty action be taken.

World Tourism Organization Statutes

Recommendation 2

The Committee supports the *World Tourism Organization (WTO) Statutes* and recommends that binding treaty action be taken.

2002 Amendments to the Constitution and Convention of the International Telecommunication Union

Recommendation 3

The Committee supports the *Instruments Amending the Constitution and the Convention of the International Telecommunication Union (Geneva, 1992) as amended by the Plenipotentiary Conference (Kyoto, 1994) and by the Plenipotentiary Conference (Minneapolis, 1998) (Marrakesh, 18 October 2002)* and recommends that binding treaty action be taken.

Withdrawal from the International Fund for Agricultural Development

Recommendation 4

The Committee recommends that the Department of Foreign Affairs and Trade immediately investigate whether the remarks in paragraph 5.65 were made by Departmental officials and clarify whether this is the Department's approach to treaty making.

Recommendation 5

The Committee supports Australia's proposed withdrawal from the *Agreement Establishing the International Fund for Agricultural Development* and recommends that binding treaty action be taken.

Introduction

Purpose of Report

- 1.1 This report contains advice to Parliament on the review by the Joint Standing Committee on Treaties of a series of proposed treaty actions tabled on 2 March 2004¹ involving the:
- *Consular Agreement between Australia and the Socialist Republic of Vietnam (Hanoi, 29 July 2003)*
 - *World Tourism Organization (WTO) Statutes (Mexico City, 27 September 1970)*
 - *Instruments Amending the Constitution and the Convention of the International Telecommunication Union (Geneva, 1992) as amended by the Plenipotentiary Conference (Kyoto, 1994) and by the Plenipotentiary Conference (Minneapolis, 1998) (Marrakesh, 18 October 2002)*
 - *Agreement Establishing the International Fund for Agricultural Development (Rome, 13 June 1976).*

¹ *Senate Journal*, 2 March 2004, p. 3045 and *House of Representatives Votes and Proceedings*, 2 March 2004, p. 1463.

Briefing documents

- 1.2 The advice in this report refers to the National Interest Analyses (NIAs) prepared for the proposed treaty actions. Copies of the NIAs are available from the Committee's website at <http://www.aph.gov.au/house/committee/jsct/index.htm> or may be obtained from the Committee Secretariat. These documents were prepared by the Government agency (or agencies) responsible for the administration of Australia's responsibilities under each treaty.
- 1.3 Copies of treaty actions and NIAs can also be obtained from the Australian Treaties Library maintained on the internet by the Department of Foreign Affairs and Trade (DFAT). The Australian Treaties Library is accessible through the Committee's website or directly at <http://www.austlii.edu.au/au/other/dfat>.

Conduct of Committee's review

- 1.4 The Committee's review of the proposed treaty actions canvassed in this report was advertised in the national press and on the Committee's website.² In addition, letters inviting comment were sent to all State Premiers and Chief Ministers and to individuals who have expressed an interest in being kept informed of proposed treaty actions such as these. A list of submissions and their authors is at Appendix A, and a description of exhibits is at Appendix C.
- 1.5 The Committee also took evidence at three public hearings held on 8, 9 and 22 March 2004. A list of witnesses who gave evidence at the public hearings is at Appendix B. Transcripts of evidence from the public hearings can be obtained from the Committee Secretariat or accessed through the Committee's internet site at <http://www.aph.gov.au/house/committee/jsct/index.htm>.

2 The Committee's review of the proposed treaty actions was advertised in *The Australian* on 3 March 2004. Members of the public were advised how to obtain relevant information and the details of the public hearing on 8 March 2004.

Consular Agreement between Australia and the Socialist Republic of Vietnam

Introduction

- 2.1 Consular arrangements between Australia and the Socialist Republic of Vietnam are currently governed by the multilateral *Vienna Convention on Consular Relations* (VCCR) of 24 April 1963, which Australia ratified on 12 February 1973.¹
- 2.2 The proposed *Consular Agreement between Australia and the Socialist Republic of Vietnam* (Consular Agreement) expands upon some of the provisions of the VCCR by clearly defining the rights and obligations of each Party with respect to consular activities.²
- 2.3 Mr Rod Smith from the Department of Foreign Affairs and Trade (DFAT) advised the Committee that the Consular Agreement is aimed at alleviating some of the difficulties that Australian consular officials have experienced in gaining access to Australian citizens arrested or detained in Vietnam, particularly Vietnamese born Australians or Australians of Vietnamese ethnic origin.³

1 National Interest Analysis (NIA), para. 4 and www.austlii.edu.au/au/other/dfat (10/5/04).

2 NIA, para. 5.

3 Mr Rod Smith, *Transcript of Evidence*, 8 March 2004, pp. 2-3.

Features of the Consular Agreement

2.4 The obligations of the Consular Agreement cover a range of consular activities, namely:

- notification of appointments, arrivals and departures of consular staff (article 2)
- measures to ensure the smooth performance of consular post functions (articles 3)
- facilitation of purchase or lease of consular premises and residences of consular staff (article 4)
- functions that can be undertaken by consular officers (articles 5-9)
- ensuring consular protection and assistance to those with dual nationality (article 10)
- communication and contact with foreign nationals, including procedures concerning the detention of foreign nationals (article 11)
- exchange of information in the event of a death of a national (article 12)
- procedures for the handling of an estate of a deceased national (articles 13)
- protection of the rights of minors or other nationals without the capacity to act on their own behalf (article 14)
- provision for consular officers to render assistance to vessels of the sending State in territorial waters of the receiving State (article 15) including any wrecked vessel, its crew and passengers (article 17)
- advance notification to the consular post in the event that the receiving State begins an investigation of a vessel, or boards a vessel, of the sending State (article 16)
- provisions for fees and charges for consular acts (article 19).⁴

2.5 In addition, article 21 of the Consular Agreement allows for annual consultations between Australia and Vietnam to review consular relations, including any issue of concern to either Party. Parties may also seek consultations on individual consular matters as required

4 NIA, para. 13.

during the year.⁵ Mr Smith advised the Committee that a provision for annual consultations has been very useful in the consular agreement between Australia and China. Specifically:

Those consultations provide a useful opportunity to discuss in a quite formal setting the problems we have in the management of our consular relations with the country concerned.⁶

Detention of foreign nationals

- 2.6 Article 36 of the VCCR entitles an arrested person consular access if he or she requests it, and prescribes that it should be granted 'without delay'.⁷ Australia's procedures for Vietnamese consular officials' access to Vietnamese citizens arrested or detained within Australia are currently in line with article 36 of the VCCR.⁸
- 2.7 Mr Sridhar Ayyalaraju from DFAT advised the Committee that under the VCCR, governments are also required to provide notice to consular officials without delay when a foreign national has been detained.⁹ However, the VCCR does not identify a time limit for notification.¹⁰
- 2.8 The Consular Agreement provides set time frames for consular notification and access. Specifically, consular officials must be notified within three working days if a foreign national is arrested or detained.¹¹ In addition, a consular visit to the detainee must be permitted within two working days thereafter, unless the detainee expressly requests that the consular post is not informed.¹²
- 2.9 The Consular Agreement also details the regularity of consular visits to detained nationals, including guaranteed monthly consular visits and consular representation at a trial.¹³

5 Article 21, *Consular Agreement between Australia and the Socialist Republic of Vietnam*.

6 Mr Rod Smith, *Transcript of Evidence*, 8 March 2004, p. 3.

7 Department of Foreign Affairs and Trade (DFAT), *Submission*, p. 1.

8 DFAT, *Submission*, p. 1.

9 Mr Sridhar Ayyalaraju, *Transcript of Evidence*, 8 March 2004, p. 3.

10 NIA, para. 9.

11 NIA, para. 9 and Mr Sridhar Ayyalaraju, *Transcript of Evidence*, 8 March 2004, p. 3.

12 NIA, para. 9 and Mr Sridhar Ayyalaraju, *Transcript of Evidence*, 8 March 2004, p. 3.

13 NIA, para. 10.

- 2.10 According to the NIA, Parties will also be obliged to provide reasons for the detention of a national and give details of any charges against a detained national.¹⁴

Dual nationality

- 2.11 The Committee was informed that one of the difficulties experienced by Australian consular officials was in relation to access to detained Vietnamese-Australian citizens.¹⁵ This was because dual nationality was not recognised under Vietnamese law.¹⁶
- 2.12 The Consular Agreement reaffirms that any person who possesses an Australian passport, regardless of his or her nationality, is entitled to assistance from Australian consular posts.¹⁷

Entry into force

- 2.13 Under article 22, the Consular Agreement shall take effect 31 days after an exchange of notes whereby the Parties notify the other of the completion of their domestic requirements to give effect to the Agreement.

Implementation

- 2.14 The NIA states that there are 'no foreseeable direct financial costs' to Australia as a result of the Consular Agreement, as all obligations can be carried out by consular staff as part of their normal duties.¹⁸
- 2.15 In addition, no legislative changes will be required as all obligations can be implemented under existing legislation.¹⁹

14 NIA, para. 10.

15 Mr Rod Smith, *Transcript of Evidence*, 8 March 2004, p. 2.

16 NIA, para. 11.

17 NIA, para. 11.

18 NIA, para. 15.

19 NIA, para. 14.

Consultation

- 2.16 The Commonwealth Government consulted with State and Territory Governments, as well as the Vietnamese community in the development of the proposed Consular Agreement.²⁰
- 2.17 The Committee understands that the Vietnamese Community in Australia (VCA) raised a number of concerns with the Agreement, namely dual nationality issues, the mechanism for consultation and consular functions in the event of a deceased estate.²¹
- 2.18 Mr Smith advised the Committee that all of the concerns of the VCA have been ‘substantially met’.²² The VCA also advised the Committee that it had no further concerns with the proposed treaty action.²³

Conclusion and recommendation

- 2.19 The Committee agrees with DFAT that the Consular Agreement is practical and will provide a valuable framework for consular relations between Australia and Vietnam. The Committee also believes that it will assist Australian consular authorities in the discharge of their consular rights and duties.

Recommendation 1

The Committee supports the *Consular Agreement between Australia and the Socialist Republic of Vietnam* and recommends that binding treaty action be taken.

