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JOINT STANDING COMMITTEE ON TREATIES

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JOINT COMMITTEE ON TREATIES

Monday, 8 March 2004

Members: Dr Southcott (*Chair*), Mr Wilkie (*Deputy Chair*), Senators Bartlett, Kirk, Marshall, Mason, Santoro, Stephens and Tchen and Mr Adams, Mr Bartlett, Mr Ciobo, Mr Martyn Evans, Mr Hunt, Mr Peter King and Mr Scott

Senators and members in attendance: Senators Kirk, Marshall, Mason, Santoro, Stephens, Tchen, and Mr Adams, Mr Martyn Evans, Mr Hunt, Dr Southcott and Mr Wilkie

Terms of reference for the inquiry:

Treaties tabled on 2 March 2004

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Committee met at 10.02 a.m.

CHAIR—I declare open this meeting of the Joint Standing Committee on Treaties. As part of the committee's ongoing review of Australia's international treaty obligations, the committee will review four treaties tabled in parliament on 2 March 2004. I understand witnesses from the Department of Foreign Affairs and Trade and the Attorney-General's Department will be with us for today's proceedings with witnesses from other departments joining us for discussion of the specific treaties for which they are responsible. I also understand that non-government witnesses are here to present evidence on the proposal to rejoin the World Tourism Organisation and the proposal to withdraw from the International Fund for Agricultural Development. I remind witnesses that today's proceedings are being broadcast by the Department of the Parliamentary Services. Should this present any problems for witnesses it would be helpful if they would raise the issue now. To begin our hearing we will take evidence on the Consular Agreement between Australia and the Socialist Republic of Vietnam made at Hanoi on 29 July 2003.

[10.03 a.m.]

Consular Agreement between Australia and the Socialist Republic of Vietnam (Hanoi, 29 July 2003)

ANDERSON, Ms Michelle, Executive Officer, Thailand, Vietnam and Laos Section, Department of Foreign Affairs and Trade

AYYALARAJU, Mr Sridhar, Acting Director, Administrative and Domestic Law Group, Legal Branch, Department of Foreign Affairs and Trade

COX, Ms Susan, Manager, Consular Coordination Unit, Consular Branch, Department of Foreign Affairs and Trade

MILNER, Mr Colin Charles, Director, International Law and Transnational Crime Section, Department of Foreign Affairs and Trade

SMITH, Mr Rod, Assistant Secretary, Consular Branch, Department of Foreign Affairs and Trade

VON BRANDENSTEIN, Mr Tony, Registrar, Treaties Secretariat, Department of Foreign Affairs and Trade

YOUNAN, Miss Houda, Senior Legal Officer, Office of International Law, Attorney-General's Department

CHAIR—I welcome representatives from the Department of Foreign Affairs and Trade, and the Attorney-General's Department. Although the committee does not require you to give evidence under oath, I advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Do you wish to make some introductory remarks before we proceed to questions?

Mr Smith—Detailed background on the agreement is contained in the national interest analysis, which you have before you, but it might be useful if I could make a couple of general comments by way of introduction. As members of the committee would be aware, generally the conduct of our consular activities internationally is governed by the Vienna Convention on Consular Relations. In a number of specific cases, however, we found it useful to negotiate with individual countries to supplement the VCCR with specific consular agreements.

The need, in our judgment, for this agreement arose out of a couple of specific problems in the performance of our consular activities in Vietnam. Specifically, these related to delays in the notification by Vietnamese authorities of the arrest or detention of Australian citizens, the reluctance on the part of some Vietnamese officials to accept that some individuals were of Australian nationality—that problem related specifically to Vietnamese born Australians or Australians of Vietnamese ethnic origin—and problems with a lack of clarity about the specific

rights that Australian consular officials should have in respect of access to arrested and detained individuals.

This agreement addresses in a very practical way those kinds of problems. It sets out very clearly and in some detail the assurances that we have from the Vietnamese government on those issues, including in particular—and this is probably the most important one—recognition of any Australian national for the purposes of consular protection and consular assistance. As I said, it is a practical agreement. It includes important guarantees on notification by Vietnamese authorities of the arrest or detention of Australian nationals, and it provides guarantees on access by consular officials to those individuals who have been detained. In respect of both notification and consular access, the agreement stipulates specific time frames.

The agreement also is useful in that it provides for annual consultations under the framework of the agreement. We have found this to be very useful in the one other case where we have a consular agreement—that is, with China. Those consultations provide a useful opportunity to discuss in a quite formal setting the problems we have in the management of our consular relations with the country concerned. There is that provision under this agreement. The agreement is cost neutral. In negotiating it, we did consult carefully with the Vietnamese community in Australia.

CHAIR—Thank you very much. Firstly, can the department advise us of who initiated the negotiations on this consular agreement?

Mr Smith—The Australian side.

CHAIR—You did mention the consular agreement between Australia and the People's Republic of China. Does that have similar provisions relating to visits and so on?

Mr Smith—Yes, it does.

CHAIR—Is it identical?

Mr Smith—No.

CHAIR—Can you identify which provisions of the Vienna Convention on Consular Relations are expanded by this bilateral agreement?

Mr Ayyalaraju—In particular, article 36 of the convention has been expanded. That article provides that host governments should provide notice without delay that a national of the sending state has been detained. The proposed agreement provides that the sending state will be advised within three working days and that a visit will be facilitated within two working days of that three-day period—so within five working days of that period the sending state will be entitled to visit the detained national. That is an example of how the provisions have been expanded.

CHAIR—You mention consultations with the Vietnamese community of Australia. Can you give specific information about what concerns the Vietnamese community raised?

Mr Smith—The Vietnamese community raised with us two specific areas of concern, and my colleagues may be able to elaborate further. One related to the rights of dual Australian Vietnamese nationals. The second related to issues pertaining to the management of estates in respect of deceased persons.

CHAIR—The national interest analysis says that the concerns expressed by the Vietnamese community in Australia have, to a large extent, been met. Were all of their concerns met? Which concerns were not met?

Mr Smith—They were all substantially met. There is a provision in the agreement relating to the management of estates. Our understanding is that the Vietnamese community has no further difficulties with the agreement.

CHAIR—Are Australia's practices for access by Vietnamese consular officials to citizens arrested or detained here currently comparable to those proposed in the new agreement?

Mr Smith—Yes.

CHAIR—Is the department aware of any complaints about Australia's procedures?

Mr Smith—No, not from the Vietnamese government.

CHAIR—There are no further questions on this consular agreement. Thank you very much.

[10.11 a.m.]

World Tourism Organisation Statutes (Mexico City, 27 September 1970)

ANDERSON, Ms Michelle, Executive Officer, Thailand, Vietnam and Laos Section, Department of Foreign Affairs and Trade

AYYALARAJU, Mr Sridhar, Acting Director, Administrative and Domestic Law Group, Legal Branch, Department of Foreign Affairs and Trade

COX, Ms Susan, Manager, Consular Coordination Unit, Consular Branch, Department of Foreign Affairs and Trade

MILNER, Mr Colin Charles, Director, International Law and Transnational Crime Section, Department of Foreign Affairs and Trade

SMITH, Mr Rod, Assistant Secretary, Consular Branch, Department of Foreign Affairs and Trade

VON BRANDENSTEIN, Mr Tony, Registrar, Treaties Secretariat, Department of Foreign Affairs and Trade

YOUNAN, Miss Houda, Senior Legal Officer, Office of International Law, Attorney-General's Department

MAZITELLI, Mr David, Chairman, Australian Tourism Export Council

RIETHMULLER, Mr Jeffrey Alfred, Acting General Manager, Tourism Market Access Group, Tourism Division, Department of Industry, Tourism and Resources

CHAIR—Although the committee does not require you to give evidence under oath, I should advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Do you wish to make some introductory remarks before we proceed to questions?

Mr Riethmuller—We would like to refer to a couple of key points. Most of them are covered in the national interest analysis. The proposal to rejoin the World Tourism Organisation was an initiative contained in the tourism white paper, *Medium to long term strategy for tourism*, released by the Prime Minister in November 2003. As the leading international organisation in the field of travel and tourism and a specialised agency of the United Nations, the World Tourism Organisation has a central role in promoting the development and implementation of responsible and sustainable tourism practices around the globe. It aims to ensure that tourism contributes to the economic development, international understanding, peace, prosperity and universal respect for and observance of human rights and fundamental freedoms. There are many synergies between the work programs of the World Tourism Organisation and those of Australia,

particularly in the development of policy and programs that promote robust and sustainable tourism. The WTO also focuses on a range of global issues currently confronting the tourism sector such as the impact of terrorism and events such as severe acute respiratory syndrome, or SARS, and other issues affecting, for example, the global aviation sector.

From our perspective, membership will offer Australia the ability to directly influence the policy direction of world tourism, through the WTO, and importantly in the nearby Asia-Pacific region, especially through the WTO's Commission for East Asia and the Pacific. Membership will also expand Australia's networks of contacts in specialised areas, building our knowledge of key international tourism developments and the capacity to respond to global events impacting on tourism. While we have been able to develop to some extent an international reputation in certain areas, membership of the organisation will provide us with the opportunity to significantly raise this international profile and the level of awareness of our capabilities across a range of areas where we possess particular expertise—for example, in tourism statistics and research, tourism policy development, ecologically sustainable tourism, education and training, and tourism infrastructure development and management. Such an enhanced profile within the international tourism community will, we believe, provide greater export opportunities for Australian businesses and consultants in these areas.

Access to a greater level of research and statistics will also provide us with the ability to monitor changing patterns and trends in consumer demand and to develop innovative and sustainable tourism product. The WTO, over the last few years, has very actively sought to strengthen industry participation in its activities to ensure that its work programs, including research, are relevant and supportive of the needs of governments and businesses in promoting the development and growth of a sustainable global travel and tourism sector. Australian government membership could encourage wider industry involvement and benefits derived from that private sector participation. If it is all right with you, I would like to invite Mr Mazitelli to offer a few words from the perspective of industry.

Mr Mazitelli—It is not only the Australian Tourism Export Council that supports this initiative by government to rejoin the WTO, but also our sister industry associations, such as TTF Australia, who have phoned me to advise that they support our attendance here today in support of the government's initiative to rejoin. From an industry perspective, I think there are probably three things that I would like to comment on. Firstly, rejoining the WTO builds on the initiatives that the government has already taken with the development of international centres of excellence, one of which is focused on the tourism sector. Secondly, that in turn supports the CRC initiatives, and particularly the CRC for Sustainable Tourism initiative, in the regions or in the Asia-Pacific region. This will have a significant impact on the awareness of Australia as an education destination, and the WTO membership will facilitate that. Thirdly, it will ensure that Australian businesses and enterprises have greater knowledge of the projects that are coming up internationally and in particular those projects which are undertaken by the WTO. Australian businesses in the tourism export sector have tended to be at a fairly significant disadvantage vis-a-vis their international counterparts by virtue of the fact that Australia has not been a member of the WTO. We believe this initiative will redress that inequity.

