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Submission No:5.....

IFAD

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Kiora Managements Consultants

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3 March, 2004

Secretary,
Joint Standing Committee on Treaties
Parliament House,
Canberra

BY: *Gillian Gould*

Attention: Gillian Gould

Dear Mz Gould,

Submission to Joint Standing Committee on Treaties
Prepared on behalf of
Australian Consultants Fraternity

In response to the National Interest Assessment tabled in Parliament by government yesterday, I enclose a submission I have prepared to offer counter arguments to some of the misconceptions and inaccuracies contained in the document re "Withdrawal from the Agreement Establishing IFAD". I have the pleasure of presenting this paper on behalf of the large body of Australian consultants who work in the international arena of rural and agricultural development. I would also like to declare that I am one of the members of the Steering Committee of the IFAD Support Group (ISG) and Editor of the web page. Given the men and women I represent are frequently on mission/assignments/technical assistance duties in the field in developing countries and difficult to maintain contact with, none-the-less some 50 to 60 have communicated with me over the past 6 months to lend their support.

The Australian Government's decision (unilaterally taken) firstly, to reject participation in the 6th Replenishment of IFAD and secondly, to denounce membership of this United Nations (UN) organization has come as a complete surprise and utter disappointment to us all in the private sector. Over the past two decades with the close support of the Department of Trade, Individual consultants and consulting firms have developed a close working relationship with IFAD and like donor agencies. I suggest the impact of this disengagement will be profound, far reaching, further damaging our image abroad and adversely affecting all stakeholders: firstly, Australian nationals in IFAD - permanent staff, and short and long-term consultants; secondly, Australian NGOs, service providers and procurement agencies; and thirdly, IFAD member developing countries in South East Asia and the Pacific (SEAP) in which collaborative work has been carried out. Moreover, the quality of design of IFAD projects in specific environments where Australian consultants have a comparative advantage will deteriorate. In reference to my experience (alluded to in the submission), I feel I am well credentialed to present a project planners/consultants perspective on the after shocks that will follow once Australia's resignation takes affect. Moreover our

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general standing among the community of nations in relation to fulfilling poverty reduction responsibilities contained in the UNs Millennium goals of which Australia is a signatory will also be severely dented especially among partner OECD donor countries as well as loan recipient nations within our region.

We in the Consultants fraternity have two areas we feel government has been totally unreasonable in reaching their decision to leave IFAD. Firstly, there was a complete lack of consultation with the various stakeholder groups and none were consulted on the impact it would have on their business – the decision came as a complete surprise. So much for due process! Secondly, I would like to allude to the lack of transparency in the decision making process - AusAID have advised the decision resulted from out a "Comprehensive Review" of IFAD but this document has never seen the light of day for scrutiny or viewing the rationale on which the decision was made. Consequently, none of the stakeholders have had adequate opportunity to answer claims that IFAD membership is not in our national interest.

In view of the above we submit that the Committee revisit the subject of leaving IFAD and firstly call for public hearings where all interest groups can give evidence and secondly commission an independent review of IFAD and establish whether maintaining membership of IFADs is in the national interest.

Finally I would like to advise the Chairman that I would make myself available to attend the Committee hearings on Monday 08/03/04 in Canberra and answer any questions in relation to my submission.

Yours faithfully

D'Arcy E Gibbs

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Submission
to
Joint Standing Committee on Treaties (JSCT)

A Response to AusAIDs National Interest Assessment (NIA)
on
**Australia's Withdrawal from International Fund for Agricultural
Development (IFAD)**

"The Australian Consultants Fraternity Viewpoint"

I. INTRODUCTION

1. In opening, I would like advise the Joint Standing Committee on Treaties (JSC-T) that I have the pleasure of presenting this paper on behalf of the large body of Australian consultants who work in the international arena of rural and agricultural development. I would also like to declare that I am one of the members of the Steering Committee of the IFAD Support Group (ISG) and Editor of the web page (<http://www.ifadsupportgroup.com/>). As consultants are key stakeholders in Australia membership of IFAD, the web site was established to: firstly, publicise the proposed action of government (viz. withdrawing from IFAD membership) to stakeholders covering all sectors; secondly, promote debate on the issue; and finally, mount a unified defence of IFAD. Given the men and women I represent are frequently on mission/assignments/technical assistance duties in the field in developing countries and difficult to maintain contact with, none-the-less some 50 to 60 have communicated with me over the past 6 months to lend their support. The web site had promoted debate and kept stakeholders abreast of developments.