20 NIA, paras 16-17 and Consultation Annex.

21 NIA, para. 18.

22 Mr Rod Smith, *Transcript of Evidence*, 8 March 2004, p. 4.

23 Vietnamese Community in Australia, *Submission*, p. 1.

World Tourism Organization Statutes

- 3.1 The proposed treaty action is for Australia to rejoin the World Tourism Organization (WTO), which is a specialised agency of the United Nations, under the *World Tourism Organization (WTO) Statutes*.
- 3.2 The WTO is the leading international organisation in the area of tourism and travel with a key role in promoting the development and implementation of responsible and sustainable tourism practices around the world.¹
- 3.3 The Committee understands that the fundamental aim of the WTO is to ensure tourism contributes to ‘economic development, international understanding, peace, prosperity and universal respect for, and observance of, human rights and fundamental freedoms’.²
- 3.4 The Committee was informed that the principal gathering of the WTO is the General Assembly which meets every two years.³ The WTO is governed by an Executive Council of 27 members who are elected by the General Assembly and meet twice a year.⁴ In addition, there are six Regional Commissions which meet once a year and comprise all WTO members from that region.⁵

1 National Interest Analysis (NIA), para. 9.

2 NIA, para. 9.

3 Department of Industry, Tourism and Resources (DITR), *Submission*, p. 2.

4 DITR, *Submission*, p. 1.

5 DITR, *Submission*, p. 2.

Background

- 3.5 Australia first joined the WTO in 1979. However, the National Interest Analysis (NIA) states that ‘perceived shortcomings’ in the operations and programs of the WTO led to Australia’s later decision to withdraw. In accordance with article 35, Australia’s membership ceased in 1990.⁶
- 3.6 The Committee was interested in the nature of the shortcomings of the WTO. Mr Jeffrey Riethmuller from the Department of Industry, Tourism and Resources (DITR) advised that the WTO had been more focussed on Europe and the Northern Hemisphere, rather than the region of most significance to Australia, the Asia-Pacific region.⁷
- 3.7 The Committee understands that the situation has changed. The direction of the WTO is now consistent with Australia’s objectives for the region, especially concerning sustainable tourism development in the Asia-Pacific region.⁸ As Mr Riethmuller explained:
- The World Tourism Organization has a very keen focus on sustainable development, particularly in developing economies, many of which are in the Asia-Pacific region and most of whom see tourism as an opportunity to expand their general national economic development.⁹
- 3.8 The WTO has also established an office in Japan which acts as a base for WTO activities in the region, and it has a special commission which handles issues within the Asia-Pacific region.¹⁰
- 3.9 The Committee understands that Australia’s membership of the WTO is an initiative of the 2003 Tourism White Paper, *A Medium to Long Term Strategy for Tourism*. The White Paper establishes the foundation for sustainable development and growth of Australia’s tourism industry.¹¹

6 NIA, para. 3.

7 Mr Jeffrey Riethmuller, *Transcript of Evidence*, 8 March 2004, p. 7.

8 NIA, para. 4.

9 Mr Jeffrey Riethmuller, *Transcript of Evidence*, 8 March 2004, p. 7.

10 Mr Jeffrey Riethmuller, *Transcript of Evidence*, 8 March 2004, p. 7.

11 NIA, para. 10.

Benefits of WTO membership

- 3.10 The benefits for Australia rejoining the WTO include:
- the ability to shape regional and global tourism policy
 - building Australia's knowledge of key international tourism developments
 - greater access to research and statistics
 - the expansion of Australia's network of contacts
 - increasing Australia's capacity to respond to global events which impact on tourism
 - the generation of export revenue for Australia's tourism services sector.¹²
- 3.11 Mr David Mazitelli from the Australian Tourism Export Council advised the Committee:
- From a business perspective, Australia has everything to gain from membership and we strongly support the rejoining for those reasons.¹³
- 3.12 At the public hearing, the Committee was interested to hear of some of the WTO programs and policies that would be of benefit to Australia. Mr Riethmuller advised that the WTO was addressing issues such as crisis recovery, following events such as September 11, the Bali bombings and the Severe Acute Respiratory Syndrome (SARS) epidemic.¹⁴ In addition, Mr Riethmuller commented that the WTO's:
- work in developing crisis recovery policies and procedures, and undertaking research to underpin them, is very important. These very important areas we have done some work in and would like to be more involved with.¹⁵
- 3.13 Mr Mazitelli informed the Committee about the WTO's involvement in the development of the tourism satellite account which has recently

12 NIA, paras 5 and 11.

13 Mr David Mazitelli, *Transcript of Evidence*, 8 March 2004, p. 10.

14 Mr Jeffrey Riethmuller, *Transcript of Evidence*, 8 March 2004, p. 11.

15 Mr Jeffrey Riethmuller, *Transcript of Evidence*, 8 March 2004, p. 11.

been adopted by Australia.¹⁶ Mr Mazitelli advised that:

For the first time, it [the tourism satellite account] enables the Australian tourism sector, which is a difficult sector to measure in a statistical sense, to be compared to other industry sectors within the Australian economy on an equal basis. It therefore provides very real benefits from an economic planning perspective and from the perspective of understanding the growth of the industry.¹⁷

Obligations

- 3.14 The NIA states that, as a member, Australia would be obliged to provide the WTO with privileges and immunities required for the exercise of its function.¹⁸
- 3.15 According to the NIA, while there would be no direct obligation for Australia to comply with the aims of the WTO, Australia's membership may be suspended under article 34 of the Statutes, if Australia was found to 'persist in a policy that is contrary to the fundamental aim.'¹⁹ However, the Department of Foreign Affairs and Trade advised the Committee that there have been no cases where a WTO member has been suspended pursuant to article 34.²⁰
- 3.16 The Committee understands that the WTO has a set of recommendations, the Global Code of Ethics, which members are encouraged to follow, although there is no obligation to do so.²¹

Implementation

- 3.17 According to the NIA, the only legislative change required for Australia to accede to the WTO is an amendment to the *Specialized Agencies (Privileges and Immunities) Regulations 1986*, to recognise the

16 Mr David Mazitelli, *Transcript of Evidence*, 8 March 2004, p. 11.

17 Mr David Mazitelli, *Transcript of Evidence*, 8 March 2004, p. 11.

18 NIA, para. 24.

19 NIA, para. 22.

20 Department of Foreign Affairs and Trade, *Submission 16.1*, p. 1.

21 NIA, para. 23.

WTO as a specialized agency and grant the WTO appropriate privileges and immunities.²²

Costs

- 3.18 The Committee understands that, as a member, Australia would be obliged to contribute financially to the WTO by payment of an annual membership fee of €160,911 (approximately A\$261,516).²³ The NIA states that this fee is based on Australia's GDP, population and tourism receipts.²⁴
- 3.19 In addition, there is a one-off payment to the Working Capital Fund of around 5% of annual membership which can be refunded to a departing member.²⁵
- 3.20 According to the NIA, funding for Australia's membership of the WTO is included in a \$235 million Government package to implement the 2003 Tourism White Paper.²⁶

Consultation

- 3.21 The Committee recognises that an extensive consultation process was undertaken with a range of government and industry bodies, as part of the development of the Tourism White Paper, which recommends Australia's membership of the WTO.²⁷ In addition, state and territory tourism organisations were advised of the implications, obligations and benefits of WTO membership.²⁸
- 3.22 Mr Riethmuller advised the Committee that all State and Territories, as well as the key tourism industry associations, have supported the proposal for Australia to rejoin the WTO:

The Australian Tourism Export Council, together with the National Tourism Alliance, which represents something like

22 NIA, para. 25.

23 NIA, para. 26.

24 NIA, para. 26.

25 NIA, para. 26.

26 NIA, para. 6.

27 NIA, paras 28-29 and Annex 1 – Consultation.

28 NIA, para. 30.

23 individual business associations covering most sectors across the industry, were all very supportive.²⁹

- 3.23 The NIA states that the Commonwealth Government will continue to liaise with industry and State and Territory Governments in relation to WTO activities.³⁰

Conclusion and recommendation

- 3.24 The Committee agrees with DITR that rejoining the WTO would be beneficial for Australia. Membership would provide opportunities such as influencing the policy direction of the WTO, allowing greater access to WTO research and statistics, and generating export revenue for Australia's tourism services sector.

Recommendation 2

The Committee supports the *World Tourism Organization (WTO) Statutes* and recommends that binding treaty action be taken.

29 Mr Jeffrey Riethmuller, *Transcript of Evidence*, 8 March 2004, p. 13.

30 NIA, Annex 1 – Consultation.

2002 Amendments to the Constitution and Convention of the International Telecommunication Union

- 4.1 The proposed treaty action is accession to the *Instruments Amending the Constitution and the Convention of the International Telecommunication Union (Geneva, 1992) as amended by the Plenipotentiary Conference (Kyoto, 1994) and by the Plenipotentiary Conference (Minneapolis, 1998) (Marrakesh, 18 October 2002)*. The amending Instruments were adopted at the 2002 Marrakesh Plenipotentiary Conference of the International Telecommunication Union (ITU).
- 4.2 The Constitution and Convention are the primary instruments of the ITU, outlining the rights and obligations of its Member States.¹ The 2002 Amendments to these documents are described as ‘uncontroversial’² and do not substantially change the basic obligations of Member States.³

Background

- 4.3 The ITU is a United Nations specialised agency with 189 government entities and approximately 500 non-government entities.⁴ The
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1 National Interest Analysis (NIA), para. 12.

2 Mr Maurice Austin, *Transcript of Evidence*, 8 March 2004, p. 17. See also Mr Colin Oliver, *Transcript of Evidence*, 8 March 2004, p. 16.

3 NIA, para. 12.

4 Mr Colin Oliver, *Transcript of Evidence*, 8 March 2004, p. 15.

primary purpose of the ITU is to maintain and extend international cooperation between Members for the improvement and rational use of telecommunications of all kinds.⁵ The ITU provides an international framework for the operations of the communications industries.⁶

- 4.4 Australia has been a member of the ITU and its predecessor since Federation,⁷ and is a 'significant financial contributor'.⁸ Australia's interaction with the ITU is coordinated by the Department of Communications, Information Technology and the Arts (DCITA), and both government and private organisations participate in ITU forums.⁹

Scope of the 2002 Amendments

- 4.5 As outlined in the National Interest Analysis (NIA), the changes to the ITU instruments are primarily administrative:
- A new provision has been inserted into the Constitution that authorises each Sector's Assembly of Conference to set up its own working methods;
 - New provisions mirroring the new Constitution text have been inserted in the relevant Convention text that relates to the powers of each Sector's Assembly or Conference; and
 - The text of the Convention that relates to each Sector now specifically recognises the ability of each Sector to establish groups other than Study Groups (although such other groups cannot approve Questions or Recommendations).¹⁰

Rationale for amendment

- 4.6 The Committee understands that the 2002 Amendments provide increased flexibility and procedures within the three ITU sectors, namely the Radiocommunications Sector, the Telecommunication Standardisation Sector, and the Telecommunication Development Sector.¹¹ Flexibility within each ITU Sector is necessary in order to

5 NIA, para. 14.

6 NIA, para. 11.

7 NIA, para. 12.

8 NIA, para. 8.

9 Mr Colin Oliver, *Transcript of Evidence*, 8 March 2004, p. 15.

10 NIA, para. 16.

11 NIA, para. 9.

adapt to the rapidly changing telecommunications industry and to the increased participation of non-government members within the ITU.¹²

