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# Official Committee Hansard

JOINT STANDING COMMITTEE ON TREATIES

**Reference: Treaties tabled on 2 March 2004**

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## **JOINT COMMITTEE ON TREATIES**

**Tuesday, 9 March 2004**

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

**Senators and members in attendance:** Senators Santoro and Tchen and Mr Adams, Mr Martyn Evans, Mr Hunt, Mr King, Dr Southcott and Mr Wilkie

**Terms of reference for the inquiry:**

Treaties tabled on 2 March 2004

**WITNESSES**

**BARLOW, Dr Colin, Member, International Fund for Agricultural Development Support Group ..... 1**

**GIBBS, Mr D’Arcy Eric, Steering Committee Member, International Fund for Agricultural Development Support Group; and Spokesman, Consultants..... 1**

**PRIEN, Mr Alan, Special Adviser to Senior Management, International Fund for Agricultural Development ..... 1**

**YOUNG, Mr Phillips John, Independent Consultant..... 1**



**Committee met at 8.03 p.m.**

**BARLOW, Dr Colin, Member, International Fund for Agricultural Development Support Group**

**GIBBS, Mr D'Arcy Eric, Steering Committee Member, International Fund for Agricultural Development Support Group; and Spokesman, Consultants**

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

**YOUNG, Mr Phillips John, Independent Consultant**

**CHAIR**—I declare open this meeting of the Joint Standing Committee on Treaties. Yesterday the committee began its review of the four treaties tabled on 2 March 2004, including the proposal to withdraw from the agreement establishing the International Fund for Agricultural Development. This evening the committee will continue to take evidence from the representatives of IFAD and the IFAD Support Group. Welcome, and thank you for making yourselves available again for this hearing. Do you wish to make any introductory remarks before we proceed to questions?

**Mr Prien**—I thought it would be useful to mention that I spoke to our president last night and reported back to him on the discussions and developments which had occurred, and he asked me to reiterate a couple of things. I think they have already been mentioned but he felt it was important to reiterate them. He would particularly welcome Australia's continued involvement in the fund even as a non-contributory member. I do not think he realised at the time that he said it that Jim, our assistant president—who had to go on to Indonesia today—had mentioned that Australia has invested in our fund about \$US47 million; that is a little bit more in Australian dollar terms. That investment is in a revolving fund—it is a type of endowment—and our president would very much value the continuation of Australia as a member, particularly pending the external evaluation that is being undertaken. It started this year and the results are due at the end of the year. That is basically the message that he asked me to convey.

The second point is that, given Australia's obvious sovereign right to take a decision that it feels is appropriate, he had not felt—and he wanted me to express this specifically—that it was very appropriate for IFAD to in effect solicit a groundswell of support for the fund. He thought that the figures spoke for themselves, that the Americans had increased their contribution in the past year to IFAD by about 50 per cent and that most of the OECD countries who are in the same list as Australia had increased theirs by somewhere between 25 and 50 per cent. He asked me to mention that at the recent governing council meeting—our de facto annual general meeting—in Rome, held in the middle of February, most of those countries had spoken very strongly about the new reform agenda that he had introduced and he hoped that would have some interest for you. Those are the comments that I would like to make. I stand ready to answer any questions.

**CHAIR**—Thank you very much. We will proceed to questions.

**Mr HUNT**—I have three questions that I would like to start with. The first is: what is the approximate value of annual tenders for material and consulting services provided by Australian firms and consultants to IFAD?

**Mr Prien**—We estimate that to be in the range of \$US4 million to \$US5 million per annum. It would take us some time to provide any detailed breakdown of that because of the way in which the agreement establishing IFAD was established. We are required to work with and through what are called ‘cooperating institutions’, so when we make our loans in various parts of the world we farm out some of the requirements for purchasing, procurement and contracting. That was a way of forcing us, as a small organisation with a small staff in Rome, to work as partners with all of these other organisations, so quite often, when we give a \$US20 million or \$US30 million loan to country X, they work on and do the procurement through another bank—for example, the African Development Bank or the Asian Development Bank. So we would have to solicit that type of information from each of these organisations that work with us and on our behalf, but our estimate is in the range of \$US4 million to \$US5 million per year.

**Mr HUNT**—Would it be overly onerous—and feel free to say so if it would be—to seek a detailed statement of that, or at least a written submission, to the committee at some stage in the next couple of weeks?