CHAIR—Thank you very much. In the national interest analysis it says that perceived shortcomings of the WTO led Australia to review its membership in 1989. Can you inform the committee of what those perceived shortcomings were?

Mr Riethmuller—Certainly. Essentially the issue was that the World Tourism Organisation at that stage was, from our perspective, more focused on Europe and the Northern Hemisphere than the region of most significance to us—that is, the Asia-Pacific region. Through discussions with the organisation over the years leading up to our withdrawal we sought to have the organisation enhance its level of activity and focus on the region. At the end of the day, that was not moving as quickly as we thought it should, so we chose to withdraw. The situation has fundamentally changed now. The World Tourism Organisation has a very keen focus on sustainable development, particularly in developing economies, many of which are in the Asia-Pacific region and most of whom see tourism as an opportunity to expand their general national economic development. That is fairly consistent with our objectives within the region, including through APEC and other organisations. The organisation set up an office in Japan a few years ago to base its activities in the region and it has a special commission handling development issues within the region. So from our perspective its focus has changed sufficiently to the point where now we see this as one of its key regions for activity programs and research et cetera, which we feel is appropriate.

Mr WILKIE—Have any of those changes occurred because of concerns that we raised with them?

Mr Riethmuller—That is possible. Our observation that this region is one of the fastest growing tourism development regions around the globe—and that is borne out by statistics and the WTO's research—has probably helped them to better understand that it is important that they focus on this region. Whether it was the leverage that came from our insistence on that focus earlier on, I am not sure.

Mr WILKIE—In hindsight, given that the organisation implemented changes, were we premature in withdrawing in 1989? Should we have stayed there?

Mr Riethmuller—My understanding is that the negotiations to achieve a change in direction, focus and emphasis went on for some time, over a few years, and ended with us in Australia undertaking a review of our involvement. It was then decided that it was not moving as fast as we thought it should, so we took the decision. I could not say whether it was premature or not. That occurred over a decade or so ago, in early 1990. It is now 14 years later. I would say that it has been over the last seven or eight years that their focus has shifted seriously to the region.

Senator MARSHALL—Did other countries in our region take the same action?

Mr Riethmuller—I know that New Zealand is not a member. I do not recall whether they were a member at one point in time.

Senator MARSHALL—Are you aware of any others—

Mr Riethmuller—Of significance? No, I am not aware of any.

Mr MARTYN EVANS—What is the annual cost of membership?

Mr Riethmuller—The annual cost is around €160,000, I believe, which is around \$A260,000.

CHAIR—Under article 34 of the WTO statutes it says that a member can be suspended from the WTO if they are:

... found ... to persist in a policy that is contrary to the fundamental aim of the Organization ...

It also talks about the promotion and development of tourism, et cetera, right up to:

... universal respect for, and observance of, human rights and fundamental freedoms ...

Looking at the membership list of the WTO, members include Iran, Iraq, Afghanistan, the Democratic People's Republic of Korea, Cuba and Sudan. Has there ever been a case where the WTO has suspended a member for not promoting the aims of the WTO?

Mr Riethmuller—I am not aware of whether they have suspended any.

CHAIR—So what is considered not observing 'universal respect for and observance of human rights and fundamental freedoms' in terms of the WTO?

Mr Riethmuller—Could I pass that issue to my colleagues from the Department of Foreign Affairs and Trade?

CHAIR—Certainly. Is this something that just sounds good and is never observed?

Mr Milner—I do not have any familiarity with the World Tourism Organisation in my work, except insofar as it has come to the attention of this committee. We would have to look more closely at the statutes of the organisation to see what would be open to a member state to do, in terms of taking action against another, that might lead to the termination of the membership of another country for that reason. It would have to be pursued through the procedures set down for that particular organisation. I do not think I could hazard a judgment in general terms about what would constitute such a breach, although it would presumably be relevant to include reference to the international covenants and so on for that purpose.

CHAIR—Certainly.

Senator MARSHALL—How does membership actually assist in the development of any of those issues?

Mr Riethmuller—If it were the Australian government's position to pursue an issue within the WTO along those lines, then it would be up to us to take that forward. It would not be possible, if those were issues the government chose to take forward, to do so from outside the organisation.

CHAIR—Can we ask on notice for more information about article 34 of the WTO statutes, because it is in the WTO statutes and it sounds good but, if you look at the member states, some of them are not what we would consider paragons of human rights observance, let us say. Are you happy to take that on notice?

Mr Milner—Yes, of course. With your indulgence, I was just going to make the point that, because suspension can only occur by resolution adopted by a majority of two-thirds of full members present and voting, obviously, in organisational political terms, that is a fairly large number of countries which would have to agree.

CHAIR—Also on the membership, you mentioned that New Zealand is not a member. I also notice that the United States and the United Kingdom—both countries with large tourism arrivals—are not members either. Could you give the committee any information on that? For example, why are the United States and the United Kingdom not members of WTO? I would have thought they were fairly important to the workings of an organisation.

Mr Riethmuller—As I understand it, they are constantly reviewing their position in that area. We do not have full details of all of the reasons behind their current position. We understand, for example, that the United States are very actively considering it as part of their national government increased focus on international tourism, particularly following the events of September 11—the terrorist attacks. We know that their leading private sector industry association has established an MOU with the WTO. We do not know whether a decision is likely to come in the near future, but that may be an indication of something coming in the near term.

CHAIR—Have they been members at some time in the past and did they withdraw, as Australia did?

Mr Riethmuller—I am not sure of that. I could find out.

CHAIR—Would you be happy to take that on notice?

Mr Riethmuller—Yes, certainly.

CHAIR—Thank you.

Mr ADAMS—The briefing papers tell me that in 2003 we had 142 countries, seven territories and 350 affiliated members representing the private sector, educational institutions, tourism associations and local tourist authorities. So the World Tourism Organisation is made up of government agencies, or governments as such, plus affiliated private sector people. Having read what I have been given, I am still trying to come to grips with the pluses for us as a country. Maybe you could throw some light on that. Paragraph 17 states:

Membership will also increase opportunities for Australian business to more actively engage with experts from other countries and, through enhanced networks, gain access to leading edge research and “know-how” and best practice, enhancing the sustainable development of Australia’s tourism industry.

I know we have been through ups and downs, but what are they going to give us? We in Australia have proved pretty good at selling ourselves as a destination. What are we going to gain out of this? Who are these experts in world terms? What are we going to gain, other than the rhetoric here—the words I referred to?

Mr Mazitelli—Perhaps I could throw some light on that. Again, from the perspective of the Australian Tourism Export Council, which is the industry association that looks after the

interests of the Australian tourism exporters, it is not only the inbound tourists who are of value and interest to the tourism export sector but also the export of Australian tourism expertise in the development of projects internationally, in undertaking research internationally and in generating revenues—foreign exchange earnings—from that work as a result of Australian companies being able to more effectively compete in the international marketplace, particularly in developing countries, where the WTO tends to have a fairly significant focus of its work. Australian enterprises to this point have tended to be at a relative disadvantage compared to other international enterprises whose national governments are members of the WTO.

From our point of view this would provide a terrific fillip to Australian exporters of tourism expertise in a country that has an international reputation, as you say, as a world leader not only in promotion and marketing but also in sustainable tourism development, social integration and the economic benefits that flow from the tourism industry. From a business perspective, Australia has everything to gain from membership and we strongly support the rejoining for those reasons.

Mr ADAMS—So it is actually selling our expertise and getting out there into a wider world business. Selling our expertise in tourism from Australia's perspective will be enhanced, you believe, by reaffiliating with this body?

Mr Mazitelli—Absolutely. In addition to the public diplomacy benefits that flow—and they are government issues—from a business point of view the answer to that is yes, there are tremendous benefits from being able to network through and leverage off the government's membership of the World Tourism Organisation.

Mr ADAMS—Is there any research? I see that it is pushing a bit further—and there is a hint here—that the World Tourism Organisation will have a little bit more influence than the OECD and APEC. Is there a bit of a change in some world political angling here?

Mr Riethmuller—I think that the OECD Tourism Committee and the APEC Tourism Working Group will continue to be important institutions. The issue with the APEC group is that it is fairly limited in its exposure—there are 21 economies involved there and some more in the OECD. But the WTO is a truly global organisation that handles the full range of tourism and travel related policy issues, some that cannot be addressed within those OECD and APEC working groups because of their limited mandate. For example, the shifts in the global aviation industry over the years to come will require amongst the key governments right around the globe a very strong understanding of how things develop. We think that the best avenue to take forward our views in that sphere is through the WTO rather than the relatively limited areas of focus in APEC and the OECD.

Mr WILKIE—That is a fairly broadbrush picture. In the NIA, paragraphs 5, 11 and 16 are fairly broadbrush areas regarding programs and policies. Can you give us some specifics on programs or policies that they actually have that are there, real and happening and of benefit to us?

Mr Riethmuller—Let me give you three examples. The work that the organisation is doing in crisis recovery, for example, followed 9-11 in the United States and it continued to grow and then was further enhanced by the events in Bali some year or so later. Their work in developing

crisis recovery policies and procedures, and undertaking research to underpin them, is very important. These very important areas we have done some work in and would like to be more involved with. They go right from having businesses that are soundly based and able to withstand some kind of shock through to the recovery period and into the future so that good businesses essentially do not go out of business because of a shock. They are key issues that we are focusing on in Australia. We suffered somewhat during the SARS epidemic early last year, so we see the importance of ensuring that our businesses are well prepared and that we have these strategies in place to help them through that. That is a key area that the WTO is focusing on.

Another key area is in having sound statistical and research products available to help underpin investment decisions and business decisions going forward. One area where we have done some work in Australia is in the tourism satellite account. In earlier years we have partnered with the WTO and the OECD and the World Travel and Tourism Council to inject our expertise and views into those debates and the discussion of that sort of work.

Another particular area is sustainable tourism development. A key to our policies is ensuring that tourism businesses and communities are sustainable into the long term, with the appropriate research and planning to underpin the creation of employment, economic wealth and so forth. That is another key area where the World Tourism Organisation is implementing programs. For example, its Sustainable Tourism for the Elimination of Poverty program—STEP—is mainly focused on developing countries. Where we have the expertise we can link with them and, we feel, assist in that sustainable development in those regions to create economic wealth and employment benefits, which we think will ultimately also flow through to Australian consultants and experts working in such programs, and potentially, through the creation of wealth in those economies, down the track lead to increased tourism flows into Australia, thus further underpinning our growth here.