4.7 Mr Colin Oliver from DCITA advised the Committee that:

The 2002 amendments generally reflect Australia's objectives of supporting ongoing reform and greater efficiency of the ITU and are not controversial.¹³

4.8 The NIA states that Australia supports ongoing reforms in the operation of the ITU in order to further the development of 'an efficient, export-oriented Australian communications industry'.¹⁴

Implementation

4.9 The NIA states that the proposed treaty action would not require changes to the *Telecommunications Act 1997* or any related primary legislation. However, the *Telecommunications (Compliance with International Conventions) Declaration No. 1 of 1997* and *Telecommunications (International Conventions) Notification No. 1 of 1997* will require updating to refer to the 1998 and 2002 amendments to the Constitution and Convention.¹⁵

4.10 The NIA states that no extra costs will arise as a result of the 2002 Amendments,¹⁶ and that no action would be required by State or Territory Governments as a result of ratification.¹⁷

Entry into force

4.11 The 2002 Amendments entered into force generally on 1 January 2004.¹⁸ The Amendments were signed for Australia in October 2002.¹⁹

12 Mr Colin Oliver, *Transcript of Evidence*, 8 March 2004, p. 16.

13 Mr Colin Oliver, *Transcript of Evidence*, 8 March 2004, p. 16.

14 NIA, para. 8.

15 NIA, para. 19.

16 NIA, para. 21.

17 NIA, para. 20.

18 NIA, para. 3.

19 NIA, para. 3.

Consultation

- 4.12 The NIA states that over a one and a half year period prior to the 2002 Plenipotentiary Conference, a series of preparatory meetings were held with Commonwealth Government agencies and Australian telecommunication industry members.²⁰ Australia also participated in a series of Asia-Pacific regional preparatory meetings.²¹
- 4.13 Key participants in the Australian process were DCITA, the National Office for the Information Economy, the Australian Communications Authority, the Department of Foreign Affairs and Trade, the Department of Defence, the Department of Transport and Regional Services, Telstra, Optus, Boeing Australia and Vodafone.²²
- 4.14 According to the NIA, the proposed treaty action is consistent with input received from stakeholders during the consultation process.²³

Conclusion and recommendation

- 4.15 The Committee believes that the 2002 Amendments will enhance the procedures and flexibility of the ITU, and encourage further reforms in relation to the efficiency and relevance of ITU operations. The 2002 Amendments are in line with Australia's objectives and facilitate the development of Australia's communications industry.

Recommendation 3

The Committee supports the *Instruments Amending the Constitution and the Convention of the International Telecommunication Union (Geneva, 1992) as amended by the Plenipotentiary Conference (Kyoto, 1994) and by the Plenipotentiary Conference (Minneapolis, 1998) (Marrakesh, 18 October 2002)* and recommends that binding treaty action be taken.

20 NIA, para. 22.

21 NIA, para. 22.

22 NIA, para. 23.

23 NIA, Annexure A – Consultations.

Withdrawal from the International Fund for Agricultural Development

- 5.1 The proposed treaty action is that Australia withdraw from the *Agreement Establishing the International Fund for Agricultural Development* (the Agreement) as the Fund lacks relevance to the Australian aid program and its priorities, and is not performing effectively.
- 5.2 During its deliberations the Committee considered, amongst other things, the following:
- reasons for the proposed withdrawal
 - communication between the Australian Agency for International Development (AusAID) and the International Fund for Agricultural Development (IFAD or the Fund)
 - consultation
 - international interest concerning Australia's proposed withdrawal
 - alternative approaches to address concerns
 - implementation, obligations and costs of withdrawal
 - impacts on stakeholders.
- 5.3 These issues are briefly canvassed in this Chapter.

Background

- 5.4 The IFAD is a small, specialised agency of the United Nations and was established as an international financial institution in 1977. IFAD was developed as an outcome of the 1974 World Food Conference which was held in response to the food crises of the early 1970s (that mainly affected the Sahelian¹ countries of Africa).² IFAD aims to mobilise resources on concessional terms for agricultural development in Developing Member States.³
- 5.5 As at 10 May 2004, there were 163 Member States to the Agreement.⁴ The Committee is aware that, to date, no Member States have withdrawn from the Agreement.⁵
- 5.6 Since its establishment, IFAD has undertaken 653 projects in 115 countries, and invested over US\$22 billion to assist about 50 million rural households.⁶

Australia's aid program and IFAD

- 5.7 Australia's aid program, administered by AusAID, is focused on the Asia-Pacific region. Despite the fact that the majority of the world's poor live in the Asia-Pacific, the region receives less than one-third of total global aid flows.⁷
- 5.8 Australia is recognised as a lead donor in South-East Asia and the Pacific by other international donors, and seeks to ensure that international agencies are also focused on the region.⁸
- 5.9 Australia has been a member of IFAD and participated in its operations since the Fund's establishment in 1977.⁹ Australia is a

1 Semi-arid region of north-central Africa south of the Sahara Desert.

2 International Fund for Agricultural Development (IFAD), 'About IFAD', <http://www.ifad.org/governance/ifad/ifad.htm> (21/04/04).

3 Article 2, *Agreement Establishing the International Fund for Agricultural Development* (the Agreement)

4 IFAD, 'IFAD Member States', <http://www.ifad.org/governance/ifad/ms.htm> (10/05/04).

5 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 3.

6 IFAD, *Submission*, p. 3 and IFAD, 'About IFAD', <http://www.ifad.org/governance/ifad/ms.htm> (10/05/04)

7 Results Australia, *Submission*, p. 4 and House of Representatives 2004, *Debates*, vol. HR13, p. 7095.

8 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 27 and House of Representatives 2004, *Debates*, vol. HR13, p. 7095.

member of the Organisation for Economic Co-operation and Development (OECD) grouping, and has a permanent position on the Executive Board.¹⁰

- 5.10 AusAID advised the Committee that Australia's shareholding in IFAD is less than 1%.¹¹ AusAID reports that Australia has 'committed a total of A\$50.3 million' to the Fund since 1977,¹² whereas IFAD states that Australia has 'contributed US\$47 million'.¹³ The National Interest Analysis (NIA) indicates that Australia's cumulative contribution to IFAD until the end of the 2003-04 financial year is approximately 0.13% of Australia's total Official Development Assistance (ODA).¹⁴
- 5.11 IFAD also informed the Committee that Australia currently holds US\$12.9 million in Australian government bonds.¹⁵

Reasons for proposed withdrawal

- 5.12 AusAID has had concerns regarding IFAD's performance in relation to the Australian aid program and its priorities for 'a substantial period of time'.¹⁶
- 5.13 The fundamental reasons for Australia's proposed withdrawal from the Agreement include IFAD's:
- lack of focus on South-East Asia and the Pacific
 - lack of comparative advantage and focus
 - shortcomings in management and donor relations.¹⁷
- 5.14 Some of Australia's concerns were shared by other international donors.¹⁸

9 IFAD, *Submission*, p. 3.

10 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 33.

11 National Interest Analysis, (NIA), para. 4.

12 A\$50.3 million approximately equals US\$34.8 million (exchange rate on 10 May 2004 A\$1 = US\$1.4472). NIA, para. 4.

13 A\$68.0 million approximately equals US\$47 million (exchange rate on 10 May 2004 A\$1 = US\$1.4472). IFAD, *Submission*, p. 5.

14 NIA, para. 4.

15 IFAD, *Submission 11.3*, p. 1 and IFAD, *Submission 11.4*, p. 1.

16 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, pp. 29-30.

17 NIA, para. 5.

Lack of focus on South-East Asia and the Pacific

- 5.15 Mr Charles Tapp, from AusAID, advised the Committee that IFAD is 'marginal' to Australia's aid program and its priorities within South-East Asia and Pacific.¹⁹
- 5.16 The NIA states that, between 1998 and 2002, 7% of total IFAD lending went to South-East Asia, compared with 25% of Australia's total ODA for the equivalent period (1997-98 to 2001-02).²⁰ IFAD informed the Committee that 11.2% of the Fund's resources are currently allocated to South-East Asia.²¹
- 5.17 His Excellency Mr Imron Cotan, Ambassador for the Republic of Indonesia to Australia, informed the Committee that there has been a shift in IFAD's operations so as to favour South-East Asia, extending lending to the region.²²
- 5.18 However, Mr Tapp advised that IFAD has not had a new project in the Pacific since 1993.²³ IFAD acknowledges there has been a lack of focus on the Pacific region in recent years, primarily due to IFAD Board policy.²⁴
- 5.19 The Committee understands that, in order to address IFAD's program decline in the Pacific, the Board has agreed in principle to establish a major initiative to re-engage with the region.²⁵ Mr Lennart Båge, President of IFAD, advised Mr Tapp of the intention to re-engage with the region in October 2003.²⁶
- 5.20 The Committee received evidence from IFAD that '[F]unds have already been earmarked, consultations have been held with the representatives of the Pacific Island countries' and strategy fieldwork would commence in March and September 2004.²⁷ IFAD also intends

18 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 33; Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 27 and AusAID, *Submission*, p. 1.

19 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, pp. 21 and 24.

20 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 21 and NIA, para. 8.

21 IFAD, *Submission*, p. 3.

22 His Excellency Mr Imron Cotan, *Submission*, p. 4.

23 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 21. See also Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 38.

24 IFAD, *Submission*, p. 2 and Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, pp. 34 and 38.

25 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 38 and IFAD, *Submission*, p. 2.

26 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 31.

27 IFAD, *Submission*, pp. 2 and 4.

to hold a ‘consolidation workshop’ hosted by New Zealand in May 2004 to develop the Pacific strategy.²⁸ Mr Alan Prien from IFAD told the Committee:

as we start to do some small projects and perhaps increase our grants program in the Pacific we cannot really work without the big player in the South Pacific. So that is our basic concern. We want to try to keep our relationships with AusAID open—or perhaps I should say that we want to restore them.²⁹

5.21 However, Mr Tapp argued that the process of IFAD’s engagement in the Pacific:

is slow; the sums of money allocated are small. In terms of what we would consider full engagement within our immediate region, no, IFAD has not addressed our concerns.³⁰

5.22 He further advised the Committee:

We are interested when organisations show a real commitment to engagement in the Pacific. We are interested when organisations have a presence, which is a pretty major indication of that form of engagement—the quality of the strategy development and the policy engagement that organisations are involved in with host governments, other key stakeholders and governments such as ourselves.³¹

5.23 The Committee is also aware that Australia is engaged with a number of UN organisations that have demonstrated a significant commitment to the region, including the following:

- World Food Program
- United Nations Development Program (UNDP)
- World Health Organisation
- United Nations Children’s Fund (UNICEF)
- Joint United Nations Programme on HIV/AIDS
- International Committee of the Red Cross.³²

28 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 34.

