



**COMMONWEALTH OF AUSTRALIA**

# **JOINT STANDING COMMITTEE ON TREATIES**

**Reference: Australia's withdrawal from the United Nations Industrial Development  
Organisation**

**CANBERRA**

**Monday, 3 February 1997**

**OFFICIAL HANSARD REPORT**

**CANBERRA**

## JOINT STANDING COMMITTEE ON TREATIES

### Members:

Mr Taylor (Chair)

Senator Abetz	Mr Adams
Senator Bourne	Mr Bartlett
Senator Cooney	Mr Laurie Ferguson
Senator Ellison	Mr Hardgrave
Senator Murphy	Mr McClelland
Senator Neal	Mr Tony Smith
Senator O'Chee	Mr Truss
	Mr Tuckey

For inquiry into and report on:

Australia's withdrawal from the United Nations Industrial Development Organisation.

**WITNESSES**

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JOINT STANDING COMMITTEE ON TREATIES

(Subcommittee)

*Australia's withdrawal from the United Nations Industrial Development Organization*

CANBERRA

Monday, 3 February 1997

Present

Mr Taylor (Chair)

Mr Bartlett

Mr Truss

The subcommittee met at 3.13 p.m.

Mr Taylor took the chair.

**CHAIR**—I formally declare this element of the hearing open in relation to Australia's withdrawal from the United Nations Industrial Development Organization. Let me just read into the record a letter that I received from the Minister for Foreign Affairs on this matter, because it will put it in perspective. The letter dated 9 December 1996 states:

I am writing to advise you of a binding treaty action proposed to effect Australia's withdrawal from the United Nations Industrial Development Organisation.

Australia's membership of UNIDO incurs a substantial and obligatory annual contribution which is funded through Australia's aid program. In 1996 this contribution will total \$2.7 million. Reduced overseas aid allocations in 1996-97 have necessitated a reassessment of expenditure priorities, especially in relation to international development organisations. At the same time, a recent review by my department of Australia's engagement with UN and Commonwealth agencies has concluded that support for UNIDO does not contribute adequately to Australia's international development interests. The review has recommended that Australia withdraw from the organisation.

It is the Government's view that, on the basis of the review's findings and the reassessment of expenditure priorities, continued membership of UNIDO is not a cost-effective means of achieving Australia's international development goals, and Australia should withdraw from the organisation as soon as possible. In this context, a National Interest Analysis, prepared in relation to withdrawal, will be tabled in Parliament before the end of the current sittings. This letter by the way, was dated 9 December.

Under the terms of UNIDO's Constitution, withdrawal does not effect until the end of the year following the year in which withdrawal is notified. Thus, a full funding obligation remains for that year. On this basis, the Government has decided that withdrawal should be effected by 31 December 1996, in order to avoid a funding obligation in 1998. In this context, I have decided that it is in Australia's national interest that treaty action be taken before a full fifteen sitting days have elapsed for Parliamentary consideration of this matter. I have therefore waived this requirement in this instance.

Let me assure you that I consider this to be an exceptional circumstance and that I remain firmly committed to the requirement for adequate Parliamentary consideration of proposed treaty actions.

I note that today we have representatives from DFAT and other departments appearing before us who will make some comments and be questioned on that particular withdrawal.

**BIGGS, Mr Ian David Grainge, Executive Director, Treaties Secretariat, Department of Foreign Affairs and Trade, Casey Building, John McEwen Crescent, Barton, Australian Capital Territory, 0221**

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**O'LEARY, Mr David John, Assistant Secretary, International Organisations Branch, Department of Foreign Affairs and Trade, Casey Building, John McEwen Crescent, Barton, Australian Capital Territory 0221**

**CHAIR**—Thank you very much, gentlemen. Just before I invite you to make an opening statement—I am remiss in not doing this earlier on—could I just put it on the committee's record of this particular hearing that I formally welcome to the committee Lieutenant Colonel Craig Evans. He is the inaugural Chief of the General Staff's Fellow and, for his sins, has been allocated to the Joint Standing Committee on Treaties for the whole of calendar year 1997 after which he has to prepare a dissertation for his chief. We formally welcome you, Craig, and we look forward to your assistance and contribution. I am sure it will be a substantial contribution to the committee. We also welcome a couple of other staff members, Julia Morris and Jodie Williams, as permanent members of the secretariat of the Joint Standing Committee on Treaties.