**Mr Prien**—No, I do not think so.

**Mr HUNT**—I think that would be very valuable.

**Mr Prien**—I think we can provide that. In fact, some of it is already provided in, I think, submission No. 9, from Austarm Machinery Pty Ltd, in which they give an outline of the various millions of dollars worth of equipment contracts that they have obtained. We have another group of similar contributions. Mr Macpherson, who was here yesterday, but had to go somewhere else today for business, estimated that his firm makes somewhere in the range of \$1 million a year. He has a pretty big firm that covers some areas in Sudan, Botswana, Zimbabwe and Zambia. One of my colleagues may be more expert in this area but, apparently, expertise in dryland farming and machinery, from Australia, is particularly useful and valuable in some of our projects in Africa. So apparently over the years they have developed this ‘market’, let us say.

**Mr HUNT**—Is it correct that if Australia were to remain as a non-contributing member of IFAD, it could still tender for procurement and consultancies, but if Australia were to withdraw, Australian firms would not be able to tender for procurement and consultancies?

**Mr Prien**—That is correct. The agreement establishing IFAD sets down that members are allowed to tender. There are a number of other, obviously poor, countries that do not contribute to each replenishment, or at least some of the replenishments, but their companies and nationals can tender and participate. In fact, Australia, under its pledge of \$US5 million to the fifth replenishment, is still going to be paying that because we have not drawn it all down yet; we have not needed to use it for some of the projects yet, although we have perhaps made commitments for projects. But, if I recall correctly, those payments are going to continue to be made up until about 2007.

**Mr HUNT**—Even if we withdraw?



**Mr Prien**—That is right. AusAID has assured us very specifically that the commitments will be honoured.

**Mr WILKIE**—So we could be paying money into the fund up until 2007, but if we withdraw and are no longer members, we would not be able to tender to get any of that back in terms of selling a product?

**Mr Prien**—That is the way our rules are—

**Mr MARTYN EVANS**—Is that how all IFAs work?

**Mr Prien**—Yes.

**CHAIR**—I understand that you have said existing contracts will be honoured. Is that up to 2007?

**Mr Prien**—No, some of them even have ‘career contracts’ as we call them . For example, if you are 45 you can work 15 more years to the normal retirement age—for staff.

**Mr HUNT**—That would be all existing contracts, for their duration. So they may finish in six months and if you have withdrawn, they could not continue.

**Mr Prien**—Yes. I think that is why the 15 employees of IFAD wrote to their MPs; they are not all staff. Some of them are long-term career staff—that is one group—but there are lots of others who are on shorter terms, as you mentioned, for example six months, a year or two or three years. If they are not on permanent contracts then at some point, if the country is not a member, they cannot continue to be employed as a regular staff member.

**Mr HUNT**—My third question—after my first question about the values and my second question about the ability for Australian firms to tender—is whether or not there is any precedent for an OECD country to remain on the board as a non-contributing member.

**Mr Prien**—No, but Australia is on the board. If I interpret your question, we have never had a member withdraw. That has never occurred, but there is nothing to prevent the country from staying on the board.

**Mr HUNT**—What is the position of New Zealand?

**Mr Prien**—It is not a member of the board at the moment.

**Mr HUNT**—So there are two layers: membership of the fund and membership of the board?

**Mr Prien**—Yes, the board is much smaller. The executive board has only 35 members out of 163 countries. Every three years there is an election. Australia was elected at the last occasion, which was about a year ago, so it is on for sure for the next two years.

**Mr HUNT**—But you could remain a member of the fund, and ostensibly the board, for the period of the cycle of the election?

**Mr Prien**—Your country is in a constituency with the United States, and there are only two countries in the constituency for two seats. So, as long as they stay in the same constituency, it is more or less guaranteed.

**Mr ADAMS**—I would like to turn to evaluation. What internal audits does IFAD have? What evaluation systems for a project would be in place?

**Mr Prien**—This is one of the proposals which Mr Tapp and AusAID put forward as one of their six points. As a result of that, the evaluation office, as we call it, has been set up independently and reports directly to the board. So there is no way, let us say, that the president can tone down their criticism of flaws and faults. The president then has the opportunity to comment on them, but the evaluation unit reports directly to the executive board.

**Mr ADAMS**—And is that a consultant or someone like that who is brought in?

**Mr Prien**—No, it is a group of about seven professional staff on a permanent basis.

**Mr ADAMS**—And they do the evaluation et cetera?

**Mr Prien**—Yes.

**Mr ADAMS**—Is it based on AusAID's recommendation? Was that part of what AusAID was on about when they spoke?

**Mr Prien**—Yes, it is one of the proposals, as I said, of the six that they made during the sixth replenishment—it is just ironic that it is six and six—and one of the things that were agreed upon.

