

RECEIVED
- 5 MAR 2004

IFAD
TT March 04 1
Submission No: 12

BY:.....SUBMISSION
TO
THE JOINT PARLIAMENTARY STANDING COMMITTEE ON TREATIES
ON
THE DECISION TO DENOUNCE THE TREATY RELATING TO
AUSTRALIA'S MEMBERSHIP OF THE INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT (IFAD)
FROM
PHILLIPS YOUNG (INDEPENDENT AGRICULTURAL CONSULTANT)

I would like to present to the Joint Parliamentary Committee of Treaties my observations on IFAD and the proposal by AusAID that Australia should denounce the treaty relating to Australia's membership of IFAD. These views expressed are based on my personal working experience in the following positions:

- Currently the facilitator for the start-up of the IFAD Programme Loan for the East Kalimantan Local Community Empowerment Programme in Indonesia.
- UN/UNDP Resident Representative to Malaysia, Singapore and Brunei (3 years).
- Staff member of IFAD (10 years).
- As a director and partner in a consulting firm having major implementation contracts with AIDAB in Burma and Thailand (6 years).
- As a staff member of the Asian Development Bank (6years), and
- As the Project Director of a major World Bank/IDA Loan Project in PNG (3 years).

Having spent most of my professional life working directly with and for International Finance Institutions (IFIs) such as IFAD, the Asian Development Bank and the World Bank, I believe that I am well placed to compare their relative merits worth as development institutions and as vehicles for poverty alleviation. As an Australian involved in international development work I consider that I have a right and a duty to comment on proposals that affect Australia's foreign assistance programs. I believe AusAID's decision to withdraw from IFAD is unsound and was not based on a genuine assessment of IFAD's operations, or an effective comparison of the relative worth of IFAD, World Bank and ADB.

It is not possible to be intimately involved with the IFI system throughout your entire working life, without accumulating loads of negative information on technical failures, misuse of power, bad judgements or bad behavior of individuals (including,

unfortunately senior Australians). But I do believe that overwhelmingly the intentions and the output of these institutions and individuals that are employed by them is to do “good”, and to benefit mankind. All these institutions have played an important role in the development of many very poor countries. They are a force for good and their programs have been, at least as effective, as any bilateral assistance provided by individual countries. I have also seen the damage that can be done to the cause of international development and poverty alleviation, when disenchanted individuals present one-sided and negative assessments of the effectiveness of a particular institution. Therefore I will confine my remarks mainly to IFAD and endeavor not to denigrate, by comparison, my former colleagues and associates in the Asian Development Bank and the World Bank.

IFAD – A Different Institution to the Other IFIs

AusAID is a strong supporter of World Bank and ADB but apparently not of IFAD. This may be because IFAD is a very different IFI than either the World Bank or the ADB.

- IFAD has always had as its main objective the alleviation of rural poverty – this ideal pervades all its operations and is central to its approach to development.¹
- IFAD has always focused its development projects on the areas of greatest poverty within a country and on the poorest people or the poorest communities within those areas – at the operational level, this “targeting” process has almost been an obsession.
- IFAD does not focus on macroeconomic reform or structural adjustment but it has achieved much through focusing the attention of governments on the needs of poor and underprivileged people. It has effectively championed the cause of poor women in India and in many other countries. It has focused on Tibetan and other underprivileged ethnic minorities in China. It is currently supporting the indigenous people of Kalimantan in Indonesia.
- IFAD’s approach is definitely “bottom-up”. It believes in the resilience and the capacity of individual farmers, their overall ability, their basic understanding of their own problems and the appropriateness of the solution, that they present to resolve their problems. IFAD simply seeks to assist poor people implement their own solutions – poor people are not stupid, they are generally resilient, inventive, survivors who, given an opportunity, will cease it and work like hell.

¹ In IFAD’s project review processes it is always the “impact on poverty” that really determines the acceptance or rejection of a project – this is not just a slogan.

- IFAD listens to the individual farmer first and then argues his/her case with the Ministry of Finance -- most IFIs work in completely the opposite direction. They look for a "magic technical solution to poverty" (unfortunately, history has shown that most of the technical solutions imposed on farmers by IFIs have failed because the social issues have not been addressed.).
- IFAD believes that poverty is generally a social issue, a question of the inability of the poor to access resources and the failure of governments to uphold the rights of poor people at the local level. IFAD focuses its projects on addressing these issues. It is for this reason that IFAD was the first IFI to lend to the Grameen Bank; it was the first IFI to negotiate a loan with the Government of India that was dedicated to the needs of women. It is why IFAD included a clause within the text of the loan agreement with the Government of China to give women headed households access to 'contract land'. It is why IFAD has provided individual farmers and groups of farmers in Latin America access to credit to pay for legal services to resolve land ownership and other issues of injustice as it affects the poor people. You only have to compare an IFAD and a World Bank Loan Agreement to recognize the importance of people's rights in IFAD's projects.
- IFAD is small, and some would like to say a '*politically insignificant*' institution, but its small size is also its main comparative advantage in addressing sensitive issues. Governments can accept funding from IFAD for politically sensitive programs that they would not be willing to accept from the World Bank or ADB. Examples of this are: (1) the Government of India's acceptance of the Tamil Nadu Women's Development Project in 1989 -- 6 years later, due to this first IFAD intervention, the idea of assisting women became politically acceptable to the Government and it "allowed" the World Bank "copy" the program. The program spread to an additional five states -- it was co-financed by World Bank and IFAD; (2) in China - lending to a Tibetan Autonomous Prefecture and to other ethnic-minorities; and, (3) in Indonesia -- IFAD is providing direct support for indigenous communities in Kalimantan -- including legal (and technical) support for land-rights.
- Possibly because of its political obscurity -- but also because of its management's determination in dealing with its Executive Board -- IFAD was the first IFI with the courage to lend to China and to North Korea.
- IFAD also pioneered the use of local NGOs in designing and implementing projects in the Asia Pacific region. In 1989 the Tamil Nadu Women's project was largely designed in association with the Working Women's Forum of Madras and a Credit Cooperative from Hyderabad. The project was eventually implemented by MYRADA, a Bangalore based NGO. IFAD now has NGOs implementing its major projects in Indonesia. In the East Kalimantan Program, the director of a local NGO group was appointed the Program Manager and was part of the Government's official delegation to the Loan Negotiations in Rome -- the implementation of this program is largely in the hands of local NGOs. Similar NGO-led projects operate in the

