
The Parliament of the Commonwealth of Australia

Advisory Report on the International Fund for Agricultural Development Amendment Bill 2012

Inquiry of the Foreign Affairs Sub-Committee

Joint Standing Committee on Foreign Affairs, Defence and Trade

October 2012
Canberra

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Terms of reference

On 13 September 2012, the International Fund for Agricultural Development Amendment Bill 2012 was referred to the Committee by the Selection Committee of the House of Representatives.

The Selection Committee's report stated the following reasons for referral/principal issues for consideration:

- Determine whether the International Fund for Agricultural Development (IFAD) has fully addressed the concerns that were raised by the former Howard Government, and which prompted Australia to withdraw from the organisation in 2004.
- Consideration of the additional financial and human resources required by AusAID to support Australia's engagement with IFAD.¹

1 House of Representatives Selection Committee, *Report No. 65*, 13 September 2012, p. 3.



List of abbreviations

AMA	Australian Multilateral Assessment
AusAID	Australian Agency for International Development
DFID	UK Department for International Development
FATP	Foreign Affairs and Trade Portfolio agencies
GEF	Global Environment Facility
IFAD	International Fund for Agricultural Development
JSCT	Joint Standing Committee on Treaties
MDG	Millenium Development Goal
MOPAN	Multilateral Organisation Performance Assessment Network
RIA	RESULTS International Australia
UN	United Nations
UNCCD	UN Convention to Combat Desertification



List of recommendations

The International Fund for Agricultural Development and the Bill

Recommendation 1

The Committee recommends that the International Fund for Agricultural Development Amendment Bill 2012 be passed.

Introduction

Referral of the inquiry

- 1.1 The International Fund for Agricultural Development Amendment Bill 2012 (the Bill) was referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade for inquiry and report on 13 September 2012 by the House of Representatives Selection Committee.
- 1.2 The Selection Committee's report stated the following reason for referral/principal issues for consideration:

Determine whether the International Fund for Agricultural Development (IFAD) has fully addressed the concerns that were raised by the former Howard Government, and which prompted Australia to withdraw from the organisation in 2004.

Consideration of the additional financial and human resources required by AusAID to support Australia's engagement with IFAD.¹

1 House of Representatives Selection Committee, *Report No. 65*, 13 September 2012, p. 3.

Related Parliamentary inquiries

- 1.3 This inquiry is the second recent Parliamentary committee inquiry into the proposed legislation.
- 1.4 The previous inquiry was conducted by the Joint Standing Committee on Treaties (JSCT) which considered whether Australia should resume engagement with IFAD when it reviewed the *Agreement Establishing the International Fund for Agricultural Development (Rome, 13 June 1976)*. The JSCT is empowered to inquire into any treaty to which Australia has become signatory when the treaty is tabled in Parliament – the treaty was tabled on 26 June 2012.
- 1.5 The JSCT subsequently conducted a public hearing in Canberra on 13 August 2012, during which it examined witnesses from AusAID.²
- 1.6 In its report, tabled on 10 September 2012, the JSCT recommended that it:
... support[ed] the Agreement Establishing the International Fund for Agricultural Development (Rome, 13 June 1976) and recommend[ed] that binding treaty action be taken.³
- 1.7 The report of the JSCT was an unanimous report.

Conduct of the inquiry

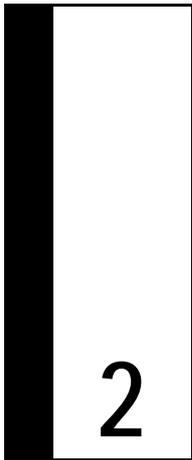
- 1.8 This inquiry was conducted by the Foreign Affairs Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade (the Committee). The Committee resolved, in light of the previous inquiry by the JSCT, that it would adopt as its terms of reference the principal issues for consideration detailed in the Selection Committee's report (see paragraph 1.2).
- 1.9 Individuals and organisations were invited to prepare submissions and a media release was issued on 20 September 2012. The inquiry was also included in the monthly House of Representatives advertisement in the *Australian* on 3 October 2012. Details of the inquiry were made available on the Committee's website.
- 1.10 The Committee received six submissions to the inquiry which are listed at Appendix A.

2 JSCT, *Report 129: Review into Treaties tabled on 19 and 26 June 2012*, p. 2.

3 JSCT, *Report 129: Review into Treaties tabled on 19 and 26 June 2012*, Recommendation 4, p. 34.

- 1.11 A public hearing was conducted on Thursday, 25 October 2012 in Canberra. Representatives from AusAID appeared on behalf of the Foreign Affairs and Trade Portfolio agencies (FATP) which had provided a submission.⁴ Appendix B lists the witnesses that appeared.

4 The agencies providing the submission were AusAID, the Department of Foreign Affairs and Trade and the Australian Centre for International Agricultural Research.



The International Fund for Agricultural Development and the Bill

The International Fund for Agricultural Development

2.1 IFAD is a specialised agency of the UN which was established in 1974 following food crises in Africa in the 1970s and a subsequent 1974 World Food Conference. The Conference concluded 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 are concentrated in rural areas.¹

2.2 Consequently IFAD's mission, as currently stated on its website, is 'to enable poor rural people to overcome poverty':

Working with poor rural people, governments, donors, non-governmental organizations and many other partners, IFAD focuses on country-specific solutions, which can involve increasing poor rural peoples' access to financial services, markets, technology, land and other natural resources.²