2. I would now like to present my *bona fides* and provide a brief resume on my background as an Agriculturalist/Animal Production Specialist. I have worked extensively internationally in the rural sector in developing countries over the past 40 years – the first 10 living in PNG and the past 30 as a short-term consultant. I have worked for all the major International Finance Institutions (IFI) – World Bank (IDA), IFAD, Investment Centre, FAO, UNDP, UNOPS, CDB etc – and bilateral agencies providing input into all phases of the project cycle – inception, design, implementation, supervision and completion. My experience extends to over 50 under-developed countries (covering all continents and regions), 41 of these countries involving IFAD-financed projects. During this period I have participated in over 90 missions/consultancies. Therefore I feel that I have the experience and background to add substance to the debate which clearly is presently unbalanced.

3. The Australian Government's decision (unilaterally taken) firstly, to reject participation in the 6th Replenishment of IFAD and secondly, to denounce membership of this United Nations(UN) organization has come as a complete surprise and utter disappointment to us all in the private sector. Over the past two decades with the close support of the Department of Trade, individual consultants and consulting firms have developed a close working relationship with IFAD. I suggest the impact of this disengagement will be profound, far

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reaching, further damaging our image abroad and adversely affecting all stakeholders: firstly, Australian nationals in IFAD - permanent staff, and short and long-term consultants; secondly, Australian NGOs, service providers and procurement agencies; and thirdly, IFAD member developing countries in South East Asia and the Pacific (SEAP) in which collaborative work has been carried out. Moreover, the quality of design of IFAD projects in specific environments where Australian consultants have a comparative advantage will deteriorate. In reference to my experience outlined above, I feel I am well credentialed to present a project planners/consultants perspective on the after shocks that will follow once Australia's resignation takes affect. Moreover our general standing among the community of nations in relation to fulfilling poverty reduction responsibilities contained in the UNs Millennium goals of which Australia is a signatory will also be severely dented especially among partner OECD donor countries as well as loan recipient nations within our region.

4. I might add that I represent and am typical of a small band of committed agricultural consultants (Australian nationals) who have closely aligned themselves with IFADs philosophy of helping the "poorest of the poor". We are held in high esteem by IFAD management and staff in relation to the contribution we have and are making to project design, being adjudged as practical and down to earth. Our most significant contribution has been in the rainfed and livestock sectors on the African continent with which we share a similar harsh environment and experience ongoing droughts. Australian staff in IFAD has also made a major contribution to the Funds field operations.

5. I strongly believe the Australian Government's decision to leave IFAD has not been thoroughly thought through, transparently debated amongst the various stakeholders or based on objective assessment of IFADs role in firstly, as an active member of the IFI community as a project initiator, secondly, championing the needs of the world's poor and disadvantaged, and thirdly its pioneering initiatives and contribution to poverty alleviation.

II. BACKGROUND TO IFADs OPERATIONAL METHODOLOGY

A. In Defence of IFAD - Elements of IFADs Strengths

6. In answer to the range of negative goobedly-gook being dished up by AusAID in relation to effectiveness of IFAD and IFAD-financed projects, I feel it crucial to enlighten the committee on the widely accepted strengths of IFAD when attempting to assess its place in the IFI community, and to highlight *areas which differentiate IFAD from other multilateral institutions*, as well as revisiting the decision to part from a performing UN organization. Given the evidence available, messages and innuendo emanating from AusAID, provides overwhelming confirmation of their unequalled ignorance in IFADs operational methodology and impact at grass-roots level. We as consultants contest that AusAID can come to any meaningful conclusion or a conclusion of substance, given their chronic lack of knowledge of the institution.