29 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 16.

30 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 25.

31 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 31.

32 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 21.

- 5.24 Mr Tapp advised the Committee that some multilateral organisations have established infrastructure within the region; for example, UNDP and UNICEF have offices throughout the region, the World Bank has established a regional office in Sydney, and the Asian Development Bank has offices in Port Moresby and Port Vila and is establishing offices in Sydney and Suva.³³
- 5.25 The Committee acknowledges the comments from Results Australia, Agricultural Consultant Mr Jack Twyford, and Agricultural Economist Mr Ian Teese, that it is also important for Australia to maintain support for organisations - such as IFAD - that work outside Australia's immediate interests in the region.

Lack of comparative advantage and focus

- 5.26 According to the evidence provided to the Committee by AusAID, IFAD's mandate and method of aid delivery are 'not unique',³⁴ and the Fund 'has no proven track record of comparative advantage in the Pacific when compared to many other organisations'.³⁵ Mr Tapp stated:

The Pacific has its own institutions and many other organisations that are working very effectively in this area. Working through IFAD would only add another layer of bureaucracy and additional transaction costs.³⁶

Organisations assisting rural development

- 5.27 IFAD states that its exclusive focus on the rural poor and agricultural development is unique among international development agencies.³⁷
- 5.28 However, AusAID argued that there are a number of multilateral organisations similar to IFAD, which fund projects to promote agricultural development and food security.³⁸ The NIA states that World Bank loans for rural development reached US\$31.8 billion from 1989-90 to 2001-02, compared with IFAD lending of US\$4.8 million for

33 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, pp. 21 and 25.

34 NIA, paras 10 and 11.

35 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 22.

36 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 24.

37 IFAD, *Submission*, p. 3.

38 NIA, para. 10.

roughly the same period (1990-2002).³⁹ Further, Mr Tapp advised:

the World Bank and the Asian Development Bank lend far more for rural development in South-East Asia and the Pacific than IFAD does, both in absolute terms and as a proportion of their total lending for rural development.⁴⁰

5.29 Dr Geoffrey Fox from AusAID advised the Committee that IFAD:

is project orientated, and often its projects are small, narrowly focused, spread thinly across countries and cannot be replicated, leveraged and scaled up.⁴¹

5.30 In 2002, for example, IFAD's portfolio comprised 203 projects in 92 countries.⁴²

5.31 However, Mr Prien advised the Committee that IFAD's small-scale operation is a strength, complementing the work of the larger rural development organisations.⁴³ Consultants suggested that IFAD's small size is advantageous when establishing and developing projects that address sensitive issues.⁴⁴ For example:

Governments can accept funding from IFAD for politically sensitive programs that they would not be willing to accept from the World Bank or ADB [Asian Development Bank].⁴⁵

Method of aid delivery

5.32 IFAD stated that it specialises in 'grassroots' aid delivery working closely with rural communities on poverty alleviation.⁴⁶ Stakeholders advised the Committee of their first-hand experience with IFAD's projects, and indicated their strong support for the Fund's development 'niche' and positive impact on the rural poor.⁴⁷

39 NIA, para. 10.

40 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 22.

41 Dr Geoffrey Fox, *Transcript of Evidence*, 22 March 2004, p. 4.

42 NIA, para. 14.

43 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, pp. 13-14. See also Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 32.

44 Mr D'Arcy Gibbs, *Submission*, p. 1 and Mr Phillips Young, *Submission*, p. 3.

45 Mr Phillips Young, *Submission*, p. 3.

46 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 32.

47 See for example Australian Consultants Fraternity, *Submission*, pp. 4-7; Dr Colin Barlow, *Transcript of Evidence*, 8 March 2004, p. 35-36; Mr John Bingle, *Submission*, p.1; Mr D'Arcy Gibbs, *Transcript of Evidence*, 8 March 2004, p. 36; Mr D'Arcy Gibbs, *Submission*, p. 1; and Mr Phillips Young, *Submission*, p. 2.

- 5.33 However, the NIA states that ‘NGOs specialise in empowering the poor, using local expertise, establishing long-term partnerships and managing cost-effective and sustainable programs’.⁴⁸
- 5.34 Results Australia advised the Committee that multilateral development banks have shown a renewed interest in rural development at a sector and program level, whereas IFAD is primarily involved at the project level.⁴⁹ However, AusAID told the Committee that:
- The focus on stand-alone projects is something that is increasingly being seen by the international community to have limited impact.⁵⁰
- 5.35 The NIA also states:
- IFAD has not effectively consolidated lessons learned from the field and consequently has not established itself as a valuable source of practical knowledge on rural development.⁵¹
- 5.36 AusAID also believes that IFAD has not demonstrated its effectiveness on the ground ‘due to a lack of effective reporting and evaluation’.⁵² Further, AusAID pointed out that in comparison with other organisations, IFAD has produced only a small number of publications and analyses of relevance to the Australian aid program.⁵³
- 5.37 The NIA states that IFAD has expanded its operations beyond its original objective ‘into areas in which it has no expertise, such as peacemaking initiatives’.⁵⁴ AusAID drew to the Committee’s attention that IFAD’s *Regional Strategy: Asia and the Pacific (2002)* states, the ‘Fund will also seek more substantive experience in peacemaking through development initiatives’.⁵⁵

48 NIA, para. 11.

49 External Review of the Results and Impact of IFAD Operations, 2002, p. 1 in Results Australia, *Submission*, p. 4.

50 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 23.

51 NIA, para. 12.

52 NIA, Attachment 1 – Consultations, p. 1.

53 NIA, para. 12.

54 NIA, para. 13.

55 IFAD, *Regional Strategy Paper: Asia and the Pacific*, Asia and the Pacific Division – Programme Management Department, March 2002, p. 8 in AusAID, *Submission*, p. 2.

5.38 However IFAD reassured the Committee that it is not involved in peacemaking.⁵⁶ Mr Prien advised the ‘closest we come to that is in what we call post-conflict rehabilitation’.⁵⁷ Mr Carruthers explained the ‘poorest of the poor are affected by many conflicts’ and that ‘[I]n some countries we will inevitably be involved in trying to reconstruct rural villages that have come through a conflict situation’.⁵⁸

Shortcomings in IFAD’s management and donor relations

5.39 AusAID advised the Committee that IFAD’s management is inefficient and has a history of poor communication.⁵⁹

5.40 The NIA states that the ‘provisions of the Agreement have created structural inefficiencies that obstruct effective management of the Fund’.⁶⁰ Specifically, Article 7(2) of the Agreement requires IFAD to implement its activities through other international institutions, such as the UN Office for Project Services and the World Bank. The Committee notes however, that IFAD is ‘piloting’ the direct implementation of 15 projects.⁶¹

5.41 According to the NIA, IFAD is also regarded as having poor communication and coordination between central management and the field.⁶² AusAID further advised the Committee that IFAD’s poor communications with donor countries is widely acknowledged by donors and Australian stakeholders.⁶³ Moreover, ‘IFAD’s progress in adopting alternative approaches has been unacceptably slow’.⁶⁴

5.42 Mr Tapp observed that the level of communication from IFAD has increased following the announcement of Australia’s decision to withdraw.⁶⁵ Yet:

In spite of IFAD having new management since early 2001,
the failure of them to engage with Australia prior to our

56 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 37 and Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 6.

57 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 6.

58 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, pp. 37 and 38.

59 NIA, paras 15-17.

60 NIA, para. 15.

61 NIA, para. 15.

62 NIA, para. 16.

63 NIA, para. 17.

64 NIA, para. 16.

65 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 31.

decision to withdraw has not given us much confidence to be able to form an effective partnership in the future.⁶⁶

- 5.43 Mr Tapp suggested that there were also some previous concerns in relation to IFAD's financial management:

There were concerns in relation to reform in terms of having a much greater focus on results. There had been discussions with IFAD on lending that would actually follow performance.⁶⁷

- 5.44 In relation to IFAD's communication, Mr Prien told the Committee that:

IFAD has had a history of dealing mainly with its recipient countries, because that is our core business... However we do have a rather systematic process of dealing with our donor countries.⁶⁸

- 5.45 IFAD informed the Committee that during the sixth replenishment (IFAD 6) 'most donors expressed considerable satisfaction in the management of the organization and in the direction in which IFAD was heading'.⁶⁹ IFAD believes that this is supported by the fact that the majority of OECD countries increased their contributions to the Fund in IFAD 6.⁷⁰

- 5.46 The Committee understands that, as a result of donor concerns during the sixth replenishment strategy, IFAD has introduced a new management approach including: results based management; performance based allocation of resources; enhanced field presence; and a 'scaling up' in policy dialogue.⁷¹

Communication between AusAID and IFAD

- 5.47 During the Committee's deliberations it became evident that AusAID and IFAD had conflicting accounts of the occurrence and content of
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66 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 24.

67 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 30.

68 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 7.

69 IFAD, *Submission*, p. 3.

70 IFAD, *Submission*, p. 3.

71 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 33.

meetings between the two organisations regarding Australia's concerns and proposed withdrawal.

- 5.48 AusAID advised the Committee that its concerns were raised with IFAD (not including the Board structure of IFAD)⁷² by Australia's Counsellor (Development Cooperation) in Rome on 'several occasions'⁷³ during IFAD 6.⁷⁴ According to Mr Tapp, during:
- the IFAD 6 process, we did not see a response to our specific concerns. We saw some intent to deal with broad donor concerns about management and effectiveness issues. Despite repeated concerns about whether our issues were going to be addressed by our counsellor, as at April last year we had received no response, and we advised IFAD by letter of our intention to withdraw.⁷⁵
- 5.49 IFAD, on the other hand, believed that 'the issues raised were addressed positively in the consultation process leading to the recent Sixth Replenishment in 2002'.⁷⁶
- 5.50 On 6 May 2002, Mr Tapp wrote a 'strong'⁷⁷ letter to Mr Båge, President of IFAD, 'making the concerns clear to IFAD management', and indicating that Australia would be assessing its involvement from first principles.⁷⁸
- 5.51 The Committee recognises that there is a significant discrepancy in the evidence provided to it concerning the meeting between Mr Båge and Mr Bruce Davis, Director-General of AusAID, held on 10 May 2003 in Rome. As Mr Prien pointed out neither he nor Mr Tapp were present at the meeting, and therefore rely on the accounts and minutes provided by others.⁷⁹

72 Mr Tapp explained that AusAID did not express its concerns via the Board structure of IFAD as 'we were not of the view that that was the most appropriate forum to use'. Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 24.

73 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 2 and AusAID, *Submission*, p. 1.

