

**National Interest Analysis (2012) ATNIA 13**

**with attachment on consultation**

**Agreement Establishing the International Fund for Agricultural Development  
(Rome, 13 June 1976)**

**[2012] ATNIF 11**

# NATIONAL INTEREST ANALYSIS: CATEGORY 1 TREATY

## SUMMARY PAGE

### **Agreement Establishing the International Fund for Agricultural Development (Rome, 13 June 1976) [2012] ATNIF 11**

#### **Nature and timing of proposed treaty action**

1. The proposed treaty action is Australia's accession to the *Agreement Establishing the International Fund for Agricultural Development* (the Agreement), which establishes the International Fund for Agricultural Development (the Fund). For Australia to accede to the Agreement, the Governing Council of the Fund must approve Australia's membership. Once such approval is given, Australia may become a party to the Agreement by depositing an instrument of accession.

2. It is proposed to accede to the Agreement as soon as practicable after the tabling process is finalised, minor legislative amendments have been passed and the Governing Council approves membership. The Agreement will enter into force for Australia on the date of deposit of its instrument of accession with the Depositary, the Secretary-General of the United Nations, in accordance with Section 3(b) of Article 13.

#### **Overview and national interest summary**

3. The objective of the Fund, as set out in Article 2 of the Agreement, is to make available resources on concessional terms for agricultural development in developing Member States. The Fund finances projects and programmes specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions.

4. Australia was previously a Member of the Fund, but withdrew from the Agreement by depositing an instrument of denunciation on 6 August 2004, which took effect on 31 July 2007. Australia withdrew due to a number of factors, including the Fund's limited relevance to Australia's aid priorities at the time. In 2011, the Australian Agency for International Development (AusAID) conducted a comprehensive review of the Fund. It found that since 2004, the Fund's reform process had resulted in improvements to strategic planning, project quality and impact, knowledge management and innovation. The Fund is now considered by donors and developing countries to be an increasingly effective, results-focused, value-for-money development partner.

5. Re-joining the Fund will allow Australia to expand its existing support for food security and rural development and help the world's most vulnerable fight hunger. This aligns with the Australian Government's aid policy, which places priority on food security as a vehicle for sustainable economic growth and poverty reduction. Australia can both share its unique agricultural expertise with other Member States, and draw on the Fund's considerable

food security and rural development experience and global reach in order to strengthen its own approach to these matters.

### **Reasons for Australia to take the proposed treaty action**

6. Making financial contributions to the Fund is an effective way in which the Australian Government can seek to reduce poverty in the world, consistent with its aid program mandate. The Fund has a strong focus on smallholder farmers, who are disproportionately represented among the world's most vulnerable. IFAD initiatives support more than 36 million poor people around the world to secure food supplies by increasing productivity, access to markets and gaining microfinance.

7. Re-joining the Fund will enable Member States to benefit from Australia's research skills in areas such as poverty, nutrition and health outcomes. It will also allow Australia to benefit from the Fund's global reach and regional expertise with respect to food security and rural development. In addition, as only citizens of Member States can work on Fund projects, re-joining will allow Australian firms and individuals to be engaged and/or employed on Fund projects.

8. Accession to the Agreement is necessary to become a Member of the Fund and therefore participate in its Governing Council. The Governing Council is responsible for, among other matters, distributing the assets of the Fund upon terminating the operations of the Fund, approving the annual administrative budget and approving membership, as well as electing the Executive Board. The Executive Board, also established under the Agreement, has the authority to determine policy and program priorities in accordance with broad policies, criteria and regulations set by the Governing Council and shape the Fund's engagement in international forums such as the G20. Securing membership on the Executive Board increases a Member's global visibility and influence. If Australia were to accede to the Agreement, it would seek to become a member of the Executive Board in the 2015 elections. As a member of the Executive Board, Australia would be able to participate in decision-making processes regarding the strategic direction, policy setting and implementation of the Fund's objectives. This would be an important mechanism through which to ensure Australia's future investments in Fund are well managed and contribute to global food security.

9. Australia is the only OECD country and one of only two G20 members (Russia being the other) that is not currently a Member of the Fund.

### **Obligations**

10. The Agreement requires, Members to make initial financial contributions to the Fund, and enables further additional contributions, to be used to achieve the objective of the Agreement. Financing by the Fund is governed by the policies, criteria and regulations laid down by the Governing Council of the Fund with decisions regarding the selection and approval of projects and programmes made by the Executive Board in accordance with those policies, criteria and regulations.

*Resources and conditions governing contributions*

11. The resources of the Fund consist of initial contributions, additional contributions, special contributions from non-member States and from other sources and funds derived from operations or otherwise accruing to the Fund (Section 1 of Article 4).

12. Australia would be required to make an initial contribution to the resources of the Fund consisting of an amount agreed between it and the Governing Council at the time of the approval of its membership (Section 2 of Article 4).