7. IFADs **uniqueness and strengths** lie in three areas, firstly, in the clarity and narrow focus of its mandate permitting it to function efficiently, secondly, in the project design work methodology it has pioneered over the past 25 years and thirdly, in IFADs commitment to project supervision and support.

Institutional Mandate

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8. First and foremost IFAD is the **only IFI**, which is solely involved in the agricultural/rural sectors, and which solely targets the poor households and the advancement of women and the disenfranchised.

Project Design & Development

9. **Composition of Project Design Team:** IFAD project design methodology is unique as missions are composed exclusively of individually recruited consultants. This is in preference to: engaging professional institutions (FAO Investment Centre/private companies) as is the case in the ADB/AfDB; or, predominately using staff and/or FAO/IC in the case in the World Bank. Report writing and project development is accomplished back in IFAD as a team, in close collaboration with the Country Portfolio Manager (CPM), the Technical Unit and IFAD Management. As long as the mission's proposals conform with IFADs specificity to poverty alleviation (as elaborated in IFADs strategy paper – COSOP), the consultants are given total freedom in formulating overall project design. In other words there are no vested interests involved. Because of this close cooperation, project design varies only minimally between formulation and the final appraisal document discussed at loan negotiations. The World Bank is a typical example where managers at elevating levels have the authority to change project design without reference to the design team or in collaboration with the recipient government or target beneficiaries. **During field work, IFAD missions represent IFAD, whilst back in IFAD during write-up, the mission argue the case very strongly for the government and beneficiaries – a practical example of ensuring the project design maintains its character and demand-driven approach.**

10. **Targeting:** IFAD is obsessed with targeting and rightly so in my opinion. The following areas of targeting are of particular importance in project design

- **Remote Areas:** IFAD positively targets the more remote communities, areas that are frequently bypassed by the larger IFIs (WB and ADB).
- **Poor, Disenfranchised and Landless:** all missions are given a specific task to ensure project design encompasses these families and communities.
- **Women:** all projects documents contain a section devoted to women-in-development.
- **Ethnic Minorities and Aborigines:** These groups are given special consideration in project components - examples are in India, Lao, Vietnam, Tibet.
- **Single Parent Households:** Women Headed Households (WHH) are of particular importance.
- **Mixed Ethnic Groups:** through pioneering processes of conflict management and racial harmony.

11. All design documents have specific sections outlining the projects support for the poor, women and single headed families in reference to poverty alleviation. I would relish an opportunity to provide a verbal briefing on these aspects on projects on which I have made a contribution eg the IFAD-financed EICDP in Indonesia as an example of the above targeting and success of project design in comparison to the neighbouring ADB-financed Cashew Project.

12. **Innovation:** IFAD has been at the vanguard of introducing elements of innovation into project design and implementation including:

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- Initially IFADs niche was targeting the *poorest of the poor*.
- Subsequently targeting *women and women-headed-households* was emphasized.
- Introducing aspects of institutional and beneficiary *capacity building*, for example:
 - encouraging the preparation of Annual Work Plan & Budgets (AWP&Bs) by project implementers.
 - Asking for detailed 6 month project reporting by the project staff.
 - introducing and institutionalising Monitoring & Evaluation (M&E) capacity within the relevant government ministries in general and IFAD projects in particular.
 - promoting self-help through establishment of beneficiary groups for extension, credit delivery, S&L, and development.
- Instituting *flexible project design* (capacity to respond to changing circumstances of the target group – even to revise loan agreement).
- Pioneering the delivery of *micro credit* (Gramen Bank).
- Recognising the strengths of *collaboration with NGOs* in project implementation.
- Recognising the importance of *participatory design and implementation* (inception workshops/PRAs/RRAs etc).
- Introducing *beneficiary input* during project delivery (eg LISP - Lesotho Annual Beneficiary & Management Workshops).
- Promoting *project ownership* among beneficiaries.
- Sustained development through *Community-driven approaches* during implementation.
- Farmer managed *participatory research* (eg ALDEP Dryland Farming Trials - Botswana)