**Mr ADAMS**—What submissions in the last five or six years have the IFAD board knocked back in the Pacific region? Basically, how many propositions have been rejected?

**Mr Prien**—Sorry, I would not be in a position to answer that. Maybe we should take that question on advice and come back.

**CHAIR**—Have you had projects put to you from the South Pacific?

**Mr Prien**—Not that I recall.

**Mr Young**—No, they have not been presented. Frankly, in the Pacific it is an active process of going and consulting. Because of the difficulty related to loan size, which was created by the previous president, from a staff point of view it was very difficult to be going out and raising expectations and not being able to fit them, in a programmatic sense, within the program for the Asia-Pacific region. Simply, that is what happened; that is the truth of the matter.

**Mr ADAMS**—So really you have not actually knocked back programs in that sense?

**Mr Young**—No.

**Mr ADAMS**—What about the use of NGOs in delivering programs? Is that how it is done?

**Mr Prien**—Yes, to a huge extent.

**Mr ADAMS**—At the grassroots level?

**Mr Young**—I am actually leaving tomorrow for a project in Indonesia. We are setting up a \$20 million loan in Dyak communities. The project manager, who actually came to the loan negotiations in Rome, was the head of an NGO that is involved in community empowerment. The contract for the implementation of the program—fifty-fifty with government, basically—is going to NGOs. I am overseeing the selection process when I go back there. That will place one government staff and one NGO staff inside villages for assisting in agriculture and providing community empowerment through NGOs. NGOs within this context are managing an overall program. This is true of programs I have done in India, in Tamil Nadu and credit programs where the Mirada Women's Working Forum et cetera were the basis of the design and implementation.

**Mr ADAMS**—And it is for the alleviation of regional poor and empowerment to get them into something to lift them up a bit.

**Mr Young**—Yes.

**Dr Barlow**—The attractive thing about it is that they actually work through the local communities. I am the president of an Australian NGO that does that. We do not actually work with IFAD, but I have observed this in the Philippines, Indonesia and to some extent in India. I have always liked the way IFAD has worked directly through the communities, planned things with the communities and then had projects that were sustainable. This is a very impressive aspect of IFAD. That is why I am supporting IFAD on this occasion.

**Mr ADAMS**—It is the way that I think most people would like to see things operate.

**Mr Prien**—One other thing related to your previous question is that, as a result of a proposal by the United States in the sixth replenishment, we have now increased our grant funding to 10 per cent. We think that should help overcome the problem that Phil referred to, because with grant operations you can deal with the small island countries in the Caribbean as well. That is an important factor.

**CHAIR**—To follow up on Mr Hunt's earlier point, are there any OECD members which are currently non-contributing at the moment? Are New Zealand and Australia the two?

**Mr Young**—Yes.

**CHAIR**—What was the reason for New Zealand's non-contribution? Was it a regional focus again?

**Mr Prien**—Yes, a lack of our work in the Pacific. What they have said to us is that they are going to wait for this bigger evaluation and they are going to host the workshop now, which is going to look at the results of our re-engagement strategy of sending teams—I believe there are

three—to Pacific islands this month. They will be working into April. Wellington is then going to host a workshop with them to see what we can be doing.

**Mr ADAMS**—Have you been involved in peacemaking at all? Is that your role?

**Mr Prien**—Not at all.

**CHAIR**—In the national interest analysis that we have had prepared for us it was suggested that you have moved outside your core business and got involved in peacemaking initiatives.

**Mr Prien**—No, our board does not allow us to do that. It says there are other organisations, such as the UN secretariat, for example, that have responsibility for peacemaking et cetera; and the World Food Program and the HCR are involved in conflict situations et cetera. The closest we come to that is in what we call post-conflict rehabilitation, where after a war is stopped—hopefully—we try to help the people feed themselves and grow some food.

**Mr ADAMS**—You take the gun of someone who started shooting at 14, and at 28 you have got to start to make him a part of the economy.

**Mr Prien**—Yes.

**Mr Gibbs**—I have been involved in two projects post-conflict. One was in Namibia, straight after independence there. I was in the first mission in there. We were looking at development within the communal areas and providing loans so people could get cattle or whatever and put in water. It was just reconstruction. No money had gone into these communal areas for years during the war. The war zone was right on the top in the communal areas between Angola and the southern grazing areas, so they were the prime areas that were under the dissidents. The other project was in Bosnia. I was in Bosnia in December. I think the Dayton agreement was in August. We spent the first Christmas in three feet of snow in Sarajevo, looking at getting loans to families that were living with no windows or wood or anything and trying to get cattle in so that at least they could get through that first winter for milk and whatever. I can assure you it was nothing to do with conflict resolution; it was just to do with trying to get economic activity and reconstruction.

