



Australian Government
**Australian Centre for
 International Agricultural Research**



Board resolution

The Board authorised the Chair to finalise the Centre's Annual Report 2002-03 taking into account the views of Board Members as expressed on the draft presented at BOM92.

Decision 92/9
 9 September 2003



The Board Chair

Professor Beth Woods

Members

Mr Donald McGauchie
 Mr Michael Taylor
 Dr John Williams

Director

Mr Peter Core

Photo: ACIAR Board Chair, Prof Beth Woods and Director, Peter Core with cocoa breeder Peter Epaina and pathologist John Konam at CCRI, Rabaul, PNG

Our Functions

Section 5 (1) – ACIAR Act 1982

- (a) Formulate programs and policies with respect to agricultural research for either or both of the following purposes:
 - (i) Identifying agricultural problems of developing countries;
 - (ii) Finding solutions to agricultural problems of developing countries;
- (b) Commission agricultural research by persons or institutions (whether the research is to be conducted in Australia or overseas) in accordance with such programs and policies;
- (c) Communicate to persons and institutions the results of such agricultural research;
- (d) Establish and fund training schemes related to its research programs;
- (e) Conduct and fund development activities related to its research programs, and
- (f) Fund international agricultural research centres.



Our Objectives

ACIAR's Corporate Plan 2001-06

- Be aligned with Australian Government regional priorities;
- Have flexible and realistic funding arrangements;
- Broker support beyond project life;
- Demonstrate impacts from a majority of projects;
- Align investments with partner country and Australian farmer priorities;
- Have transparent, streamlined and disseminated processes;
- Communicate effectively with selected groups;
- Provide training that meets human resource needs of targeted customers;
- Have a skilled workforce focused on tasks that enhance ACIAR outputs, and
- Achieve international recognition for its work.



Vision

ACIAR looks to a world where poverty has been reduced and the livelihoods of many improved through more productive and sustainable agriculture emerging from collaborative international research

Mission

To achieve more productive and sustainable agricultural systems, for the benefit of Developing Countries and Australia, through international agricultural research partnerships

Outcome

Agriculture in developing countries and Australia is more productive and sustainable as a result of better technologies, practices, policies and systems



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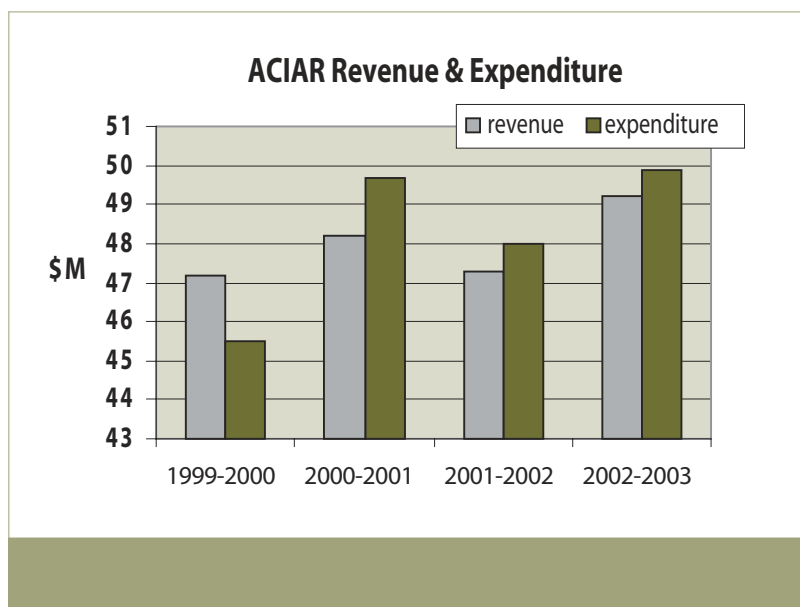