1 IFAD, *Who we are*, <<http://www.ifad.org/governance/index.htm>> Accessed October 2012.

2 IFAD, *Who we are*, <<http://www.ifad.org/governance/index.htm>> Accessed October 2012.

- 2.3 Specifically, developing countries receive 'highly concessional loans and grants'.³
- 2.4 IFAD has a total of 168 member states, including 133 developing countries. These comprise:
- 50 from Africa;
 - 51 from Europe, Asia and the Pacific; and
 - 32 from Latin America.⁴
- 2.5 A list of IFAD members is provided in Appendix C.
- 2.6 Australia was a founding member of IFAD in 1997 and had provided A\$50.3 million before it withdrew in 2004. Between 1997 and 2004 IFAD had provided 'US\$10 billion to finance projects with a total cost of approximately US\$25 billion.'⁵ In 2011, IFAD 'provided US\$998 million in grants and low interest loans to support poverty reduction projects.'⁶
- 2.7 AusAID advised that:
- IFAD works in over 26 countries in the Asia-Pacific region. At the end of 2011, IFAD had 240 ongoing programs and projects in 93 countries and 1 territory across the globe. This included: 42 projects in Near East, North Africa and Europe, 61 projects in Asia and the Pacific, 31 projects in Latin America and the Caribbean, 54 projects in West and Central Africa and 52 projects in East and Southern Africa.⁷

Reasons for withdrawal in 2004

- 2.8 Concerns about IFAD arose in the early 2000s and culminated in 2004 with a Parliamentary inquiry by the Joint Standing Committee on Treaties into whether Australia should withdraw from the fund. During evidence to that inquiry, witnesses from AusAID provided a list of criticisms of IFAD.

3 Dr Julian Prior, *Submission No. 3*, p. 2.

4 IFAD, *IFAD Member States*, <<http://www.ifad.org/governance/ifad/ms.htm>> Accessed October 2012.

5 Dr Julian Prior, *Submission No. 3*, p. 2.

6 RIA, *Submission No. 5*, p. 1.

7 AusAID, *Submission No. 6*, p. 1.

The Treaties Committee recommended withdrawal, although a dissenting report disagreed.⁸

2.9 The submission from the Foreign Affairs and Trade Portfolio agencies (FATP) advised that the subsequent decision for Australia's withdrawal from IFAD in 2004 was because, at that time:

- IFAD was not delivering cost effective and tangible returns;
- only a small percentage of IFAD programs were located within Australia's priority countries of Southeast Asia and the Pacific (only 7 per cent to Southeast Asia and there were no active projects in the Pacific); and
- IFAD did not have a clear mandate or role – it delivered most of its assistance through other multilateral agencies and did not focus its activities into rural development activities.⁹

2.10 Australia has been the only country to withdraw from IFAD.¹⁰ New Zealand is a member of IFAD but is not a fund contributor – it stopped contributing in 2003 because of budget constraints.¹¹

2.11 The effective date of withdrawal was July 2007 when Australia made its final payment to IFAD under its treaty obligation.¹²

The Amendment Bill

2.12 AusAID told the Committee that in 2008 it 'seriously started contemplating why we withdrew and what that meant to us in terms of our investments in food security';

In 2007–08, ... there was a global food crisis that unhappily coincided with an energy crisis – a fuel crisis – as well as the global financial crisis. ... [It] caused us to reassess quite significantly our rural development and agriculture portfolio. As a consequence of that occurrence in 2007–08 we have significantly increased expenditure on food security activities ...

... we started to look at the comparative advantage of the range of institutions that we work with in the food security space. So we

8 Joint Standing Committee on Treaties, *Report 60, Review of treaties tabled 2 March 2004*, Chapter 5.

9 FATP, *Submission No. 4*, p. 1.

10 Ms Rebecca Bryant, *Transcript 25 October 2012*, p. 2.

11 Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 10.

12 FATP, *Submission No. 4*, p. 1.

were happily engaged in the UN's global food price crisis response fund. ... We are a substantial member of the World Food Programme ... We are a core funder of the UN Food and Agriculture Organisation. So we have a strong portfolio of multilateral investment in food security. But it came to our attention at around that time that IFAD was a significant gap in our portfolio. It does do what those organisations cannot do. It has a specific mandate to focus on small-holder farmers and on rural poverty, which is different to the other organisations that I have mentioned.¹³

- 2.13 A proposal to rejoin IFAD was subsequently made to AusAID senior management at the end of 2010 – this progressed to a review of IFAD in 2011.¹⁴
- 2.14 In April 2011, AusAID released its report reviewing Australia's engagement with IFAD. The report included the conclusion that there was 'a strong business case for Australia to rejoin IFAD' for a number of reasons, including:
- IFAD's work contributed to directly to MDG1 (reduction of poverty), MDG3 (improving gender equity), and MDG7 (environmental protection);
 - IFAD was widely seen as effective, results focused and providing value for money in the increasingly important rural development sector;
 - there was 'close alignment between IFAD and Australia's priorities for food security and rural development';
 - IFAD offered 'partnerships in regions and sectors where Australia wishes to expand but lacks deep technical or country knowledge and presence';
 - IFAD offered the 'opportunity for strong Australian influence and profile.'¹⁵
- 2.15 AusAID in evidence stated that the decision to rejoin IFAD was, to its knowledge, not influenced by Australia's bid for a non-permanent seat on the UN Security Council.¹⁶
- 2.16 It provided further information in a supplementary submission:
-

13 Ms Rebecca Bryant, *Transcript 25 October 2012*, p. 8.

14 Ms Rebecca Bryant, *Transcript 25 October 2012*, p. 8.

15 AusAID, *Review of Australia's Engagement with IFAD*, p. iv.

16 Ms Rebecca Bryant; Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 16.

AusAID has consulted the United Nations Security Council Task Force within [DFAT]. The Task Force has advised that there was no relationship between the UNSC campaign and the decision to rejoin IFAD at any point.¹⁷

- 2.17 In February 2012, the Government announced at the 35th session of IFAD Governing Council that Australia intended to rejoin IFAD. This would take effect in February 2014.¹⁸
- 2.18 For this to occur, legislation must be in place for Australia to legally accede to the Agreement Establishing IFAD. The original domestic legislation – the *International Fund for Agricultural Development Act 1977* – had not been repealed despite Australia’s decision to withdraw from IFAD. The Bill therefore is intended to amend the 1977 Act and allow Australia to legally accede to the Agreement Establishing IFAD.
- 2.19 The amendments in the Bill are:
- amending the definition of ‘Agreement’ (Section 3) to ensure the legislation refers to the most recent version of the Agreement;
 - repealing a section (Section 4) stating that membership of IFAD is approved; and
 - removing the Schedule to the IFAD Act 1977 (as it refers to the original IFAD Agreement) and replacing it with a web link to the most recent IFAD Agreement, which is updated as the Agreement is amended.¹⁹

Have the 2004 concerns been addressed?