Mr Mazitelli—Can I add a point to that, Chair, if that is agreeable to you? The point from a business perspective is the WTO's involvement in the development of the tourism satellite account. The tourism satellite account, which has recently been adopted by Australia, was fundamentally based on the work undertaken by the WTO. Notwithstanding the fact that Australia was not a member, we had the opportunity to provide input into the satellite account development. The satellite account is probably the most fundamental reform, in a statistical and planning sense, of the Australian tourism sector that we have seen in the last 15 years or so, short of the white paper coming through.

For the first time, it enables the Australian tourism sector, which is a difficult sector to measure in a statistical sense, to be compared to other industry sectors within the Australian economy on an equal basis. It therefore provides very real benefits from an economic planning perspective and from the perspective of understanding the growth of the industry. It also enables Australia for the first time to compare its tourism industry on an 'apples for apples' basis with the growth rates of other tourism industries. This is a particular initiative of the WTO which Australia already had benefit from. Australia has developed significant expertise in the tourism satellite account. There are many countries in the world that are looking at adopting the satellite accounting mechanism. Australia is well placed to take advantage of that and generate revenue from its involvement in the extension of the tourism satellite account. That is a specific example, but there are others.

Mr WILKIE—Could you tell us how the executive of the organisation works? For example, how often do they meet? Who would be Australia's representative on that body?

Mr Riethmuller—The organisation is headed by a secretary-general, and there is an executive. I am not sure how often they meet—I can check the detail. I can provide that; it is provided in the statutes. Australia would not necessarily have a permanent representative on the organisation, although the placement of somebody there at some point in time might be useful as time goes by. But the principal meetings of the organisation are their general assembly every two years and their commissions for the various regions. I think the one covering Australia, for the Asia-Pacific region, is held once a year. There are special committees that look at particular issues—they meet as required to deal with those particular issues. They usually try to convene those sorts of meetings at convenient times—for example, during major international travel and tourism shows, where there is likely to be an Australian presence in any case. I do not know if that answers your question sufficiently. The full details are in the statutes. I can summarise those and provide them to you.

Mr WILKIE—That would be great.

Mr ADAMS—I take it that the satellite concept that has been developed is an economic model.

Mr Mazitelli—The satellite account is not an economic model as such; it is a statistical treatment of the data that underpins the size of an industry that enables a single model to be used across economies so that there is consistency of input. It enables direct comparison of the size of particular sectors within an economy. It enables the Australian tourism industry as defined to be compared to other industries as defined under the ANZSIC code in the ABS's classification of Australian industries.

Mr ADAMS—It might be helpful if you are trying to get something out of Treasury, I would think.

Mr Mazitelli—Indeed, that is one of the very real advantages of it.

Mr Riethmuller—I have a fact sheet here which provides some of the details of the most recent update of the TSA to June 2003. It provides what are, not to us but perhaps to a lot of people, quite startling numbers on the contribution of tourism to the economy. You might find that helpful.

Mr ADAMS—I would certainly like to have a copy of that.

CHAIR—We will take that as an exhibit.

Senator TCHEN—I understand that rejoining the World Tourism Organisation—I will refrain from calling it the WTO—will be beneficial to Australia. I noted that, in the appendix to your NIA, you said there were a total of 429 written submissions on the tourism discussion paper and the tourism green paper. However, only 15 submissions make reference to membership of the World Tourism Organisation, of which about one-quarter were negative and three-quarters were positive. Given the limited number of people who actually commented on this World Tourism

Organisation, is there a lack of interest or lack of knowledge on the part of the people who actually operate in the tourism area?

Mr Riethmuller—I guess part of the answer is that there were many responses to the tourism white paper, from people dealing specifically with issues that were particularly relevant to them in the various discussion papers and in the green paper. I guess the key fact is that the main industry associations which represent by far the majority of individual businesses within the sector were supportive. The Australian Tourism Export Council, together with the National Tourism Alliance, which represents something like 23 individual business associations covering most sectors across the industry, were all very supportive. We canvassed specifically the states and territories because we feel that they will significantly benefit from it, as we will, through their businesses becoming more actively involved, and they were all supportive of the principle of rejoining.

I do not know that those numbers necessarily paint the complete picture. In fact, of the comments which came back, one submission I think simply answered all questions posed. The answer on the WTO was no, but with no explanation given. I think the nature of that particular business was purely domestically focused, fairly narrow and perhaps unlikely to be aware of the significance of the WTO from a national perspective.

Senator TCHEN—Can you cast your mind back to 1989, when Australia withdrew from the World Tourism Organisation. Can you recall what sort of reaction we received from the organisation itself? Was that recorded? Was Australia's withdrawal treated with regret or indifference or sadness or whatever?

Mr Riethmuller—I think it was perhaps with regret and sadness. Over the years we have had contact with the WTO's senior executives. They have continually expressed a wish that Australia rejoin and they have spoken about changes within the organisation that have addressed the issues that were of concern to us at the time. I think they see Australia as being at the leading edge in many areas of tourism policy development, program development and product development, so they would have seen our departure as a loss, I am sure.

Senator TCHEN—What I mean is: was there any effort on the part of the organisation to entice Australia not to withdraw at that time or was it a case of, 'Well, if you have to go, you have to go'?

Mr Riethmuller—I cannot say for certain. The information available on files does not provide detail on that. I think that they would have liked to have seen Australia remain in the organisation, but we had a difference of view about the speed at which reform was occurring, so we chose to reinforce our view of the need for reform by withdrawing.

Senator TCHEN—What I am getting at is: was there a high-level delegation from the tourism organisation that visited Australia to say, 'Please don't go'?

Mr Riethmuller—I do not know if they visited Australia at the time. I do know that they have visited Australia on many occasions since and raised the issue on many occasions since.

Senator TCHEN—You said there were changes within the organisation in terms of their policy and priority so that it is now closer to Australia's focus. But it has taken 40 years, so has the change been fairly slow?

Mr Riethmuller—No, changes occurred over a four- or five-year period after we left. I think the most significant changes have occurred in the last seven to 10 years. But an opportunity for us to rejoin was presented in the work being done through the development of the medium- to long-term strategy for tourism, and the government decided that it was an appropriate time to shift our position and make the approach to rejoin.

CHAIR—Thank you very much for your evidence.

[10.47 a.m.]

Amendments, made at Marrakech 2002, to the Constitution and Convention of the International Telecommunication Union (Geneva 1992) as amended by the Plenipotentiary Conference (Kyoto 1994) and by the Plenipotentiary Conference (Minneapolis 1998)

AUSTIN, Mr Maurice, Director, International Strategy Section, International Branch, Telecommunications Division, Department of Communications, Information Technology and the Arts

OLIVER, Mr Colin, Acting General Manager, International Branch, Telecommunications Division, Department of Communications, Information Technology and the Arts

SCOTT, Mr Bill, Director, Trade Policy Section, International Branch, Telecommunications Division, Department of Communications, Information Technology and the Arts

CHAIR—Although the committee does not require you to give evidence under oath, I should advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Do you wish to make some introductory remarks before we proceed to questions?

Mr Oliver—Yes, thank you. The International Telecommunication Union is a specialised agency of the United Nations. Membership includes 189 government entities and about 500 non-government entities. Its purpose is to maintain and extend international cooperation between all members for the improvement and rational use of telecommunications of all kinds, including the radio frequency spectrum. In pursuing its purposes, the ITU established its treaty agreements and recommends world standards for telecommunications and radio communications services, including satellite services.

Australia has been a member of the ITU and its predecessor union since Federation. Our participation in ITU activities is focused on supporting uniform international telecommunications standards and on working to encourage other countries to adopt open and modern policy frameworks and regulatory arrangements. As a medium economy highly reliant upon international telecommunications, Australia's participation in the development of global standards encourages significant efficiencies in the Australian telecommunications industry. Internationally these outcomes help to build investor confidence and facilitate commercial ventures by Australian businesses into foreign markets. Domestically they help Australia's telecommunications industry to provide maximum benefit to our economy and population with optimised activity and cost.

The Department of Communications, Information Technology and the Arts coordinates Australia's participation in the ITU. Both government and private organisations participate in many of the specialist ITU meetings, including study groups, which develop recommendations for international practice and keep relevant treaties under review. As part of the preparatory

process for the 2002 plenipotentiary conference, consultation began 1½ years prior to the event. A series of meetings was held with key Australian government agencies and Australian industry. The key participants in this process were the department, the National Office for the Information Economy, the Australian Communications Authority, the Department of Foreign Affairs and Trade, the Department of Defence, the Department of Transport and Regional Services, Telstra, Optus, Boeing Australia and Vodafone.

The 2002 plenipotentiary conference in Marrakech introduced amendments to the constitution and convention of the ITU. The constitution and convention are the primary instruments of the ITU which set out the rights and obligations of a member state. The 2002 amendments generally reflect Australia's objectives of supporting ongoing reform and greater efficiency of the ITU and are not controversial. The following key changes were agreed. Firstly, a new provision has been inserted into the constitution that authorises each sector's assembly or conference to set up its own working methods, increasing the ability of each sector to respond to the rapidly changing international telecommunications environment. There are three ITU sectors: the telecommunications standardisation sector, the development sector and the radio communications sector.

Secondly, new provisions consequential to the new constitution text have been inserted in the relevant convention text that relates to the powers of each sector's assembly or conference. Study groups have long been established within each sector to examine and propose changes to sectoral recommendations. The text of the convention that relates to each sector has now been broadened to recognise specifically the ability of each sector to establish groups other than study groups. These new groups are able to perform a broader range of short-term and advisory tasks than formal study groups and, again, increase the functional flexibility of each sector. The conference also adopted a number of resolutions and decisions on communications and administrative issues which did not amend the treaty.

The proposed changes to the constitution and convention will not require any change to the Telecommunications Act 1997 or related primary legislation. However, the telecommunications declaration and notification of 1997 will need to be updated after ratification to refer to the amendments to the constitution and convention made in 1998 and 2002. This updating will ensure that carriers, carriage service providers and the ACA are aware of the latest version of the treaty that applies. We see no disadvantages to Australia in taking the proposed treaty action.

CHAIR—Thank you. As I understand it, the amendments essentially relate to different work allowing each of the three sectors to establish its own working methods and establish its own groups—and that is really about it.

Mr Oliver—That is correct. I think you could broadly say that, over its rather long history, the ITU has been through a process of centralisation and now, with rapidly changing telecommunications technology and business models, with a wider range of non-government participants, there is a recognition of a need for more flexibility in each sector in order to relate more closely to what is really a very active industry.

CHAIR—For the purposes of the committee, how would you define the development sector?

Mr Oliver—The development sector is headed by a director and it has particular responsibility for responding to the interests of developing country members of the ITU. It is the newest of the ITU sectors. It has an existing advisory group and two study groups, as I recall, that focus on particular development issues. At present, its work is increasingly focused on the development of appropriate regulatory frameworks in developing countries—which we see as quite important for encouraging and facilitating competition in those markets.