13. In order to assure continuity in the operations of the Fund, the Governing Council is required to periodically review - at intervals it considers appropriate - the adequacy of the resources available to the Fund (Section 3 of Article 4). If, as a result of such a review, the Governing Council deems it necessary or desirable, it may invite Members to make additional contributions to the resources of the Fund. Decisions under this section are taken by a two-thirds majority of the total number of votes of the Governing Council.

14. At any time the Governing Council may authorize a Member to increase the amount of its contributions (Section 4 of Article 4).

15. Contributions are made without restriction as to use and can only be refunded to Members upon the termination of the Fund's operation and following the discharge of liabilities to creditors (Section 5(a) of Article 4, Section 4 of Article 9).

#### *Use of resources and conditions of financing*

16. The resources of the Fund can only be used to achieve the objective of the Agreement specified in Article 2. Financing by the Fund can be provided only to developing States that are Members of the Fund, or to intergovernmental organisations in which Members participate. The Fund is required to make arrangements to ensure that the proceeds of any financing are used only for the purpose for which the financing was provided (Section 1 of Article 7).

17. In allocating its resources, the Fund is guided by two priorities:

- the need to increase food production and to improve the nutritional level of the poorest populations in the poorest food deficit countries (Section 1(d)(i) of Article 7), and
- the potential for increasing food production in other developing countries (Section 1(d)(ii) of Article 7).

18. Financing by the Fund shall be governed by broad policies, criteria and regulations established by the Governing Council. The Executive Board shall make decisions with regard to the selection and approval of projects and programmes based on those broad policies, criteria and regulations established by the Governing Council (Section 1(e) and 2(d) of Article 7).

19. Financing by the Fund takes the form of loans and grants, which are provided on such terms as the Fund deems appropriate, having regard to the economic situation and prospects of the Member, and to the nature and requirements of the activity concerned. The Executive Board determines the proportion of the Fund's resources to be committed in any financial year (Section 2(a) and (b) of Article 7).

20. Unless otherwise decided by the Executive Board, the Fund shall entrust competent national, regional and international institutions or entities with the administration of loans and grants for the purposes of disbursement of the proceeds and implementation of the project or programme concerned (Section 2(g) of Article 7).

#### *Governance*

21. Australia, as a Member of the Fund, would be obliged to abide by the governance arrangements defined in the Agreement, including in relation to representation, voting rights and financing arrangements (although specific contributions are not defined).

22. The Fund consists of a Governing Council, Executive Board and President and such staff as shall be necessary for the Fund to carry out its functions (Section 1 of Article 6).

23. As a Member of the Fund, Australia would be represented on the Governing Council. All powers of the Fund are vested in the Governing Council and may be delegated to the Executive Board, with the exception of certain powers, namely: adopting amendments to the Agreement; approving membership; suspending a Member; terminating the operations of the Fund and distributing its assets; deciding appeals from decisions made by the Executive Board concerning the interpretation or application of the Agreement; and determining the remuneration of the President (Section 2 of Article 6).

24. As a Member of the Fund, Australia could apply for membership on the Executive Board. The Executive Board is comprised of 18 members of the Fund, elected at the annual session of the Governing Council for a three-year term (Section 5(a) and (b) of Article 6). Members of the Executive Board are drawn from three lists of Member States, with Member States of each list electing a designated number of Members (Schedule 2). The Executive Board is responsible for the conduct of the general operations of the Fund and for this purpose, it exercises the powers given to it under the Agreement or those delegated to it by the Governing Council (Section 5(c) of Article 6).

#### *Immunities and privileges*

25. Australia would be required to ensure that the Fund, representatives of Members and the President and staff of the Fund, enjoy in Australia's territory such privileges and immunities as are necessary for the exercise of its functions and for the fulfilment of its objective. For Australia, these privileges and immunities are set out in the Convention on the Privileges and Immunities of the Specialized Agencies, including the annex in respect of the Fund, to which Australia has acceded (Section 2 of Article 10).

#### **Implementation**

26. The original domestic legislation which implemented the Agreement was the *International Fund for Agricultural Development Act 1977* (Cth) (the 1977 Act). That legislation was not repealed subsequent to Australia's withdrawal from the Agreement, which took effect in 2007.

27. If Australia accedes to the Agreement, relatively minor changes to the 1977 Act to implement the obligations under the Agreement will need to be made. Specifically, the

amending legislation will need to reflect the version of the Agreement to which Australia would be acceding, including all amendments to the Agreement that have taken effect since its entry into force generally on 30 November 1977.

28. The requisite privileges and immunities are contained in the *International Organisations (Privileges and Immunities) Act 1963* (Cth) and the *Specialized Agencies (Privileges and Immunities) Regulations 1986* (Cth). These instruments were also not repealed subsequent to Australia's denunciation and withdrawal of the Agreement, which took effect in 2007.

