

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May 2004, there were 163 Member States to the Agreement.⁴ The Committee is aware that, to date, no Member States have withdrawn from the Agreement.⁵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

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