CHAIR—Given that this appears to be an uncontroversial technical change, can the department advise the reasons for the delay between signing the treaty in October 2002 and tabling it in March 2004, especially as it seems that the amendments entered into force as of 1 January 2004?

Mr Oliver—I might ask a colleague to respond to that.

Mr Austin—I am probably best to answer that, Mr Chairman. Basically, the section that deals with this work within our branch was reduced in number from four to two during that period, we had a particularly busy year and various people did not quite know which to do first. Because this was so uncontroversial and because it came into force regardless of whether or not it was ratified before 1 January, it was considered to be one of those things which could be done as soon as we could get to it.

CHAIR—Thank you. Can the department provide some comments as to why only four states have ratified the amendments at this time?

Mr Austin—They may well be in the same situation as we are: it comes into force regardless and people usually ratify later on. The time frame between the signing of the treaty and the ratification is often quite long for many countries. Some countries have not even ratified 1998.

CHAIR—Is the department aware of other states that are on the brink of ratification?

Mr Austin—No. The only one that I am aware of, of the four that have ratified, is Denmark.

CHAIR—Yes, we have Denmark, Czech Republic, Sweden and Vietnam as being the four.

Mr WILKIE—Paragraph 4 of the NIA states that, according to the ITU's constitution, non-ratification of a treaty after a period of two years after entry into force results in a suspension of member's voting rights. Is it anticipated that non-ratification will present a problem for other member states or for the ITU itself, particularly after this two-year period?

Mr Austin—Not for the ITU. I doubt very much whether many countries will miss the deadline, but some countries have lost their voting rights for reasons such as not paying their dues—things like that. So, no, it is not likely to be a problem.

Mr MARTYN EVANS—Given that, fundamentally, the ITU is about standardisation of global open standards for telecommunications and that in a modern globalised world open standards are absolutely essential to telecommunications, is there any inherent conflict in that and the model that you are now shifting to, from a centralised concept where you might think it was easier to get agreement on standards internationally to a decentralised model where perhaps

there may be more difficulty in obtaining that global agreement on standards? Conceptually, it seems to go against that flow.

Mr Oliver—The present changes give each sector more flexibility in the way that they can adjust their working methods. However, they do operate with a large degree of independence now. For example, they each are headed by a director, there will be a high-level advisory group and there will be a number of specialised study groups within each sector. That is not changed by these amendments, so it remains possible for each sector to remain quite concentrated on their particular area of focus. Each sector is also reviewing its structure. The telecommunications sector, in particular, is reviewing its structure right now in response to emerging technological issues. I think the changes in working methods are best understood as giving greater flexibility in terms of what groups can do within what deadlines and with what level of open liaison with other private sector groups and other government groups that are active in the area.

Mr ADAMS—Is the object to have phones with world roaming? I take it that that is one of the purposes for the existence of this organisation.

Mr Oliver—Yes.

Mr ADAMS—My colleague's question concerned your indicator that we were going to a more flexible system, but there seems to be some conflict. I have a CDMA phone here. It is a bit of Telstra technology which locks me out of world roaming; I cannot get into that because the phone is for Telstra's technology only, so I cannot use this phone overseas. I would have thought that was a pretty silly thing to do, but Telstra has done that for its own profit-driven business techniques. Are we now going to have this happen all over the world? Is that the direction in which we are going to go?

Mr Oliver—My colleagues might wish to add a comment, but I think a point that we should make is that the ITU outcomes in the area of technical standards in particular are framed as 'Recommendations', with a capital 'R'. In many cases the input that comes to ITU work reflects competing agendas from different regions and indeed from different companies. The ITU plays an important role in reconciling and accommodating differences but it does not always do so completely. Quite often you will find a high-level solution in a recommendation that does allow options. The particular question that you raise of roaming provides an illustration of both what can be achieved and the way that commercial decisions can be made within the framework that exists to set limits on international connectivity. You might think of it as equivalent to a decision in the broadcasting area where you might decide to deliberately set broadcasting frequencies that are different from your neighbours' so as not to encourage that sort of communication. Those kinds of options do exist.

Mr ADAMS—But you would think that governments would really want to try to have something interchangeable that is in the interests of world trade and a range of things. What I am not hearing is whether we are going down a road different from the one where we have been and whether we are going to go down a road where we have more of this decision making, which is going to be that when I go overseas I have to get another phone, which is a commercial decision. Are we going down that road? If so, I think governments may need to play a role in that. That is what I am asking from a public policy point of view. That is the question that I want to know the answer to.

Mr Oliver—That is absolutely right: one of the reasons for governments to be involved is to make sure that national interests—and, indeed, user interests—are represented and that the game is not left to the supply side of the industry. So the issues of what we might call any-to-any connectivity, interoperability and interconnectivity are fundamental reasons for governments to continue to be interested in the issue and indeed to be involved in the ITU.

Mr ADAMS—Does the organisation ever make statements as to the direction in which they believe we should be going?

Mr Oliver—Yes, they do. The organisation itself has been the kind of UN organisation that has seen itself as very much the servant of its members.

Mr ADAMS—Of course, I understand that.

Mr Oliver—In other words, it is not a study group like the OECD where you may get a pronouncement that comes from the secretariat. The ITU do little of that but, by the same token, they do attract high-level political and industry leadership from around the world, so from time to time you do get broad statements that indicate general directions.

Mr ADAMS—I would have thought developing countries would be worse off if large telecommunications companies wanted to make it hard for them or make them pay more. If we do not have some direction as to these things, it could be very difficult for them. Would that be a true assessment?

Mr Oliver—Among other areas that the ITU looks at is the question of charging arrangements—I am thinking of network charging arrangements and network-to-network charging arrangements—and we take an interest in those, as do developing countries, to make sure that the models that are agreed as the basis for negotiating telecommunications connection charges are transparent, reasonably based, cost based and so forth. That is an area of priority for us. In fact, we are in a part of the world that is not part of the central hub, which tends to be a North Atlantic hub, so we take quite a close interest in the development of international charging models. That tends to be an interest that we share with developing countries.

CHAIR—As there are no further questions, I thank you all for appearing before the committee this morning.

[11.05 a.m.]

Withdrawal from the Agreement Establishing the International Fund for Agricultural Development (Rome, 13 June 1976)

FOX, Dr Geoffrey, Principal Rural Development Adviser, Australian Agency for International Development

MARCH, Mr Alan, Assistant Director-General, East Timor, Humanitarian and Regional Programs, Australian Agency for International Development

TAPP, Mr Charles, Deputy Director-General, Papua New Guinea, Pacific and Global Programs, Australian Agency for International Development

TINNING, Mr Chris, Director, Pacific IV: Regional Governance, Australian Agency for International Development

CHAIR—Since this proposed treaty action was tabled, the committee has received 12 submissions. These have been authorised and are available from the secretariat, which should have some copies for anyone who wishes to refer to them. This treaty action has clearly provoked a good deal of interest, and the committee has decided to hear from several witnesses today. AusAID, the Australian Agency for International Development, will appear initially, but the committee would also like to welcome representatives from IFAD, including the IFAD Support Group, who we understand have in some cases travelled a great distance to present evidence to us today. After AusAID presents its evidence, we would like to hear from the IFAD representatives and then conclude with AusAID witnesses again, if further evidence is required.

Resolved (on motion by **Mr Adams**, seconded by **Senator Stephens**):

That this committee accepts into evidence and authorises publication of submission No. 12, which has been provided by Phillips Young.

CHAIR—I welcome the witnesses from AusAID. Although the committee does not require you to give evidence under oath, I should advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Do you wish to make some introductory remarks before we proceed to questions?

Mr Tapp—Thank you, I will make a few brief introductory remarks. Making tough choices to match the Australian aid program's priorities is an ongoing task for the government. Australia supports relevant and effective multilateral agencies that deliver cost-effective and tangible results in South-East Asia and the Pacific region. We do not believe that IFAD adequately satisfies this criterion. 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.

The need for improvement in governance, the need for improvement in law and order and the need to ensure that the organs of government within our region are improved are not only in those countries' interests but also in Australia's national interest. The government's commitment to the Solomon Islands, to the broader Pacific regional governance agenda and to Papua New Guinea and also to security issues within Indonesia and other parts of South-East Asia is very significant. On this basis, the International Fund for Agricultural Development has become even less relevant to our agenda than it was a year ago, when we advised IFAD of our intention to withdraw.

Without wanting to reiterate the information in the NIA, we would like to make a few other comments. Australia enjoys an effective engagement with a wide range of UN and other organisations, such as the World Food Program, the United Nations Development Program, the World Health Organisation, UNICEF, UNAIDS, the International Committee of the Red Cross and many others. It has been our policy to seek to engage these organisations within our region, in terms of South-East Asia and the Pacific. Last year we negotiated a strategic partnership agreement with UNDP, and similar agreements are currently under finalisation with WHO, UNICEF and UNAIDS.

The point that we wish to make here is that many of these organisations have shown a significant commitment to the region. We have had regular engagement, significant numbers of visits. These organisations have established infrastructure within the region. They are heavily engaged and significantly committed to the development priorities within our region. We constantly monitor the relevance and effectiveness of these organisations, and we set funding priorities accordingly. I would not wish anyone to think that the system is particularly singling out IFAD.

The committee will be aware that Australia withdrew from UNIDO because of its lack of relevance to the aid program. A few years ago we had reduced core contributions to the United Nations Development Program—indeed, a \$500,000 reduction to the United Nations Development Program created a significantly greater level of international engagement with us than the decision we have made in relation to IFAD did. Essentially, we are keen to ensure that these international agencies are adequately focused upon our region, and that focus is not just a question of the amount of money that they may be putting in but a question of the quality of their strategic engagement and partnership with the countries concerned.

I would also make the point that if you look at some of those commitments that we have been making that are what I would refer to as our non-core funding of many of these agencies you will see that funding to those who have shown a real commitment to our region has increased. Our non-core funding to the United Nations Development Program has recently significantly increased because of their demonstrated commitment to our region. Similarly, our non-core funding to UNICEF, to the International Committee of the Red Cross and others has also increased.

IFAD's engagement in South-East Asia and the Pacific has been marginal and has not provided opportunities for us to form an effective partnership. IFAD lending to South-East Asia represents only seven per cent of overall lending from 1998 to 2002, compared to 25 per cent of Australia's total ODA. They have had no new projects in the Pacific since 1993. It was only after we informed IFAD of our intention to withdraw that IFAD informed us that it might wish to re-

engage with the Pacific. This strikes us as being a very defensive reaction, and it does not indicate a setting of strategic priorities. We would have the view that IFAD has no proven track record of comparative advantage in the Pacific when compared to many other organisations. We would also make the point that the Australian aid program does not make funding decisions based upon commercial factors.

