



Submission No 5

Review of IFAD Amendment Bill 2012

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RESULTS International Australia Submission
Joint Standing Committee on Foreign Affairs, Defence and Trade
Review of International Fund for Agricultural Development (IFAD) Amendment Bill 2012

Overview

RESULTS International Australia, as an advocacy group which aims to generate the political will to end poverty, is pleased to provide a submission in support of Australia re-joining the International Fund for Agricultural Development (IFAD).

IFAD has operated since 1978 with the specific objectives of increasing agricultural production and reducing rural poverty. In 2011, IFAD provided \$US 998 million in grants and low-interest loans to support poverty reduction projects.

Australia was a member of and contributor to IFAD from 1978 to 2004. The reasons that the then Government gave for withdrawing from IFAD in 2004 related to a perceived lack of focus on the Asia-Pacific region by IFAD, and governance issues such as limited communication between IFAD's central office and country operations.

In view of the strong focus that IFAD has on rural poverty, and evidence of improved performance in recent years, renewing an Australian investment in IFAD would be consistent with Australian Government objectives and priorities in international development, including contributing to achieving the Millennium Development Goals and promoting food security. In view of the increases in food prices in recent years, and increased concerns about food security, the role of IFAD is becoming more significant, and it is timely for Australia to renew its membership.

Committee terms of reference

The Joint Committee on Foreign Affairs, Defence and Trade is concentrating on:

- Whether IFAD has addressed all of the concerns the former Australian Government had raised when deciding to withdraw from IFAD in 2004; and
- The financial impact of rejoining IFAD.

Earlier concerns and responses

The reasons the former government had given for withdrawing from IFAD in 2004 (set out in the National Interest Assessment prepared for the Joint Standing Committee on Treaties) were:

- lack of focus on South-East Asia and the Pacific
- lack of comparative advantage and focus
- shortcomings in management and donor relations.

Support for South-East Asia and the Pacific: The IFAD Annual Report for 2011 indicates that at the end of 2011 IFAD was implementing 61 projects and programs in the Asia-Pacific region, with total investment by IFAD in these projects of \$US 1.45 billion, or approximately one third of the value of all projects. New projects in the Asia-pacific region approved in 2011 included an investment by IFAD of \$US 340 million, or 34% of new loans and grants. These figures indicate an increased priority for the Asia-Pacific region in IFAD funding compared with the period before 2004.

IFAD's focus and effectiveness: IFAD has developed internal and independent assessment of project effectiveness. Assessments show that the impact of IFAD projects on rural poverty has increased gradually, sustainability of projects has increased and innovation in projects and programs remains one of IFAD's strengths. The IFAD Annual Report for 2010 reported the following results from independent evaluation of IFAD projects and programs:

- The proportion of projects rated as satisfactory in their impact on rural poverty had increased from 48% in 2002 to 2004 to 86% in 2007 to 2009.
- The proportion of projects rated as satisfactory in their sustainability (providing continued benefits after closure of the project) increased from 40% in 2002 to 2004 to 65% in 2007 to 2009.

The UK Government's Multilateral Aid Review also noted that IFAD makes an important contribution towards Millennium Development Goal 1 (reducing extreme poverty and hunger) and rated IFAD highly for its focus on poor countries, working in fragile environments and contributing to gender equality.

Governance and member relations: IFAD has increased the number of offices in member countries and the number of staff based in country offices, which is increasing the ability of IFAD to supervise project implementation. Since 2005, IFAD has also implemented an anticorruption strategy, which gives its Office of Audit and Oversight unrestricted ability to investigate complaints and allegations, and also empowers a Sanctions Committee to decide appropriate action where a case of fraud is substantiated. In 2011, IFAD also established an Ethics Office in 2011, to investigate and provide guidance on ethical issues for IFAD staff.

Financial implications of rejoining IFAD

As IFAD provides a significant part of its support in low-interest loan form, its call on donors is relatively modest.

As noted above, renewing Australian's membership of IFAD would be consistent with Australian Government objectives and priorities in international development, including contributing to achieving the Millennium Development Goals and promoting food security.

The Government has indicated in the Explanatory Memorandum for the *International Fund for Agricultural Development Amendment Bill 2012* that the costs associated with rejoining IFAD would be \$126 million over several years starting in 2014-15 (consisting of \$120 million in voluntary contributions to the next replenishment of and \$6 million in associated costs of membership, such as oversight and consultation). Taking account of the expected growth in the Australian aid program in the coming years set out in the Budget document on the overseas aid program for 2012-13, the annual costs of IFAD contributions would be less than 0.4% of Australia's total aid in the period 2014-15 to 2017-18.

Therefore, as long as the Australian Government at least maintains its revised schedule for increasing the level of aid, the contribution to IFAD would be affordable without detracting from other important components of the aid program.

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