Four-year snapshot

Financial (\$M)	1999-00	2000-01	2001-02	2002-03
Revenue				
Appropriation	43.280	44.743	45.369	46.278
AusAID funds	2.807	2.562	1.613	2.543
Other revenue	1.133	0.922	0.394	0.381
Total	47.220	48.227	47.376	49.202
Expenditure				
Bilateral research	25.385	27.162	26.239	28.434
Multilateral research	10.011	10.994	10.461	9.827
Education & training	1.905	2.051	2.025	2.511
Other program expenditure	0.876	1.399	1.230	0.913
Salaries & corporate support ¹	7.358	8.073	8.051	8.216
Total	45.535	49.679	48.006	49.901
Operations				
Collaborative research				
Projects active in FY				
Bilateral	144	169	184	191
Multilateral	39	33	36	30
Projects started in FY				
Bilateral	33	58	38	41
Multilateral	7	10	8	5
Projects completed in FY ²	44	35	44	52
Building capacity				
Non-project specific training courses	6	16	13	8
Fellowships				
John Allwright scholars in FY	31	38	40	50
Scholarships awarded in FY	6	8	20	16
John Dillon Fellows in FY ³	n/a	n/a	n/a	4
Fellowships awarded in FY	n/a	n/a	n/a	4
Our staff				
Staff – Public Service Act (FTE at 30 June)	49.6	51.8	49.6	45.7
Overseas officers – locally engaged (FTE at 30 June)	19	17	19	18.8

1. Salaries and corporate support excludes travel costs directly related to programs
2. Includes both bilateral and multilateral projects
3. The John Dillon Fellowship Scheme started in 2002-03

ACIAR 2002-03 at a glance



Project partnerships 2002-03

Overall research expenditure of more than \$38M, including on:

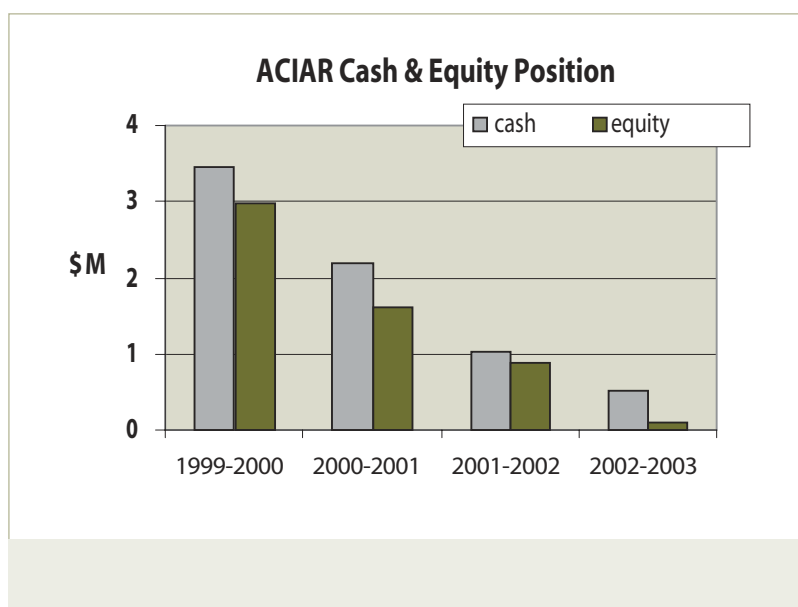
- Over **220** active projects under management
- **46** new projects
- **52** projects completed during the year

Tracking project impacts

- **Four** new external impact assessments completed and published:
 - *Framework for analysis of poverty impacts of ACIAR research*
 - *Impact assessment of Mama Lus Frut Scheme*
 - *Impact assessment of ACIAR projects on foot and mouth disease*
 - *Poverty analysis of the banana skipper project*

Key research-related publications

- *Effects of globalisation and economic development in the Asian livestock sector*
- *Development strategies for genetic evaluation for beef production in developing countries*
- *Strategies to improve Bali cattle in eastern Indonesia*
- *Improving Indonesia's beef industry*
- *Developing forage technologies with smallholder farmers: how to grow, manage and use forages*
- *Controlling Newcastle disease in village chickens*
- *Rats, mice and people: rodent biology and management*
- *Rice-shrimp farming in the Mekong Delta*
- *Survey toolbox for aquatic animal diseases: a practical manual*



Capacity-building through training

- In-project training for personnel in all active projects
- Fellowships helping:
 - around **50** postgraduate scholars to gain postgraduate science qualifications in Australia
 - first intake of emerging leaders under the new John Dillon Fellowship scheme
- **Eight** training courses held to expand skills for scientists from developing countries and Australia:
 - more than **150** scientists from partner countries participate

Next steps 2003-04

- Annual Operational Plan to guide potential research providers:
 - priorities arranged by country and research program
- Well over **80%** of expenditure on research projects, education and training, and publications to facilitate impact
- Now that cash and equity positions are down to optimal levels (see above), operate balanced budget

ACIAR 2002–03 at a glance

John Allwright Fellows

More than 100 postgraduate Fellows have now completed their programs. Details are at page 66.