We would like to correct a few reactions that Australia's decision to withdraw from IFAD equated to a resiling from Australia's commitment to rural development. The Australian aid program's commitment to rural development remains strong. Assistance given to this has increased over the last five years and now represents an estimated \$A255 million in the current financial year, which is over 14 per cent of total aid flow. Of this amount, our contribution to IFAD is only \$3 million; that is just over one per cent of estimated Australian aid for rural development. There are a large number of other organisations that we work with that we consider to be a great deal more relevant and effective.

We are ranked second out of 21 donors for the proportion of bilateral aid spent on agriculture, forestry and fisheries. We also assisted global food security through a \$1 billion food security commitment over the four years following 2001-02. We have also made a \$16 million multi-year contribution to the new multilateral Global Crop Diversity Trust, which addresses food security concerns by supporting the conservation of agricultural biodiversity in gene banks. Indeed, one of your former colleagues, Tim Fischer, described our commitment as being visionary and showing Australia's leadership in this important field.

Recently appointed on a permanent basis, Dr Fox is our Principal Rural Development Adviser. His appointment adds to the team of advisers that we have within house and the array of others who work with us in the rural development sector. Dr Fox has been working with us now in a number of ways for the last three years. Also, there is a continuing contribution of \$47 million for the annual program of the Australian Centre for International Agricultural Research, ACIAR.

I would also make the point that we have a significant engagement with the non-government organisations through the Australian non-government organisation cooperation program, ANCP, where we are supporting Australian NGOs to undertake community based rural development activities. Current funding for NGOs in rural development activities is running somewhere in the region of slightly over \$11 million per year—again significantly more than we would be contributing to IFAD.

IFAD's mandate is not unique. It is only one of a number of multilateral organisations world wide that fund rural development activities. Multilateral organisations such as the World Bank, the Asian Development Bank, United Nations agencies such as the Food and Agriculture Organisation, the United Nations Development Program and, indeed, the World Food Program all fund projects to promote agricultural development and food security. I would also point out the work within the Pacific region of the SPC and also SPREP, who are engaged in this area as well. So it is not just the big United Nations and multilateral development banks. Concessional lending programs, 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.

In terms of the geographic focus, I note some of the submissions have been highlighting that the Asia-Pacific region is IFAD's largest region. I would wish to point out that it is quite clear also from the literature that three of IFAD's five regions include Africa. Sub-Saharan Africa is divided into two regions. When combined, it is clearly IFAD's largest region. The third region combines North Africa and the Middle East. Clearly, the Africa region is by far the greatest focus for IFAD. Also, I point out that we have been talking in terms of our focus looking very specifically at South-East Asia and the Pacific, where our primary engagement is.

I also wish to draw to the committee's attention that in the period 1998 to 2002 the World Bank's IDA concessional lending arm lent almost five times as much for rural development in South-East Asia and the Pacific as IFAD did. In 2002, South-East Asia and the Pacific represented 19 per cent of IDA's total rural development lending—almost twice IFAD's figure of nine per cent for the region. The FAO—the United Nations lead agency for agriculture, forestry, fisheries and rural development—expended just under \$1 billion on technical assistance alone in 2000-01.

IFAD may have developed some expertise in areas such as microfinance, but microfinance programs are not sufficient on their own to address rural poverty. Attention is needed to broader economic settings and other forms of intervention with other organisations that we consider are better equipped to do so within our region. I keep reiterating that point: within our region. Australia is also exploring broader forms of aid to improve its poverty impact. The focus on stand-alone projects is something that is increasingly being seen by the international community to have limited impact, and that is the primary basis of IFAD's engagement within our immediate region.

I would like to have a very brief word, if I may, on process. We had conducted systematic assessments that highlighted a number of concerns relating to IFAD's relevance to the aid program and strategic focus within our region and also lack of responsiveness to donors and particularly our concerns. We had raised our concerns with IFAD throughout the process of the IFAD sixth replenishments and also through our counsellor and representative with IFAD in various discussions through the replenishment process and also in other private discussions. In May 2002 I actually wrote to IFAD, making the concerns clear to IFAD management and indicated that we would be assessing our involvement from first principles. Also our director-general met with the IFAD president in Rome in May 2002. The president of IFAD did not redress any of the concerns that I had raised in my letter in that meeting.

Through the IFAD sixth 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. We were of the view that, in the absence of any engagement by IFAD with our concerns—which was extremely disappointing—we needed to deal with IFAD management and not working through Australian staff in IFAD, which we considered to be inappropriate, or with stakeholders. 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—although, it would be fair to say, there were a number of stakeholders who were aware of our significant concerns and, I believe, were trying to draw this to the attention of IFAD management.

I do not want the committee to be of the view that AusAID is saying that IFAD is marginal and ineffective in all regions. What we are saying is that it is marginal to our own aid program, our own aid program priorities within our region and the priorities which have been clearly set out by the minister and the government. It is a small Rome based agency with little more than 100 staff that is focused predominantly on Africa and to some extent on South Asia but has absolutely no comparative advantage in the Pacific. To think that it would have would be incorrect. 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.

Our support for multilateral agencies is based upon their relevance and their capacity to deliver results in the Asia-Pacific region. We will be strategic about which organisations we will support and how we will support them. We have a balanced and effective rural development program. It is an extremely important sector to us. We do not see IFAD as a cost-effective option to be engaging with. In spite of IFAD having new management since early 2001, the failure of them to engage with Australia prior to our decision to withdraw has not given us much confidence to be able to form an effective partnership in the future.

It has also been suggested that we should merely remain an engaged member of the agency but not contribute to the current replenishment process. We are not prepared to go down that route. That seems a rather cynical approach to us. Certainly our view is that, 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. We consider that first approach to be somewhat cynical, as I said, and not appropriate. It would require a level of engagement on our part, as well as monitoring and support, and we consider that our resources can be better used elsewhere.

As I said at the beginning, the relevance of IFAD is indeed even more questionable than a year ago, given the recent developments in our region. In this environment, now withdrawing from IFAD seems to us to be a very clear and logical decision. We look forward to engaging with a number of other organisations whom we consider to be more relevant to Australia's national interests and the interests of rural development within our region.

CHAIR—In your opening statement, you mentioned that there has been no project in the South Pacific since 1993. In 1997, we also had the Simons committee, which clearly put a geographic priority on our overseas development assistance—the South Pacific first, then South-East Asia. Given that time period, did AusAID raise its concerns with IFAD management prior to 6 May 2002?

Mr Tapp—Yes. As I mentioned, we had been doing that through the replenishment process. We had been doing that through our counsellor who is based in Paris but is responsible for the international organisations which are also based in Rome. We did not do this necessarily through the board structure of IFAD—we were not of the view that that was the most appropriate forum to use, given the more administrative and project based nature of the workings of the board—but we had certainly done so through other means, yes.

CHAIR—Following Australia's announcement that it planned to withdraw from IFAD, has IFAD attempted to address AusAID's concerns?

Mr Tapp—Some of the broader issues of the donors collectively had been addressed by IFAD through the IFAD replenishment process. I have had conversations directly with both the President of IFAD—in the margins of the annual meetings of the Bretton Woods institutions in Dubai towards the end of last year—and I think the assistant president. I was also in Rome in May or maybe June of last year. IFAD has indicated that it wishes to have some form of engagement in the Pacific. The process for this engagement is slow; the sums of money allocated are small. In terms of what we would consider to be full engagement within our immediate region, no, IFAD has not addressed our concerns—and, as I say, as a small Rome based organisation which actually has no comparative advantage within the Pacific, we cannot see how it would be able to do so either.

CHAIR—What would AusAID say to the proposition of waiting until the external review of IFAD has been concluded?

Mr Tapp—We do not think that has any bearing on the primary issue of our concern, which is the relevance of the organisation to our region. We have raised issues; they have not been addressed. As I say, we do not and cannot see the relevance of IFAD—a very small organisation—in our immediate region. I would just make the point that the World Bank has established its regional office in Sydney and is significantly engaged in the region. The Asian Development Bank is establishing an office in Suva. It has an office in Port Moresby and an office in Port Vila and is also establishing an office in Sydney. The United Nations Development Program has offices throughout the Pacific. UNICEF has programs and offices throughout the Pacific. These organisations are significantly engaged and a number of them are significantly engaged in rural development activities as well. The fundamental issue here is looking at the relevance to the aid program priorities. We do not consider it necessary to wait for that review—the government have made a decision that they wish to withdraw from IFAD.

CHAIR—Thank you. In paragraph 29 of the national interest analysis you talk about withdrawal saving the administrative costs of AusAID managing Australia's relationship with IFAD, and you touched on that in your opening statement, where you looked at the option of remaining a member but not contributing to the replenishments. Do you have an idea of what the administrative costs have been since 1977 and what they are likely to be in the future? Does AusAID have an estimate of that?

Mr Tapp—I can give you a thumbnail sketch of it. We have a counsellor, as I say, based in Paris, who has an engagement with various organisations, including IFAD. We have a locally engaged member of staff based in Rome who deals with the World Food Program and IFAD, so that is a significant element of their engagement. Our ambassador in Rome, as well, would normally have an involvement with IFAD. We would also be doing continuing assessments, through our various assessment frameworks and what have you, of the key multilateral organisations—we do an assessment on an annual basis of any organisation which has taxpayer funds of over \$200,000. This is an important and time-consuming task for our staff based in Canberra working in our multilateral area and on our desks and also for staff overseas, for whom we seek a significant amount of impact.

There then also remains the engagement that we would need to have in terms of monitoring the more bureaucratic aspects and administrative aspects of IFAD. I do not have an immediate number or dollar value for the cost, but I make the point that we are a small government agency,

we have less than 500 staff, we have enormous demands placed upon us in terms of our immediate region and engaging with other organisations, we simply do not believe the extra engagement with IFAD is justifiable. If you me to provide more detail on that, I can take that element on notice. If they want more precision, I am happy to provide it.

CHAIR—Thank you very much.

Mr WILKIE—I see that we advised IFAD of our intention to withdraw in May 2003. What meetings of the organisation have we attended and what involvement have we had with the organisation since May 2003?

Mr Tapp—Since May 2003, since our intention to withdraw, I do not exactly recall all of the various meetings we may have had. As I say, I personally have been involved in a meeting with the Assistant President of IFAD. I have had a meeting with the President of IFAD. I know that our ambassador and our development cooperation adviser based in Rome had a number of meetings with IFAD as well. Again, if you wish for the exact list of those particular meetings, I am happy to provide them for you on notice. There have been a number of conversations with IFAD. It was certainly not our intention, though, to continue to be active participants on the IFAD board after our decision to withdraw.

Mr WILKIE—Why not?

