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Corrections to statements made by IFAD representatives and stakeholders during hearings on 8-9 March 2004

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During the hearings, IFAD has claimed:

- IFAD President Båge went through all of Australia's concerns raised in the 6 May 2002 letter point by point in his meeting with AusAID Director General Bruce Davis on 10 May 2002.

He did not. Båge made no reference to Australia's concerns and Australia was forced to remind him of them at the end of the meeting. This has been confirmed by AusAID's Director General and the Assistant Director General who attended the meeting. AusAID's record of the meeting notes that Båge 'seemed intent on avoiding any discussion of some of the more pressing questions about IFAD's field effectiveness and relevance in the Asia-Pacific'. It noted that Båge had the 6 May 2002 letter before him, but 'studiously avoided any reference to it throughout the meeting'.

- Australia had given no indication of its concerns to IFAD prior to May 2002 when they received a strong letter from AusAID DDG Tapp.

Incorrect. We had raised concerns informally through Australia's Counsellor (Development Cooperation) on numerous occasions.

- James Wolfensohn (World Bank President) and James Morris (World Food Program Executive Director) made representations to Mr Downer in support of IFAD in their meetings with him in February 2004.

They did not.

- Canadian Minister for International Cooperation Susan Whelan wrote to Mr Downer in her capacity as OECD convenor.

Incorrect. The letter was written in her capacity as Minister for International Cooperation and did not mention her role in the OECD grouping.

- The earlier United States decrease in funding was due to expectations that IFAD would eventually become financially self-sustainable.

While this was a factor in the decision, the decrease was also due to deep US concern over IFAD management and program shortcomings. The 50% pledge increase by the United States in IFAD6 brings it back to just over half its contribution to IFAD3.

The United States contributed US\$82 million to IFAD3 (15% of total replenishment). Its contributions to IFAD4 to 5 were US\$30 million, and US\$45 million for IFAD6 (8% of the total replenishments for IFAD4 to 6).

- Other OECD donors expressed surprise at Australia's decision to withdraw.

Australian officials at the Rome Embassy met the convenors of the OECD group on 20 May 2003, finding that there seemed to be 'general recognition of, and some agreement with, Australian concerns amongst OECD members.'

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- The savings to Australia are illusory.

If Australia had participated in IFAD6 there would have been a further \$14 million, or an average of \$4.7 million for each of its three years. The IFAD6 saving of \$14 million is real and significant, and can be directed to higher priority Australian activities.

Australia negotiated a yearly payment schedule for commitments to IFAD3, 4 and 5 over seven years averaging \$2.4 million p.a. From 2003-04 to 2006-07 Australia will contribute \$3 million p.a., with a final payment of \$712,840 in 2007-08.

<i>Australian drawdowns, IFAD3 to IFAD 5 (AUD)</i>	<i>IFAD3</i>	<i>IFAD4</i>	<i>IFAD5</i>	<i>Total</i>
Pre 2001-02	8,105,887			8,105,887
2001-02	1,500,000			1,500,000
2002-03	928,388	1,571,612		2,500,000
2003-04		3,000,000		3,000,000
2004-05		1,855,096	1,144,904	3,000,000
2005-06			3,000,000	3,000,000
2006-07			3,000,000	3,000,000
2007-08			712,840	712,840
Total	10,534,275	6,426,708	7,857,744	24,818,727

- IFAD claims losses to Australian business valued at close to A\$7 million per year.

IFAD is yet to produce figures to justify this claim. Consultants themselves claim the figure is only \$4 million, of which well over \$2 million goes to the large consulting firm GRM International.

- IFAD has never been engaged in peacemaking.

This is not a major point at issue. However, we note that IFAD's Asia Pacific Strategy (released in 2002) states: 'The Fund will also seek more substantive experience in peacemaking through development initiatives' (p.8).

- Australia's Ambassador to Italy rescheduled a meeting with Australian IFAD staff for another time when only three of the (allegedly) fifteen staff members were available.

Incorrect. The Rome Embassy asked to only meet those who were actually employed on the basis of their Australian citizenship, which reduced numbers considerably. The Ambassador went to more than reasonable lengths in offering dates for the staff meeting. Given the Ambassador's very limited availability at the time the meeting needed to be rescheduled, the only alternative was to postpone the meeting for several weeks, an outcome the IFAD staff did not favour.



Mr Lennart Båge
President
International Fund for Agricultural Development
Via del Serafico, 107
00142 Rome
ITALY

6 May 2002

Dear President Båge,

Subject: Sixth replenishment

In the course of discussions at the 18-19 April 2002 second session of the consultation on the sixth replenishment of IFAD's resources, you invited written comments on the document "Operationalising IFAD's Strategic Framework During the Sixth Replenishment Period (2004-06)", which is intended to form the basis of the report of the consultation. I am therefore taking this opportunity to place on record Australia's perspective on some of the key issues for this replenishment.