Delivery of cost-effective and tangible returns

- 2.20 The FATP advised that IFAD was improving its cost effectiveness by:
- increasing in-country presence and direct supervision;
 - increased project efficiency; and
 - increased focus on results.

17 AusAID, *Submission No. 6*, p. 16.

18 International Fund for Agricultural Development Amendment Bill 2012, Explanatory Memorandum, p. 1.

19 International Fund for Agricultural Development Amendment Bill 2012, Explanatory Memorandum, p. 1.

Increased in-country presence and direct supervision

- 2.21 AusAID told the Committee that 'at the end of 2011 IFAD had more than doubled the number of projects it supervised directly compared with 2008.'²⁰ FATP advised that 'delegating to officers and staff in country can increase the cost effectiveness, by ensuring closer follow-up on project implementation.'²¹

Increased project efficiency

- 2.22 FATP advised that the size of IFAD projects was increasing and that while the majority of projects cost between US\$10–US\$15 million, there was an increasing proportion of larger projects.²² AusAID told the Committee that:

... with larger projects you have economies of scale and that is certainly something that we are encouraging, to avoid what we call 'fragmentation of aid, too many small inefficient projects.'²³

- 2.23 The value of IFAD's loans and grants had also increased from 2008 to 2011 by 'almost 70 per cent' while administrative costs had only gradually increased. The ratio of IFAD's administrative budget compared to total loans and grants:

... has decreased from 15.9 per cent in 2008 to 11.7 per cent in 2011. This is significantly better than the target of 13.5 per cent. When external resources directly managed by IFAD are also taken into account, the efficiency ratio is 9.5 per cent, in line with figures for other multilateral development banks.²⁴

- 2.24 AusAID acknowledged the finding of a review by the UK Department for International Development (DFID) that commented that administration costs were currently too high and project efficiency needed to improve, but added:

It is really a question of progressive reforms that need to be implemented. We believe that tremendous inroads have been made in terms of efficiency. The direction of travel is correct. We would like to be involved in influencing reforms moving forward and the best way of doing that is to be on the inside of this

20 Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 2.

21 FATP, *Submission No. 4*, p. 2.

22 FATP, *Submission No. 4*, p. 2.

23 Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 3.

24 AusAID, *Submission No. 6*, p. 13.

organisation. ... we are not saying that we are completely satisfied with IFAD's performance. ... you need to be on the inside to influence those decisions.²⁵

2.25 AusAID drew attention to IFAD's management reforms, such as:

... how they deploy people, how they focus on results – and other management reforms including procurement reforms and other things that come with it.²⁶

2.26 Additional value arises from providing funds to IFAD because there is a multiplier effect.

2.27 When introducing the Bill, the Parliamentary Secretary for Foreign Affairs noted that IFAD was able to leverage the contributions it received, commenting that 'for every \$1 contributed, IFAD mobilises another \$6 for rural development.'²⁷

Increased focus on results

2.28 The FATP noted that IFAD had strengthened its evaluation processes by having an Independent Office of Evaluation which was structurally independent of IFAD's management. It reported directly to the IFAD Executive Board.²⁸

2.29 Assessment of IFAD projects had shown that there had been a consistent improvement against project performance indicators 'in every indicator between the last two replenishment periods.'²⁹

2.30 The indicators were:

- effectiveness;
- rural poverty impact;
- gender;
- innovation, replicate the ability and scaling up;
- sustainability;
- relevance; and

25 Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 7.

26 Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 3.

27 Hon. Richard Marles MP, Parliamentary Secretary for Foreign Affairs, International Fund for Agricultural Development Amendment Bill 2012, Second Reading Speech p. 2.

28 FATP, *Submission No. 4*, p. 4.

29 FATP, *Submission No. 4*, p. 4.

- efficiency.³⁰

2.31 Results International Australia (RIA) also provided information on IFAD's effectiveness. It stated that independent evaluation of projects and programs had found:

- 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 2009.³¹

2.32 The FATP added that IFAD was also prepared to communicate information to interested parties:

IFAD now has an active program of knowledge management and dissemination to external audiences. IFAD has commissioned and published policy relevant research, often in partnership with other organisations, on topics such as land grabbing; remittances in rural areas; weather index insurance; indigenous peoples; community participation; and rural youth.³²

Governance issues

2.33 RIA commented on IFAD's improved governance arrangements:

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. ... IFAD also established an Ethics Office in 2011 to investigate and provide guidance on ethical issues for IFAD staff.³³

2.34 During the public hearing, the Committee drew attention to a 2011 IFAD report on its investigation and anticorruption activities. The report commented that there was a:

... caseload of 59 active cases in 2001 (compared to 49 active cases in 2010 and 33 active cases in 2009. Seventeen cases were

30 FATP, *Submission No. 4*, p. 4.

31 RIA, *Submission No. 5*, p. 2.

32 FATP, *Submission No. 4*, p. 4.

33 RIA, *Submission No. 5*, p. 2.

completed in 2011 of which, five were closed as unsubstantiated or underfunded, five were transferred to IFAD Divisions, and one was substantiated.³⁴

