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TT March 2004.  
Submission No: .....2.....



**KEDUTAAN BESAR REPUBLIK INDONESIA**  
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RECEIVED  
27 FEB 2004

BY: *G. B. Spuela*

26 February 2004

The Hon. Andrew Southcott MP  
Chairman of the Joint Standing Committee on Treaties  
Parliament House  
Canberra, ACT 2600

Dear Honorable,

I wish to draw your attention to a particular issue that the Government of the Republic of Indonesia has expressed its deep concerns namely, the withdrawal of the Government of the Commonwealth of Australia from its membership to the International Fund for Agricultural Development (IFAD). The decision of which was taken in 2003 at the time when Indonesia began to assume the Chairmanship of the Governing Council of IFAD. It is my understanding that the respective Joint Standing Committee on Treaties (JSCT) would, under your able guidance, discuss this important issue during its next meeting. I am aware that the Committee would accept any submissions from parties concerned, therefore I would like to present, through you Honorable, our submission to the Committee with the expectation that the Committee would take our concerns over the abovementioned issue.


The Government of the Republic of Indonesia has always highly regarded the outstanding role played by Australia as a member of IFAD in promoting international cooperation in the area of agriculture. As a prominent country in the agricultural industry, Australia has a significant contribution to the development of the agriculture sector particularly in the developing and less-developed countries. The Government of the Republic of Indonesia strongly believes that the membership of Australia in IFAD will significantly enhance the function of this organization in alleviating the poverty.

Therefore, the Embassy of the Republic of Indonesia requests that the Government of Australia reconsider its decision to withdraw its membership from IFAD. I herewith attached the background information about IFAD for the Committee's perusal.

I sincerely hope that the Committee will play its role to bring about the matter to the result of positive outcomes for the benefit of the international agriculture development especially for its stakeholders.

I look forward to hearing from you and would be happy to entertain any further questions related to this issue.

Yours sincerely,

  
Imron Cotan  
Ambassador

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## **INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

### **Introduction**

1. The International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations, was established as an international-financial-institution in 1977 as one of the major outcomes of the 1974 World Food Conference. The Conference was organized in response to the food crises of the early 1970s that primarily affected the Sahelian countries of Africa. One of the most important insights emerging from the Conference was that the causes of food insecurity and famine were not so much failures in food production, but structural problems relating to poverty and to the fact that the majority of the developing world's poor populations were concentrated in rural areas.

2. In this context, IFAD was created to mobilize resources on concessionary terms for programmes that alleviate rural poverty and improve nutrition. Unlike other international financial institutions, which have a broad range of objectives, the Fund has a very specific mandate: to combat hunger and rural poverty in developing countries. Under the terms of the Strategic Framework for IFAD 2002-2006, the Fund will continue to work towards enabling the rural poor to overcome poverty by fostering social development, gender equity, income generation, improved nutritional status, environmental sustainability and good governance. Concretely, this implies: developing and strengthening the organizations of the poor to confront the issues they define as critical; increasing access to knowledge so that poor people can grasp opportunities and overcome obstacles; expanding the influence that the poor exert over public policy and institutions; and enhancing their bargaining power in the marketplace.

### **IFAD and the developing countries**

3. The G-77 was the driving force behind the creation of IFAD at the World Food Conference in 1974. In fact, IFAD is one of the major actors in the global effort to overcome poverty and improve the living standards of the rural poor in the G-77 countries. Through IFAD-supported programmes and projects more than 200 million G-77 nationals have been assisted in their struggle to achieve a life of dignity.

4. In the Millennium Summit in September 2000, world leaders agreed on the goal to reduce the proportion of those living in extreme poverty by half by 2015. This Millennium Summit poverty target is of great importance for both South-South cooperation as well as North-South collaboration. IFAD is fully committed to support these important efforts. Indeed IFAD is itself an expression of South-South cooperation combined with North-South cooperation. The Fund's operations help to transfer experience and expertise among developing countries, sharing knowledge on the most effective ways to address poverty such as micro-finance that opens the door to credit, even to the poorest people, and allows them to increase their incomes and escape from poverty.

5. The Fund is also in regular dialogue with developing countries on ways to help them to benefit, rather than become the victims, of economic changes such as globalisation, the emergence of new agricultural technologies and the information revolution.

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## IFAD's Lending

6. IFAD's operations are implemented in five regions of the developing world, namely Western and Central Africa, Eastern and Southern Africa, Asia and the Pacific, Latin America and the Caribbean, Near East and North Africa. IFAD developed a framework to allocate funds to different regions and countries based on a number of indicators: countries' food security, population's income and poverty situation, population's basic needs fulfillment, and agricultural population.