74 NIA, para. 17 and Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 23.

75 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 23.

76 IFAD, *Submission*, p. 5.

77 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 30 and Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 2. See extract of the letter in *Transcript of Evidence*, 8 March 2004, p. 30.

78 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 23.

79 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 15.

- 5.52 AusAID advised the Committee that Mr Båge 'did not redress any of the concerns' raised in Mr Tapp's letter at the meeting.⁸⁰ According to AusAID's formal record of the meeting, Mr Båge 'seemed intent on avoiding any discussion of some of the more pressing questions about IFAD's field effectiveness and relevance in the Asia-Pacific'.⁸¹ Further, Mr Båge had the 6 May 2003 letter before him, but 'studiously avoided any reference to it throughout the meeting'.⁸²
- 5.53 In contrast, Mr Prien reported that Mr Båge and Mr Davis 'covered all six points that were raised in the AusAID letter'.⁸³ Mr Prien further advised that IFAD's Assistant President of External Affairs and the Chef de Cabinet of the President were present at the meeting on 10 May 2003 and can 'remember these items being discussed but they agree that the president did not say he could agree to them, because they were under negotiation'.⁸⁴

Consultation

- 5.54 In late 2003 the Government undertook a series of consultations with stakeholders concerning the proposed withdrawal from the Agreement, involving:
- domestic stakeholders (consultants, academics and representatives of NGOs)
 - Australian IFAD staff
 - Commonwealth government departments, and State and Territory Governments.⁸⁵

Domestic stakeholders

- 5.55 The NIA reports two meetings were held with Australian consultants, academics and representatives of NGOs on 29 August 2003 in Sydney⁸⁶ and 22 October 2003 in Canberra.⁸⁷

80 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 23 and Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 2.

81 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 2 and AusAID, *Submission*, p. 1.

82 AusAID, *Submission*, p. 1.

83 Mr Alan Prien, *Transcript of evidence*, 8 March 2004, p. 35.

84 Mr Alan Prien, *Transcript of Evidence*, 9 March 2003, p. 15.

85 NIA, Attachment 1 – Consultations, pp. 1-3.

- 5.56 According to the NIA, at both meetings the ‘majority of active participants considered that Australia should not withdraw from IFAD’.⁸⁸ It further notes that most opponents to Australia’s withdrawal currently hold, or have held, a financial interest in the Fund as consultants.⁸⁹ Moreover, it is the Australian Government’s view that the meetings ‘did not bring to light any new issues that would warrant a reconsideration of the original decision to withdraw’.⁹⁰
- 5.57 The Committee was interested to learn that few non-government aid agencies expressed opposition to the proposed treaty action at the meetings.⁹¹
- 5.58 During the Committee’s inquiry, a significant number of Australian stakeholders expressed concern that they were not consulted prior to the Government’s decision to withdraw from the Agreement.⁹² The stakeholders also told the Committee that they will be adversely affected by Australia’s withdrawal (see Impacts on Stakeholders).
- 5.59 In this regard, AusAID advised the Committee that in the absence of engagement by IFAD management, the Government did not think it appropriate to consult with other IFAD stakeholders at an earlier stage.⁹³

86 Attended by AID/WATCH; Australian Council for Overseas Aid (ACFOA); Australian Mekong Resource Centre; consultants; Department of Political and Social Change, Research School of Pacific and Asian Studies, Australian National University; International Rivers Network; Oxfam Community Aid Abroad; the Treasury; World Vision Australia; and AusAID. NIA, Attachment 1 – Consultations, p. 2.

87 Attended by Austarm Machinery; Australian Centre for International Agricultural Research; ACFOA; Australian Institute of Agricultural Science and Technology; consultants; Crawford Fund; Department of Political and Social Change, Research School of Pacific and Asian Studies, Australian National University; Foundation for Development Cooperation; GRM International; NTA – East Indonesia Aid; UN Association in Australia and AusAID. NIA, Attachment 1 – Consultations, p. 3.

88 NIA, Attachment 1 – Consultations, p. 1.

89 NIA, Attachment 1 – Consultations, p. 1.

90 NIA, Attachment 1 – Consultations, p. 2.

91 NIA, Attachment 1 – Consultations, p. 1.

92 See for example: Australian Consultants Fraternity, *Submission*, pp. 2, 7-8; Australian Institute of Agricultural Science and Technology, *Submission*, p. 1; Australian staff members of IFAD, *Submission*, pp. 1 and 3; Mr Jeff Ball, *Submission*, p. 1; Mr D’Arcy Gibbs, *Submission*, p. 2; IFAD Support Group, *Submission*, p. 16; Mr Garry Smith, *Submission*, p. 2; Mr Tony Windsor MP, *Submission*, p. 1.

93 NIA, Attachment 1 – Consultations, p. 2.

Australian IFAD staff

- 5.60 The Committee was interested in the consultation process with Australian IFAD staff in relation to the proposed withdrawal, and was concerned by the evidence it received in this regard.
- 5.61 According to the NIA, in 2002 there were three Australian staff members and seven Australian consultants employed by IFAD.⁹⁴ This number has since increased as the Australian staff members of IFAD told the Committee that there are currently 17 employees who are Australian nationals.⁹⁵
- 5.62 The Australian staff members of IFAD advised the Committee that they were concerned Australian authorities did not consult with them prior to the Government reaching its decision to withdraw.⁹⁶ Mr Tapp commented:
- I understand that this may have generated a level of concern and angst. However, in the complete vacuum of responses coming from IFAD, that was a decision which we took at the time.⁹⁷
- 5.63 The Committee understands that His Excellency Mr Murray Cobban, Ambassador for Australia to Italy, and the Adviser (Development Cooperation) arranged a meeting with Australian IFAD staff in Rome on 24 November 2003 to 'provide some clarification and information on the Australian Government's decision to withdraw from IFAD'.⁹⁸ The Australian staff members of IFAD informed the Committee that 12 staff had hoped to attend.⁹⁹ However, on the day of the meeting, the Embassy requested it be rescheduled until 27 November 2003. Only three members were able to attend the rescheduled meeting.¹⁰⁰
- 5.64 The submission from AusAID states that:
- The Ambassador went to more than reasonable lengths in offering dates for the staff meeting. Given the Ambassador's

94 NIA, para. 21.

95 Australian staff members of IFAD, p. 1.

96 Australian staff members of IFAD, *Submission*, p. 1.

97 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 23.

98 Australian staff members of IFAD, *Submission*, p. 1. See also Mr Alan Prien, *Transcript of Evidence*, 8 March 2004, p. 35.

99 Australian staff members of IFAD, *Submission*, p. 1 and NIA, Attachment 1 – Consultations. p. 3.

100 NIA, Attachment 1 – Consultations, p. 1 and Australian staff members of IFAD, *Submission*, p. 1.

very limited availability at the time the meeting needed to be rescheduled, the only alternative was to postpone the meeting for several weeks, an outcome the IFAD staff did not favour.¹⁰¹

5.65 The Committee was quite concerned that Australian IFAD staff had reportedly been advised by Australian Embassy officials:

that the decision to withdraw from IFAD had been made at ministerial level, was not open for discussion, and regardless of the recommendation of the Joint Committee, the decision would not be reversed.¹⁰²

5.66 Such comments do not reflect the stated policy of the Australian Government with respect to treaty making. The Committee seeks clarification from the Department of Foreign Affairs and Trade about these reported comments.

5.67 The Committee regards these comments as unacceptable and a reflection on the Joint Standing Committee on Treaties.

Recommendation 4

The Committee recommends that the Department of Foreign Affairs and Trade immediately investigate whether the remarks in paragraph 5.65 were made by Departmental officials and clarify whether this is the Department's approach to treaty making.

Commonwealth Government departments, and State and Territory Governments

5.68 According to the NIA, prior to seeking Ministerial approval for withdrawal from the Agreement, AusAID consulted with the Commonwealth Department of Agriculture, Fisheries and Forestry; the Treasury; the Department of Foreign Affairs and Trade (including Paris and Rome posts); the Department of Prime Minister and Cabinet; and AusAID posts and desk officers managing activities

101 AusAID, *Submission*, p. 2.

102 Australian staff members of IFAD, *Submission*, p. 1. See also for example Mr D'Arcy Gibbs, *Submission*, p. 2.

co-financed with IFAD.¹⁰³ However, the Committee observes that the NIA does not indicate the outcome of these consultations.

- 5.69 The NIA reports that AusAID informed State and Territory Governments of the Australian Government's intention to withdraw from the Agreement in November 2003.¹⁰⁴ The Queensland Department of Premier and Cabinet subsequently advised it did not have an interest in IFAD.¹⁰⁵

International interest concerning Australia's proposed withdrawal

- 5.70 The Committee is aware that there has been international interest in Australia's proposed withdrawal from the Agreement.
- 5.71 Of particular note is that New Zealand has also expressed similar concerns regarding IFAD's lack of participation in the Pacific, and decided not to participate in IFAD 6.¹⁰⁶
- 5.72 Mr Alan March from AusAID advised the Committee that the Minister for Foreign Affairs had received correspondence from an Indonesian Minister who, in his capacity as chairman of an IFAD committee, sought information on Australia's reasons for withdrawal.¹⁰⁷
- 5.73 Mr March also told the Committee that the Hon Susan Whelan, in her capacity as Canadian Minister for International Cooperation, wrote to Mr Downer requesting the reasons for Australia's withdrawal.¹⁰⁸ Mr Prien advised, however, that Ms Whelan wrote on behalf of Canada and in her capacity as OECD convenor of IFAD as there was

103 NIA, Attachment 1 – Consultations, p. 3.

104 NIA, Attachment 1 – Consultations, p. 3.

105 NIA, Attachment 1 – Consultations, p. 3.

106 United Nations, 'Status of Contributions to the Sixth Replenishment of IFAD's Resources', Third Report, Executive Board – Eightieth Session, Rome, 17-18 December 2003, EB 2003/80/R.10 <http://www.ifad.org/gbdocs/eb/80/e/EB-2003-80-R-10-ADD-1.pdf> (10/05/04). Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 34 and Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 5. New Zealand had a three-year drawdown schedule for IFAD 5. New Zealand paid out the last tranche in February 2004, see AusAID, *Submission 15.2*, p. 2.