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

Mr WILKIE—But, given that that decision would have to be ratified by this committee and also that three acts of parliament would have to be repealed by the parliament itself before we could actually withdraw, and therefore we are actually active members even though the government and the department may not like it, why didn't we attend the board meetings?

Mr Tapp—The decision that we took was not to have an active engagement. Again I can get back to you with full details of what specific formal meetings with IFAD we may have attended at the board. But certainly we did not take the view that we would be an active member of the board.

Mr WILKIE—If the organisation is so bad structurally, for example, particularly in the management area, why would donors such as the United States, Canada, the United Kingdom, France and others substantially increase their support to IFAD?

Mr Tapp—The issue for many of those donors is that they have a significant focus on the African region. Under the Monterey consensus, the projected funding flows into Africa are likely to double by 2007. Since IFAD is primarily focused in the African region, many other donors perhaps see IFAD as a vehicle to allow them to continue to increase their funding into the African region. Our perspective is very clear in terms of our focus on South-East Asia and the Pacific. I understand from some conversations that I have had that the US provided under previous replenishments something in the region of \$US80 million to IFAD. That figure has reduced to \$US30 million because they had some significant concerns.

They have increased under the recent replenishment their contribution, I believe, by 50 per cent, which still has them significantly below their earlier levels of commitment to the organisation. But I do not wish to make comments in relation to the perspective of other donors in terms of IFAD's relevance to them, given their geographic focus and development priorities focus. It has been accepted by the Development Assistance Committee of the OECD and by other donors and international organisations that Australia has a particular role to play, given its geographic location, in terms of the development assistance requirements within South-East Asia and the Pacific. That has been a clear policy of the government, and it is one that is recognised and supported by other donors.

Mr WILKIE—Has AusAID been approached by other governments and agencies such as the World Bank and the World Food Program on behalf of IFAD?

Mr Tapp—No. It has been quite noticeable that, as I mentioned earlier, in the international response when we reduced our funding to the UNDP by half a million dollars, because we were very concerned that UNDPs were not showing adequate engagement within our immediate region and we had some concerns in terms of various issues with them, we had significant representations from other bilateral donors, other stakeholders and other multilateral organisations and that in this case with IFAD the response has actually been mute, which is interesting. I will ask Mr March to comment specifically on some aspects of that.

Mr March—There have been at least two pieces of correspondence: one from an Indonesian minister who, in his capacity as chairman of IFAD's Governing Council, wrote to Mr Downer seeking some information on our reasons for withdrawal and one from the Canadian Minister for International Cooperation, Ms Whelan. Ms Whelan also wrote to Mr Downer asking the reasons for Australia's withdrawal. We communicated those reasons back to the correspondents. I might also add that, in my capacity of Australia's IDA deputy and Asian Development Fund deputy, I attended both the mid-term review meetings of the Asian Development Bank concessional lending arm and the World Bank IDA concessional lending arm. At both their mid-term review meetings and the initial replenishment meeting for the Asian Development Bank I was not approached about IFAD by my bureaucratic counterparts, the other IDA deputies for the donor community who were present at these meetings, to look at the performance of, in this instance, the Asian Development Bank and the World Bank's concessional lending arms, how they had gone over the last three years and where we might have priorities and funding requirements for the next replenishment period. I think the fact that that was not raised with me is pertinent.

Mr Tapp—The meeting of OECD donors to IFAD in May 2003, following our announcement to withdraw, indicated that there was no point in launching a campaign to overturn the decision. While at that meeting it was stated that there was regret over our decision, they acknowledged that Australia had the right to make its decision. Also, it was reported that amongst the OECD members there was general recognition of and some agreement with Australian concerns.

Mr WILKIE—We are talking about projects being provided in the Asia-Pacific region. I was looking at some information provided by the Ambassador of the Republic of Indonesia. He made the statement that in the Asian region cumulatively 32.3 per cent, or \$US2.5 billion, has been allocated to finance 159 projects, 25 per cent of total projects in 21 countries in the Asia-Pacific region. He went on to say that IFAD had funded 41 projects in the South-East Asian subregion—Indonesia, Philippines, Vietnam, Laos, Cambodia and Thailand—for a total lending \$US518

million. He said that, in addition, IFAD approved a total of 26 grants for about \$US3 million, supporting technical assistance for start-up activities, not including grants extended to local and international NGOs, and that there are currently 18 projects under implementation of which three are in Cambodia, four in Indonesia, four in Laos, four in the Philippines and three in Vietnam. I would think that that is quite a substantial investment in Asia.

Mr Tapp—We were using our graph in the NIA to provide an accurate comparison between the regional focus of IFAD and AusAID, and we were using all the information that was provided by IFAD themselves in relation to that. We were looking at the South-East Asia categorisation and the Pacific categorisation, and we ensured that the countries that we were considering in that were the same ones that IFAD were considering. We were also looking at a time frame with an end point of 2002, because that was the latest year for which the IFAD figures were available. I think there have been a certain number of question marks raised in terms of whether one is looking at comparing apples with apples or apples with oranges. We have made it very clear that we are using information that has been provided by IFAD in terms of their expenditures and ensuring that the figures we are providing—and that we have provided here through the NIA submission—do not include North Asia, China, DPRK, Mongolia or South Asia so that we are actually comparing apples with apples. I think the Pacific numbers are also perfectly clear.

Mr WILKIE—The NIA talks about consultation with Australian IFAD staff. It is my understanding that there are actually 15 Australian staff, but it says here that three were met with to outline the Australian government's overall justifications for withdrawal. I would have thought consultation is getting feedback both ways rather than just telling people why you are not going to do something.

Mr Tapp—There are a couple of points. The meeting for Australian staff in IFAD was arranged with our ambassador in Rome and three attended. That is not an issue on our side in terms of who was invited to attend. I understand that a large number of the Australians in IFAD are actually dual nationals, as opposed to being solely Australian citizens. Because of the lack of engagement—

Mr WILKIE—That does not really explain it.

Mr Tapp—I know, but my point is that three attended that meeting with our ambassador, that it was not something that we—

Mr WILKIE—Did you find out if others were available to attend?

Mr Tapp—They had asked for the meeting. We suggested a time, the meeting was agreed to and three came to the meeting.

Mr WILKIE—Did they put in any submissions?

Mr Tapp—A letter was received from the staff. On the basis of information that IFAD provided to us on the geographic distribution of IFAD staff dated 26 March 2003, only three were actually identified as being Australian citizens. There was a letter from IFAD staff, but the point I wish to make is that, given the lack of engagement by the management of IFAD, we did

not think it was appropriate to engage with the Australian staff in IFAD to discuss the issues. We felt that was putting them in an invidious situation in terms of having to act as a basis for communication of Australian concerns to IFAD management.

Mr WILKIE—You mentioned a letter they submitted. What were the contents of that letter? Basically, were they supporting the organisation or the position of the government?

Mr Tapp—They were supporting the organisation.

Senator SANTORO—Obviously, the lack of responsiveness by IFAD over a period of time is an issue. It is pretty much a big issue in terms of your argument to us. I have three questions. For the sake of the public record, would you be able to outline briefly for us the substantive points or representations that AusAID put to IFAD over a period of time? Would you then be able to give this committee some idea as to why the management of IFAD was unresponsive and why you think that that level of unresponsiveness has led to the recommendation that Australia withdraw from IFAD? I would like you to provide some comment in relation to a paragraph within IFAD's submission to the standing committee. IFAD says:

AusAID is understandably concerned at IFAD's lack of focus on the Pacific region in recent years.

That, I gather, is one of the major points of difference or contention, if not the major point. What I would like you to give the committee is your opinion as to why that attitude which is now being expressed by IFAD and which, I think, from evidence already presented, you consider to be the reason why we are withdrawing is a marked, substantial improvement to the attitude that they had been expressing previously. Do you follow the three questions that I am asking there?

Mr Tapp—Yes.

Senator SANTORO—They are my three questions. I just thought I would ask them concurrently so that they are in context.

Mr Tapp—You asked a question, firstly, on substantive representations. As I had mentioned earlier, we had had regular representations and engagements with members of IFAD from our councillor based in Paris relating to their issues of focus relevant to the aid program and a number of other matters that were also being taken up in the context of the IFAD sixth replenishment process.

Senator SANTORO—This has been a long-term concern, has it? How long are you talking about?

Mr Tapp—We have certainly had some concerns, as had many other donors, in relation to some issues with IFAD for some time. Those are things that we would have been discussing with IFAD for a number of years.

Senator SANTORO—Would it be four, five or six years?

Mr Tapp—Yes.

Senator SANTORO—So it is a substantial period of time?

Mr Tapp—Yes, for a substantial period of time our representatives have been raising issues with IFAD.

Senator SANTORO—Mainly on the issue of focus?

Mr Tapp—On issues of focus, effectiveness and management and, broadly, on UN reform in general. We had been doing that for—

Senator SANTORO—When you say ‘management’, obviously the issue of management strikes at the heart of accountability and the effectiveness in terms of how the Australian contribution has been spent. Again, in sharp sentences, is that the concern of management?

Mr Tapp—There were some issues earlier in relation to financial management at IFAD. 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. A number of these issues were taken up through the IFAD sixth process as well, and some of them have been addressed in intent by IFAD, writ broad. But, also, there has always been the issue for us of the particular regional engagement and focus.

The letter which I wrote to President Bage in May 2002 was very clear. In terms of diplomatic niceties this is very strongly worded. The letter says:

Before doing so, I believe it appropriate to advise you that AusAID—in the course of its ongoing multilateral assessment process—has developed significant concerns about the continuing relevance of IFAD’s operations to Australia’s development cooperation objectives and priority countries. As you are aware, only a small proportion of IFAD supported programs are located in the main focal regions of Australia’s aid program—South-East Asia and the Pacific. As a result, opportunities for operational interaction between AusAID and IFAD have been extremely limited. Where such interaction has occurred, it has been characterised by communication difficulties related to IFAD’s proxy management arrangements and limited headquarters engagement. In these circumstances, it has been difficult to achieve the kind of bilateral-multilateral synergies for which we increasingly strive. Australia will therefore be assessing the level of its participation in the sixth replenishment from first principles.

Senator SANTORO—What was the response to that letter?

Mr Tapp—None. Very shortly thereafter the Director-General of AusAID had a meeting with the President of IFAD. There was no response provided to that letter whatsoever.

Senator SANTORO—At that meeting?

Mr Tapp—At that meeting—none at all.

Senator SANTORO—What is it? Is it rudeness, lack of knowledge of diplomatic protocol, personality clashes—or they just don’t give a stuff?

Mr Tapp—I have no idea what the specific reasons are. At the meeting I had last year with the Assistant President of IFAD—and I point out that this letter was written on 6 May 2002—it

was suggested to me that Australia was a very important member of IFAD. That was the point at which I did take some issue, given the fact that we had had absolutely no engagement, no constructive response whatsoever. But why the unresponsiveness? I cannot provide an answer to that. All I can comment on is the fact that there was a lack of responsiveness.