John Dillon Fellowships

A new initiative commenced in 2002–03. Its aim is to develop leadership skills for a small number of outstanding partner country scientists or economists involved in ACIAR projects. Details are at page 67.

Celebrating 100 Fellows!



A new leadership program



The four Fellows with the ACIAR Chair Professor Beth Woods.

Message from the Chair



This has been a difficult and challenging year for any Australian organisation whose efforts are focused mostly outside Australia. For ACIAR it has been no exception with our development agenda in the Asia-Pacific constrained by the impacts of terrorism and the Severe Acute Respiratory Syndrome (SARS) outbreak. On behalf of the Board, I want to thank all staff for the way they handled these challenging issues, and more broadly, our research partners for maintaining the momentum of our research program in such trying circumstances.

Our activities in the last year have demonstrated that there is a direct interface between managing conflict and its aftermath, and the contribution research activities can make to restoring productive capacity and assisting rural people to recommence food production. In addition to this practical contribution, agricultural and natural resource management research continues to be a priority about which we can agree – at government-to-government level, between research organisations and between individual scientists – when the wider international environment is alive with sensitivities and tension. ACIAR makes an important contribution to building relationships with partner countries in our region.

Managing risk is core business

The challenges of 2002–03 highlighted what we already knew – that a risk management framework must be centre stage of our governance and associated management systems. Each day, ACIAR has had to manage the risk of overseas travel by its staff and has done this in a risk management framework, subsequently reviewed as part of our 2002–03 internal audit program.

More broadly, it is vitally important that we recognise and actively manage risk in a way that is not just risk avoidance or a commitment to an increasing budget for compliance. Risk needs to be addressed actively at all levels – by the Board, the Executive and managers as they carry out their duties, and not just at the end when things go wrong.

The ACIAR Board has sought to 'value add' to this risk agenda by looking at the critical success factors identified in ACIAR's Corporate Plan 2001-06 and ranking their risk levels. Coming out of this process the following possible scenarios were identified at the top of the risk profile:

- a mismatch between our program and Australian Government regional priorities;
- a lack of obvious impact from projects due to poor project selection, poor project implementation or inadequate extension mechanisms;

- insufficient support, post project, to sustain project outputs to achieve impact;
- a lack of recognition by key groups of the Australian benefits from ACIAR operations; and
- a reduction in ACIAR's funding in the light of the above.

These and other significant and moderate risks have been drawn into our annual plans and our Audit Program (see page 81 to 83 of this Annual Report).

At the Board level, our concern has been to ensure that risk is managed, that we on the Board have a particular focus on high risk areas identified by robust and dispassionate analysis, and that other significant risk issues are embedded and addressed in the Centre's management systems.

Future directions

At its level of corporate overview, the Board has maintained its input into program specific prioritisation, project impacts and funding decisions. We have sought especially to reinforce the importance of our contributions in PNG and the Pacific island countries, and have slightly reduced our focus in Africa. Africa's agricultural and resource problems are immense, but it lies on the margin of Australia's immediate sphere of interest. It is centre stage for large donors especially from Europe, who are better positioned, we believe, to identify needs and provide comprehensive support in most areas. Our contribution will be focused in areas where we can demonstrate unique capacity to contribute or where there are special areas of mutual interest with Australia.

This year ACIAR developed an Annual Operational Plan for the Centre that for the first time set out program priorities for each of our major partner countries, and their funding levels. The Board had input into this new approach to conceptualising and organising ACIAR's activities. The Director and Deputy Directors led the process of developing the plan. It required significant input from ACIAR staff and was put together after much consultation.

On behalf of the Board, I would like to congratulate all involved in producing the plan. It provides a very clear statement of how ACIAR will aim to add value through the particular features of its program in each of our major partner countries. With its country focus, it also provides a means to understand ACIAR's program alongside that of the wider Australian Government aid program through AusAID, which has reorganised to increase in-country management and decision-making. The new plan has been distributed to key stakeholders and will be reviewed and updated annually.

At present, the Centre's research programs are managed by a highly qualified and dedicated group of research specialists, each of who oversee a program area, which will continue. But what the Board and its

new Director have sought is a stronger focus by these staff on particular partner countries where their program area has an identified high priority. This emphasis on particular countries by selected staff will strengthen their knowledge of the institutions and their capabilities in the partner country – so vital if project selection and project outputs are to lead to impacts.