13. **Lessons Learnt:** This element was introduced to improve project design and is contained in all IFAD project design documents

14. **Review Process:** Close contact is maintained between the project design team (of consultants) and IFAD staff – in the Technical Division, Project Development Team (PDT), and Management - to ensure the concerns of government, target beneficiaries and IFAD Governing Council are complied with, and technical issues raised are fully addressed.

Project Supervision & Support

15. Close and in-depth supervision to ensure the project components are reaching project beneficiaries in relation to:

- targeting the poor.
- transparency in all aspects of project service delivery
- ensuring maximum beneficiary participation.
- involvement of women
- recruiting technical assistance to participate on subsequent supervision missions or initiate specific consultancies according to need.

16. Examples in the SEAP region of the benefits arising from close supervision and support by IFAD, and the impact the project has accomplished on the change in livelihoods,

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household income, children's nutrition, general health and self esteem/confidence of beneficiary households and communities can be clearly demonstrated projects in Indonesia (EICDP, EISLDP), Cambodia, Laos, Vietnam, Philippines etc.

B. Project Cycle

17. IFAD has also developed its own particular methodology of project development within the project cycle that clearly differentiates it from other IFIs and I will elaborate a few areas of importance:

18. Realistic Design

- as alluded to earlier, project design is carried out by consultants, not staff, but in close collaboration with all stakeholders both within and outside IFAD. Hence project better *reflect government/beneficiary needs*.
- missions spend a high proportion of their *in-country time in field-work* talking to beneficiaries

19. **Project Development:** The IFAD *COSOP* (Country Opportunities & Strategy Paper) reflects government strategy as outlined in the CPRSP to develop a platform for underpinning much of the poverty alleviation initiatives. The follow-up *Inception Memorandum/Report* conceptualises project design based on consensus reached from in-country workshops involving all stakeholders (beneficiaries; local, central and quasi government departments, NGOs, UN agencies, bilaterals etc). *Project Formulation* endeavours to capture interventions to close the gap between the beneficiary target group and government.

20. Review Process:

- minimum interference from IFAD management given targeting requirements are met.
- consultants report preparation in Rome, which permits close contact and interaction with reviewers - PT and PDT.

II. IFADs AUSTRALIAN COMMERCIAL LINKS

A. Introduction

21. I now would like to provide some insight into firstly, how commercial linkages are initially established between the major stakeholders, namely the Australian Service Providers (ASP), IFAD and recipient governments secondly, the significance of these commercial relationships and thirdly, the impact the Government of Australia's (GoA) decision will have on Australian trade and export income.

22. It is an understatement to suggest that I, as well as my consultant and private sector colleagues who have invested much time and effort into establishing firm commercial linkages with IFAD, were not "*shell-shocked*" by the GoAs decision to withdraw from IFAD. We are all aware this decision was taken unilaterally by the GoA without any discussion, debate or

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consultation with the various stakeholders most affected, namely: Australian consultants and commercial interests; non-government organizations (NGOs) who provide goods and services (G&S); and recipient governments who are dependant upon IFAD funding and Australian technology for poverty alleviation. Given the present era is supposedly characterized by maturity in Australian politics - increased transparent governance and stakeholder consultation - I personally strongly disapprove of the manner in which the decision to withdraw from IFAD was taken. It was very un-Australian and hardly democratic. As a country whose reputation for extending charity to the disadvantaged has attracted considerable criticism around the world in recent years, we will now assume the dubious recognition amongst our OECD partners as laying claim to having minimal interest (some countries may interpret as total disinterest) in poverty alleviation, not only in our region but world-wide. It is an event of meanness, which will be surely seized upon by some of our more caustic SEAP neighbors, and suspicious European donor OECD countries who themselves are expanding their financial commitment to IFAD.