7. Following the decision taken by the Executive Board in December 2002, IFAD is currently developing a Performance Based Allocation System, which is based partly on indicators adopted by other international finance institutions (IFIs), such as the World Bank, and partly on IFAD-specific indicators, including performance of the country in fostering agricultural and rural development as well as country portfolio performance.

8. Cumulatively, 32.3% or 2.5 billion USD has been allocated to finance 159 projects, corresponding to 25% of total projects, in 21 countries of the Asia and Pacific region. While the region's share in the first decade (1978-87) of operations was very high (38.7%) since large Asian countries borrowed significantly high proportion of loans because of their size and relatively better absorptive capacity then, compared to countries of other regions, notably those in Africa, the share declined later on to about 31-32% on the basis of the above mentioned allocation criteria.

### IFAD Cumulative Lending by Region (1978-2003)

Region	1978-2003 (USD million)	% of Total Lending	No. of Projects	% of Total Projects
Western and Central Africa	1,393.8	18	141	22
Eastern and Southern Africa	1,356.0	17.4	115	18
Asia and the Pacific	2,496.7	32.1		
Latin America and the Caribbean	1,235.3	15.9	111	18
Near East and North Africa	1,291.5	16.6	107	17
<b>Total IFAD Loans/Projects</b>	<b>7,773.3</b>	<b>100</b>	<b>633</b>	<b>100</b>

### IFAD's Projects in South East Asia

9. IFAD has funded a total of 41 projects in the South East Asian sub-region comprising Indonesia, Philippines, Viet Nam, Laos, Cambodia and Thailand for a total lending of USD 518 million. In addition, IFAD approved a total of 26 grants for about USD 3 million (supporting technical assistance and start up activities, not including grants extended to local and international NGOs). With the exception of Thailand, IFAD has still a very active portfolio in all countries. There are currently 18 projects under implementation, of which 3 are in Cambodia, 4 in Indonesia, 4 in Laos, 4 in the Philippines, and 3 in Viet Nam.

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10. Within the Asia and the Pacific Region, there has been a shift in IFAD's operations in favour of the South-East Asia sub-region. Between 1978 and 1996, IFAD extended 27 of its 117 loans for a total amount of over USD 360 million (22% of total regional lending amounting to USD 1.93 billion) in its favour. Between 1997 and 2002, IFAD extended 10 of its 31 loans for a total lending of USD 124.4 million corresponding to a share of 24.7% of total regional lending (USD502.9 million). Between 2002 and 2004, IFAD is planning to extend 7 out of 18 loans for a total lending of USD 139 million (36% of regional lending estimated at USD 389.4 million).

11. This trend clearly demonstrates IFAD's growing commitment to the South East Asian sub-region. In addition, borrowing countries of this sub-region have increasingly expressed their appreciation of IFAD's modus operandi, translating in a growing sense of ownership of and commitment to IFAD country project portfolios and poverty eradication strategies; their very good performance will likely result in increased resource allocation by IFAD as soon as the Performance-Based Allocation System is in place.

#### **Role of IFAD in international cooperation on poverty alleviation**

12. As an international financial institution IFAD has been in the front line for the last decade and a half in the fight to eradicate poverty. In addressing the issue of poverty, the international community has taken numerous initiatives over the years, including through the United Nations global conferences of the 1990's, particularly that of the World Summit for Social Development in Copenhagen in 1995. Within the context of the Bretton Woods Institutions, significant initiatives have been made, including the formulation of the Poverty Reduction Strategy Paper (PRSP), which complements the efforts of achieving the goal to halve the number of people living in poverty by 2015 as stipulated at the Declaration of the UN Millennium Summit. In this vein, IFAD announced in February 2001 that poor countries would fail to reach the target mainly due to the fact that most attention had been focused on the poverty of mega-cities to the neglect of rural poverty where 75 per cent of the world's poor actually live.

13. The international community had given top priority to the provision of additional financing resources for development particularly in the form of Official Development Assistance (ODA) as well as the provision of faster, deeper and broader debt relief for Heavily Indebted Poor Countries (HIPC's). In this regard, the Monterrey Consensus on Financing for Development can be seen as an excellent basis for the effort to mitigate the consequences of depressed export revenues of countries that still depend heavily on commodity exports. Within this framework, IFAD had actively engaged in the process with a broad spectrum of stakeholders including the United Nations, the Bretton Woods Institutions as well as many other relevant entities at the global, regional and domestic levels, including the private sector and civil society.