Philippines and other countries throughout the region. IFAD's support for the Grameen Bank is another example of its pioneering work in supporting NGOs.

- IFAD was probably the first IFI to introduce a formal consultative process with the NGO community to oversee strategies and to advise it on its operations. However, most of the NGOs represented in this forum are from developing rather than developed countries.
- IFAD has always had limited financial resources and staff have to fight for the resources they need to fund their projects. My experience working in and with other IFIs is that the greatest sin for a staff member is to fail to meet your *lending target* – when this is the hidden agenda, quality suffers. I firmly believe that IFAD's projects are more successful at actually assisting poor people than the projects of either the World Bank or ADB – when resources are scarce, you use them wisely - more projects are killed by over-funding than under-funding².
- IFAD is a small institution in which the individual can make a real difference. From personal experience I found it much easier to “kill” projects that were technically unsound in IFAD than in ADB. (This is a major, but largely hidden, issue that IFIs have generally failed to face up to – it is much less of a problem in an institution, such as IFAD, that is not led by the imperative to spend very large amounts of money). It is also easier to introduce innovations in IFAD than the other institutions.

IFAD is really a grassroots focused organization not a macro-economic policy leader and that may not suit AusAID's “*growth-led*” *poverty reduction strategy*. IFAD has caused policy changes in governments but these have generally been based on the results of its projects being recognized and adopted by governments, rather than anything IFAD may have said about economic restructuring, governance, etc. I would contend that both approaches are necessary and institutions need to do the things that they do best. IFAD is best at directly helping people living with poverty to become more productive and move to a more sustainable and conformable level of existence. World Bank is possibly best at helping to restructure economies in order to promote growth – this also reduces overall poverty but often damages the poor in the process.

In the economies that are being restructured, IFAD's role has traditionally been to pick-up the pieces of poor peoples' lives and to provide them a bridge for survival and access to the longer-term benefits of reform. In the passed 15 years of structural adjustment, political instability and conflict in Africa, IFAD has filled this role very effectively. This is why a substantial proportion of IFAD's resources were direct to Africa. Previously the Government of Australia accepted this as a legitimate role for IFAD to play. They saw their contributions to IFAD as supporting their desire to provide humanitarian assistance in areas that would be difficult and costly to service with bilateral assistance. It now appears that AusAID no longer accepts this approach or these responsibilities. I personally think that this is unfortunate – Australia has much to offer

² AusAID seems to have adhered to this principle in its contributions to IFAD over the years!!!

the developing world, particularly its skills in dry-land agriculture -- IFAD's area of main concern. The overwhelming majority of the world's poor people are rural and directly or indirectly dependent on agriculture -- the poorest of the poor are in the dry-land farming and pastoral areas of the world. This is something that AusAID seems to have forgotten in its programs in recent years.³ In the past 75 years it was agriculture that initially got Australia out of poverty -- perhaps this is the simple lesson that the people who allocate our funds for overseas development need to learn.

Conclusion

I honestly believe that IFAD is a very worthwhile organization and that my Government should remain engaged in its operations - even if it does not want to contribute further to its finances.

With or without Australia's contribution, IFAD will continue to provide USD 450 to 500 million in practical well-targeted programs to assist hundreds of thousands of poor farmers around the world. However, the main aspect of AusAID's proposal that concerns me is the fact that the action that it would deny IFAD and the hundreds of thousands of poor farmers that IFAD supports, access to Australia's technical expertise. Australia is the world leader in dry-land farming technology. The farmers that IFAD supports are predominantly dependent on dry-land agriculture. Australia's greatest contribution to IFAD has always been its "know-how" in dry-land agriculture, transmitted by practical Australian experts. In many instances in the past this has had a substantial influence on IFAD's US\$ 500 million annual program. At least this part of the association with IFAD should be maintained. The approach being proposed by AusAID not only denies IFAD of funds -- it also denies thousands of dry-land farming communities that IFAD supports access to Australia's knowledge base⁴ -- to me this is really selfish and profoundly "un-Australian". It cost Australia nothing to stay in IFAD but Australia's action in denouncing the Treaty could cost many poor farmers their chance to improve their lives.

Phillips Young
Independent Consultant
2 Mahonia Street
Bellbowrie 4070
Australia
Phone 07 3202 6936

Date 5 March 2004

³ AusAID claims to have increased their "rural development" allocations for the last five years. I understand that, in spite of these continual increases, only 14% of AusAID's total resource are allocated to "rural development" and they cannot find US\$ 1.7 million a year to fund an organization that supports poor farmers very effectively.

⁴ In common with World Bank and ADB, the agreement establishing IFAD specifically precludes non-member countries from supplying goods and services to IFAD funded projects and programs.