23. In reference to IFADs mandate and effective grass-roots delivery of projects, the decision is difficult to reconcile when the GoA has pledged USD 90 million to the European Bank for Reconstruction & Development (EBRD)¹ when it has openly declared the savings from leaving IFAD has been an important consideration. In a nutshell Australia is unable to find USD 1.7 million annually for poverty alleviation in poor countries!! Given the EBRD funding would support development in comparatively rich and well-connected Central and East European countries, I for one have completely missed the point. Among the reasons offered by the Minister for Foreign Affairs for withdrawing from IFAD is the criticism of IFADs low level of investments in SEAP nations, and the need to channel Australian aid into our region directly through AusAID!!!!!! This allegation is totally without foundation and has been totally discredited. There should be no misconception regarding the funding of poverty alleviation programmes - IFAD is the *only* multi-lateral or bilateral IFI which solely focuses on the **poorest of the poor** through investments in agriculture infrastructure and in social capital interventions. Additionally it quite ironic that, while the GoA was initiating the process to leave IFAD, a former Wallaby captain joined forces with World Rugby by accepting a position as an ambassador for the UN in tackling world hunger.

24. For those of you on the committee who are not familiar with the processes associated with accessing and winning aid contracts, I would now like to: firstly, present an overview of realities within the business world in relation to the avenues available for tapping into aid delivery; secondly, discuss the crucial importance of establishing commercial links with IFIs in general; and finally, based on my experience, demonstrate how these business connections relate specifically to IFAD and IFAD-financed projects.

B. Overview – Commercial Realities

Project Design

25. IFIs recruit specialists for project preparation, formulation, supervision, and completion as well as for Mid-Term Reviews/Evaluations (MTR/E). Participation by individual consultants and consulting companies in these exercises provide an entry point for follow-up work and subsequent studies during project design phase. This is also the stage when Terms of Reference (ToRs) are prepared for Services, and items of Goods required for civil works, plant and equipment, etc are identified and entered on project detailed cost tables (DCTs).

¹ "Courier Mail" newspaper (Tue 21/10/2003, page 2)

- **Services:** The ToRs for a selection of services typically provided for during project design and for which Australian businesses would be poised to tender include:
 - Technical Assistance (TA) Specialists.
 - developing and providing training programmes.
 - hosting study tours.
 - graduate and post-graduate education.
 - twinning with elite institutions for technical back-stopping, research supervision and collaboration etc.

- **Goods:** Specifications are drawn up and entered on DCTs for inputs related to:
 - civil works.
 - plant, machinery and equipment.
 - vehicles.
 - civil works.

Australian firms are eligible for short listing and participating in tenders for the above goods.

Direct Benefits

26. As mentioned above Australian Service Providers (SPs) who engage in project design are well positioned for further participation in the provision of the above G&S when the IFI, Cooperating Institution, or the recipient government offer invitations for contacting, short listing or publish tenders for procurement.

27. TA consultants and specialists who are involved in the pre-project phase are also on the ground floor for connecting project management/host governments – when requested - with, or proposing international firms for short-listing or with invitations to participate in the competitive bidding process. It is to be expected all consultants prepare ToRs and write specifications based on their own personal experience and first hand knowledge of technology and services available. With this in mind there is generally a bias towards the consultants own country, given they would have more confidence in the specialists, professional experts and elite institutions with which they are familiar.

Indirect Benefits

28. Given due diligence and performance, once a consultant, consulting firm or supplier of goods establish an initial foothold in a new country they immediately accumulate first-hand knowledge of the country, gain familiarity with the institutions of government, network and establish personal contact with department heads and directors etc as well as gain experience in dealing with government bureaucracy. As contacts are developed, personal relationships consolidated, and the international business becomes known and associated with performance the firm is then able to capitalize on commercial opportunities in the host country as they arise from time to time. Generally this additional work would be in projects unrelated to the one under which they first conducted business and would be financed by other bilateral and multi-lateral organizations.