I should also point out that we did invite the Australian Chamber of Commerce and Industry and ACFOA to attend this afternoon but neither organisation has seen fit to do so. They really do not think that they have anything to add at this stage. But I think we should record that in the minutes. With that as background, would somebody like to make an opening statement?

**Mr O'Leary**—Mr Chairman, can I make a brief opening statement which, in practice, will perhaps be a duet. I will say a couple of things from the department's point

of view. But we were very much in close cooperation with AusAID in this exercise, so they might like to add a few comments to what I have to say.

Perhaps the starting point for this exercise is to recall that, back in 1987, Australia withdrew from UNIDO because it felt that the balance of its interest in relation to assessed contributions was such that our participation was not worth while. There was some reassessment of that a few years later. In 1992, after some further consideration was taken of multilateral procurement benefits or possible benefits that might be derived through the organisation, it was decided that we should rejoin. We have been a member again ever since then.

Then around about—I forget the exact month—April or May last year, the department at the minister's request undertook a review of Australia's involvement in the UN specialised agencies with a particular focus on key specialised agencies, ones which we make a large contribution to and also to the Commonwealth. This has been a fairly lengthy exercise. It has involved sending a questionnaire out through our overseas posts, which in turn asked a whole series of questions to each of these agencies about their modes of operation and how they feel they are performing. In effect, it was giving them the opportunity to put the best case forward to us and at the same time we were asking our overseas posts to comment from their perspective in dealing with these agencies how they feel they are performing in relation to stated objectives and to Australian interests.

This has been a fairly large exercise and resulted in a compilation of responses to these questionnaires, which in turn has been the basis for taking a hard-headed look at our interests in the organisations concerned. I should say that, whereas the first phase of having responses to questionnaires both from the organisations and from our posts has been completed, the second stage of finishing the review and putting it to the minister is almost complete now. Indeed, it was nearly complete towards the end of last year, but something will be going to the minister about this in the fairly near future.

In the context of the review, some parts of the review were more advanced than others late last year, and we had certainly completed the process of our involvement in the UN Industrial Development Organization and had looked at an analysis of our interests in it with AusAID. I will leave it to AusAID to talk about the particular interests when it comes to UNIDO's development activities and its role. But we were looking at UNIDO as a totality in the following terms: is it the best use of our development funds at a time when resources have become tighter with the tighter budget situation; is it the best way to deploy our resources amongst UN organisations; and also the balance between providing assistance bilaterally, regionally and multilaterally.

We also looked at the focus of UNIDO's role: does it meet contemporary needs? In the past it had had a heavy focus on state run systems, state run enterprises and on providing assistance to specific firms and, indeed, it still does even though it has adopted a more market oriented approach. It still provides a heavy portion of its funds towards assisting specific enterprises, even though it has refocused its activities with the support of

donor countries towards looking at ways in which it can assist institutions, legislation and the economic background in which firms are operating. But some 80 per cent of its activities are very much focused on assistance to firms. We have had a bit of a sense that its activities are not in keeping with the way we would see funding being directed and that much of it—AusAID will speak more on this—ought to be aimed at facilitating the private sector rather than having a very direct role.

On the multilateral procurement side—which, as I said earlier, was a reason for rejoining UNIDO in 1992—in practice we have found that, through the fact that UNIDO has fairly restrictive tendering processes, it has not been easy for Australian firms to win contracts. There has been a tendency for UNIDO to select a group of firms to apply for tenders and, if you are not one of those, you do not get the action.

The second point is that, in practice, in relation to UNIDO—despite particularly in the last couple of years the department and Austrade having played a more pro-active role in trying to encourage Australian firms to tender for contracts in international organisations—there have been relatively few firms doing that. Whereas our assessed contributions to UNIDO annually run at about \$2.7 million, as you mentioned earlier, Mr Chairman, the figures for multilateral procurement for Australian firms in 1994 and 1995, which are the last full year figures that we have available, were just over \$2 million and \$1.7 million respectively. So, put together with some of the argumentation that you will hear shortly from AusAID, our view was that the balance of interest was not in our continuing within UNIDO.

I should say that Australia has not been Robinson Crusoe in coming to this conclusion. Canada had already withdrawn from UNIDO a couple of years ago now. The US in the last year or so announced its withdrawal and, I think by coincidence within a week or so of our own announcement, the United Kingdom also did so. We are aware that some other governments are at least looking closely at the issue.