**Mr Young**—To be fair to AusAID on this, I did meet with them in February last year. IFAD was reviewing this post-conflict situation and trying to develop a grant facility for supporting post-conflict situations. That was the context, I think, in which this has been presented. Frankly, that has been shelved within IFAD as well.

**Mr ADAMS**—I think it was presented not to your favour—that is why I asked the question. We have received some correspondence from rural engineering contractors who have had a substantial amount of tenders from IFAD work in Africa and other places. The commercial linkages that supply jobs into Australia is always an issue that comes up in aid. Do you have any figures or anything you can give us on that that presses the point that there are pluses for Australia in being involved such as the opportunity for Australian companies to tender?

**Mr Prien**—I would have to take figures under advisement, but in the absence of Robert Ward—who made the submission I referred to, submission No. 9—perhaps I could provide to the secretary copies of letters that he received from three different companies.

**Mr ADAMS**—Thank you.

**CHAIR**—I would like to ask you about your communications with donor countries. Do you accept that IFAD has a history of poor communications with donor countries? We have been told that that has been widely acknowledged by donors and Australian stakeholders. How do you respond to that?

**Mr Prien**—I do not think so, although I would say that, no doubt, communication can always be improved—that is what communication is about. I suppose IFAD has had a history of dealing mainly with its recipient countries, because that is our core business: making loans et cetera. However we do have a rather systematic process of dealing with our donor countries—what we call our list A, the 23 OECD countries and, to a lesser extent now compared to the early days, the OPEC countries. Basically they gave us \$1 billion to start up our endowment and have given \$2.4 billion in the history of IFAD.

We have a system of meeting with representatives of those lists. They generally tend to elect what we call a convener, a spokesperson. That is why, for example, Mr Downer has received a letter from Canada—because Canada is the current convener of the list A group, or the OECD group. So they wrote on behalf of all of their colleagues giving their view that they were a little surprised and, in effect, regretful. I would go so far as to say—and I suspect the president would not be happy with me, but I am being honest and candid, which he says we should be—that we have not got to the situation where we have officers in all of these major donor countries around the world drumming up support for IFAD. We do have one liaison officer in Washington who covers, de facto, the Americas. We do not have any others anywhere else in the world. Perhaps that has caused us some chagrin over the years, but that is the way it has been.

**Dr Barlow**—I would like to add something there. As a representative of the NGO movement in Australia I have mentioned to our IFAD colleagues that it would be a good idea if they intensified their relationships, particularly with, say, ACFA, the United Nations Association and the NGOs working in South-East Asia. This is quite a cheap process. We have a very keen United Nations Association which could broadcast this free of charge. They are doing a reasonable job, but I think they could actually do better in this.

**Mr Young**—As a staff member of the Asian Development Bank and as a staff member of IFAD for a considerable period of time, I can say that having a resident board focuses the mind. The ADB has a resident board and the World Bank has a resident board, and you are continually looking over your shoulder as to where things go and how things are done and providing information. IFAD have meetings that occur only three times a year in the governing council and I can say, as I am no longer an IFAD staff member and was once the lead strategist in IFAD, that IFAD pay a lot of attention to developing countries and perhaps not enough attention—as they do not have time, frankly—to sorting out all the procurements and these types of things in relation to the donors. They are very small staffed. I think they actually deliver a tremendous amount with a very small staff. Also, when I was in the ADB there was not a single regional office; there are now regional offices everywhere. At the time I was in the ADB, which was from

1976 to 1982, there was horror over the costs of establishing regional offices. They do not in fact perform project functions in most cases. I have had projects supervised by the Asian Development Bank and the World Bank. The World Bank staff who come to Africa—I looked after Mozambique et cetera—still come from Washington to supervise projects and the people in Lusaka have not got a clue what is going on with a project. So I do not think there is tremendous merit in—and I do not think IFAD could ever afford—having a large representation outside Rome.

**Mr KING**—On 6 May 2003, the department wrote to IFAD putting forward its concerns and one of the issues that arose then was the ‘big evaluation’, as you called it. When is that big evaluation anticipated?

**Mr Prien**—It is on now and its report is required by the end of December.

**Mr KING**—Why has it taken so long to produce?

**Mr Prien**—Because they have just done a lot of drawing up of projects that they are going to see. If I recall correctly, this independent office of evaluation has set it up under international tender, so it had to be done by a company that was properly procured et cetera.

**Mr KING**—I can understand that, but I have had a fair amount of working experience with UNESCO and the UN and that is a fair amount of time to get something like that going.