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Human Resource Development

29. Funding for graduate and post graduate education, training courses, study tours, twinning with elite institutions (research stations) and institutions of excellence (universities) for technical backstopping, staff exchange programmes etc. has emerged as a large component in financial terms in many projects. Presence in the country is essential to capitalize on these opportunities and Australia is now at the vanguard of gaining a large share of student education.

C. Australian Commercial Linkages with IFAD

Pre-Project Effectiveness Phase

30. **Project Design:** I know personally of some 50 consultants who, in many instances have been recruited specifically by IFAD because of the particular skills they offer or their knowledge of technologies that have been developed in relation to Australia's unique agro-ecological environment, and agricultural production systems. Through this contact Australian technology has spread to similar environments in Sub-Saharan, West and North Africa, the Middle East, and the Indian Sub-Continent. Many of us still work regularly with IFAD. I am also aware of ten or so agricultural/rural development consulting companies (GRM, KMC, JBI, MCC, AACM, Hassalls, McGowan, Coffey-MPW, SAGRIC) who have in the past developed, and currently maintain very strong relationship with IFAD, providing specialists for project formulation. I might add that IFAD Country Portfolio Managers (CPM) have a high level of confidence in Australian consultants and consulting companies unsurpassed by consultants from sister IFAD member countries. This is due to their professionalism, high level of technology, and timely delivery of tasks according to ToRs.

31. **Project Supervision and MTR/E:** The same can be said for the recruitment by the Co-operating Institution (CI) of Australian consultants and consulting companies for participation in project supervision - generally by UNOPS. This is of particular note in projects that are not delivering projected benefits and require some measure of redesign.

Provision of Services

32. I am personally aware of many instances that participation in project design on IFAD projects has lead directly to the recruitment of Australian Specialists, utilization of Australian technology, and the procurement of Australian manufactured equipment, goods, plant, and machinery - especially in the fields of dryland farming technologies, semi-arid/arid pastoral and animal production systems, tropical agriculture and veterinary services etc. The provision of services during this phase of the project cycle can emerge in two areas

33. **Management Contracts.** When I was Technical Manager for JBI in the early 1980s, our company won extensive contracts each valued in the many hundreds of thousands of dollars - contracts for management and staffing of research stations (Sudan, Somalia), contracts for conducting semi-mechanized rainfed farming trials (Somalia) and contracts for a participatory on-farm dryland trial program (Botswana). All these contracts emerged as follow-up work from initial design consultancies by company staff on IFAD financed/co-financed projects. JBI would not have won this work if company consultants had not participated in the earlier project design missions.

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34. Studies. During the same period the company was contracted by IFAD to carry out a number of extensive studies including – topographical surveys, soil surveys, land capability mapping, and soil analytical exercises - as a follow-up to design consultancies. The above were also a forerunner to securing a major contract to fielding a country agricultural sector survey.

Procurement of Goods & Equipment

35. I have personally been involved in and responsible for the design of a number of rainfed farming projects, most of which were IFAD financed – Damazine, Kurtuun Wareey, Sablaale, Togwajale, Mogambo, Pandamatanga. This involvement resulted in the export of plant and machinery worth millions of dollars utilizing a local Toowoomba based Agricultural Machinery Dealership (Mel Oliver Machinery). This export business has continued and expanded into a major trade item between Australia and southern Africa providing specialized dryland farming machinery. Austarm Machinery has established a firm base in a number of African countries

36. Similar events have occurred with the export of planting seed bred by Australian seed companies (Pacific Seeds) for trials in semi-arid Africa – Somalia, Botswana, and Lesotho. Pasture seed bred by CSIRO and Kimberley Seeds has also been successfully trailed in Ethiopia, Botswana, Somalia, Lesotho, and the Middle East and developed into an export trade. None of these events would have transpired without the initial consultancies and provision of TA, which revealed to opportunities for Australian technology.