A new Director

This year was the first for our new Director, Peter Core. It has been a challenging year as he made changes to promote greater operational transparency, a stronger country context for our programs and better linkages with the ‘whole-of-government’ agenda. He was instrumental in developing the new Annual Operational Plan and in the redevelopment of our website. In 2003–04, special efforts will be required by the ACIAR team to further implement and gain value from these directions.

Networking ACIAR into Government

ACIAR is part of Australia’s development assistance program. It is imperative that we continue to work closely with AusAID and the Minister’s Department. As an instrument of Australia’s foreign policy, it is vital that we recognise this as project proposals are developed. While our agenda is predominantly technical, ACIAR will continue to brief the Minister on all project proposals before finalisation and consult on the broader contextual issues.

In December 2002, the Prime Minister announced *Research Priorities for Australia’s Future Prosperity*. ACIAR, like other Commonwealth research and research-funding bodies, is required to show how it is supporting these priorities (to the extent consistent with our mission). Plans have been drawn up to give a special emphasis to the first (*An environmentally sustainable Australia*) and the fourth (*Safeguarding Australia*) priorities announced by the Prime Minister, beginning in 2003–04. This will be the first full operational period for implementation of the Prime Minister’s initiative and next year’s Annual Report will report on our progress against these priorities.

The Board as a value adder

The ACIAR Board is a small specialist Board of five busy people, including the ACIAR Director. It meets four to five times a year. Like any Board, we hold special governance responsibilities and we seek to contribute to both the performance and conformance agendas.

Much has been written about governance; there is no single ‘best’ model of corporate governance but common principles underlie good governance in both public and private sector entities. The ACIAR Board is alert to these principles and will use the Australian National Audit Office’s (ANAO) new *Better Practice Guide on Public Sector Governance* (issued in July 2003) and the Australian Stock Exchange’s *Principles of Good*



Corporate Governance as essential touchstones as we seek to fulfil our statutory responsibilities.

I also want to take this opportunity to thank my Board colleagues for their contribution in 2002–03. It has been a challenging time and your counsel has been invaluable to me and to ACIAR.

A concluding comment - 'Doing well by doing good'

Those close to ACIAR will recognise this reference to the title of one of the many books associated with Professor Derek Tribe - *Doing Well by Doing Good*. Derek passed away in April this year. His loss is being keenly felt by the agricultural research community in Australia and internationally, and particularly by members of the ATSE Crawford Fund that he founded. He believed passionately in the role of international agricultural research in alleviating poverty. Derek's life was summed up by the Minister for Foreign Affairs in opening the Crawford Fund Seminar on 13 August 2003 - 'Derek did well and he did good'.

ACIAR is a successful agency – we will honour Derek's contribution if we can continue to also 'do well by doing good'.

Beth Woods

Chair, ACIAR Board of Management
September 2003

The Policy Advisory Council

The Policy Advisory Council held its annual meeting in March 2003 and then met with the Minister for Foreign Affairs. At its formal meeting the Council had a crucial job in providing its views on our program priorities and funding allocations. Their views have ensured that our programs are focused on areas that can make a real difference to the pace of development in partner countries. Further details on the Council and its annual meeting are at pages 85 to 86.

Membership of the Council comprises members of the Board, together with members drawn from partner countries. It is structured to provide a ready interface between the Board and ACIAR's main overseas stakeholders, and it did that again in 2002–03.

While the Council only meets formally once a year, ACIAR Board members and staff have always had a much closer ongoing involvement with overseas members. Council members in each country are our 'eyes and ears' and their wealth of knowledge and experience ensures that the inevitable operational problems are addressed before they become a more major issue.

On behalf of ACIAR, I want to thank all Council members for the unstinting services that they provided during 2002–03. We could not have done our job without each of you.