### **Costs**

29. Australia will make an initial contribution of up to \$120 million over four years upon re-joining the Fund.

30. Subject to the recommendations of the Governing Council and Australia's aid priorities and financial commitments at the time, Australia may make additional contributions to the resources of the Fund.

31. No Member is liable, by reason of its membership, for acts or obligations of the Fund (Section 3 of Article 3).

### **Regulation Impact Statement**

32. The Office of Best Practice Regulation, Department of Finance and Deregulation, has been consulted and confirmed that a Regulation Impact Statement is not required.

### **Future treaty action**

33. Pursuant to Article 12, amendments to the Agreement (except to Schedule II) may be proposed by the Executive Board or by a Member. In the latter case, the Executive Board reviews the Member's proposed amendments and makes a recommendation to the Governing Council. Amendments are adopted by the Governing Council by a four-fifths majority of the total number of votes.

34. Amendments enter into force three months after their adoption unless otherwise specified by the Governing Council, except in relation to amendments modifying:

- the right to withdraw from the Fund;
- the voting majority requirements provided for in the Agreement;
- the limitation on liability provided for in Section 3 of Article 3; or
- the procedure for amending the Agreement.

35. Amendments in relation to the above matters will not come into force until the President receives written acceptance by all Members. The President must immediately notify all Members and the Depositary of any amendments that are adopted and of the date of entry into force of such amendments.

36. The procedure for amendments to the several parts of Schedule II are set out in those parts. That Schedule concerns the distribution of votes and election of Executive Board members.

37. Pursuant to Section 4 of Article 13, reservations may only be made to Section 2 of Article 11 of the Agreement. That provision sets out the circumstances in which a dispute may be referred to arbitration.

### **Withdrawal or denunciation**

38. Pursuant to Section 1 of Article 9, Australia could withdraw from the Fund by depositing an instrument of denunciation of the Agreement with the Depositary. Withdrawal would take effect on the date specified in the instrument of denunciation, but in no event less than six months after deposit of such instrument. Following withdrawal, Australia would remain liable for all financial obligations previously undertaken by it to the Fund (Section 3 of Article 9).

39. A decision to withdraw would be subject to Australia's domestic treaty process.

### **Contact details**

Food Security, Infrastructure, Mining and Trade Branch  
Policy and Sector Division  
Australian Agency for International Development (AusAID)

## ATTACHMENT ON CONSULTATION

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#### CONSULTATION

##### General public

40. Between 3 February and 4 March 2012, AusAID undertook a public consultation process to gauge the views of the Australian public. The consultation process was advertised in the newspaper, on the radio, through an AusAID media release and on the AusAID website.

41. AusAID received 15 responses to the request for submissions, from NGOs, universities, consultants and private citizens. Key organisations that submitted a response included:

- Centre for Peace and Conflict Studies, University of New South Wales;
- Crawford School of Economics and Government, Australian National University;
- School of Environmental and Rural Science, University of New England;
- Save the Children Australia;
- Ecoseal Developments Pty Ltd; and
- Results International Australia.

42. All 15 of the submissions reacted positively to the proposal and recommended Australia re-join the Fund.

43. Many respondents noted the importance of the Fund's commitment to ending rural poverty and hunger. Respondents noted that:

- The Fund 'is the only international organisation to focus exclusively on rural men and women suffering from poverty. Rural people represent over 70 per cent of the 1.4 billion people living in poverty including many children and young people';
- Contributing to the Fund 'is one of the most direct and effective ways in which the Australian aid program can fulfil its primary mandate of reducing poverty in the world'; and
- The Fund's commitment to ending rural poverty and hunger is often shown through its grassroots development activities, which builds the capability of individuals.
- Re-joining the Fund would directly contribute to the United Nations' Millennium Development Goals (MDG), specifically MDG 1 (to halve the proportion of hungry and extremely poor), MDG 3 (to improve gender equity) and MDG 7 (environmental protection and climate change mitigation and adaptation).

44. Respondents also noted that re-joining would enable Member States to benefit from Australia's research skills in areas such as poverty, nutrition and health outcomes and would allow Australia to benefit from the Fund's global reach and regional expertise.
45. Respondents raised that the Fund has a strong focus on agricultural development in Africa and that this aligns with recent shifts in Australian Government aid policy. Respondents emphasised that Australia, as a good global citizen, has a duty to assist the international community, and in particular developing countries, wherever able.

### **States and Territories**

46. A briefing informing the States and Territories of the Commonwealth Government's intention to re-join the Fund was provided to the Standing Committee on Treaties (SCOT) in March 2012 for its meeting in May.
47. SCOT was also briefed on the AusAID's review of the Fund at the 17 May 2011 SCOT meeting and no States or Territories requested further briefing on this item.