107 Mr Alan March, *Transcript of Evidence*, 8 March 2004, p. 27.

108 Mr Alan March, *Transcript of Evidence*, 8 March 2004, p. 27 and Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 2.

considerable concern regarding Australia's announcement. Mr Prien further commented:

within the IFI [International Financial Institution] context, there is a type of burden sharing. The OECD countries provide a huge portion of the funds to all the countries for lending, which means that the other countries have to pick up a bigger share.¹⁰⁹

- 5.74 His Excellency Mr Imron Cotan, Ambassador for the Republic of Indonesian to Australia, made a submission to the Committee's inquiry requesting that Australia reconsider its decision to withdraw from the Agreement:

The Government of the Republic of Indonesia has always highly regarded the outstanding role played by Australia as a member of IFAD in promoting international cooperation in the area of agriculture. As a prominent country in the agricultural industry, Australia has a significant contribution to the development of the agricultural sector particularly in the developing and less-developing countries. The Government of the Republic of Indonesia strongly believes that the membership of Australia in IFAD will significantly enhance the function of this organization in alleviating the poverty.¹¹⁰

- 5.75 The Committee is also aware that Mr Andrew Natsios, Administrator of the US Agency for International Development, wrote to Mr Davis, Director-General of AusAID, requesting that Australia reconsider its proposed withdrawal from the Agreement.¹¹¹

- 5.76 AusAID advised the Committee that on 20 May 2003 Australian Embassy officials in Rome met the convenors of the OECD group.¹¹² According to Mr Tapp, at the meeting 'there was regret over our decision, they acknowledged that Australia had the right to make its decision'.¹¹³ It was also reported that there was 'general recognition of, and some agreement with, Australian concerns amongst OECD members'.¹¹⁴

109 Mr Alan Prien, *Transcript of Evidence*, 8 March 2004, p. 34.

110 His Excellency Mr Imron Cotan, *Submission*, p. 1.

111 *Exhibits*, letter dated 6 April 2004 from Mr Andrew Natsios, US Agency for International Development to Mr Bruce Davis, AusAID.

112 AusAID, *Submission*, p. 1.

113 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 27.

114 AusAID, *Submission*, p. 1.

5.77 Concerning the view other international organisations have expressed in relation to Australia's proposed withdrawal from IFAD, Mr Prien told the Committee that:

We believe that both Mr Wolfensohn and the head of the WFP [World Food Programme]...have raised the issue with the Australian government. However, I am not privy to what they said, what reaction they had—I suppose that is for them to report back to the President of IFAD—but I believe both of them did raise it.¹¹⁵

5.78 Mr Alan March subsequently confirmed that Mr James Wolfensohn, President of the World Bank, and Mr James Morris, Executive Director of the World Food Program, did not make representations to the Minister for Foreign Affairs in support of IFAD at their meeting with him in February 2004.¹¹⁶

Alternative approaches to address concerns

5.79 The Committee is aware that the Commonwealth Government had three possible approaches to address its concerns regarding IFAD. Firstly, to continue as a contributing member; secondly, to become a non-contributing member (and reassess Australia's position following the completion on an independent external evaluation (IEE) of IFAD); and thirdly, to withdraw from the Agreement.

5.80 During the Committee's inquiry, IFAD requested that Australia delay withdrawal from the Agreement until the IEE had been completed and questioned the need to 'rush' the decision.¹¹⁷ The Committee considered in greater depth the possibility of Australia remaining a non-contributing member. In doing so, the Committee examined the advantages and disadvantages of waiting for the completion of the IEE.

Non-contributing member of IFAD

5.81 The Committee understands that the Government considered remaining a member of IFAD and not contributing to future Fund

115 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 14.

116 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 2 and AusAID, *Submission*, p. 1.

117 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 34, Mr Alan Prien, *Transcript of Evidence*, 8 March 2004, p. 35.

replenishments but regarded this as inappropriate.¹¹⁸ The NIA states that the Government concluded there was little likelihood of IFAD addressing Australia's concerns due to:

Australia's small shareholding in IFAD, the strong emphasis from European donors for IFAD to focus its activities in Africa, and the unresponsiveness of IFAD management to Australia's requests for dialogue.¹¹⁹

5.82 The Committee was advised that AusAID also believes that membership of an organisation brings a responsibility to contribute.¹²⁰ Mr Tapp told the Committee:

if we are a member of an organisation, we should participate in that organisation and its institutional and governance arrangements. If we are therefore going to remain a member, we have a responsibility to the taxpayer to continue that engagement.¹²¹

5.83 Further, the Committee was advised that remaining a non-contributing member of IFAD would involve a level of engagement, monitoring and support by Australia that would not be an efficient use of resources.¹²² This is particularly pertinent as Australia's strengthened engagement in the region has placed further significant demands on AusAID.¹²³ As Mr Tapp commented:

Developments in our region—as we have seen, most particularly, in the Solomon Islands recently and with our increased engagement with Papua New Guinea—require us to hone the aid program's engagement and be very strategic in terms of what we are supporting with extremely limited resources.¹²⁴

Review position following completion of external review of IFAD

5.84 The Committee is aware that as a result of donor requests (including those from Australia, Canada, New Zealand, the United Kingdom and the United States) prior to IFAD 6, a major IEE of the Fund was

118 NIA, para. 23 and Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 24.

119 NIA, para. 23.

120 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 3.

121 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 24.

122 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 24 and NIA, para. 23.

123 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 5.

124 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 20.

commissioned by IFAD's Governing Bodies.¹²⁵ The Committee understands that the IEE commenced in early 2003¹²⁶ and is expected to be completed between the end of December 2004¹²⁷ and February/March 2005.¹²⁸

5.85 Mr Tapp told the Committee:

We do not consider it necessary to wait for that review—the government have made a decision that they wish to withdraw from IFAD.¹²⁹

5.86 Moreover, Mr March advised:

Even if it [the IEE] provided a resounding endorsement of IFAD's current practice—and we doubt that will be the case—it still would not make IFAD relevant to our aid program objectives in South-East Asia and the Pacific.¹³⁰

5.87 The Committee understands that the randomly selected projects to be included in the IEE do not include any in South-East Asia or the Pacific.¹³¹

Implementation of withdrawal

5.88 Under article 9 of the Agreement, to withdraw from IFAD, Australia would be required to lodge an instrument of denunciation with the Depository (the UN Secretary-General). Withdrawal would take effect on the date specified in the instrument of denunciation, which cannot be less than six months after the deposit of the instrument.¹³² The NIA states that it is proposed Australia's withdrawal 'take place as soon as practicable after JSCOT's consideration'.¹³³

125 Mr Peter Versegi and Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 16; and IFAD, *Submission*, p. 2.

126 Mr Peter Versegi, *Transcript of Evidence*, 22 March 2004, p. 12.

127 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 8 and Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 33.

128 AusAID, *Submission* 15.1, p. 1.

129 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 25.

130 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 4.

131 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 4. See also 'Independent External Evaluation: Selection of Countries, Projects & TAGs' <http://www.ifad.org/evaluation/iee/sampling/index.htm> (30/04/04).

132 Article 9, Agreement.

133 NIA, para. 3.

5.89 The following pieces of legislation would need to be repealed, as a result of withdrawal:

- *International Fund for Agricultural Development Act 1977*
- *International Fund for Agricultural Development Act 1982*
- *International Fund for Agricultural Development Act 1987*.¹³⁴

5.90 Following Australia's withdrawal from the Fund the Acts would have no further application.¹³⁵ The *International Fund for Agricultural Development Act 1977* approves Australia's membership of IFAD and the appropriation of initial contributions. The 1982 and 1987 Acts approve specific replenishment contributions.¹³⁶ AusAID advised the Committee that:

The Acts give domestic legal effect to what is required in accordance with the IFAD Agreement. Once a member withdraws from the Agreement, and is not subject to further obligations under the Agreement, correspondingly, there will be no further commitments at the domestic level.¹³⁷

5.91 The NIA indicates that Australia's withdrawal would also require amendment to the *Specialized Agencies (Privileges and Immunities) Regulations 1986* to remove references to IFAD.¹³⁸

Obligations and costs of withdrawal

5.92 In accordance with article 9, Australia would remain liable for all existing financial obligations to the Fund following withdrawal. Therefore, Australia's obligations made at IFAD 4 and 5, totalling A\$9.7 million, would continue to be made in annual instalments between 2004 and 2007 (see Table 1).¹³⁹

134 NIA, para. 26.

135 AusAID, *Submission 15.2*, p. 3.

136 NIA, para. 27.

137 AusAID, *Submission 15.2*, p. 3.

138 NIA, para. 28.

139 NIA, para. 24.

Table 1 Australia's drawdown schedule with IFAD

Australian drawdowns, IFAD3 to IFAD5	IFAD3	IFAD4	IFAD5	Total
	A\$	A\$	A\$	A\$
Pre 2001-02	8,105,887			8,105,887
2001-02	1,500,000			1,500,000
2002-03	928,388	1,571,612		2,500,000
2003-04		3,000,000		3,000,000
2004-05		1,855,096	1,144,904	3,000,000
2005-06			3,000,000	3,000,000
2006-07			3,000,000	3,000,000
2007-08			712,840	712,840
Total	10,534,275	6,426,708	7,857,744	24,818,727

Source AusAID, *Submission*, p. 2.

- 5.93 AusAID estimates that, had Australia committed to contribute to IFAD 6, it would be liable to fund approximately A\$14 million over three years, or an average of A\$4.7 million each year for 3 years.¹⁴⁰ In place of this, the Committee was advised the A\$14 million is intended to be committed to higher priority aid activities in the Asia Pacific region.¹⁴¹
- 5.94 In addition, AusAID advised that withdrawal would result in an estimated saving of \$100,000 per annum in administrative costs arising from managing Australia's relationship with IFAD.¹⁴²
- 5.95 IFAD, however, contends that 'Australia has no significant cost associated with retaining its membership'.¹⁴³

Impacts on Australian IFAD staff and stakeholders

- 5.96 The Committee was concerned about the impacts and costs withdrawal would have on Australian IFAD staff and the 'small'¹⁴⁴ number of Australian consultants and businesses involved with IFAD.

140 NIA, para. 29; Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 2.

141 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 1, 2 and 11, and NIA, para. 18.

142 AusAID, *Submission*, p. 6 and Mr Peter Versegi, *Transcript of Evidence*, 22 March 2004, p. 9.

143 IFAD, *Submission*, p. 6.

144 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 3.

- 5.97 The Committee understands IFAD has confirmed that existing contracts would be honoured for Australians currently employed by IFAD before and after Australia's withdrawal from the Agreement.¹⁴⁵ Mr Prien told the Committee that the length of current contracts vary from 'career contracts' to, for example, six month contracts.¹⁴⁶ Mr Prien also advised that following withdrawal, Australian staff who do not have permanent contracts will not be able to be employed as regular staff members of IFAD.¹⁴⁷
- 5.98 The Australian staff members of IFAD believe that Australia's withdrawal will have a negative impact on the Australian nationals working at IFAD.¹⁴⁸

Australian stakeholders

- 5.99 The Committee was informed that it is difficult for IFAD to provide details on the revenue to Australia (including firms, consultants, procurement etc) as the Fund does not calculate 'each contract as it goes country by country'.¹⁴⁹ However, IFAD estimates the revenue to Australia for a one year period to be US\$4.12 million (see Table 2).¹⁵⁰ Australian stakeholders estimate Australian business income for 2001-02 from IFAD to be approximately US\$2.5 million.¹⁵¹

Table 2 Approximate revenue to Australia from IFAD in a one-year period

Revenue recipients	Revenue
	US\$
Australian freelance consultants and firms	1,440,000
Annual staff cost for Australian personnel	1,098,000
Income of McPherson and Associates ¹⁵²	1,000,000
Other identified procurement of Australian goods and services through IFAD loans (direct and co-financed)	582,000
Total	4,120,000

Source IFAD, *Submission 11.4*, p. 1.