- 2.35 The report continued that a backlog of cases had prompted the engagement of several consultants and the secondment of an investigator from the World Bank as well as the creation of an additional investigation officer position. As a result, the backlog was significantly reduced in early 2012 and that IFAD's Office of Audit and Oversight was 'seeking additional resources as necessary to ensure a prompt response to allegations in 2012.'³⁵
- 2.36 The report noted that of the 59 active cases, 16 were internal, 40 were external, and three were a combination.³⁶
- 2.37 The Committee also drew attention to the emoluments of IFAD's incoming president which included a salary on par with the head of the much larger Food and Agriculture Organisation plus allowances and generous housing costs.³⁷
- 2.38 AusAID responded:
- Yes, we are aware of those allegations, and we think it was an error of judgement by the incoming president. He has since corrected his behaviour and moved into a less extravagant residence, and he is behaving more appropriately.³⁸

Location of IFAD programs

- 2.39 The Committee questioned whether it was better for Australia to administer its aid projects rather than relying on multilateral agencies. AusAID could then select a project, select the players, badge the project and effectively monitor it with presumably with greater administrative efficiency than that of IFAD.
- 2.40 AusAID responded that with countries which were 'most important to us and the closest to us geographically, [the Committee's] statement is probably correct.'

But, the further we get away from Australia and the fewer people we have on the ground, it is not necessarily effective for us to

34 IFAD, *2011 Annual Report on Investigation and Anticorruption Activities*, p. 2.

35 IFAD, *2011 Annual Report on Investigation and Anticorruption Activities*, p. 2.

36 IFAD, *2011 Annual Report on Investigation and Anticorruption Activities*, p. 4.

37 *Transcript 25 October 2012*, pp. 11-12.

38 Ms Rebecca Bryant, *Transcript 25 October 2012*, p. 12.

deliver the assistance bilaterally in all circumstances. ... as we get into the regions that are furthest away from us, we are better off working with our most trusted partners, particularly the multilateral organisations such as the financial institutions and the UN agencies.³⁹

2.41 The FATP noted that IFAD had increased its focus on East Asia and the Pacific – the region was now receiving some 31 per cent of IFAD allocations.⁴⁰

2.42 RIA supported the view that IFAD was increasing its involvement in the Asia-Pacific region and provided more detail:

... 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 percent of new loans and grants.⁴¹

2.43 AusAID advised that there were two small active projects in the Pacific – in Papua New Guinea and in the Solomon Islands, with a further program to commence in Tonga, in 2012–17.⁴² AusAID acknowledged, however, that the bulk of the projects were in the Asia part of the Asia-Pacific. Nevertheless, IFAD was developing a strategy for engagement with the Pacific and AusAID was having technical discussions with IFAD.⁴³ AusAID added:

Australia will encourage IFAD to liaise closely with regional bodies and other donors in designing and implementing activities to ensure effective coordination and harmonisation of aid, increasing aid impact and reducing the transaction costs for Pacific island countries. This is consistent with the objectives of the Cairns Compact on Strengthening Development Coordination in the Pacific to which Australia will seek IFAD's commitment. IFAD Joining IFAD would enable Australia to offer its knowledge and technical expertise in the Pacific to ensure IFAD projects are implemented effectively.⁴⁴

39 Ms Rebecca Bryant, *Transcript 25 October 2012*, p. 5.

40 FATP, *Submission No. 4*, p. 5.

41 RIA, *Submission No. 5*, p. 2.

42 AusAID, *Submission No. 6*, p. 9.

43 Mr Paul Wojciechoski, *Transcript 25 October 2012*, pp. 12, 13.

44 AusAID, *Submission No. 6*, p. 11.

- 2.44 The Committee notes that the total cost of these three projects (US\$80.6 million) is modest in proportion to the total cost of IFAD projects (US\$998 million).⁴⁵

IFAD's mandate and role

- 2.45 The FATP drew attention to the 2011 AusAID review of Australia's engagement with IFAD and the review's conclusion that IFAD had a clear mandate. This was to:

... reduce rural poverty and hunger through working with smallholder farmers, who are disproportionately represented among the poor, vulnerable and food insecure.⁴⁶

- 2.46 IFAD's mandate, the FATP noted, was well aligned with the Australian Government's policy statement, *An Effective Aid Program for Australia: Making a real difference – Delivering real results*. Further, IFAD also worked with governments to develop and finance programs and projects which enabled the rural poor to themselves overcome poverty.⁴⁷

Other assessments of IFAD's performance

- 2.47 Besides the AusAID 2011 review of IFAD, the FATP noted three other independent reviews which had also drawn favourable conclusions. These reviews were conducted by:
- the Multilateral Organisation Performance Assessment Network (MOPAN), in 2010;
 - the UK Department for International Development (DFID) Multilateral Aid Review, in 2011; and
 - the Australian Multilateral Assessment (AMA) in 2012.⁴⁸

Multilateral Organisation Performance Assessment Network

- 2.48 MOPAN is a network of 16 donor countries which assesses the effectiveness of the multilateral organisations they fund. The MOPAN

45 AusAID, *Submission No. 6*, p. 9. The costs are: PNG, US\$46.21 million; Solomon Islands, US\$30.39 million; and Tonga, US\$4.0 million.

46 FATP, *Submission No. 4*, p. 5.

47 FATP, *Submission No. 4*, p. 5.

48 FATP, *Submission No. 4*, pp. 6–7.

review had assessed IFAD 'at an institutional level and across 10 developing countries'.^{49,50}

2.49 The FATP advised that the review had found:

[IFAD's] key strengths included a clear link between its mandate and its result focused strategy; a good results measurement framework; transparency in its aid allocation decisions; and independence of the evaluation unit. ...

MOPAN also rated IFAD well with respect to anti-corruption, through its increasing use of direct supervision, and in-country presence, which will further reduce risks of corruption and increase its cost effectiveness.⁵¹

UK Department for International Development Multilateral Aid Review

2.50 DFID's review commented that:

IFAD is the only international organisation to focus exclusively on rural poverty to make progress on MDG1 [Millennium Development Goal 1]. It also places emphasis on empowering women, contributing to MDG3. ...