Senator SANTORO—How much do we contribute over the year and totally?

Mr Tapp—The current commitment is an average of \$2.4 million per annum. We have not made a contribution to the IFAD sixth replenishment.

Senator SANTORO—Do you find it surprising that that level of financial commitment by a country such as Australia does not even warrant a letter back or the raising of the issues raised in the letter?

Mr Tapp—I would consider it a significant cause of concern.

Senator SANTORO—Getting back to the earlier question I asked you, what credibility then should be attached to that commitment, if I can put it that way—which is probably a strong way of putting it—by AusAID in their submission where they say:

AusAID is understandably concerned at IFAD's lack of focus on the Pacific region in recent years. It should be understood that IFAD has mounted a major initiative to re-engage with the Pacific. Funds have already been earmarked, consultations have been held with representatives of the Pacific islands countries and a Pacific strategy mission will be fielded in March of this year.

Was AusAID consulted when that was put in place? Did they finally get back to you?

Mr Tapp—We were informed. The level of communication from IFAD has certainly increased after their being informed of our decision. It has created a reaction on their part. Indeed, President Bage informed me in October last year of their intent to look to re-engage with the Pacific. This is intent. The sums of money are small. To our mind, engagement in the Pacific goes significantly beyond missions and a bit of consultation. 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. So while it is still an intent, we are also of the view that what they have said they are going to be doing falls a very long way short of what we would refer to as adequate engagement within the region.

CHAIR—Thank you.

[11.57 a.m.]

CARRUTHERS, Mr Jim C., Assistant President, International Fund for Agricultural Development

PRIEN, Mr Alan, Special Adviser to Senior Management, International Fund for Agricultural Development

BARLOW, Dr Colin, Australian National University; Member, International Fund for Agricultural Development Support Group

GIBBS, Mr D'Arcy Eric, Steering Committee Member, International Fund for Agricultural Development Support Group

MacPHERSON, Mr Andrew Stuart, Member, International Fund for Agricultural Development Support Group

WARD, Mr Robert, Director/Owner, Austarm Machinery Pty Ltd

YOUNG, Mr Phillips John, Independent Consultant

CHAIR—Welcome. Although the committee does not require you to give evidence under oath, I advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House and the Senate. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. I now invite you to make some opening remarks.

Mr Carruthers—I will make some initial remarks, and other colleagues will add some comments. First of all let me say how much I appreciate the opportunity to appear before the committee. Senator Tchen asked a question earlier about whether the UN agency had expressed a commitment to and an interest in coming to Australia. I wish to assure you that we very much value Australia's participation in IFAD and are here to put a case forward urging Australia to consider at least being a member.

I want to make a couple of observations, but first of all I want to highlight that although many donors have now rediscovered rural poverty, IFAD remains an institution that has only one purpose: enabling the rural poor to overcome their poverty. It has developed an approach which is based on the rural poor and from the rural poor. This kind of approach has generated a lot of innovative ideas which have been upscaled to some of the larger institutions over time. Indeed, our whole approach is to work in a complementary way with bilateral donors and other large institutions, such as the World Bank and the Asian Development Bank, who have all very much expressed their continuing support for IFAD recently and regularly.

As our first observation we would like to highlight the timing of this decision, which we very much feel is unfortunate for several reasons. First of all, despite significant efforts, we have simply not been able to engage AusAID in a serious dialogue on this question. I think there

clearly has been some miscommunication in letters and responses. One point that was made just a few minutes ago which I think is worth commenting on is the famous letter of 6 May, in the context of the sixth replenishment of IFAD, expressing concerns that AusAID had. Indeed, four days after receipt of that letter the President of IFAD met with the Director-General of AusAID to review those issues and to discuss them in the context of the replenishment that was going on. Many of those issues were shared by other donors. They concern the evolving nature of IFAD. When IFAD was established in 1977—and AusAID was a founding member—much of the challenge on rural development was to reach the grassroots and involve the poor themselves in making decisions. That kind of a process has been scaled up over the years, and we are now facing some new challenges on what is innovative in rural development.

In that context, the sixth replenishment has reached some major reforms. First of all, a new management team is in place at IFAD, as was mentioned, beginning in 2001. Traditionally, IFAD has had its president from the OPEC countries. When the large petrodollar amounts rolled in in the seventies and eighties that seemed appropriate, but in the current situation the OECD countries decided to take firm charge of IFAD and to have the first OECD president elected at that time and a new management agenda proposed, discussed with all the donors and agreed to. I think that highlighted the very issues that AusAID mentioned: a results based management approach, a performance based allocation of resources, enhanced field presence and a scaling up in policy dialogue. These were the exact new changes that were introduced in the sixth replenishment strategy.

As well—and this is one area where AusAID particularly mentioned its interest—it felt that the institution as a whole needed an independent external evaluation. IFAD had regularly been evaluating projects and country programs, but the idea of an independent evaluation structure was very critical to the reforms. First of all, a new independent Office of Evaluation was established, reporting directly to the executive board. Again, I remind members that Australia is a permanent member of the executive board and therefore very much part of the decisions taken by management all through the process. But an independent external evaluation was to be conducted in 2004 and is now under way. All donors are awaiting the results of that evaluation at the end of this year.

Indeed, in the sixth replenishment there was a major increase in contributions from most donors. The allusion to reductions in contributions earlier was the result of replenishment discussions several replenishments ago, when all donors reduced contributions on the basis of a model that perhaps was suggesting that in the longer term IFAD would reach a sustainable level of lending based on reflows and other factors. That particular period quickly came to an end and contributions began to increase. The 50 per cent increase by the United States in the last replenishment reflected an assessment by the Americans of the agenda that is coming forward, and their support for it, along with significant increases of between 25 and 50 per cent from many other donor countries. Because the OECD group, including Australia, was very much pushing for this agenda, the convenors of the OECD group expressed great surprise to us when they were informed by AusAID that Australia was withdrawing. This information came to them by copy of a letter that had been written by AusAID to the President of IFAD. Until that time, the board members or the convenors of the lists were not aware of AusAID's intention to withdraw.

Much discussion certainly focused on the issue of South-East Asia and the Pacific. I think, as was mentioned, this is clearly a priority for AusAID, and we very much understand the concern expressed to IFAD about a decline in the South Pacific program. I hasten to add that IFAD does indeed spend 30 per cent of its resources in South-East Asia, with somewhere between 11 per cent and 12 per cent each year going to the South-East Asian region. Some years ago, around 1993, a decision was made by the board—the board of which AusAID was a member—that IFAD should focus on fewer, larger loans. The consequence of that in that immediate period was that it was difficult to provide loans to the South Pacific islands, where such larger loans were difficult to absorb and IFAD had very limited grant resources available to it. At the last board meeting in December 2003—unfortunately, AusAID do not attend those board meetings—the board decided to increase IFAD's grant authority to 10 per cent of its total resources. This has been a significant tool for us to help move the dealings forward with countries that require smaller loans. As well, the new management has adopted a significant policy change that says, 'In spite of these issues, we must really re-engage in the South Pacific.'

A meeting was held in December with 14 countries, including a number of ministers—and including the government of New Zealand, which was also expressing significant concern about participation in the South Pacific. It was agreed to mount a full regional strategy for the South Pacific. This is not only a series of ad hoc projects but also a regional strategy for IFAD in the South Pacific. The teams will go out to the islands in March. New Zealand has agreed to host the consolidation workshop in May to help develop this strategy. This strategy will focus very much on the kinds of projects we want to do, the networks and institutions we want to work with and the nature of the policy dialogue and upscaling what we want to do.

So this process is under way and, frankly, we very much want and need Australia's participation in this dynamic. We also wish to highlight the point that contributions to IFAD are voluntary. Australia has already made the decision not to contribute to this current replenishment, but this does not affect its membership. Therefore, any financial savings are illusionary because they have already been made. Participation as a member still is of great value to IFAD because we not only gain from Australian experience in this region but also gain access to Australian expertise which we very much need, especially in the agricultural area. Equally, Australia has an investment—or shares, if you will—in IFAD of \$47 million to \$50 million, depending on the exchange rates used. By withdrawing, they give up voting their shares—these are permanently invested in the institution. We would simply urge that consideration be given to awaiting the results of some of these reforms, awaiting the results of the evaluation and, please, encouraging a dialogue on the South Pacific, which we have been anxious to have. Thank you.

CHAIR—Thank you very much. I reiterate that we only have until 12.30, so, if you want some time for questions, I ask you to keep your opening statements brief.

Mr Prien—I would like to comment on some points in particular that have already been discussed. Within our framework, Canada is the convenor country of our OECD members. So in addition to Susan Whalen, the minister, writing on behalf of her country, she was writing in reference to the fact that she represents all the OECD countries. As we indicated earlier there was considerable concern because, within the IFI 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.

I would like to comment on the concerns mentioned earlier about the lack of consultation. After Mr Tapp wrote his letter to President Bage, as has been mentioned, President Bage had a meeting with Director-General Davis four days later and they covered all six points that were raised in the AusAID letter. This was in the middle of our sixth replenishment, and five of the issues were subject to the negotiations during that replenishment. President Bage could not give immediate answers to all the concerns that AusAID had raised, because, in addition to their letter, at the explicit request of the president, who chairs the replenishment meetings—and I was the secretary—nine other countries also wrote to us and some of them were contradictory. So the president, as the head of a neutral international organisation, could not necessarily say to AusAID, ‘Yes, I agree with all your points,’ because in some cases there were, let us say, different points of view being put by the other nine countries. It was only during that year that we came to compromises on all the issues, and IFAD is making quite good progress on addressing those issues.

Also, I would like to make a very quick comment on the consultation process that was allegedly undertaken by Ambassador Murray Coleman in Rome. The only time he ever met with us was when the president, the country program manager for the Pacific and I went to see him. When we went to see him he had been in Rome for about a year and he apologised for never being able to have time to be in touch with us previously or attend any of our previous meetings. With regard to the meeting with the staff, the 15 employees wrote to their MPs and copied the letter to Ambassador Coleman. That is the only time thereafter that he reacted and called one of the Australian staff and tried to organise a meeting. He organised a meeting where all 15 could attend, but on the day before the meeting someone in his office called and said he had had a change in schedules. So the ambassador had to change the timing and the date for the meeting and therefore rescheduled it for another time when only three of the employees were available. So that is a little bit of the background.

I would like to conclude by saying that one of the important things is that AusAID, like a number of our donors, had been pushing for an independent and external evaluation of IFAD. This is under way, as Jim just said, and the results are expected by the end of the year. Other major donors also wanted this evaluation because IFAD has some warts—it is not perfect at all. Obviously, the country representatives have shown some serious concerns about some defects that it has, but I think IFAD is honestly trying to address them. It seems unfortunate, at least, that the donor driven external evaluation will not be tabled before they go ahead with their proposal. Those of us who support IFAD are wondering why there has to be a rush to judgment.