**Mr Prien**—True.

**Mr KING**—I have to say that I consider it undiplomatic of us to withdraw from IFAD before that report is at least tabled and examined—that is speaking personally—but I am just a bit concerned that it is taking you so long to produce it.

**Mr Prien**—IFAD management—the president—cannot report on any responsibility for it because it is being done as a result of a commission from our governing body through this independent office of evaluation. They are going to go out in the next two or three months to—if I recall correctly—about 15 projects in all of our regions of the world. They will come back and write reports and then they will report to a steering committee which comprises nine member states—four from the OECD countries, two from the OPEC countries and three from the developing countries. So they have to provide all their information reports to them and then that information in turn will be provided at the end of the year in a final report. I agree with you that it is a bit long, but that is the process they have gone for.

**Mr KING**—Will it be a detailed examination of the various issues raised by AusAID?

**Mr Prien**—Yes.

**Mr KING**—In relation to your projects in the Asia-Pacific—and I know you have projects in Laos, Cambodia, Fiji and a few other places—would you give us an example of what you would see as an exemplary project in South-East Asia and the Pacific and tell us why it is such a great project?

**Mr Gibbs**—I am probably better equipped to answer that, being involved in the design of IFAD's projects.

**Mr KING**—Which project are you going to tell me about?

**Mr Gibbs**—I am not going to tell you about the one I designed, because that would be supporting myself!

**Mr KING**—I have asked for any.

**Mr Gibbs**—There was a particular one in Indonesia, in Sumba, Sumbawa, Flores, Timor and Lombok. I went there on the original—

**Mr KING**—No, just tell us about the project.

**Mr Gibbs**—The project was with transmigration people from Java and also with locals who had no income whatsoever. When we first went there they were poor and had no self-confidence. This was a cashew project. We provided loans and technical assistance for the planting of cashews. We also provided loans for growing subsistence crops in amongst the cashews for the first couple of years.

**Mr KING**—Did you say cashews?

**Mr Gibbs**—Yes.

**Mr KING**—Technical assistance?

**Mr Gibbs**—Yes. When I say 'we', I mean IFAD provided the loans. It was all done and implemented by the ministry up there. There was no technical assistance involved whatsoever; it was all done within their own resources through the director of crop estates or whatever it was. This was in about 1992. I went back there in about 2000. Also coupled with this was capacity building amongst groups. They had to do it in groups and give each other support. I went to communities that were a mixture of Muslim, Christian and Hindu. All these people were working together in groups. They used to share cleaning and harvesting and so on. There were no more grass houses; they all had corrugated iron on their houses; and they put on great welcoming parties. It just changed their lives, not only from an economic point of view but also from the point of view of their self-development and capacity building.

**Mr KING**—I gather from what you are telling me that this project is now completed.

**Mr Gibbs**—Yes.

**Mr KING**—I am asking you for one that is current.

**Mr Gibbs**—A similar one is the farming systems project in Sulawesi—I will stick to Indonesia because that is close.

**Mr KING**—It does not have to be close; I am asking you for the best example of one in all of Asia and the Pacific.

**Mr Gibbs**—This one is a farming systems project. We are supporting people in the area for livestock and with loans for farmers to establish cocoa. The livestock are either cattle or goats, which give them interim income until their cocoa has reached four or five years of age, when they will get an income.

**Mr KING**—Do they get technical assistance?

**Mr Gibbs**—Only from me when I have been there on supervision. I did not design that project either. I have gone with UNOPS, which runs the cooperative institution—

**Mr KING**—Yes, I know about them.

**Mr Gibbs**—and given them advice, yes.

**Mr KING**—How do you measure success? Is it by improvement in their disposable income? Is that how you measure improvement?

**Mr Gibbs**—It is also in the number of groups they have got together. In this particular case they are given a seed amount of money. They have invested this and loaned it out amongst the group. It is in the number of loans as a group, the repayments, the mortality in the livestock and the yields on the crops they have coming in. There are a number of factors that we look at when we do supervision.

**Mr KING**—Thank you. Finally, what projects do you have in cooperation with AusAID at the moment?

**Mr Gibbs**—I am only familiar with one. I did a supervision project last year in Cambodia.

**Mr KING**—No, sorry, I do not want to know about your project; I want to know what IFAD is doing with AusAID.

**Mr Gibbs**—I am only familiar with one.

**Mr KING**—Which one is that?

**Mr Gibbs**—I have forgotten the name of it. It is in north-western Cambodia where, through a consulting firm, AusAID have one technical assistant who is helping with the extension.