IFAD is one of the largest sources of development financing for agriculture and rural development.⁵²

2.51 The FATP commented that DFID's review had:

... commended IFAD on its unique mandate, focus on poor countries and its comprehensive results framework with clear targets. The [review] also noted IFAD specialised knowledge, its pro-poor approach, its focus on women and improved project delivery.⁵³

49 MOPAN, *MOPAN Common Approach 2010: IFAD*, p. vii.
<http://www.mopanonline.org/upload/documents/IFAD_Final-Vol-I_January_17_Issued1.pdf> Accessed October 2012.

50 The developing countries were: Afghanistan, Benin, Colombia, Indonesia, Kenya, Nicaragua, Rwanda, Sri Lanka, Vietnam, and Zambia.

51 FATP, *Submission No. 4*, p. 7.

52 DFID, *Multilateral Aid Review: Assessment for International Fund for Agricultural Development (IFAD)*. <<http://www.dfid.gov.uk/Documents/publications1/mar/IFAD.pdf>> Accessed October 2012.

53 FATP, *Submission No. 4*, p. 6.

Australian Multilateral Assessment

- 2.52 The FATP advised that the AMA had ranked IFAD strongly in six categories and satisfactory in one. The strongly ranked categories were:
- Delivering results on poverty and sustainable development in line with mandate;
 - Alignment with Australia's aid priorities and national interests;
 - Contribution to the wider multilateral development system;
 - Strategic management and performance;
 - Transparency and accountability.
- 2.53 The category ranked satisfactory was, 'Partnership behaviour'.⁵⁴ Within this category, IFAD was ranked as weak in relation to 'Plac[ing] value on alignment with the partner countries' priorities and systems.'⁵⁵
- 2.54 The FATP commented that the report advised that 'the Australian Government can have a reasonably high degree of confidence that IFAD will deliver tangible benefits in line with Australia's development objectives, and will represent good value for money.'⁵⁶

Other suggested benefits of rejoining IFAD

- 2.55 AusAID advised that a significant benefit of rejoining IFAD was the ability to influence IFAD decisions:

Given that we would be a significant member and donor to IFAD, we would have good chances of contesting a position on the Executive Council of IFAD, which essentially is the equivalent of a board of directors of a private institution or a bank, for example. That is a body that is vested with the power to make policy for IFAD, including approval of major projects – that is, direction in policy, the areas that they focus on and specific projects. So, subject to us being able to secure a seat on the Executive Council of

54 Australian Aid, *Australian Multilateral Assessment March 2012, International Fund for Agricultural Development (IFAD)* <<http://www.ausaid.gov.au/partner/Documents/ifad-assessment.pdf>> Accessed October 2012.

55 Australian Aid, *Australian Multilateral Assessment March 2012, International Fund for Agricultural Development (IFAD)*, p. 13.

56 FATP, *Submission No. 4*, p. 6.

IFAD, we would be in a position to exert a high degree of influence on its lending decisions.⁵⁷

2.56 If Australia rejoined IFAD, AusAID commented, every three years there was the opportunity to further influence IFAD when Australia contributed money to replenishing the IFAD fund:

... there is a separate question of how much money we contribute to each replacement of the IFAD funds. We have the flexibility of dispersing whatever the government allocates as the amount to disperse but also to calibrate that amount to exert pressure and, if ... reforms perhaps are not as robust and not moving as fast as possible, we have the option of not dispersing that money. ...

... every three years we will have an opportunity to negotiate with IFAD what their priorities are and what we want as part of a group of donors negotiating the replenishments. We will have an ability to influence their priorities and push for certain changes.⁵⁸

2.57 While IFAD projects were not badged to identify donor countries, AusAID would use its 'communication strategies to ensure that people are aware of the contribution we make.'⁵⁹

2.58 Submissions to the Inquiry have identified other benefits arising from Australia joining IFAD. These included:

- providing another way to implement Australia's commitment to the UN Convention to Combat Desertification (UNCCD) – IFAD hosts the Global Mechanism which is a subsidiary body of the UNCCD;
- providing ongoing support to Afghanistan after Australia's withdrawal from that country – IFAD has a presence in Afghanistan with its Rural Micro-Finance and Livestock Support Program;⁶⁰
- IFAD 'also works to address large poverty concentrations in rural areas of emerging and middle income countries, all of which are members of the G20';⁶¹
- Australia's investment in the UN Food and Agriculture Organisation governance would be enhanced by involvement with fellow Rome-based IFAD;

57 Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 4.

58 Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 13.

59 Mr Paul Wojciechoski, *Transcript 25 October 2012*, p. 4.

60 Mr Peter Graves, *Submission No. 1*, pp. 1, 2.

61 AusAID, *Review of Australia's engagement with IFAD, Report, April 2011*, p. 7.

- providing an opportunity to advocate Australia’s position on food security, agricultural trade and development, and provide ‘targeted advice and assistance on issues directly related to Australia’s agricultural interests’;⁶²
- supporting IFAD’s micro-level interventions which complement the macro-level assistance provided by the World Bank and African Development Bank;
- enabling assistance to flow to areas of hostile or incompetent governments;
- IFAD implements the Global Environment Facility (GEF) and its grants – South Pacific countries have been unable to access GEF funds and Australia’s influence may facilitate such access;
- enabling identification of trade opportunities through involvement with IFAD projects;
- IFAD’s reliance on external consultants provides opportunity for Australians – withdrawal has resulted in a loss of \$5.96 million annually because only citizens of member countries can tender for IFAD projects;⁶³
- rejoining IFAD is consistent with Australia’s objectives regarding the MDGs;⁶⁴ and
- influencing China’s aid and assistance program – ‘IFAD is very effective in working with the Chinese Government to change its behaviours with respect to its delivery of its own development assistance and in the delivery of assistance to its own rural communities.’⁶⁵