Beth Woods

President, Policy Advisory Council

September 2003

The Director's review



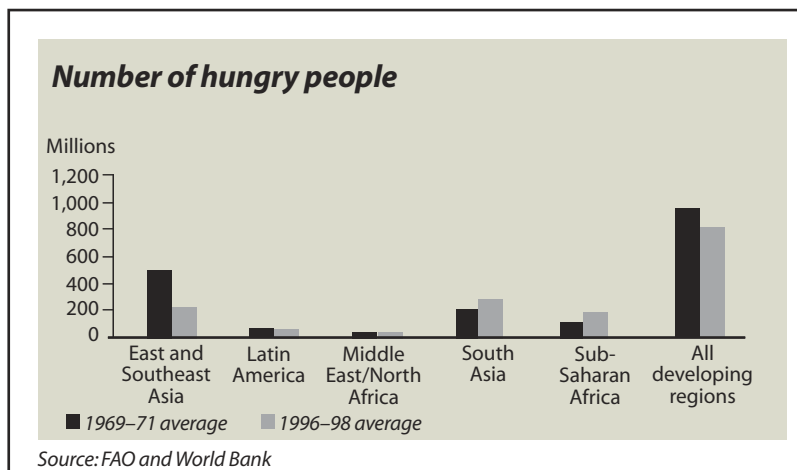
Our challenge

The world has a global population of 6.3 billion people and of these nearly 800 million are chronically undernourished. Nearly 20 per cent of the world's people are living on less than US\$1 per day. In regional terms, more than half of the world's population – 3.2 billion – are in the Asia-Pacific, of whom around 1.8 billion are dependent on agriculture, with 750 million people earning less than US\$1 per day. Most of these people depend on agriculture to survive, and their livelihoods can only be improved by agricultural investment.

Most OECD countries with strong agricultural sectors have a record of investment in agricultural research. The message can be the same for the poorest people and the poorest countries – sustained investment in agricultural research for development helps generate growth, reduce poverty and protect the environment.

But, by themselves, targeted research investments will not be sufficient. True, they are a necessary ingredient but their effectiveness depends on a broader policy mix built around transparent and accountable governance frameworks and pro-poor public service delivery.

New agricultural technologies require adoption pathways that are self-reinforcing. Functioning markets for both inputs and outputs are part of this, as is the practicality of the new technology, given indigenous knowledge, relative prices, etc. The critical importance of roads is now recognised, as is the role of women in agricultural development. Agricultural research



The world's poorest people live in rural areas – one way or another their livelihoods depend on agriculture

Half of the world's 6.3 billion people are under age 25, one fifth are adolescents (10-19), one in four adolescents live in extreme poverty

investments such as those made by ACIAR can only be successful when farmers and their needs are centre stage in the prioritisation process. And none of this is possible when war and conflict are predominant.

But with all these challenges, agricultural research for development still has an enviable record for delivering results. The so-called Green Revolution of the 1960s and 1970s continues to deliver benefits, just as technological change continues in OECD agriculture.

ACIAR – agricultural research achieving results

Some of our more recent achievements include:

- In Indonesia a ‘National Rodent Management Program’, forming the basis of national policy, has been developed based on collaborative work supported by ACIAR, which utilises the effective trap barrier and trap crop system to substantially reduce rice losses to rats and other rodents.
- The extension of the successful Landcare model continues in the Philippines. Landcare groups are working to regenerate degraded land on steep slopes in Mindanao, and increasingly throughout the Philippines. More than 4500 farmers and others are involved in groups, with 500 backyard nurseries now supplying plants.
- The Fosters Brewery at Tien Giang, Vietnam, has installed a large-scale plant to convert brewery waste into baits to attract and kill fruit flies, a significant pest of tropical fruit crops. This waste would otherwise be dumped, potentially causing environmental problems.
- An ACIAR-supported, AusAID-funded project, being delivered through the International Centre for Maize and Wheat Improvement (CIMMYT), has distributed 300 tonnes of wheat seed to 9000 farmers in Afghanistan. New maize and wheat varieties suitable to local conditions are being trialled.
- The use of oilseed-based protein feed supplements has been proven to increase milk production of cattle and buffalo by up to a litre a day, as well as increasing fat and protein yields in meat. This represents an additional income source for poor farmers. A plant to produce the protein feeds was opened September 2002 by the Australian High Commissioner to India, Her Excellency Penny Wensley.
- A new feedlot system that will enhance the potential of cattle sales by South Africa’s poorest farmers is being developed. The system is based on ACIAR project work that identified that smallholder-reared cattle not only meet the specifications demanded of the commercial sector but have no significant differences from commercially-reared cattle.

The challenge we face is to ensure that small scale poorer farmers participate in agricultural growth

Planning for results

ACIAR outlays in 2002–03 were \$49.90 million. These funds were allocated to numerous activities as set out in this Annual Report. These allocations were the result of quality planning processes involving the Minister, the ACIAR Board and Policy Advisory Council, AusAID and key external stakeholders (including in-country consultations) – as well as strong internal debate on priorities and directions.