Perhaps that is where I should leave it, other than to say that there has been some consideration given in the context of overall reform efforts within the United Nations. A number of the G7 countries have been very keen to push the notion of avoiding duplication of effort and bringing about better coordination of development activities within the UN system. There has been some close consideration given to whether organisations like UNIDO should be brought in a more coordinated fashion under a single development umbrella.

For example, UNDP has been mentioned as a body that could assume that role. It is probably too early to say that that will happen at this stage but, certainly, that aspect is being considered. The United Kingdom specifically indicated in its prospective announcement of withdrawal that they were looking at this in the context of further reform activities taking place within the UN.



**Mr Nicholls**—Thanks, Mr Chairman. I do not have an awful lot to add to that introduction, except in a couple of areas which are largely of a reinforcement nature to what David just said. We, for a while, had a feeling that UNIDO was not possibly all that brilliant an organisation in development terms vis-a-vis its priorities and development impacts that we could achieve through the funding of other organisations.

The review of UN organisations and of UNIDO in particular was what, in the end, we based our decision on. It certainly confirmed and bore out the initial suspicions that we had. From AusAID's perspective, I guess those suspicions really started to come to the fore in 1995 when I visited Vienna and spoke both to UNIDO and to a German team leader of a consultancy called Arthur D Little that was engaged in a change management exercise with UNIDO, which was being undertaken in response to a number of issues and concerns that had been raised by donors. In response to my question to the German team leader, 'Would you invest your own money in this organisation?' he said no. At the same time he insisted he was not discouraging Australian continued membership—or German membership for that matter.

Obviously, the review has taken place. As I say, it has borne out the suspicions that we had. We came to the conclusion that UNIDO was not a hopeless organisation or an organisation not worthy of support per se. It was more, in the context of the budgetary situation that we face, a case of priorities: where can we get the most bang for the buck in development terms? Our conclusion was that we can do that better by not funding UNIDO and by releasing—albeit on an opportunity cost basis,—those funds for use elsewhere.

Specifically, the concerns that we had were that UNIDO for a long time had supported state run organisations. Part of its constitution referred to the new international economic order. It took a fair while for that particular phrase to be removed from UNIDO's constitution, indicating its slowness to respond to changed circumstances. We took the view that the sort of support that UNIDO was providing to individual organisations is not in a developmental sense as effective as can be provided through the creation of a conducive climate, a policy environment that is more conducive to the development of the private sector rather than individual organisations or individual companies. In other words, we shied away from picking winners and would far rather in a developmental context get the picture right not the individual elements.

In a practical sense, certainly in Asia, the focus of our aid program is not seen as a major source of developmental advice. The responses that we got to inquiries that we made of our posts were very indifferent. In fact, some countries hardly knew of the existence of UNIDO programs and personnel in their countries. So there was not an huge, overwhelming amount of international support elsewhere for the organisation.

My final introductory comment is that our contribution to UNIDO was an assessed contribution. There was no choice. Like it or not, membership bought a price, which in

1996-97 is \$2.7 million. Against the discretionary funds that we have for expenditure on other UN developmental organisations, \$2.7 million comes up to about 13 per cent of the total. So it hamstrung us a little bit. We figured that we could get far more value for the dollar, more bang for the buck, by extricating ourselves from UNIDO and, in an opportunity cost sense, having that money available for use elsewhere.

**CHAIR**—Would it be fair to say that, in terms of the federal bureaucracy, the balance of judgment all things being equal was that there should be a withdrawal? If there had been less constrained budgetary climate, then would it be fair to say that would have or could have changed views within the bureaucracy?

**Mr Nicholls**—Certainly from our point of view the spotlight might not have been quite so harsh. I mean, one always cuts one's coat according to one's cloth, and we would not have looked quite so hard. There might not have been an absolute need to get away from it, because as an organisation UNIDO is not an absolute dead loss. But in terms of where you would put your priorities, it comes beneath the line—That is certainly from AusAID's perspective.

**Mr O'Leary**—Perhaps I could just say briefly that the review that we have conducted is something that we do from time to time. There has been a review of the UN agencies in the Commonwealth roughly every two or three years on a periodic basis. So I think we would have looked at it fairly closely anyhow. We knew that a number of other governments were looking seriously about whether or not to continue their involvement. In this case, the budgetary climate gave that process additional intensity, shall I say.