AusAID staffing implications

2.59 The FATP advised that the Government had appropriated \$126.4 million for IFAD in the 2012–13 Budget to cover commitments to 2015–16. This included:

62 DAFF, *Submission No. 2*, p. 1.

63 Dr Julian Prior, *Submission No. 3*, pp. 3–4.

64 RIA, *Submission No. 5*, p. 1.

65 Ms Rebecca Bryant, *Transcript 25 October 2012*, p. 5.

- a maximum amount of \$120 million in 2013–14 to be contributed as part of IFAD’s Ninth Replenishment; and
- ongoing administrative costs of \$1.4 million per annum to support a counsellor position in Rome, one locally engaged staff, and two Australia-based staff (the counsellor would also work with the other two Rome-based UN agencies – the Food and Agriculture Organisation and the World Food Programme).⁶⁶

2.60 RIA noted that the impact on Australia’s aid budget would be small:

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 per cent of Australia’s total aid in the period 2014–15 to 2017–18.⁶⁷

2.61 The Committee asked AusAID whether joining IFAD would result in ‘the defunding of other programs to afford this priority’.⁶⁸

2.62 AusAID responded that the funding of its broad portfolio of investments was ‘constantly changing’ and it was ‘already shifting [AusAID’s] resources around to suit the circumstances of the day’. Suspension of funding was one option, ‘but reducing the amount of expenditure on each item of the portfolio is another way to handle it.’⁶⁹

Committee comment

2.63 The announcement of Australia’s intention to withdraw from the fund in 2004 has in part led to significant reforms. Since that time, not only has IFAD changed, but Australia’s aid strategy has altered.

2.64 The Committee considers that IFAD’s annual report on its investigation and anticorruption activities is a significant piece of evidence.

2.65 It shows that IFAD operates in an imperfect world, and that it is serious about combating corruption, and is transparent in recognising corruption and being accountable for its response to this issue.

66 FATP, *Submission No. 4*, p. 7.

67 RIA, *Submission No. 5*, p. 3.

68 *Transcript 25 October 2012*, p. 8.

69 Ms Rebecca Bryant, *Transcript 25 October 2012*, p. 9.

2.66 By becoming a significant contributor to IFAD, Australia places itself in a prime position to influence the direction of the organisation and maintain its program of reform. Such influence is twofold: first through rejoining; and thereafter every three years when the IFAD funds are replenished.

Conclusion

2.67 The Committee considers that the various reforms introduced by IFAD, in part as a response to Australia's withdrawal, have addressed Australia's concerns.

2.68 Specifically:

- IFAD's cost effectiveness has significantly increased;
- its programs have become more aligned with Australia's aid program; and
- IFAD now has a clear mandate and role.

2.69 The Committee notes that there are other benefits arising from rejoining IFAD and these should not be ignored.

2.70 The burden on Australia's projected aid budget imposed by rejoining IFAD is small, and the additional staff employed, in particular the Rome-based counsellor will be able to promote Australia's interests with the other Rome-based UN agencies.

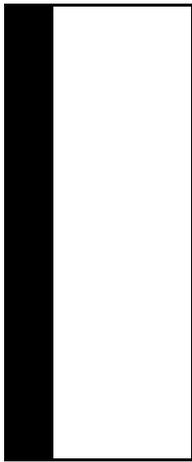
2.71 The Committee concludes that there is significant benefit in Australia rejoining IFAD.

Recommendation 1

2.72 **The Committee recommends that the International Fund for Agricultural Development Amendment Bill 2012 be passed.**

Mr Nick Champion MP
Chair
Foreign Affairs Sub-Committee
October 2012

Mr Michael Danby MP
Chair
Joint Standing Committee on Foreign
Affairs, Defence and Trade
October 2012



Dissenting Report—Coalition Senators and Members

Coalition members understand and appreciate the need for an enhanced international response to the issue of food insecurity in developing countries.

Australia is well positioned to offer support to countries suffering from systemic food security issues. Australia's technical expertise in areas such as tropical agriculture, dry land farming and establishing the regulatory frameworks that sustain agricultural development is widely regarded.

Despite the worthy objectives of IFAD, concerns remain regarding its organisational capacities.

In announcing the decision to withdraw from the Fund in 2004, the Australian Government cited the following factors:

- the Fund's limited relevance to the Australian aid program's priority countries in South-East Asia and the Pacific;
- lack of comparative advantage and focus – other organisations are more strongly involved in rural development in our region; and
- shortcomings in management and failure to respond to concerns that the Australian Government raised with IFAD senior management.¹

The decision to withdraw from IFAD was supported by Mr Charles Tapp, the then Deputy Director-General of AusAID, in evidence presented to the Joint Standing Committee on Treaties.

¹ *Review of Australia's Engagement with IFAD (April 2011)*, pp. 2, 3; in FATP, *Submission No. 4*.

According to the Committee's report, 'AusAID has had concerns regarding IFAD's performance in relation to the Australian aid program and its priorities for a "substantial period of time".'²

The recent *Review of Australia's Engagement with IFAD (April 2011)* backed this assessment, stating that 'In 2004, these were clearly valid and important enough reasons for Australia to take the significant (and protracted) step of withdrawing from a UN organisation.'³

While Coalition members note the reforms that have been undertaken since Australia's withdrawal in 2004, it is clear from evidence presented to the Committee that more work is needed if the concerns of the Howard Government are to be fully addressed.

At a public hearing into the Bill on 25 October 2012, AusAID officials were unable to assure members of the Committee that IFAD had addressed all of these issues.

Mr Ruddock: Do you believe all of those concerns have now been addressed?

Ms Bryant: I believe that the concerns have been well documented and that we are satisfied that our concerns have been heard by IFAD and substantially acted upon. As per our previous comments, they are not all the way there yet but they are making progress against a number of our concerns to the point where we are satisfied that they are on the right path.