All of these efforts are driven at formulating research programs that solve agricultural problems in developing countries. Our mandate draws this from section five of our enabling legislation that sets out our functions. Within that mandate, difficult funding decisions have had to be made between competing research funding options. In consultation with partner countries, priorities have had to be established.

In 2002–03, we made special efforts to codify the results of our planning processes for external stakeholders. The result was a new Annual Operational Plan – commencing 2003–04—that has set out priorities for each partner country, indicative budget allocations and key ACIAR program staff contacts. Our objective in doing this was to ensure that our external stakeholders were as well informed about the results of our thinking as we were internally. With that comes feedback, so essential to the continuous improvement of an agency like ACIAR that is striving for best practice in all its operations.

The past year was a special one as it was the first of ACIAR's new triennial funding arrangements for the international agricultural research centres. These centres play a crucial role in 'research for development'. Aggregate funding, in calendar year 2002, for these centres was more than US\$350 million, two-thirds of which came from OECD countries. ACIAR's contribution, on behalf of the Federal Government, was \$9.8 million in 2002–03. Our next review of the funding framework and levels for the international centres is scheduled for 2004–05.

Making a difference

Our legislative mandate is about solving agricultural problems in developing countries via agricultural research programs. Our *raison d'être* is to make a difference for poor people working in agriculture in poorer countries.

ACIAR has always had a strong focus on impacts. As in previous years, it commissioned arms-length analyses of four completed projects (or sets of projects) that will be completed and published in 2003–04. In 2002–03, ACIAR published four assessments, all of which demonstrated high returns for investing in agricultural research. Further details can be found on pages 73 to 74.

During 2002–03, further steps were taken by ACIAR to strengthen its focus on impacts. New arrangements were developed to survey projects that had been completed for three years to examine their impacts. This



survey will commence in 2003–04 and cover 14 large projects completed in 1999–2000. This initiative will complement our existing program of ex post formal benefit–cost analyses and our impacts database, and will be reported on in our next Annual Report.

Our management

People management

As the new ACIAR Director (starting end July 2002), I want to acknowledge that 2002–03 has been a difficult transition year for some Centre staff including myself. A new Chief Executive with a direct communication style, new priorities, and new ways of doing things can be unsettling. All parts of the ACIAR team, including myself, are working hard to manage the change process. The focus on ACIAR's external priorities and delivery has not wavered and is a tribute to the professionalism of its staff.

At another level, 2002–03 was the first year of our new three–year Certified Agreement. It has a number of features including salary increases of 12.5 per cent, which must be offset by productivity improvements, over the three-year agreement. Again this implies that changes will occur in the way we do business, and these changes are being actively managed.

Over the coming period, it is likely that a number of senior staff will, because of age, make choices about when to retire. These people are very valuable contributors with significant corporate memory and the ACIAR challenge will be to oversight this change process in a way that continues to tap this existing expertise while also celebrating the insights that come with the new members of the team.

Financial management, accountability and governance

ACIAR has a strong, dedicated finance team that produces financial visibility and quality analyses for colleagues, the Executive and our Board. The team is focused on continuous improvement and recognises the important value add of our internal and external auditors.

Like other parts of the Australian public sector, the governance framework continued to strengthen in 2002–03. New protocols have been established and there is now more recognition by ACIAR staff of the Board's leadership position in both the performance and conformance components of our governance framework. The Board will respond to the Portfolio Minister on the Governance Review of Statutory Bodies, conducted by Mr John Uhrig AC, after it is released. This is expected in the first half of 2003–04.

Security and information technology

Security took on new meanings in 2002–03. Our focus on protecting sensitive information, particularly that which interfaces with the secure diplomatic communications network, will always remain a priority, but mentioning security in 2002–03 takes us straight to the safety of our staff who regularly travel overseas, or live overseas, to do their jobs.

Our running costs will not increase in real terms

Managing that risk has been a significant responsibility. Obviously our first touchstone has been the DFAT travel advisories, but there have been difficult judgments that have had to be made about 'essential' travel. It has not been easy but ACIAR has been well served by the judgments made by Mr Michael Brown, one of ACIAR's Deputy Directors. As CEO, I accept full responsibility for the issue – a classic risk management challenge that I think was handled well by the Centre in 2002–03.