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.

Against that background, the fundamental point that we would wish to stress in connection with the sixth replenishment process—and a point that receives at best limited emphasis in the above document—is the need for IFAD to strive for **complementarity** in country and activity selection. As a small and resource-constrained organisation whose mandate is by no means unique, IFAD needs more carefully and clearly to articulate what its special contribution is or could be. In our view, the most valuable contribution IFAD could make would be to identify and, to the extent possible, fill assistance gaps arising from the resource allocation policies of the larger international financial institutions. That would entail primarily a larger role for IFAD in small, vulnerable states such as the island countries of the Pacific. To date, IFAD's interventions in such countries have been very sporadic indeed.

Given the nature of IFAD's financing and governance arrangements, there are inevitably pressures on the organisation to spread its resources widely and "equitably" to countries in need. At the same time, there is a welcome and increasing interest on the part of many members in strengthening links between resource allocation and **country performance** and in concentrating resources for greater and more measurable **impact**. We strongly support those who argue in favour of a more selective, performance-based approach to resource allocation. We would add, however, that such an approach should be applied only after IFAD has defined its specific role and field of operations. Otherwise there is a risk that IFAD will find itself working in more or less the same countries, and even the same districts, as other regional and global institutions. We have no particular desire to see the question of **regional lending shares** reopened, but we doubt that a rigorous reexamination of resource allocation priorities from a complementarity perspective, or for that matter a performance perspective, could be undertaken without allowing for the possibility of adjustments in regional shares.

Our second point, on **field presence and engagement** in national-level strategic dialogue and coordination processes, follows quite directly from our first. We welcome the fact that IFAD has embarked upon an internal process of reflection on these issues and join others in urging management to bring them more prominently into the replenishment context. We look forward to a discussion of options for strengthening IFAD's field role at the next replenishment meeting in July. As it would be neither affordable nor desirable on other grounds for IFAD to establish regional outposts, the central question here is how IFAD can achieve critical levels of engagement and influence at country level within existing resources. The answer to that question, we are inclined to say, is as set out above: IFAD needs, in the interests of maximising influence and impact, to specialise in countries that benefit less from the attention of larger institutions.

With respect to **resource scenarios**, our view is that too much emphasis has been placed on scenarios in which replenishment levels, and levels of reliance on the Advance Commitment Authority (ACA), are determined by somewhat arbitrary and essentially unaffordable targets for the Program of Work and Budget. We are not persuaded that a loan and grant program of \$US450 million per annum in 1996 prices represents a "critical mass" for the organisation, particularly in view of the fact that one of the major challenges it faces is to improve what might be termed its after-sales service capacity. We support the point consistently made by the United States that the starting point for discussion on resources should be the base-case scenario in which the level of the loan and grant program is determined by supply, replenishment contributions are assumed to be at the same nominal level as in IFAD5, and ACA use is at most very modest. We have noted that the base-case scenario prepared in response to the US's request at the recent replenishment meeting would entail a lending program of about \$US360 million per annum in 2004 prices, or perhaps up to \$US400 million or so with modest ACA use. In our view it needs to be acknowledged far more clearly than it has been that this represents the only affordable option in the absence of markedly higher replenishment contributions from IFAD's members.

On the specific question of **ACA use**, we take the pragmatic view that a modest level of reliance on ACA is an acceptable, if not highly desirable, resource-stretching measure. However, we would not wish to see ACA used as a line of credit to achieve an arbitrary target for the loan and grant program – and this appears to be precisely how it has been used in some of the resource scenarios presented to date. A particular concern we have is that ACA use as practised by IFAD has the potential to erode significantly the investment portfolio (by up to half under one scenario), which it seems to us is a unique asset whose value and income-generating capacity should as far as possible be protected. We are not entirely clear about why this effect occurs, given that other institutions operate ACA schemes without having any such reservoirs of liquidity, and we look forward to receiving clarification on this point in due course.

Finally, we await with interest and will be examining very carefully the findings of the **external review** of the results and impact of IFAD operations. However, only so much can be expected of such a brief and selective exercise and we believe that the time is right for a more in-depth, comprehensive external evaluation of IFAD's field effectiveness and impact. Perhaps we feel this need even more strongly than other members given that, as pointed out above, IFAD has very few active programs in South East Asia and the Pacific.

I understand that the Director General of AusAID, Mr Bruce Davis, will have the opportunity to meet you for the first time in your present capacity during his forthcoming visit to Rome on 10 May. He will of course be happy to discuss any of the above issues at that time.