Mr Ruddock: But you cannot quantify that.

Ms Bryant: No. I am not sure how you would like me to quantify it. In terms of a list and a tick box, no, I cannot do that.⁴

A Desktop Analysis of the International Fund for Agricultural Development (March 2011) identified ongoing challenges for the organisation in the areas of human resources and financial management.

The Analysis found that 'IFAD is benchmarked worse than peers for some aspects of financial management and administration.'⁵

It referred to the Multilateral Development Banks' Common Performance Assessment System (COMPAS) 2008 Report, which found that 'IFAD had the

2 Joint Standing Committee on Treaties, *Report 60, Review of treaties tabled 2 March 2004, Chapter 5, Withdrawal from the International Fund for Agricultural Development*, p. 21.

3 *Review of Australia's Engagement with IFAD (April 2011)*, p. 2.

4 *Transcript 25 October 2012*, pp. 10-11.

5 *Desktop Analysis of the International Fund for Agricultural Development (March 2011)*, in FATP, *Submission No. 4*, p. 29.

lowest disbursement ratio and one of the less satisfactory variances between planned and actual project duration.’⁶

In the United Kingdom’s *2011 Multilateral Aid Review*, IFAD’s organisational strengths were only rated satisfactory, with mention made of its high administration costs and the need to improve project efficiency.⁷

Since Australia’s withdrawal from IFAD, the number of allegations of fraud and corruption received by IFAD’s Office of Audit and Oversight (AUO) has increased from five in 2004 to 41 in 2011.⁸

According to IFAD’s *2011 Annual Report on Investigation and Anticorruption Activities*, 25 allegations were made against external parties, 13 related to IFAD staff members, and three involved both staff members and external parties.⁹

The staff misconduct cases involved harassment, breach of confidentiality, recruitment irregularities, and conflicts of interest, while the external cases involved collusion in procurement activities and other fraud on the part of companies and project staff.¹⁰

The ability of IFAD to investigate these allegations was not assisted by a reduction in staff numbers in the AUO and Investigation Section.

While a number of contributing factors maybe behind this increase, the broad negative trend since 2004 is concerning.

When asked about corruption within the Fund, AusAID officials stated that they were not aware of any allegations.

Mr Ruddock: Have there been any allegations of corruption within the fund?

Mr Wojciechowski: Not that we are aware of. We understand that there are reporting mechanisms for corruption, but we are not aware of any making it to the executive council discussions. I think the report that we have commissioned, the 2011 report, looked at that issue and also did not identify any allegations of corruption. I am using the word ‘allegations’ here; there were certainly no cases.¹¹

6 *Desktop Analysis of the International Fund for Agricultural Development (March 2011)*, in FATP, Submission No. 4, p. 29.

7 DFID, *Multilateral Aid Review: Assessment for International Fund for Agricultural Development (IFAD)*, March 2011, p. 183.

8 IFAD, *2011 Annual Report on Investigation and Anticorruption Activities*, p. 6.

9 IFAD, *2011 Annual Report on Investigation and Anticorruption Activities*, p. 2.

10 IFAD, *2011 Annual Report on Investigation and Anticorruption Activities*, p. 2.

11 *Transcript 25 October 2012*, p. 10.

This is disputed by IFAD's *2011 Annual Report on Investigation and Anticorruption Activities*, which stated that reduced staffing led 'to a very high investigation caseload of 59 active cases in 2011 (compared to 49 active cases in 2010 and 33 active cases in 2009).'¹²

The lack of awareness, on the part of AusAID, of the allegations of fraud and corruption related to the Fund is likewise troubling.

The United Kingdom's *2011 Multilateral Aid Review* concluded that the likelihood of positive change within IFAD was uncertain.

According to the assessment, 'IFAD has a relatively new top management team and although commitment is clear, it is too early to judge impact.'¹³

At a public hearing into the Bill on 25 October 2012, AusAID was unable to satisfactorily explain why Australia should rejoin IFAD at the present time, rather than waiting until the impact of the recent reforms are fully known.

Mr Ruddock: Yes, but the results of the changes [are] described as uncertain. We are dealing with it eight years after we left the organisation. It is still uncertain, and we are saying, 'we should give them the benefit of the doubt and rejoin now.'¹⁴

The Government has also failed to adequately explain the reasoning behind its decision to contribute \$126.4 million over four years to support Australia's re-engagement with the Fund.

According to the 2012-13 Budget papers, this includes a \$120 million payment to IFAD in 2013-14, as 'the total replenishment commitment is expected to be made in that year'.¹⁵

This is far more than was committed by larger economies in 2011.

Mr Wojciechowski: In 2011 replenishment – and this is in US dollars – Canada pledged \$76.8 million, New Zealand opted not to pledge, the United Kingdom pledged \$82.9 million and Germany pledged \$70 [million].

Mr Ruddock: So the United States must be the big one, is it?

Mr Wojciechowski: The United States contribution was \$90 million.¹⁶

12 IFAD, *2011 Annual Report on Investigation and Anticorruption Activities*, p. 2.

13 DFID, *Multilateral Aid Review: Assessment for International Fund for Agricultural Development (IFAD)*, March 2011, p. 183.

14 *Transcript 25 October 2012*, p. 10.

15 *Official development assistance – rejoining the United Nations International Fund for Agricultural Development*, <http://www.budget.gov.au/2012-13/content/bp2/html/bp2_expense-11.htm> Accessed November 2012.

16 *Transcript 25 October 2012*, p. 14.

The Government must explain why, based on these figures, it will contribute more than the United States, United Kingdom, Canada and Germany. This is particularly important given Australia's long-held concerns about the Fund.

It must demonstrate that the Government's significant financial commitment is based on a careful analysis of Australia's national interest, and not motivated by its need to reach its spending targets for overseas development assistance.