37. Ongoing TA support during IFAD project implementation has provided the entry point for Australian companies, Universities and Agricultural Research Institutions to successfully bid for hosting training in Australia, providing a venue for study tours (which again acquaints participants with appropriate Australian technology and potential trade), conducting short courses and expediting exchange visits. I might add that I personally was able to broker a partnership between Dalby Agricultural College and a dryland-farming project in Somalia whereby the former hosted their first batch of overseas students – a programme that continued for many years and has now expanded to other countries.

D. Indirect/Flow-on Work

38. An example of work which can eventuate as flow-on after a consulting firm gains an initial foothold in a country can be ably demonstrated by my experience in Somalia when I was Technical Manager for JBI in the 1980s. From a platform of participation in initial design consultancies, the company: firstly secured two long term TA positions; secondly, quickly expanded to the employment of over 25 long term Australian specialists at its pinnacle; thirdly brought in a multitude of short term Australian consultants and fourthly, established a country office to service staff, backstop projects and secure ongoing work. Some 10 major project were involved - funded by the major donors - World Bank, AfDB, BSF, UNDP, AF etc. Some of these projects were co-financed with IFAD. Performance on these projects was a crucial element in the company securing a highly prized long term management and TA contract against international tendering on a KfW financed 3 000 ha irrigated rice project valued at millions of dollars.

39. The company then duplicated the above scenario in southern Africa, establishing an office in Botswana. Given the high ground, well known profile and political connections of

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well established European and American consulting companies the above events clearly demonstrates the international work that can be generated by a small energetic firm. It should carefully noted that the company was given virtually no support from the GoA apart from maintaining an IFAD membership. This success was more widely recognised when the company won a major Australian Government export award in the mid-1980s as a result of its commercial success and achievements in Africa. Sister Australian consulting companies could paint a similar picture of how they have established in overseas countries, and the how IFAD have been pivotal in this process. For example I have worked in the Middle East where I encountered an Australian firm who have a high profile in the veterinary service sector.

40. Hence the above facts surely demonstrate that the annual pledge to IFAD by the Australian Government (about USD 1.7 million) is far outweighed by direct financial benefits emanating from firstly, Australian permanent professional and casual general staff employed within the institution itself, secondly, Australian consultants contracted for mission work, thirdly, TA providing project support, carrying out studies, fourthly, project management contracts, and finally, provision of Australian manufactured goods and equipment. However as can be seen this balance sheet only represents part of the scenario. It can not overstated that indirect financial benefits from contracts and provision of G&S within a focus country frequently amounts to 3 to 4 fold that of the direct benefits.

41. I must reiterate, withdrawal from IFAD has potential disastrous consequences – the decision will have a significant negative impact on the performance, outreach and turn over of Australian consulting companies, the income of individual consultants, and the profitability of suppliers of goods and equipment. Potential work would be lost, and consultants could expect long periods of unemployment, due to ineligibility for contracting, short listing or tendering. When it is taken into consideration many IFAD projects are co-financed with the World Bank and ADB, the full impact of our ineligibility is magnified many times

E. Financial Balance Sheet with IFAD

42. As mentioned above withdrawal from IFAD will have serious implications on future access to employment for some 50 short-term consultants who are engaged in project design, an unknown number of professionals who provide long-term technical assistance during project implementation, around a dozen or so consulting companies which specialize in project management, studies, training etc, as well as commercial firms who export plant, machinery and equipment.

