

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

Introduction

- 4.1 The Australian Government is proposing that Australia accede to the *Agreement Establishing the International Fund for Agricultural Development* (the Agreement), which establishes the International Fund for Agricultural Development (the Fund).
- 4.2 Australia has been a previous member of the Fund, joining when the Fund was established.¹ Australia withdrew in 2004.²

The Fund

- 4.3 The Fund was established in 1977, implementing a recommendation of the 1974 World Food Conference. The World Food Conference recommendation was made at a time when serious food shortages were being experienced in sub-Saharan Africa.³
- 4.4 The Fund's objective is to make available financial resources, in the form of loans or grants, for agricultural development in developing Member States.⁴ Specifically, the Fund's stated objective is:

1 Joint Standing Committee on Treaties, *Report 60*, tabled 16 June 2004, para. 5.9.

2 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, (hereafter referred to as 'NIA'), para. 4.

3 Joint Standing Committee on Treaties, *Report 60*, tabled 16 June 2004, para. 5.4.

4 NIA, para. 3.

...provide financing primarily for projects and programs specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions within the framework of national priorities and strategies, taking into consideration: the need to increase food production in the poorest food deficit countries; the potential for increasing food production in other developing countries; and the importance of improving the nutritional level of the poorest populations in developing countries and the conditions of their lives.⁵

- 4.5 The National Interest Analysis (NIA) indicates that the Fund currently has a strong focus on smallholder farmers, who are disproportionately represented amongst the world's poor. The NIA claims that the Fund supports 36 million people to secure food supplies by increasing productivity, enabling access to markets, and gaining microfinance.⁶
- 4.6 The Fund is administered by a Governing Council made up of representatives from each member state. To run the Fund, the Governing Council elects an Executive Board.⁷
- 4.7 The Fund's activities are financed by the member states of the Fund. New members of the fund make an initial financial contribution to the Fund which is to be used to achieve the objective of the Fund.⁸
- 4.8 Member states are then invited to make additional contributions to the Fund when it is necessary or desirable.⁹
- 4.9 The approval of expenditure on projects and programmes is made by the Executive Board in accordance with the policies, criteria and regulations laid down by the Governing Council of the Fund.¹⁰
- 4.10 Contributions by member states are made without restrictions as to use. The contributions can only be refunded upon the termination of the Fund's operation.¹¹

5 *Establishing the International Fund for Agricultural Development* (Rome, 13 June 1976) [2012] ATNIF 11, p. 4.

6 NIA, para. 7.

7 NIA, para. 8.

8 NIA, para. 10.

9 NIA, para. 13.

10 NIA, para. 10.

11 NIA, para. 15.

Australia and the Fund

- 4.11 Australia's decision to withdraw from the Fund in 2004 was examined by a previous incarnation of this Committee. The Committee's views on the withdrawal are detailed in *Report 60*, tabled on 16 June 2004.
- 4.12 *Report 60* identifies a number of reasons for Australia's withdrawal from the Fund.
- 4.13 The first was the Fund's lack of focus on the South-east Asia and Pacific region, despite the majority of the world's poor living in these regions. At the time, only seven per cent of the Fund's projects and programmes were in the South-east Asia and Pacific region.¹²
- 4.14 The second reason identified was that the type of assistance provided by the Fund was also provided by other organisations such as the World Bank and the Asian Development Bank, each of which had an established presence in the region, and were also in receipt of Australian aid funding.¹³
- 4.15 A third reason identified in *Report 60* was the structural inefficiency inherent in the Fund's then requirement that it implement its activities through other international institutions, such as the World Bank and the United Nations (UN) Office for Project Services.¹⁴
- 4.16 Australia's proposed withdrawal from the Fund was seen as a serious critique of the operations of the Fund. Should Australia withdraw, it would be the only OECD country not to be a member for the Fund.¹⁵ By the time of the Committee's inquiry, the Fund had initiated efforts to address Australia's concerns.¹⁶ Nevertheless, *Report 60* recommended Australia withdraw from the Fund.¹⁷
- 4.17 Witnesses from the Australian Agency for International Development (AusAID) reported that Australia was:
- ...the only country to withdraw from IFAD. Russia was never a member and has never been a member. It is the only other G20 member who is now not a member, along with Australia. But there are a number of other countries who have the status of being either a non-financial member—for example, New Zealand—or a

12 Joint Standing Committee on Treaties, *Report 60*, tabled 16 June 2004, para. 5.16.

13 Joint Standing Committee on Treaties, *Report 60*, tabled 16 June 2004, para. 5.28.

14 Joint Standing Committee on Treaties, *Report 60*, tabled 16 June 2004, para. 5.40.

15 NIA. para. 8.

16 Joint Standing Committee on Treaties, *Report 60*, tabled 16 June 2004, para. 5.20.

17 Joint Standing Committee on Treaties, *Report 60*, tabled 16 June 2004, para. 5.112.

non-member. But they are a relatively small grouping of countries.¹⁸

- 4.18 According to AusAID, Australia's withdrawal from the Fund had a significant impact, prompting significant reforms:

That action, we believe, has contributed to the current reform agenda that IFAD has embarked upon, and which is showing some great progress. So we are confident that the withdrawal of a major OECD nation did have quite a dramatic impact. The IFAD management now is quite different to the management in 2004, so we are working with a different group of people, and they have been very responsive to our engagement with them, including that the IFAD president visited Australia in 2009 and met with a range of Australian government stakeholders.¹⁹

- 4.19 In 2011, AusAID conducted a review of the fund and found that:

...since 2004, the Fund's reform process has 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 focussed, value for money development partner.²⁰

- 4.20 Figure 5.1 below indicates the distribution of the Fund's resources across the globe. The distribution of the Fund's resources to South-east Asia and the Pacific has clearly improved as the region is now a significant recipient of resources.

Figure 5.1: Distribution of Fund resources, 2011

Region	Resources (US\$)
West and Central Africa	826.0 million
East and Southern Africa	1,145.6 million
Asia and the Pacific	1,449.5 million
Latin America and the Caribbean	461.7 million
Near East, North Africa and Europe	698.3 million

Source Annual Report 2011, International Fund for Agricultural Development, pp 15-39.

18 Rebecca Bryant, Assistant Director General, Food Security, Infrastructure, Mining and Trade Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 15.

19 Rebecca Bryant, Assistant Director General, Food Security, Infrastructure, Mining and Trade Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 15.

20 NIA. para. 4.

- 4.21 In relation to the uniqueness of the service delivered by the Fund, the Fund's latest Strategic Framework identifies the Fund's niche in focussing on rural development through small scale agriculture.²¹ In relation to the Fund's engagement with the South-east Asia and Pacific region, the Fund has opened twelve offices in the region, compared to the absence of a presence when Australia withdrew from the Fund.²²
- 4.22 Finally, since Australia's withdrawal from the Fund, the Agreement has been amended to remove the requirement that the Fund implement its activities through other international institutions.²³

Reasons for Australia to take the proposed treaty action

- 4.23 Based on the improvements implemented by the Fund since Australia's withdrawal, AusAID argues that rejoining 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.²⁴

- 4.24 Further:

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.²⁵

21 International Fund for Agricultural Development, *Strategic Framework 2011 – 2015*, p. 26.

22 International Fund for Agricultural Development, *Contacts page*, <http://www.ifad.org/contacts.htm#pi>, accessed on 15 August 2012.

23 See in particular the sections on the operation of the Fund in the Agreement, pp. 12-14.

24 NIA. para. 5.

25 NIA. para. 6.

Obligations

- 4.25 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.²⁶
- 4.26 AusAID identifies a number of benefits resulting from Australia rejoining the Fund. In the NIA, AusAID argues that member states will benefit from Australia's research skills in areas such as poverty, nutrition and health outcomes.²⁷
- 4.27 The Committee believes it is necessary to qualify this statement as, in accordance with the requirements in the Agreement, Australia will be providing funding, not expertise, to the Fund. Member states will only benefit to the extent that Australian experts and organisations may now be used by the Fund in implementing its programmes.²⁸

Implementation

- 4.28 The original domestic legislation which implemented the Agreement was the *International Fund for Agricultural Development Act 1977* (Cth) (the 1977 Act). This was not repealed subsequent to Australia's withdrawal from the Agreement.²⁹
- 4.29 If Australia accedes to the Agreement, relatively minor changes to the 1977 Act 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 1977.³⁰
- 4.30 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

26 NIA, para. 10.

27 NIA, para. 7.

28 Under the terms of the Agreement, Australians were prevented from working for the Fund while Australia was not a member state.

29 NIA, para. 26.

30 NIA, para. 27.

instruments were also not repealed subsequent to Australia's denunciation and withdrawal of the Agreement.³¹

Costs

- 4.31 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.³²
- 4.32 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.³³ Australia's proposed initial financial contribution is \$120 million.³⁴
- 4.33 In order to assure continuity in the Fund's operations, the Governing Council is required to periodically review – at intervals it considers appropriate – the adequacy of the resources available to the Fund. 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 Fund's resources. Decisions under this section are taken by a two-thirds majority of the total number of votes of the Governing Council.³⁵
- 4.34 At any time the Governing Council may authorize a Member to increase its contributions.³⁶ Contributions are made without restriction as to use and can only be refunded upon the termination of the Fund and following the discharge of liabilities to creditors.³⁷
- 4.35 Witnesses for AusAID also implied during the public hearing on 13 August 2012 that Australia will be in a position to influence how its contribution to the Fund will be spent:

Once we conclude the accession process, once we are admitted formally as members and once we sit down with IFAD management and other donors to start negotiating how the money will be spent – that is, in response to Australia coming back and

31 NIA, para. 28.

32 NIA, para. 13.

33 NIA, para. 14.

34 Paul Wojciechowski, Assistant Director General, Multilateral Policy and Partnerships Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 15.