145 NIA, para. 21.

146 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 3.

147 Mr Alan Prien, *Transcript of Evidence*, 8 March 2004, p. 3.

148 Australian staff members of IFAD, *Submission*, p. 1.

149 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 39.

150 Approximately A\$5.96 million (exchange rate on 10 May 2004 A\$1 = US\$1.4472). IFAD, *Submission 11.4*, p.1.

151 Approximately A\$3.62 million (exchange rate on 10 May 2004 A\$1 = US\$1.4472). NIA, para. 22.

152 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 2.

- 5.100 The Committee also received evidence that IFAD has allocated US\$200,000 for the South Pacific Workshop in Wellington in May 2004, 'some of which is committed to Australian nationals, but not yet paid'.¹⁵³
- 5.101 The Committee received evidence from a number of stakeholders advising the importance of IFAD contracts to their business income.¹⁵⁴ For example, Mr Robert Ward from Austarm Machinery Pty Ltd, advised the Committee that the business opportunities created by a contract with IFAD in 1996 'secured the financial success of the company'.¹⁵⁵ The Committee understands the significance of IFAD contracts to such businesses, as highlighted by Mr Ward:
- The export business that Austarm Machinery Pty Ltd gives to local manufacturers has been a very substantial benefit to them. At least one manufacturer would have gone bankrupt during the recent severe drought, when there were no local orders available, if it were not for the export orders placed by Austarm Machinery.¹⁵⁶
- 5.102 The large consulting firm GRM International Pty Ltd estimated its income from IFAD projects in 2002-03 to be A\$2.07 million.¹⁵⁷ GRM International receives the largest income from IFAD that AusAID is aware of, constituting about half of the Australian business income for 2001-02.¹⁵⁸
- 5.103 During the Committee's inquiry, there was some debate as to whether Australian consultants would remain eligible to tender for new goods and services contracts with IFAD following Australia's withdrawal.
- 5.104 The Committee was advised by Miss Houda Younan from the Attorney-General's Department that the Agreement 'does not preclude eligibility for contracts after withdrawal from the fund'.¹⁵⁹ Therefore, Australian businesses and consultants would continue to be eligible to compete for new contracts.¹⁶⁰

153 IFAD, *Submission 11.4*, p.1.

154 For example see Australian Consultants Fraternity, *Submission*, pp. 9-11; Australian Machinery Exporters, *Submission*, pp. 1-5; Mr Christopher Giles, *Submission*, p. 1; IFAD Support Group, *Submission*, p. 14; and Mr Jack Twyford, *Submission*, p. 1.

155 Australian Machinery Exporters, *Submission*, p. 1.

156 Australian Machinery Exporters, *Submission*, p. 2.

157 NIA, para. 22.

158 AusAID, *Submission 15.1*, p. 1 and NIA, para. 22.

159 Miss Houda Younan, *Transcript of Evidence*, 22 March 2004, p. 7.

160 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 3.

5.105 However, IFAD informed the Committee that once Australia's withdrawal has taken effect, Australian firms and nationals will no longer be eligible to tender for new contracts. The Committee is aware that Mr Carruthers informed Mr Tapp as follows:

IFAD's interpretation of its mandate and Procurement Guidelines, legislative history, the organization's application of these relevant text and its practice is that... procurement of good and services is confined to member countries.¹⁶¹

5.106 AusAID subsequently advised the Committee that on the basis of IFAD's aforementioned policy and practice, GRM International Pty Ltd, as a company incorporated in Australia, would not be deemed eligible for IFAD contracts once Australia's withdrawal takes effect.¹⁶²

However:

GRM International Group Ltd has shareholdings in project management companies in Sweden, the Netherlands and the UK. These countries are member states of IFAD. The project management company based in the Netherlands has been awarded IFAD-funded contracts.¹⁶³

5.107 The Committee is aware that on 31 March 2004 IFAD advised AusAID of a previous case where:

EB [Executive Board] approval was sought by IFAD management for a "waiver", on an exceptional basis, for a Recipient to procure goods from a non-member state. In the case of a project in Namibia, the Recipient sought to procure vehicles from South Africa (at that time not a member of IFAD but on the verge of becoming one) on the basis of inability to procure such vehicles elsewhere in a cost-effective manner.¹⁶⁴

161 *Exhibits*, letter dated 5 April 2004 from Mr Jim Carruthers to Mr Charles Tapp. See also IFAD, *Submission*, p. 5 and Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 2.

162 AusAID, *Submission 15.2*, p. 1.

163 AusAID, *Submission 15.2*, p. 1.

164 *Exhibits*, email dated 31 March 2004 from Ms Cynthia Licul, IFAD to His Excellency Mr Murray Cobban, Ambassador for Australian to Italy. See also AusAID, *Submission 15.2*, p. 2.

Executive Board approval was obtained on an exceptional basis in advance on membership for a country that was in the process of becoming a member.¹⁶⁵

- 5.108 AusAID advised the Committee further that Australian businesses have more substantial opportunities through Australia's membership of other multilateral organisations.¹⁶⁶ For example, Mr March advised that Australian businesses received contracts:

from the World Bank, which were valued at \$170 million in 2002-03, or 25 times that from IFAD, and from the Asian Development Bank, which were valued at \$133 million in the same period, or 20 times that from IFAD.¹⁶⁷

- 5.109 On the evidence presented, the Committee supports AusAID's approach reflected by Mr Tapp's statement:

the Australian aid program does not make funding decisions based upon commercial factors.¹⁶⁸

Conclusion and recommendation

- 5.110 The Committee believes that the lack of focus on South-East Asia and the Pacific by IFAD is contrary to Australia's policy of focussing on the immediate region. Given evidence that IFAD focuses principally on small projects and in areas which are performed by other multilateral organisations it is reasonable to ask whether this is the best use of our aid dollar. The Committee also shares the concerns about IFAD's management and poor donor relations.
- 5.111 The Committee carefully considered the options available to Australia, including any impact on Australian individuals and businesses. On balance, it is the Committee's view that Australia should withdraw from IFAD and utilise the ongoing savings on overseas development assistance in South-East Asia or the Pacific.

165 *Exhibits*, email dated 31 March 2004 from Ms Cynthia Licul, IFAD to His Excellency Mr Murray Cobban, Ambassador for Australia to Italy.

166 NIA, para. 22.

167 Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 3.

168 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 22.

5.112 The Committee understands that AusAID remains strongly committed to rural development and engagement with effective bilateral and multilateral organisations.

Recommendation 5

The Committee supports Australia's proposed withdrawal from the *Agreement Establishing the International Fund for Agricultural Development* and recommends that binding treaty action be taken.

Dr Andrew Southcott MP
Chair



Appendix A – Submissions

- 1 Mr Tony Windsor MP
- 2 His Excellency Mr Imron Cotan, Ambassador for the Republic of Indonesia to Australia
- 3 Mr Jack Twyford
- 4 Mr Ian Teese
- 5 Australian Consultants Fraternity
- 6 Mr David Young
- 7 IFAD Support Group
- 8 Australian Institute of Agricultural Science and Technology, and Australian Association of Agricultural Consultants
- 9 Mr Christopher Giles
- 10 Australian Machinery Exporters
- 11 International Fund for Agricultural Development
- 11.1 International Fund for Agricultural Development (supplementary)
- 11.2 International Fund for Agricultural Development (supplementary)
- 11.3 International Fund for Agricultural Development (supplementary)
- 11.4 International Fund for Agricultural Development (supplementary)
- 12 Mr Phillips Young
- 13 Australian Patriot Movement

- 13.1 Australian Patriot Movement (supplementary)
- 13.2 Australian Patriot Movement (supplementary)
- 13.3 Australian Patriot Movement (supplementary)
- 14 Results Australia
- 15 Australian Agency for International Development
- 15.1 Australian Agency for International Development (supplementary)
- 15.2 Australian Agency for International Development (supplementary)
- 16 Department of Foreign Affairs and Trade
- 16.1 Department of Foreign Affairs and Trade (supplementary)
- 17 Dr Colin Barlow
- 18 Mr Jeff Ball
- 19 Mr Garry Smith
- 20 Mr John Bingle
- 21 Vietnamese Community in Australia
- 22 Australian staff members of IFAD
- 23 Mr D'Arcy Gibbs
- 24 Department of Industry, Tourism and Resources



Appendix B – Witnesses

Monday, 8 March 2004 – Canberra

Attorney-General's Department

Miss Houda Younan, Senior Legal Officer, Office of International Law

Australian Agency for International Development

Dr Geoffrey Fox, Principal Rural Development Adviser

Mr Alan March, Assistant Director-General, East Timor, Humanitarian and Regional Programs

Mr Charles Tapp, Deputy Director-General, Papua New Guinea, Pacific and Global Programs

Mr Chris Tinning, Director, Pacific IV: Regional Governance

Australian Tourism Export Council

Mr David Mazitelli, Chairman

Department of Foreign Affairs and Trade

Ms Michelle Anderson, Executive Officer, Thailand, Vietnam and Laos Section

Mr Sridhar Ayyalaraju, Acting Director, Administrative and Domestic Law Group, Legal Branch

Ms Susan Cox, Manager, Consular Coordination Unit, Consular Branch

Mr Colin Milner, Director, International Law and Transnational Crime Section

Mr Rod Smith, Assistant Secretary, Consular Branch

Mr Tony von Brandenstein, Registrar, Treaties Secretariat

Department of Communications, Information Technology and the Arts

Mr Maurice Austin, Director, International Strategy Section, International Branch, Telecommunications Division

Mr Colin Oliver, Acting General Manager, International Branch, Telecommunications Division

Mr Bill Scott, Director, Trade Policy Section, International Branch, Telecommunications Division

Department of Tourism, Industry and Resources

Mr Jeffrey Riethmuller, Acting General Manager, Tourism Market Access Group, Tourism Division