Dr Barlow—I will make only a brief submission. I have been working in rural development for the whole of my life—I am at the ANU—and spend most of my time on this with various national government schemes. I have never had a financial connection with IFAD, but I have been able to observe IFAD at quite close quarters in several countries, notably in Indonesia and the Philippines. I am also the president of an Australian NGO promoting village level rural development in Eastern Indonesia. We have been doing that for almost 15 years. IFAD has always appealed to me because of its concentration on what I call real rural development and poverty alleviation. This is development that focuses directly on rural communities, working through community participation rather than community direction and tailoring sponsored activities in the provision of new technologies to the suggestions, capacities and situations of farmers and others who largely manage the projects themselves. This is a slow process—slower

than a centralised, imposed process—which, in the longer run, when IFAD has gone, can enable the people concerned to continue working at improved levels on their own.

This approach involves the active engagement and development of not only local government and community groups but also local national NGOs. It is a demonstrably effective grassroots engagement, which, although time-consuming in the initial stages, has good end results. Few Australian or other donor country NGOs have been involved in IFAD's efforts, but there is plenty of scope, as I see it, for our ample expertise in various aspects of rural development to be harnessed in this way. It is, of course, far easier to work almost exclusively—as most multilateral development organisations do—through national government departments which administer programs through centralised hierarchies, basically telling people at the field level what to do. This is what those of us who have been working in rural development for many years have a wish not to continue with. It is a costly method, and its substantial funds are often siphoned off in administration. It is also much less directly effective or sustainable.

In the short time available to me, I cannot give more than one example of IFAD's field approach, so I will refer to the PIDRA scheme in Indonesia. This is quite a big IFAD scheme, which is currently undertaking agricultural development in Java, Kalimantan and Nusa Tenggara Timor, which is the poorest province of Indonesia, directly to the north of Australia. This scheme is working towards agricultural and poverty alleviation in just the way described and, although it has been going for only three years, has already produced extremely positive results and increased living standards. It is so impressive that the Indonesian minister for agriculture, Professor Bungaran Saragih, who will be known to several of you, is now using the approach as a model for a far wider Indonesian rural development program—and I am expecting to discuss this in Jakarta in the next few weeks.

Over 50 per cent of people in our South-East Asian region—and indeed in developed countries as a whole—rely on agriculture and live in rural areas. Why should we withdraw from the only international organisation devoted exclusively to the rural development field and with a demonstrably excellent record of achievement? To me, such a withdrawal is against Australia's interest.

Mr Gibbs—I have presented to two submissions: one on behalf of the IFAD Support Group—the annotated version of which was in the NIA—and a personal one on behalf of consultants. Briefly, I have had a lot of experience in rural development: in 25 years I have worked in 50 countries, on probably 70 or 80 projects. At the coalface, I can assure you, there would be very few here in Australia or elsewhere with the breadth of experience that I have. I have worked for all IFIs: the World Bank, ADB, UNDP, IFAD—the whole lot of them. There is absolutely no doubt in my mind that, when it comes to rural poverty alleviation, focusing on the smallholder and rural development from supporting institutions to farmers at the grassroots level, the only institution is IFAD. That is without a doubt. I challenge anybody to put anything up against that.

I have very little time, but I would just like to touch on a couple of the things that have upset the consultants and the stakeholders. One is that it was a unilateral decision, probably at the instigation of AusAID, to withdraw from this institution. They never even consulted, or let anybody know in, the consultant community or even the OECD, staff in South-East Asian organisations, NGOs, goods and service providers or anybody. They kept it under wraps and did not tell anybody so that we could challenge some of the premises they came up with to get out of

IFAD. In fact, we found out about it through the back door and that is very disturbing when it comes to making major decisions.

With little doubt, our withdrawal from IFAD is going to have a major reflection on Australia world wide. I work with government personnel and people on the ground, and it is amazing what they know about Australia. This withdrawal from IFAD and our lack of commitment now for poverty alleviation, millennium goals and whatever are going to be very hard to justify from an Australian point of view. IFAD is now the leader in market led rural development. We have plenty examples of that, and there is no other institution doing that in rural development. Without a doubt, IFAD does it better than anybody else.

We were told by AusAID that there was a comprehensive analysis done prior to our being told that we were going to leave IFAD. We have asked for this comprehensive analysis. What is the basis on which they have come to this decision? I guess it is the property of AusAID—they will not share it with us. Why won't they share it with us? It is probably because they cannot support all the facts and premises that they have come up with. We would certainly like to see that.

We have challenged most of the statements in the national interest analysis, and we had four or five hours to put it together. I would like a few days and the backup of a gaggle of secretaries to help me challenge that. Boy oh boy, I think we would bury it. It is misleading. It is mischievous. Maybe I should leave it there—but, by God, I had trouble keeping my blood pressure under control when I read that statement.

Just to give one example, they said they had consultations. Come on! When we edged our way into going to Sydney to sit at that roundtable we were not invited; we got it on the agenda and at that stage we were told by AusAID, 'You're wasting your time; the decision has been made.' At our instigation we had the stakeholders conference here in Canberra back in October or whenever it was. Again, that was not a consultation; they told us straight out, 'You're wasting your time; we're leaving this organisation.' One thing that irritates us is being told and not having a chance to at least put our own argument. I challenge AusAID on some of the comments in their statement and I would like time to refute it.

CHAIR—Thank you. You said that IFAD is devoted solely to addressing rural poverty.

Mr Carruthers—We have only one mission: empowering the rural poor to alleviate their own poverty.

CHAIR—Has IFAD ever been involved in peacemaking initiatives?

Mr Carruthers—IFAD is not involved in peacemaking. At the request of the board, IFAD is now developing a policy to understand how it would participate in post-conflict situations. As you can imagine, the poorest of the poor are affected by many conflicts. We need to have an understanding of how we might do that, and the board has requested that we come forward with a policy on the issue of post-conflict reconstruction.

CHAIR—Do you see IFAD getting involved in that area?

Mr Carruthers—We are involved in the area. The real challenge is: how does one develop a project and capacity building of the very poorest after they come through a major conflict situation with conflict around them? In some countries we will inevitably be involved in trying to reconstruct rural villages that have come through a conflict situation.

CHAIR—You mentioned that your decision to focus on larger loans created specific problems for the South Pacific. Do you agree that there have been no projects in the South Pacific since 1993?

Mr Carruthers—Yes, the last new projects were in 1993. Of course they continued for some time after that. That has been the result of that board policy. We have reviewed it with the board and have informed the board that we will want to re-engage in the South Pacific and that this will require small loans and probably significant amounts in grants, and in principle they have agreed to that.

CHAIR—What about a not inconsiderable country like Papua New Guinea—a large country which has been one of your members since 1978? Why has there been no project in Papua New Guinea since 1993?

Mr Carruthers—Phillips Young has been handling IFAD projects in Papua New Guinea.

Mr Young—I was involved in Papua New Guinea with IFAD before I retired. I was involved in the preparation of the last project, which was cofinanced by AusAID. Being responsible for the Pacific, I was involved in the argument in IFAD about smaller loan sizes. It was the previous president who made the decision. There is now a new president who is committed to this process.

To make a point of correction, I actually had consultations on this with an AusAID staff member, Mr Tinning, in February, before this letter was written. During those consultations I did allude to the fact—I knew it was going to happen but I said it off the record and unofficially, as it was not the official point of view—that IFAD was re-engaging in the Pacific and wanted to develop a strategy. This was before the letter. We actually had a meeting.

This is where the confusion over peacekeepers comes in as well. I was discussing this post-conflict situation because IFAD had asked me as an ex-staff member, to have consultations with them on the possibility of Australia joining in a post-conflict situation in the context of situations such as Bougainville, the Solomon Islands et cetera. That is where the situation comes in.

Senator STEPHENS—My understanding is that the agreement that established IFAD specifically precludes nonmember countries from supplying goods and services to IFAD funded projects and programs. What is that going to mean for Australia? Can somebody tell me? Mr MacPherson, can you tell me?

Mr MacPherson—I think that means major loss of agricultural expertise to the rural development communication and the rural development effort in the wider world. Australia has a major comparative advantage in agricultural expertise, particularly in dry areas and areas where the environment is not so great. That is used heavily by IFAD. I am involved in this regularly, and my colleague Mr Ward exports Australian machinery through IFAD projects to various

countries. Those opportunities will not come about either for Australian consultants and equipment manufacturers or for people who should be getting the benefit of our expertise.

Senator STEPHENS—Mr Carruthers, has IFAD actually quantified the economic impact for Australia of not being able to participate in this way?

Mr Carruthers—We have not as a practice done what some of the large banks have done in calculating each contract as it goes country by country but we certainly are aware of this. I think there are about 43 consultants working with IFAD. It is certainly in the neighbourhood of \$4 million to \$5 million—many times more than the investment of \$1.7 million or \$2 million per year. This is not a development argument—as AusAID has said—nevertheless it is an important reality.

Senator STEPHENS—Mr Gibbs, would you be able to provide the committee with some information about what the consultants believe the impact will be? If you could take that on notice, that would be helpful.

Mr Gibbs—As you know, we consultants are not sitting in Brisbane or here in Canberra; a lot of my colleagues are out actually designing projects in the bush. None of them were aware of this before we publicised it and they are absolutely staggered that this decision has been made. They are out there working and so they were not aware of this. I have had so much feedback from consultants out there, saying, ‘Can you get down to Canberra and at least show the flag for us?’ It is not a personal thing. We can work for anybody—we do not have to work for IFAD; we can work for FAO, the World Bank or IDB. But a lot of us are very committed—like I am now—to what IFAD are trying to do. They are the only ones that do it. The feedback I have had is, ‘Look, get in there and at least make the powers that be aware of what IFAD’s place is in the development world.’ I have had heaps of letters, email et cetera to support that.

Senator STEPHENS—If you could provide any of that kind of information to the committee, that would be helpful to our deliberations.

Mr Gibbs—Absolutely, I would be delighted to do that.

CHAIR—We do have to adjourn at 12.30 p.m.—and I know that I still have a question from Mr Hunt—but I am proposing that the committee reconvene tomorrow night at 8 p.m. I know that will be inconvenient because some people have come from overseas and some people are not based in Canberra but I will get the committee secretariat to find out whether any of you are available to return. We will also have AusAID return at that time to conclude the public hearing. Thank you very much for your attendance, and especially for coming so far. I am sorry that we have been a little bit truncated, but we are subject to the Senate’s standing orders.

Resolved (on motion by **Mr Wilkie**, seconded by **Mr Hunt**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.30 p.m.