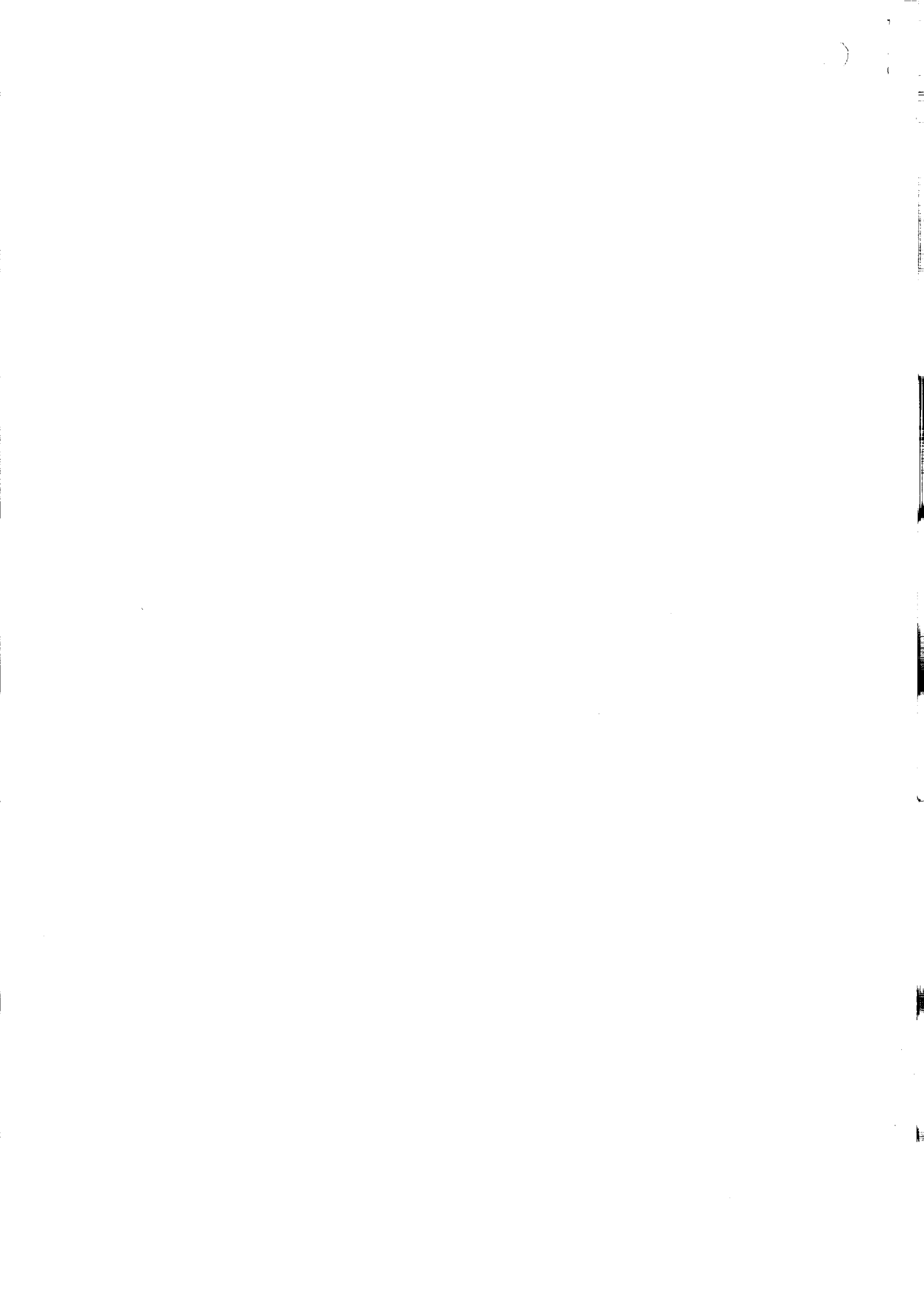
Yours sincerely



Charles Tapp
Deputy Director General

cc: HE Mr Jan Berteling
Ambassador and Permanent Representative of the Netherlands to the UN
Organisations for Food and Agriculture
Convenor of List A

Robin Davies
Counsellor (Development Cooperation)
Australian Delegation to the OECD
Paris



Joint Standing Committee on Treaties – Australia’s withdrawal from the International Fund for Agricultural Development (IFAD)

Responses to questions on notice from hearing on 8 March 2004

A member asked what the administrative costs of Australia’s participation in IFAD have been since 1977 and what they are likely to be in the future

AusAID estimates that average annual costs of Australia’s participation in IFAD are approximately \$100,000 p.a. Periodic replenishments (approximately every two to three years) require additional administrative resources.

A member asked what meetings of IFAD Australia has attended and what involvement Australia has had with IFAD since advising it in April 2003 of Australia’s intention to withdraw

Australia’s Ambassador to Italy and senior AusAID officials met IFAD’s President and senior managers in Rome. AusAID officials have also met IFAD’s President and senior managers in the margins of other international meetings in Washington and Dubai. AusAID officials have met IFAD representatives on two occasions in Canberra. In addition, AusAID officials have had contact with IFAD by letter and email.

The Australian Government has not attended any meetings of IFAD’s Executive Board or Governing Council since May 2003.