Conclusion

The International Fund for Agricultural Development Bill 2012 was referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade for inquiry on 13 September 2012 by the House of Representatives Selection Committee.

Specifically, the Committee was asked to 'Determine whether the International Fund for Agricultural Development (IFAD) has fully addressed the concerns that were raised by the former Howard Government, and which prompted Australia to withdraw from the organisation in 2004.'

While reform of the organisation has been undertaken since Australia's withdrawal, it is apparent from evidence presented to the Committee that the concerns of the former Howard Government have not been fully addressed.

Given the substantial amount of money that the Australian Government has committed to rejoining the Fund, the Australian public must have full confidence that their money will be spent efficiently and effectively.

Recommendation 1

The Coalition recommends that the Bill be delayed until the concerns of the Howard Government are fully addressed and the impact of the reform program commenced by the organisation's new management is known and properly assessed.

**Mrs Joanna Gash MP
Deputy Chair**

Senator David Fawcett

Senator the Hon. David Johnston

Senator the Hon. Ian Macdonald

Senator Stephen Parry

Senator Marise Payne

Hon. Julie Bishop MP

Dr Dennis Jensen MP

Mrs Sophie Mirabella MP

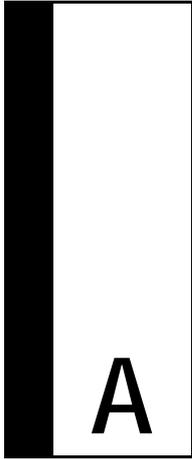
Mr Ken O'Dowd MP

Mr Stuart Robert MP

Hon. Philip Ruddock MP

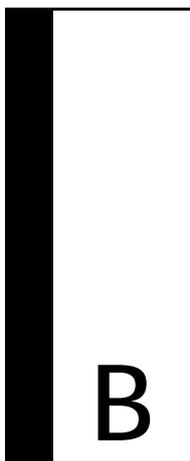
Hon. Bruce Scott MP

Hon. Dr Sharman Stone MP



Appendix A—List of Submissions

1. Mr Peter Graves
2. Department of Agriculture, Fisheries and Forestry
3. Dr Julian Prior
4. Foreign Affairs and Trade Portfolio agencies
5. RESULTS International (Australia)
6. AusAID



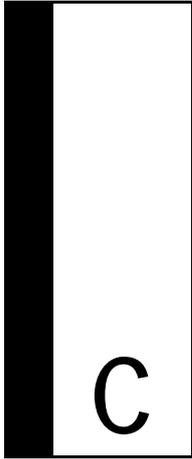
Appendix B—Witnesses appearing at public hearings

Canberra, 25 October 2012

Australian Agency for International Development (AusAID)

Ms Rebecca Bryant, Assistant Director General, Food Security, Infrastructure, Mining and Trade Branch

Mr Paul Wojciechowski, Assistant Director General, Multilateral Policy and Partnerships Branch



Appendix C—IFAD member countries

List A—primarily OECD members

Austria	Hungary	Norway
Belgium	Iceland	Portugal
Canada	Ireland	Spain
Denmark	Italy	Sweden
Finland	Japan	Switzerland
France	Luxembourg	United Kingdom
Germany	Netherlands	United States of America
Greece	New Zealand	

List B—primarily OPEC members

Algeria	Kuwait	United Arab Emirates
Gabon	Libya	Bolivarian Republic of Venezuela
Indonesia	Nigeria	
Islamic Republic of Iran	Qatar	
Iraq	Saudi Arabia	

List C—developing countries

Sub-list C1—countries in Africa

Angola	Eritrea	Rwanda
Benin	Ethiopia	Sao Tome and Principe
Botswana	The Gambia	Senegal
Burkina Faso	Ghana	Seychelles
Burundi	Guinea	Sierra Leone
Cameroon	Guinea-Bissau	Somalia
Cape Verde	Kenya	South Africa
Central African Republic	Lesotho	South Sudan
Chad	Liberia	Sudan
Comoros	Madagascar	Swaziland
Congo	Malawi	United Republic of Tanzania
Cote d'Ivoire	Mali	Togo
Democratic Republic of the Congo	Mauritania	Tunisia
Djibouti	Mauritius	Uganda
Egypt	Morocco	Zambia
Equatorial Guinea	Mozambique	Zimbabwe
	Namibia	
	Niger	

Sub-list C2—countries in Europe, Asia and the Pacific

Afghanistan	China	Israel
Albania	Cook Islands	Jordan
Armenia	Croatia	Kazakhstan
Azerbaijan	Cyprus	Kiribati
Bangladesh	Democratic People's Republic of Korea	Kyrgyzstan
Bhutan	Fiji	Lao People's Democratic Republic
Bosnia and Herzegovina	Georgia	Lebanon
Cambodia	India	Malaysia

Maldives	Philippines	The Former Yugoslav
Malta	Republic of Korea	Republic of Macedonia
Marshall Islands	Republic of Moldova	Timor-Leste
Mongolia	Romania	Tonga
Myanmar	Samoa	Turkey
Nepal	Solomon Islands	Uzbekistan
Niue	Sri Lanka	Viet Nam
Oman	Syria	Yemen
Pakistan	Tajikistan	
Papua New Guinea	Thailand	

Sub-list C3—countries in Latin America and the Caribbean

Antigua and Barbuda	Dominica	Panama
Argentina	Dominican Republic	Paraguay
The Bahamas	Ecuador	Peru
Barbados	El Salvador	Saint Kitts and Nevis
Belize	Grenada	Saint Lucia
Plurinational State of Bolivia	Guatemala	Saint Vincent and the Grenadines
Brazil	Guyana	Suriname
Chile	Haiti	Trinidad and Tobago
Colombia	Honduras	Uruguay
Costa Rica	Jamaica	
Cuba	Mexico	
	Nicaragua	