**Mr KING**—The extension of what?

**Mr Gibbs**—The crop and livestock extension—technical assistance.

**Mr HUNT**—At Siem Reap or Battambang?



**Mr Gibbs**—It is near Siem Reap, yes.

**Mr KING**—Those are fabled places!

**Mr Gibbs**—It is right up in the north-west where our friend the 2IC was located. That is the only one I am familiar with; there may be others.

**Mr KING**—On that, how do you work with AusAID? Do you both contribute equally to projects? What happens?

**Mr Gibbs**—Generally in this case we look at getting in bilaterals to finance the technical assistance.

**Mr KING**—You both provide money and somebody else delivers the service?

**Mr Gibbs**—Yes.

**Mr Young**—Governments are very unwilling to borrow for technical assistance.

**Mr KING**—Why doesn't AusAID like you very much?

**Mr Gibbs**—I do not know. He works with them—ask him!

**Mr KING**—Have you let them down or something?

**Mr Young**—There obviously must be a perception that that occurred. There is one project which may be considered a difficult project as far as AusAID—

**Mr KING**—Which one was that?

**Mr Young**—That was the north Chimbu project in Papua New Guinea. I was involved in the design, the appraisal and probably part of the history of that program. Essentially, it came at a time when AusAID was commencing project aid versus budgetary support.

**Mr KING**—So there was a bit of a clash about the way to go ahead?

**Mr Young**—Let us be realistic about it. What happened in this case was this: first of all, because AusAID were going to project aid, they reappraised the project after it was appraised and insisted that their design be used. We finished up with two sets of documents, but we agreed to go along with their setup. The way AusAID operate is that they give a management contract to a consulting group, which they did, and they got them in on time. One of the difficulties you face with an internationally funded project is that a loan agreement has to be signed, and in the case of Papua New Guinea it has to go through parliament and all of this type of thing. Papua New Guinea, as it often has, has had difficulties financially and there was a considerable delay in signing the IFAD loan. That was probably because of a conflict between Finance and the other ministry involved; I cannot remember the actual ministry that was involved.

**Mr KING**—That does not matter.

**Mr Young**—They had people who went in the field when the IFAD money had not come on stream, because the government had not signed the loan. We tried tremendously hard to do this. They spent their money very quickly and withdrew after about 2½—or maybe three—years instead of five years. The IFAD project did continue. It has only just finished and substantial benefits can be seen all around in the physical development that occurred in north Chimbu. I did a completion report on this for IFAD at the end of 2001. Locally, everyone is incredibly happy about what IFAD did, which includes constructing markets and roads.

**Mr KING**—If I can cut to the chase, my final concern is this: if we stayed in IFAD, are you confident of a good working relationship with AusAID in other projects in the Pacific?

**Mr Prien**—We are very pleased that they have appointed a new rural development adviser, and that should give us some better scope. We are very hopeful.

**Senator TCHEN**—This question might have been asked earlier tonight. I would like to find out from you what exactly IFAD's structure is. You have talked about a board and you have talked about a council. You obviously have a permanent bureaucracy. Mr Carruthers is the assistant president. I am not sure where he sits in the hierarchy. Can you give us a quick sketch of how you are organised? That may give us some idea of how AusAID has been dealing with you.

**Mr Prien**—The equivalent of our general assembly or your parliament is what we call our governing council. It is composed of 163 member states, and every member can appoint a governor; it is like members of parliament or the equivalent. They are the ones who hold the vote. That governing council meets once a year, in February; it elects an executive board for three years at a time. The board has 35 members elected from the bigger membership. As Phil has already mentioned, it is non-resident, so the boards meet in April, September and December to approve the projects. The governors or the executive board members elected either come from the capitals or—about half of them—are resident in Rome. Some of the big countries, both developed and developing, have embassies or representatives in Rome. They sit on our board and examine all the documents and projects. The governing council elects a president like the other IFAs. He then appoints staff. The present staff of IFAD in terms of official budgetary levels for 2004 is 132 professional staff and 181 support staff. Mr Carruthers, who was here yesterday, is one of the assistant presidents.

**Senator TCHEN**—And the assistant president is elected by the governing council?

**Mr Prien**—No, they are appointed by the president. The only one elected is the president. Then he is given the responsibility of running the organisation.

**Senator TCHEN**—So the president is the head of the permanent staff?

**Mr Prien**—That is correct.

**Senator TCHEN**—The permanent bureau.

**Mr Prien**—Yes.

**Senator TCHEN**—But he is elected.

**Mr Prien**—That is correct, and he is from Sweden at the moment.

**Senator TCHEN**—I understand that Indonesia is now the chair of the governing council.

**Mr Prien**—They were up until February. They completed their mandate in this last governing council and the new chairman of the governing council for the next two years is the minister of planning from Brazil.