**CHAIR**—It is a bit unfortunate that we do not have either ACFOA or ACCI but, from anecdotal involvement with the NGOs, would it be reasonable to say that they had some general opposition to this or were they ambivalent on it; what was their situation?

**Mr O'Leary**—Speaking from the department's point of view, we have heard nothing from them since. Normally, if there are concerns, they are registered fairly quickly. The fact that they have not come is perhaps indicative.

**Mr BARTLETT**—So they have been contacted?

**Mr O'Leary**—They were informed at the time of the decision and its likely implications.

**CHAIR**—But have they been consulted in the review prior to the decision?

**Mr O'Leary**—Not that I am aware of—

**Mr Lamb**—Mr Chairman, without wanting to trespass on the ground of those who actually carry the function, may I say that one of the issues involved in treaty consultation

is that there needs to be forms of consultation with all those NGOs and other people who might have an interest in the topic. Once an issue is known to be on the agenda and it begins to be publicised, it is common for the NGOs to call us and ask us questions, such as: 'What does this mean? Who do we contact? How do we do this or that?' It is extraordinary how little public notice this issue drew.

**CHAIR**—What are you saying—

**Mr Lamb**—I do not think we got any.

**CHAIR**—Was it raised within SCOT, the Standing Committee on Treaties?

**Mr Lamb**—Yes, they were written to and they were informed of it. Because it was an issue that had to be treated due to the budgetary year circumstance with a fair bit of urgency, we contacted them to make sure they understood it was there. We got nothing back from them.

**CHAIR**—I see.

**Mr BARTLETT**—How many did you contact?

**Mr Lamb**—All states and territories in the SCOT context. So far as the NGO community is concerned, I do not know how many we contacted. We certainly contacted the ACCI and ACFOA, the two groups whom you would expect to be the most prominent and who would have something to say on this. I do not know if we went out more widely than that.

I know that I went to a meeting with a different group—the Australian Manufacture's Environment Group—in December which has a lot of members who come from the state chambers of commerce and industry. I told them while we were drinking coffee that this was going out. They basically said, 'What is for lunch?' They did not want to go further with the issue.

**Mr Nicholls**—Just to add to what Chris said there, certainly there was no feedback whatsoever from the NGO community and, even from the private sector, I received only two telephone calls. One was from the Centre for International Economics which followed a letter which basically was grateful for the fact that we provided advice, disagreed with our reasoning but understood it, and offered no further comment. The other telephone call I received was from the CASE people in Western Australia. They asked whether I would take them through the process that led us to the conclusion. I took them through the process on the telephone and asked if they wanted something in writing. They said 'No, that is fine, thank you.'

The only organisation which has a large stake in UNIDO is Hassall and Associates. It had a sizeable contract in 1994 and 1995 and has an ongoing contract. There

has been not a word from Hassall's.

**Mr TRUSS**—I have questions about the organisation which perhaps reflects the fact that I do not know very much about it. How big is its total budget?

**Mr Nicholls**—If I get caught perhaps Robert could cut in but I will just go from various briefing notes that we have on UNIDO. Its resources total approximately \$280 million a year with 816 staff, which I suspect is dramatically less than it was a couple of years ago. They have gone through a downsizing exercise and, from the scuttlebutt you hear around the traps, it has been pretty traumatic and pretty dramatic.

**Mr TRUSS**—Australia's share was \$2.7 million; how was that assessed?

**Mr Nicholls**—It is assessed under a UN formula. It comes up to about two per cent of its overall budget.

**Mr TRUSS**—So presumably if it is under a UN formula, the US's contribution would have been a very substantial proportion of that \$280 million?

**Mr Nicholls**—That is right.

**Mr TRUSS**—How has UNIDO reacted to losing the US and the UK was presumably a reasonably large contributor as well. Had Australia stayed in, what would have happened to our contribution?

**Mr Nicholls**—It has reacted obviously with concern—

**Mr TRUSS**—I am meaning really in a budgetary context.

**Mr Nicholls**—The nature of their reaction is obviously going to be that it has to curtail its budget, reduce the number of activities and probably sharpen up its focus. The penalty, if you like, when you cease membership is 12 months fees. Now the US probably paid its fees last year. I would not want to be—

**Mr McKinnon**—Yes.

**Mr Nicholls**—It did? Okay. In other words, the need for UNIDO—other than to wring its hands and shake its head—has not really, as far as we are aware, resulted in any dramatic change of focus yet. Certainly, we have had representations to the effect that this is pretty dramatic stuff and that there is a risk that there could be cumulative effect and that all the other donors will jump on board and UNIDO dies a quicker death than a death of a thousand cuts.