43. Since IFAD incorporation in 1977, over the past 25 years Australia has pledged a miserly USD 44 million but actually contributed slightly more in cash and promissory notes, namely, USD 47 million (see Appendix 2). The balance sheet for pledge and value of procurement, consultancy contracts etc. are presented on Table 1

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**Table 1: Reconciliation - Financial Contributions/Benefits
Australian Membership IFAD (USD million)**

Year	Pledge	Value - G&S			
		ICB	LCB/LS	Consultancies	Total
2000	1.70	0.247	n/a	n/a	n/a
2001	1.70	0.116	n/a	n/a	n/a
2002	1.70	0.587	1.0 ²	0.937	2.524 ²
2003 ³	1.70	0.331	n/a	n/a	n/a
Total		1.281	n/a	n/a	n/a

F. Conclusion & Concerns

44. The conclusions related to the GoAs decision to relinquish membership of IFAD can be briefly summarized as follows:

- The decision was made unilaterally by the Australian government and neither the public in general nor major stakeholders in particular were consulted.
- The *mysterious* "Comprehensive Analyses" purported to have been carried out by AusAID and on which the decision was based has neither seen the light of day nor been shared with stakeholders allowing all parties to review the accuracy of assumptions. The common view is that AusAID, if not downright dishonest in relation to alluding to its existence are loose with the truth.
- The full impact the withdrawal on the Australian private sector was never assessed – both from a direct and indirect business generation aspect.
- The Australian image abroad on support for poverty alleviation both among sister OECD countries and underdeveloped countries will take a severe battering
- From a commercial/financial aspect the decision was baseless and cannot be justified.
- Given Australia's recent huge intended support to the EBRD (USD 90million) which is twice as much as our total contribution to IFAD over the past 25 years (USD 47 million), the argument for concentrating aid in Asia and the Pacific is very weak indeed.
- Both the Australian Government and IFAD showed arrogance in relation to communication between one another (or the lack thereof) leading to a complete breakdown in the relationship.
- Australian companies are now confronted with the reality of being excluded from tendering for G&S not only from IFAD financed projects but also World Bank and ADB projects co-financed with IFAD.

² Estimated

³ Six months only

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- Lack of access to the experience of Australian consultants in project design and provision of Australian TA during project implementation will leave a huge void in IFAD financed projects in Africa and the Middle East as well as South East Asia and the Pacific.
- Counter to the GoAs viewpoint, withdrawal will be viewed as the first major crack in the OECD countries commitment to poverty alleviation.
- Australia -- a foundation member country establishing IFAD in 1977 - will have the dubious reputation of being the first member state withdrawing from the only world organization whose dual mandate is poverty alleviation and agricultural/rural development.

The Consultants fraternity firmly believes the rationale for complete withdrawal from IFAD when the GoA has an alternative option of merely declining to participate in the 6th Replenishment but retain membership of the organization is very weak and cannot be justified.

G. Recommendations to the Committee Members

45. On behalf of the commercial consulting sector I would encourage the committee in their wisdom to consider the following recommendations:

- Given AusAIDs view is *laid in concrete*, the Committee schedule further hearings so that public debate can take place.
- The Australian Government should firstly, re-enter into a meaningful dialogue with all stakeholders and secondly, provide and place the material and arguments on which the decision was based (AusAIDS Comprehensive Review) in the public domain for review, debate and discussion.
- Of the three options available - complete withdrawal of membership, retaining full membership and financial obligations, or maintaining membership and not participating in the 6th Replenishment – under the circumstances, in the first instance until public debate is complete we strongly support the last option.
- Australia actively participates in the structural reorganization of IFAD the deficiencies she actively campaigned for are adequately addressed in relation to management weaknesses.
- AusAID collaborate with the Asia & Pacific Division of IFAD to jointly prepare a strategy for future investment in the alleviation of poverty and for the development of agriculture in Pacific Island countries.
- The Australian Government and IFAD jointly finance an independent study to *inter alia*: review the operations of IFAD; the impact of IFAD financed projects at field level in relation to community development and poverty alleviation (in Asia and the Pacific countries); scrutinize the road map the institution has put in place to address the concerns of the Australian Government and the progress made to date; provide insight into the impact Australia's withdrawal will have on the Australian commercial sector, our standing in the donor aid community, relations with countries in our region.

46. Committee members, it is the opinion of the consultant fraternity that the above submission and other counter submissions presented for your consideration are **openly debated in the public arena** before any final decision is taken on future linkages with the International Fund for Agricultural Development.

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