



## 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.<sup>1</sup>

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.

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<sup>1</sup> *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".'<sup>2</sup>

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.'<sup>3</sup>

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.<sup>4</sup>

*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.'<sup>5</sup>

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

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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.’<sup>6</sup>

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.<sup>7</sup>

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.<sup>8</sup>

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.<sup>9</sup>

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.<sup>10</sup>

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.<sup>11</sup>

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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).'<sup>12</sup>

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.'<sup>13</sup>

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.'<sup>14</sup>

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'.<sup>15</sup>

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.<sup>16</sup>

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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](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**