**Mr TRUSS**—I guess that is what I am suggesting—that had we decided to stay

there our \$2.7 million may well have become \$5 million or \$10 million.

**Mr Nicholls**—They may well have tried it on. Our response would have been ‘No way’. We would have stuck to the formula which would have had a reduced base upon which the formula was applied. But, certainly, they may well have come along and maintained that, in the interests of continuity and of incredibly successful and superbly valuable programs, we owed. So they may well have done that.

**Mr TRUSS**—With Australia’s withdrawal from the organisation, do our firms or consultants become ineligible for consideration for UNIDO programs or are they just less favourably considered?

**Mr Nicholls**—They are certainly not ineligible and they should not be less favourably considered. Canadian consultants still obtain work, so do US consultants. The actual level of consultancy work that Australia has obtained so far anyway has not been all that big, but there is no automatic debarment, if you like, of their eligibility.

**Mr O’Leary**—Perhaps I could add a point there. It is correct that, by withdrawing from UNIDO, Australian firms would not become ineligible. Having said that, as I said to you before, with UNIDO’s restrictive process of picking firms that they think will do the work, I suppose on balance you could not say it would be a helpful development in terms of opportunities for getting further contracts. But that is not to say that some existing firms like Hassall and Associates, for example, who have the lion’s share of what procurement has been got—

**CHAIR**—Hassall and Associates, is that a Western Australian firm?

**Mr Nicholls**—No, I suspect that Hassall and Associates is either a New South Wales or an ACT firm. They have a large office in the Australian Capital Territory.

**Mr O’Leary**—They are certainly in the ACT.

**CHAIR**—They are located here?

**Mr O’Leary**—Yes.

**Mr TRUSS**—I think it would be helpful for the committee for you to tell us a bit more about which Australian firms have benefited from the program, to what order and for what sorts of things?

**Mr O’Leary**—Yes. I have a chart here. For example, let us take 1995 which are the most recent figures that we have: procurement of equipment to the value of just under \$50,000 involved a number of Australian firms including Intronics, Hamilton Hill (WA), ACRES—the Australian Centre for Remote Sensing—in the ACT and McVan Instruments

from Mulgrave, Victoria. But the total is about \$50,000.

With consulting companies, Hassall and Associates received about \$1.2 million for consultancy services. Then there were various expert consultancy services which are not detailed here. They were worth about \$½ million in that year. So you can see that in 1995 Hassall and Associates got about \$1.2 million from a total of \$1.7 million.

**Mr TRUSS**—What sort of work would they have been doing?

**Mr O’Leary**—I do not have that detail. Do you?

**Mr McKinnon**—Yes. Hassall and Associates were providing advice and expertise in relation to a community based industrial development activity in Africa.

**Mr TRUSS**—UNIDO projects, are they aid projects or do they invest in various developments in places?

**Mr McKinnon**—Generally, their activities are what we would call ODA type activities, aid type activities, although they do have some activities in the former Eastern bloc countries which do not qualify per se as aid but are still of a developmental nature. But certainly all their activities are of a developmental character.

**Mr TRUSS**—But there are no financial returns to UNIDO on any of their work?

**Mr McKinnon**—No, not as far as I am aware. They certainly do not operate on a commercial basis.

**Mr Nicholls**—They do not take out investments to the best of my knowledge.

**Mr O’Leary**—I should make the point also that, in conveying advice of our intention to withdraw from UNIDO, UNIDO was advised that while withdrawal would proceed we were leaving open the possibility of special purpose cooperation with UNIDO on a case-by-case basis in future. This could include special purpose contributions to UNIDO’s industrial development fund, co-financing of specific industrial development projects and cooperation between UNIDO and state governments. So it could well be that procurement opportunities would still arise in those contexts.

**CHAIR**—So the door has not been slammed shut?

**Mr Lamb**—It is important to do that because an organisation like UNIDO might well work with, say, one of the South Pacific organisations or it might do something in countries which are particularly important to us through ESCAP or whatever. You have to have that opportunity. Our capacity to make a contribution to a project that UNIDO is managing is no different from our making a contribution to something managed by any

other organisation in the world.