**Senator TCHEN**—And the chair is elected every two years?

**Mr Prien**—Yes.

**Senator TCHEN**—Thank you. One of the issues AusAID seems to have is that, it argues, the IFAD mandate is not unique. The implication from what it says is that your operation is too small to be effective. Mr Carruthers told us that essentially your mission is to assist in the alleviation of rural poverty, so a small-scale operation is your forte.

**Mr Prien**—Yes.

**Senator TCHEN**—I cannot remember where it was said, and I could not find it in the transcript, but I thought that, by implication, it was suggested that IFAD is moving towards larger operations. Is that true or is that a misconception on my part? I understood that one of the responses you make to AusAID is that yes, you are moving in that direction as well. Did I get the right impression?

**Mr Prien**—We think we are the only multilateral organisation that has this specific focus on rural development. Our mandate is to enable rural poor to overcome their poverty. So it is rural agriculture and development. We are very happy to see now a number of other organisations which had forgotten about this sector. The World Bank, which had a huge agriculture department some 15 or 20 years ago, basically either ran it down or reduced it considerably. They have now begun to change, especially under the presidency of Mr Wolfensohn.

**CHAIR**—A good Australian.

**Mr Prien**—Yes. They have changed direction quite a bit, and we are very happy for that. In fact, if all the other regional development banks put us out of business with their bigger resources, I personally, as an individual, would not be unhappy. I do not see that coming in my lifetime, however—or, I suspect, in the lifetime of the youngest person in this room.

**Senator TCHEN**—So you see yourself as not in competition with a large organisation—

**Mr Prien**—As complementary.

**Senator TCHEN**—such as the World Bank or the Asian Development Bank. You complement them.

**Mr Prien**—Right.

**Senator TCHEN**—But if you did see a time when they actually supplanted you, you would be happy.

**Mr Prien**—Yes.

**Senator TCHEN**—But that is not yet.

**Mr Prien**—No. That is my personal reaction. I am not sure the president would agree with me, but certainly if we could do away with rural poverty in developing countries, yes.

**Mr Gibbs**—I have just finished a project in the lowlands of Ethiopia with the World Bank. They specifically asked IFAD to co-finance—and I was there on behalf of IFAD—a \$110 million project. The reason for asking IFAD is that they had the expertise of community empowerment and getting down to grassroots development. The World Bank, even though they had about 17 on the team—and it was a struggle to get them out in the field—simply do not have the expertise. That is the reason they got IFAD in. These are the tribesmen and the cattle people.

**Senator TCHEN**—You say that that was a joint project of \$110 million. What is IFAD's contribution?

**Mr Gibbs**—It will be about \$30 million.

**Mr WILKIE**—Yesterday I asked AusAID whether they had been approached by governments and agencies such as the World Bank and the World Food Program on behalf of IFAD, and Mr Tapp clearly said no. It has been quite noticeable that other organisations and countries have not supported IFAD, although they did concede later that they had been approached by Indonesia. What is IFAD's experience with those sorts of organisations? Have you had expressions of support from other countries?

**Mr Prien**—We believe that both Mr Wolfensohn and the head of the WFP, who have been in Australia over the last few weeks, have raised the issue with the Australian government. However, I am not privy to what they said, what reaction they had—I suppose that is for them to report back to the President of IFAD—but I believe both of them did raise it. I would like to give you the example of the World Food Program. Each and every project that we lend on and finance in China is done jointly with the World Food Program.

**Mr KING**—How many projects do you have in China?

**Mr Prien**—One a year, one loan every year. The two countries that get annual loans, virtually because they have 20 per cent of the world's population each, are India and China. They basically get one loan a year.

**Mr WILKIE**—Mr Prien, I am going to ask you to do a bit of crystal ball gazing here, and you may not be able to answer this. Yesterday, in response to a question from the chair, you were talking about the lack of consultation and you said:

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.

Whilst you were actually making those remarks, Mr Tapp was in the background shaking his head very vehemently. In other words, he was expressing physically that he was absolutely disagreeing with what you were saying verbally. I am just curious as to why he might have been taking that action, in your understanding.

**Mr Prien**—That is one of the reasons why I spoke to the president last night. The president basically reiterated what I had said. One example of something that I believe AusAID was pushing was a lack of field presence. A number of countries whose names I could rattle off were pushing that as well, but the United States was opposed to it. That was the kind of negotiation that was going on, so the president was in a bit of a fix. He discussed and responded to the six points that were in the letter from Australia. The trickiness is that I am talking about the conversation and I was not present, and Mr Tapp was talking about the conversation and he was not present either.