35 NIA, para. 15.

36 NIA, para. 16.

37 NIA, para. 17.

becoming a strong donor – we will insist on ongoing improvements to the efficiency and effectiveness of the organisation. We are likely to insist, for example, on quite a large management say on the executive council. It is not simply a case of signing off a cheque: it really is a negotiation in terms of successful replenishment, meaning a certain outcome to donors not only in food security and reduction of poverty but also in how the organisation functions, how it aligns with the priorities of the Australian aid program and how it aligns with priorities of other organisations to make sure that those organisations do not step on each other's toes.³⁸

- 4.36 By way of clarification, the Committee notes that any such influence will be informal, as the Executive Board will exercise the authority to determine where Australia's contributions are spent.³⁹
- 4.37 It is worth noting that AusAID expects that Australia will become a member of the Executive Board, and will thus be in a position to influence the Fund's spending priorities.⁴⁰ Certainly, Australia's proposed initial financial contribution of \$120 million⁴¹ will make Australia one of the largest contributors to the Fund, and should have a significant impact on Australia's campaign to be elected to the Executive Board.
- 4.38 Finally, the Committee notes that, although this has not been mentioned in the NIA, the circumstances of Australia's denunciation and renewed application for membership means that, if Australia is accepted back as a member the Fund, Australia will have paid its initial financial contribution twice: in 1977 and 2012.

Conclusion

- 4.39 The International Fund for Agricultural Development faces a significant, possibly insurmountable, challenge if it is to achieve its stated objective. The situation in relation to food affordability was summarised by an AusAID witness as follows:

38 Paul Wojciechowski, Assistant Director General, Multilateral Policy and Partnerships Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 15.

39 See for example NIA. para. 8.

40 Rebecca Bryant, Assistant Director General, Food Security, Infrastructure, Mining and Trade Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 16.

41 Paul Wojciechowski, Assistant Director General, Multilateral Policy and Partnerships Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 15.

I think it is incorrect to say that we have not made any inroads since 2008-09 when we experienced one of the worst food price crisis that we can recall. We had over one billion people suffering from hunger, but it is now around 850 million. So in the last four years we have seen a fall in the number of hungry people and some progress made towards [Millennium Development Goal 1]⁴², which sets a target of reducing hunger by 50 per cent by 2015. It is true that food prices continue to be volatile.⁴³

4.40 In fact, food prices have risen six per cent since February this year.⁴⁴

4.41 AusAID witnesses identified two factors contributing to the continued volatility of food prices:

- the increasing size of the middle class across the globe. The middle-class is consuming more and different food to the poor, affecting the cost and availability of food in lower income brackets;⁴⁵ and
- the use to which arable land is being put. Africa has significant quantities of arable land that is not being used to grow food.⁴⁶

4.42 With crop failures in the United States and Russia during the northern summer due to record high temperatures and drought, the price of food is already on the rise again. The Fund has noted predictions that events of this sort will increase due to the influence of climate change.⁴⁷

4.43 Organisations like the Fund are likely to be needed more than ever in the years to come. The Committee supports Australia's accession to the Agreement.

42 The Millennium Development Goals were commissioned by the United Nations Secretary-General in 2002 to develop a concrete action plan for the world to reverse the grinding poverty, hunger and disease affecting billions of people. Millennium Development Goal 1 is the eradication of extreme poverty and hunger.

43 Rebecca Bryant, Assistant Director General, Food Security, Infrastructure, Mining and Trade Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 14.

44 Rebecca Bryant, Assistant Director General, Food Security, Infrastructure, Mining and Trade Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 14.

45 Rebecca Bryant, Assistant Director General, Food Security, Infrastructure, Mining and Trade Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 14.

46 Bob Quiggin, Director, Food Security Policy Section, Infrastructure, Mining and Trade Branch, Australian Agency for International Development, *Committee Hansard*, 13 August 2012, p. 14.

47 International Fund for Agricultural Development, 2007, *IFAD – a key Player in Adapting to Climate Change*.

Recommendation 4

The Committee supports the *Agreement Establishing the International Fund for Agricultural Development (Rome, 13 June 1976)* and recommends that binding treaty action be taken.

Kelvin Thomson MP

Chair