**Mr Nicholls**—Basically it has just regularised our relationship with UNIDO along the same lines as we have with other UN organisations. In other words, it is a voluntary funding window that will be available. The onus is on them to interest us in particular activities that we consider are in our own developmental interest as well as in UNIDO's—in other words, they can do something well that we think is worth while doing. So we transfer onus on them rather than just doling out the \$2.7 million, or whatever the membership fee is, each year.

**Mr TRUSS**—Do they normally develop projects and go to a country and offer them something; or do they say, 'Please apply to us for assistance'?

**Mr Nicholls**—No. They have a process where UNIDO staffers go to a particular country and identify and develop a particular activity in conjunction with that country. So they formulate a project that that particular country is happy with and is agreeable to. They then hawk that project around and try to find people to fund that particular project—

**Mr TRUSS**—To fund it?

**Mr Nicholls**—Yes. In other words, UNIDO has developed the activity and has costed it. It does not have the wherewithal itself so it will then hawk it around various donors saying, 'How about you put in for this? It is in your sphere of interest. It is something that you would find interesting.'

**Mr TRUSS**—So it uses its whole \$280 million budget on developing projects and not on projects themselves?

**Mr Nicholls**—It will put some in. That \$280 million will pay for the consultants that have gone out to identify the projects. It will pay for elements of the activity once defined that UNIDO is reserving for itself.

**CHAIR**—Before you talked about the emphasis being on centrally controlled economies, I guess, state organisations; is that what you are saying there?

**Mr Nicholls**—That is what it was—

**CHAIR**—Now that has changed, is there any evidence that their methodology has changed or their rationale has changed?

**Mr Nicholls**—It seems now as if the focus is on individual companies. Whereas up until not all that long ago lots of developing countries had five-year development plans, 10-year development plans and UNIDO would extract various bits of that; now most developing countries are going more strategic development planning, which is by nature

broad, general and strategic rather than micro as to which particular sector gets developed, et cetera. So within that framework UNIDO is now targeting companies within the recipient countries to assist. As David said earlier on, some 80 per cent of their effort is spent on individual companies.

**CHAIR**—Warren, do you want to keep going?

**Mr TRUSS**—Well, sorry to be a monopoly, but I am a bit troubled about how they actually use the money.

**CHAIR**—No, you keep going.

**Mr TRUSS**—You say they assist companies to make them more efficient and able to compete better internationally or to provide social benefits in their own country?

**Mr Nicholls**—You could take a generic view, if you like. Let us take the Solomon Islands because it is in our backyard. I worked for the Solomon Islands government directly for three years—from 1983 to 1986. During that time there was a UNIDO consultant in that country full time endeavouring to set up an industrial estate. He was endeavouring to obtain land, get the Solomon Islands government to put warehouses and put surfaced things on the land so that individual Solomon Islands companies which, by definition, would be quite small would go into these things and make small products. The sort of advice that would be given to those companies would be a marketing plan, a financing plan, a staffing plan—very basic small-scale stuff. That is in the Solomon Islands.

But UNIDO also works in China—and I have no personal experience of this—but it is not beyond the realms that UNIDO is helping a larger scale organisation. I am sure it would look at marketing plans and financing plans, et cetera, but it may well also look at ways that this company could get itself into the international market.

**Mr BARTLETT**—What is it that UNIDO offers there that the countries themselves do not offer, that governments do not offer, that their department of industry does not offer and that their own private enterprise cannot provide?

**Mr Nicholls**—In large measure, it is our failure to satisfactorily get an answer to that that steered us to the conclusion that maybe there is not really anything unique or superbly value adding that justifies its continued existence. For instance, the multilateral development banks, the UNDP itself and the domestic political environments caused by WTO initiatives all go to providing an environment and also facilitating technical assistance and monetary assistance that really the UNIDO does not seem to have a particular edge on.

**Mr Lamb**—There was a substantial changeover with the role of the UNDP



resident representative in parts of the countries which we are talking about. The UNDP resident representative was once upon a time the person who simply represented the UNDP and took projects from there back to UNDP headquarters or brought to the country the resolutions of the governing council. But now the UNDP resident representative really does reach out into the private sector, to the industry groups—to all the people that UNIDO might have contacted. So often UNIDO would really only duplicate that task.