International Fund for Agricultural Development

Mr Jim Carruthers, Assistant President, Programme Management Department

Mr Alan Prien, Special Adviser to Senior Management

International Fund for Agricultural Development Support Group

Dr Colin Barlow, Member

Mr D'Arcy Gibbs, Steering Committee Member; and Spokesman, Consultants

Mr Andrew MacPherson, Member

Mr Robert Ward, Director/Owner, Ausfam Machinery Pty Ltd

Mr Phillips Young, Independent Consultant

Tuesday, 9 March 2004 – Canberra

Dr Colin Barlow, Member

Mr D'Arcy Gibbs, Steering Committee Member; and Spokesman, Consultants

Mr Alan Prien, Special Adviser to Senior Management

Mr Phillips Young, Independent Consultant

Monday, 22 March 2004 – Canberra**Attorney-General's Department**

Miss Houda Younan, Senior Legal Officer, Office of International Law

Australian Agency for International Development

Dr Geoffrey Fox, Principal Rural Development Adviser

Mr Alan March, Assistant Director-General, East Timor, Humanitarian and Regional Programs

Mr Peter Versegi, Assistant Director-General, Policy and Multilateral Branch

Department of Foreign Affairs and Trade

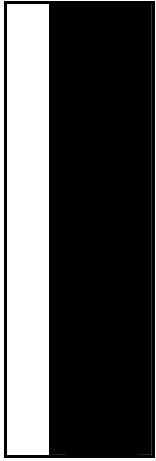
Mr Colin Milner, Director, International Law and Transnational Crime Section

Mr Tony von Brandenstein, Executive Officer, Treaties Secretariat



Appendix C – Exhibits

- 1 Email dated 31 March 2004 from Ms Cynthia Licul, International Fund for Agricultural Development, (IFAD) to His Excellency Mr Murray Cobban, Ambassador for Australian to Italy, regarding the interpretation of Procurement Guidelines and IFAD's constitutional document. Provided by Mr Alan Prien, IFAD.
- 2 Letter dated 5 April 2004 from Mr Jim Carruthers, IFAD to Mr Charles Tapp, Australian Agency for International Development (AusAID) regarding procurement under IFAD-financed projects and attached: letter dated 30 July 2003 from Mr P Roy, IFAD to Mr Charles Tapp, AusAID regarding IFAD's reporting to Australia and Australia's financial obligations; and email dated 31 March 2004 from Ms Cynthia Licul, IFAD to His Excellency Mr Murray Cobban, Ambassador for Australian to Italy, regarding interpretation of Procurement Guidelines and IFAD's constitutional document. Provided by IFAD.
- 3 Department of Industry, Tourism and Resources, 'Fact Sheet, Australian Tourism Satellite Account – update June 2003'. Provided by Jeffery Reithmuller, Department of Industry, Tourism and Resources.
- 4 Letter dated 6 April 2004 from Mr Andrew Natsios, US Agency for International Development to Mr Bruce Davis, AusAID regarding Australia's proposed withdrawal from IFAD. Provided by Mr Alan Prien, IFAD.



Dissenting Report—Mr Kim Wilkie MP, Senator Andrew Bartlett, Senator Linda Kirk, Senator Gavin Marshall, Senator Ursula Stephens, Hon Dick Adams MP and Mr Martyn Evans MP

Mr Kim Wilkie MP (Deputy Chair), Senator Andrew Bartlett, Senator Linda Kirk, Senator Gavin Marshall, Senator Ursula Stephens, Hon Dick Adams MP and Mr Martyn Evans MP agree with the findings of Chapters 1 to 4 of this report. With respect to Chapter 5, however, they believe that Australia should not withdraw from the *Agreement Establishing the International Fund for Agricultural Development* (the Agreement) and do not agree with recommendation 5.

The dissenting Committee members believe that while there have been notable concerns about the International Fund for Agricultural Development (IFAD or the Fund), most of the evidence gathered during the Committee's inquiry supports Australia remaining a Member of the Agreement. Further, as there are no significant costs associated with engaging with IFAD, the dissenting members recommend that Australia remain a non-contributing Member until the completion of the current Independent External Evaluation (IEE) in the first half of 2005, and that Australia's position, including the merits of making future financial contributions to IFAD, be reassessed at that time.

The dissenting members briefly discuss the following issues raised during the Committee's deliberations:

- Australia's involvement with IFAD's Governing Bodies
- financial and other implications of withdrawal
- the Australian Agency for International Development's (AusAID's) consultation
- IFAD's active re-engagement with the Pacific.

Australia's involvement in IFAD's Governing Bodies

Firstly, the dissenting Committee members recognise that Australia is currently a permanent member of IFAD's Executive Board and therefore has the ability to influence the management of the Fund, including such matters as the geographic allocation of IFAD's resources.¹ The dissenting members were particularly concerned that from the time Australia notified IFAD of its decision to withdraw in April 2003, Australia has not attended any of IFAD's Executive Board meetings.² Mr Charles Tapp advised the Committee:

Because the government made the decision that it was going to be withdrawing, we were not looking to continue our active engagement on the board.³

Subsequently, Australia has not contributed to the development of IFAD's Pacific Strategy, the process and direction of the IEE or the management of Australia's financial contributions to the Fund.

The dissenting Committee members were also concerned that active withdrawal from activities of the Fund was embarked upon approximately one year prior to this Committee's consideration of the proposed treaty action.

Financial and other implications of withdrawal

In relation to the financial implications of Australia's membership of IFAD, as identified in Chapter 5, AusAID estimates that Australia's current and future engagement with IFAD costs the Department an average of \$100,000 per annum.⁴ Consequently, the dissenting Committee members believe that remaining a non-contributing member of the Fund would not place a significant cost on Australia's aid program.

It is in this light that the dissenting members reflect on one of the aforementioned benefits of remaining a non-contributing member, namely, involvement in the management of Australia's current, and future, financial contribution of A\$9.7 million from IFAD 4 and 5 until 2007-2008.⁵ Mr Jim Carruthers advised the Committee:

1 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 33 and IFAD, *Submission*, p. 4.

2 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 23 and Mr Alan March, *Transcript of Evidence*, 22 March 2004, p. 15.

3 Mr Charles Tapp, *Transcript of Evidence*, 8 March 2004, p. 26.

4 AusAID, *Submission*, p. 6 and Mr Peter Versegi, *Transcript of Evidence*, 22 March 2004, p. 9.

5 AusAID, *Submission*, p. 2.

Australia has an investment—or shares, if you will—in IFAD of \$47 million to \$50 million, depending on exchange rates used. By withdrawing, they give up their voting shares—these are permanently invested in the institution.⁶

The dissenting Committee members were also concerned that withdrawal from the Fund would have a negative impact on stakeholders and contractors. Following withdrawal, it is estimated that there will be a potential loss of revenue of approximately US\$4.12 million per year⁷ to Australians through their inability to tender for goods and services with IFAD, especially to small farming businesses. The dissenting members therefore question the feasibility of withdrawing from the Fund to save AusAID \$100,000 in mainly administrative costs.

Furthermore, the dissenting Committee members recognise the valued role Australia's membership plays, in assisting IFAD in the alleviation of rural poverty, by providing a pool of expertise in dry-land farming and machinery.⁸ IFAD's submission explains that:

Improving dry-land agricultural production is at the heart of IFAD's initiatives to alleviate rural poverty. Australia is a recognized world leader in this field of agriculture and since its inception IFAD has relied heavily on the technical expertise of Australian... design and support of its agricultural development initiatives. It would be a serious loss to IFAD's poverty programs throughout the world, if Australia were to sever these important longstanding ties at this stage.⁹

The dissenting Committee members share this concern and recognise the potential disadvantages to rural communities in developing countries.

AusAID's consultation

The dissenting Committee members are aware that stakeholders and Australian staff members of IFAD were informed of the decision to withdraw from the Agreement after Australia notified IFAD of its intended action. The dissenting members were therefore concerned that AusAID had not demonstrated a commitment to the consultation process with Australians directly affected by the proposed treaty action.

6 Mr Jim Carruthers, *Transcript of Evidence*, 8 March 2004, p. 34.

7 Approximately A\$5.96 million at exchange rate on 10/5/04. IFAD, *Submission 11.4*, p. 1.

8 Mr Alan Prien, *Transcript of Evidence*, 9 March 2004, p. 2 and Mr Andrew MacPherson, *Transcript of Evidence*, 8 March 2004, p. 38.

9 IFAD, *Submission*, p. 2.

IFAD's active re-engagement with the Pacific.

In evidence to the Committee it was stated that IFAD's new management 'is committed to reinvigorating its programs in the Pacific Region and the development of a Re-Engagement Strategy is now a corporate priority'.¹⁰ The dissenting Committee members believe that IFAD's activities to develop the Pacific Strategy to date are indicative of the Fund's commitment and will monitor its progress and outcomes with interest.

The dissenting members are aware of the important role that Australia plays in the region. The National Interest Analysis acknowledges the 'primacy of the aid program's focus on the Asia Pacific region, where Australia's leadership role is recognised by the international aid community'.¹¹ In this regard, it is recognised that IFAD seeks to strengthen its engagement with Australia and gain Australia's input into the development of the Fund's strategy for the Pacific.

Conclusion

For the reasons outlined above the dissenting Committee members believe, on the basis of the inquiry's evidence, that it is in Australia's national interest to remain a non-contributing member of IFAD at this time, pending the completion of the IEE, and embark again on active membership of IFAD's Executive Board.

Recommendation

The dissenting Committee members recommend that Australia remain a non-contributing Party to the *Agreement Establishing the International Fund for Agricultural Development* pending the independent external evaluation of the Fund and an assessment of the success of the IFAD program to develop significant additional programs in the Pacific region in co-operation with the Australian aid program.

¹⁰ IFAD, *Submission*, p. 4.

¹¹ NIA, para. 6.

Mr Kim Wilkie MP
Deputy Chair

Senator Ursula Stephens

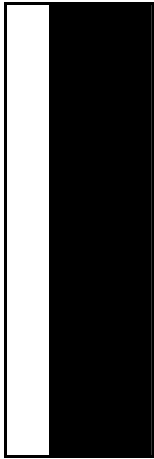
Senator Andrew Bartlett

Hon Dick Adams MP

Senator Linda Kirk

Mr Martyn Evans MP

Senator Gavin Marshall



Additional comments—Mr Greg Hunt MP, Mr Peter King MP and Senator Tsebin Tchen

We support the findings of the Committee's Report, however, we have one reservation in relation to the proposed withdrawal from the *Agreement Establishing the International Fund for Agricultural Development* while Australia has ongoing financial commitments from IFAD 4 and 5 until 2007-08. In our view there would be value in deferring the decision to withdraw from the Agreement until those commitments have expired or at least until the independent external evaluation is complete. This would involve negligible additional cost to Australia while preserving the position of Australian agricultural contractors. Australia could remain a non-contributing member during this period with no prejudice to our position.

Mr Greg Hunt MP

Mr Peter King MP

Senator Tsebin Tchen