Present, as far as I am aware, at the conversation were Mr Davis, the D-G of AusAID, President Bage; the assistant president of our External Affairs Department, Mr Phrang Roy; and the chef de cabinet of the president, Mr Uday Abhyankar. They remember these items being discussed but they agree that the president did not say that he could agree to them, because these were under negotiation. If you have, for example, a country like the United States saying, ‘We don’t want you to establish field officers’—or field presence, as we call it—you say, ‘Until we settle this during negotiations I, as a neutral president of an international organisation, cannot answer one way or the other.’ That is the reason why he did not answer the letter—which I think we regret very much now.

That gives you one example of the six that were in the middle of negotiations. I think your colleague referred to one of the other things, the setting up of the independent evaluation unit. That was under negotiation as well, but a lot of countries were initially opposed to that because they felt that the president, who had for the first 25 years the authority for the evaluation operations, should not give up that power. But, in the end, the negotiations came out and they now report directly to the board. That is why I phoned the president—to ask him specifically. Those are my answers. I think Mr Tapp, who was not present, may not have known all the details.

**Mr WILKIE**—Would there have been notes or minutes taken of those meetings that you may be able to provide?

**Mr Prien**—Unfortunately not.

**Mr KING**—Mr Tapp has had a long history of detailed association with and knowledge of the relationship with IFAD. He was the one who wrote the letter in May 2003 which set out the concerns of the department and also—I have to say, in your favour—indicated that he would be looking forward to the evaluation report that I asked you about earlier but that still has not arrived. That seems to me to be something that is quite critical in determining what we should do.

**Mr WILKIE**—I am after your candid view. I thank you for staying back another day to be present tonight; I know that would have been quite an impost for the group. What is your candid opinion about the relationships you have with the donors, and Australia in particular, particularly in the light of the comment Mr Tapp made yesterday, when he said:

It was certainly not our intention, though, to continue to be active participants on the IFAD board after our decision to withdraw.

He stated that, nevertheless, he had had various meetings with IFAD representatives, even after that decision had been made. Were those meetings cordial? How was the relationship after you had been advised that we were going to withdraw?

**Mr Prien**—I would say, regretfully, it was a bit cool. Mr Tapp basically said the decision had been taken by government and therefore it was a ‘done deal’. I think those were the words he used. The meeting that he had with Mr Roy was basically to work out the financial obligations that Australia has to continue paying its fifth replenishment contributions, which go up to about 2007. We worked out a schedule and exchanged a couple of letters on that, but Mr Tapp basically said that he did not feel he had the authority to talk about the other issues and that he was there to talk about the financial payments to wrap things up.

The other meeting he referred to took place in Dubai at the World Bank and IMF meetings last fall, if I recall correctly. President Bage initiated the meeting because Australia had a delegation there. Basically, the message was the same: ‘We’ve made our decision, thanks. We don’t want to talk about it further.’ But the president has persisted and said, ‘You’re still a member of good standing until you actually withdraw, until parliament approves the denunciation of the treaty, so we’d still like to talk to you.’ I would say that one of the key messages that the president wants me to convey is that we do not want to get into a situation where we cannot work with Australia in the future. We know, and I think he knows, that even as we start to do some small projects and perhaps increase our grants program in the Pacific we cannot really work without the big player in the South Pacific. So that is our basic concern. We want to try to keep our relationships with AusAID open—or perhaps I should say that we want to restore them.

**Mr WILKIE**—Thank you. Given that we will obviously have AusAID back before us in the future but many of you will not be able to attend because of distance issues, is there anything else that you would like to add, either in response to what AusAID has said or with regard to what they may raise with us when they come back, that we could draw on?

**Mr Prien**—The key thing I would do is reiterate what Mr Carruthers said yesterday—that is, give us a little time. This donor driven external review is, as I think Mr King said, probably

taking more time than even we as management would have liked. That is the way it is when you go to international tender and have to visit countries round the world et cetera. But that review should give the donors a good overview of the impact and the efficiency of IFAD, and if Australia were willing to leave that door open that would be quite useful.

**CHAIR**—And the expected reporting date is?

**Mr Prien**—December.

**CHAIR**—That is what I thought.

**Mr Prien**—It has to go to our executive board.

**CHAIR**—Thank you very much for staying in Canberra for another session of this public hearing into IFAD. Thank you also, especially Mr Prien, for travelling to Australia to appear before the committee.

Resolved (on motion by **Mr Wilkie**):

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 9.01 p.m.**