UNIDO arguably had a different role to play when most of the developing countries that we are talking about had centrally planned economies. Then, they usually had a government ministry that was responsible for industry and dealt with UNIDO. They had somebody else dealing with agriculture, et cetera. Lots of the specialised agencies have had to rethink their work in countries where they have aid program responsibilities because of the change in the whole economic structure of the country concerned and because of the change in the way the UNDP resident representative is identified by the local community. UNIDO to some extent is an early victim of this change. But it is a natural process. I do not think there is anything particularly objectionable about it, but it is difficult for the bureaucrats in Vienna to grapple with.

**Mr BARTLETT**—Can I just pursue for a minute the issue of the factors that led to the decision. DFAT has said that UNIDO does not really fit our development interests, and Mr Nicholls said that we are looking for programs that give a bigger bang for the buck. What sort of criteria were used in evaluating the bigger bang for the buck? Are we talking about Australian procurements or are we looking at issues such as employment generation in the developing country, industry generation or straight down to the alleviation of suffering? What were the main criteria that were used to evaluate?

**Mr Nicholls**—There were a number of criteria. One very important criterion is the place of support to UNIDO given the government's objectives for the aid program. The government's objectives for the aid program now focus more on the humanitarian side, the basic need side, rather than industrial support. That was one element.

Another element is procurement. There is not exactly a huge return for the money that we put in. Another element is our assessment of the developmental impact in country of UNIDO's efforts. Were the countries in which it operates wholly supportive of it; was it seen to be doing good works in those particular countries? Employment of Australians is a very minor consideration from the AusAID perspective which, as I say, is a developmental perspective. Another perspective is that, against a background of less than optimum developmental return, a binding commitment to a fixed contribution each year reduces your flexibility in terms of supporting other organisations that are more akin to the government's objectives in a humanitarian sense and that provide us with the ability to support those things more.

**Mr BARTLETT**—So presumably there is a number of those other organisations seen to be higher on the list of priorities?

**Mr Nicholls**—Exactly.

**Mr BARTLETT**—Has that \$2.7 million been switched to one or a number of those?

**Mr Nicholls**—Not at this stage because we are still up for payment next year.

**Mr BARTLETT**—Is it the intention of the department that that will happen?

**Mr Nicholls**—In large measure that depends on the budgetary circumstances we find ourselves in.

**Mr TRUSS**—But, if nobody pays any of the administrative cost of UNIDO, it will obviously fail; therefore, there will be no programs around for us to assist.

**Mr Nicholls**—If UNIDO as an organisation fails, there will be no UNIDO programs for us to assist; that is quite right.

**Mr TRUSS**—Does that worry you?

**Mr Lamb**—Industrial development programs will not cease because they are run now by organisations like the UNDP and by the regional organisations. One of the judgments is that our needs in reaching our target areas and our target sectors can be achieved through the other organisations.

**Mr TRUSS**—So UNIDO has no useful purpose?

**Mr Lamb**—That is the NIA.

**CHAIR**—The thing is that at the multilateral level the UNDP has picked up a lot of the duplication and concentrated its activities there. At the bilateral level, surely under our EMDG arrangements, some of what we might have lost in the short term might be picked up in some areas like the EMDG—

**Mr Lamb**—May I say it is not just the UNDP. There are also bodies like ESCAP and there are the South Pacific regional bodies. There is quite a panorama of these entities.

**Mr McKinnon**—What are more important than all of those combined are the development banks—the Asian Development Bank and the World Bank. Their industrial development activities far exceed anything that UNDP or UNIDO provide.

**Mr TRUSS**—Yes, because you cannot reasonably say that we think the organisation is worth while but we are not going to pay anything towards it or that we

want to participate in the programs but we are not prepared to pay for the cost of it.

**Mr Nicholls**—That is right. But in terms of the piquancy, if you like, that was added to our analysis, from the AusAID perspective it was coloured by the budgetary situation. It certainly was not a driving force but, when you have to rank in a hierarchy the organisations that are worth supporting, UNIDO was below the line.

**CHAIR**—Thank you. Anything more from committee members?

**Mr TRUSS**—No.

**Mr BARTLETT**—No.

Resolved (on motion by Mr Truss):

That this subcommittee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

**CHAIR**—Thank you very much, gentlemen. The subcommittee stands adjourned.

**Subcommittee adjourned at 4.00 p.m.**