Cost effective and reliable computing platforms are a given at ACIAR. We assume it because our IT manager – Mr Jeff Galea – continued to provide them in 2002–03. Real progress was made by linking our seven overseas offices and the externally based fisheries research manager to our systems here at ACIAR House. The agenda is never finished but big steps were made.

What was new in 2002–03 was the significant upgrade of our website – www.aciar.gov.au. It is now the key 'one stop/first stop' reference on ACIAR operations and a number of staff contributed to the upgrade and its ongoing development. Their efforts have been exemplary and have ensured that our external stakeholders now have a very transparent window into our operations and future thinking.

Looking to the future

In a narrow, shorter-term sense, ACIAR is well positioned for the future. It is a strong agency with a track record for producing results. It is made up of a team of dedicated professionals who believe in their jobs. The Federal Government has continued to provide the resources for the Centre to do its job in 2003–04 and we now have a public, transparent, detailed plan guiding our stewardship of these resources.

Our job has been made all the clearer with the Minister's Statement in September 2002 *Australian Aid: Investing in Growth, Stability and Prosperity* and the release in February 2003 of *Advancing the National Interest – Australia's Foreign and Trade Policy White Paper*. Both of these documents are providing key reference points for our program directions.

Consistent with these overall policy tenets, our focus here at ACIAR is becoming more targeted on the Asia-Pacific region. We are working more closely with AusAID to ensure policy coherence and to help enable some of the opportunities created by our research efforts to be built into AusAID's rural development programs.

We are playing our part and recognise that our overall effectiveness in reducing hunger and poverty is dependent on the right policy settings and systems of governance. It is not just in poorer countries where the need for policy changes is obvious. Agricultural subsidies in industrial countries (nearly US\$1 billion per day) are detrimental to poor farmers in developing countries, and the Doha Round provides an opportunity to

To reduce poverty economies must grow substantially faster than population

A key priority is to create a policy and institutional environment that creates opportunities for rural poor

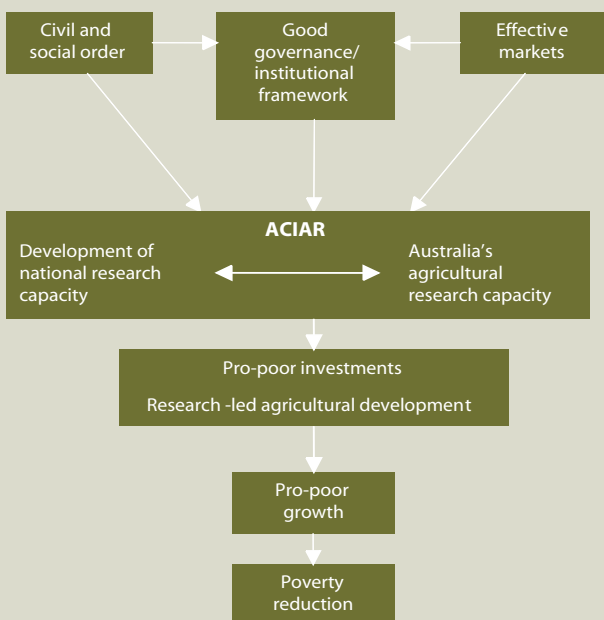
establish new rules in agricultural trade that will underpin development. The World Bank estimates developing countries would gain about US\$100 billion a year if developed and developing countries removed all their trade barriers against developing country exports. This far exceeds the US\$57 billion developing countries get each year in aid.

Going beyond the near term agenda, ACIAR will continue to be part of a much bigger and, in one sense, overwhelming challenge. The demand for food is projected to double within the next 25-50 years, primarily in developing countries, as the global population increases to 8-10 billion. Furthermore, although the majority of the world's population will live in urban areas by 2030, farming populations will remain at similar levels to those of today.

The global community confronts an enormous task of enhancing rural livelihoods and ensuring nutritional security in a world where the population is growing in size, and there is evidence of increased climate variability and long-term climate change, environmental degradation, and increasing competition for water.

Yes, it is overwhelming, but we also know that continuous improvements in productivity, based on the application of sound science and policy, have enabled us to lift global agricultural output consistent with change in global demand factors. The message is that we need to keep doing it, doing it better and in ways that reduce agriculture's adverse impacts on ecosystems.

**ACIAR – Agricultural development and poverty reduction
A conceptual framework**



In signing off this part of the Report, I would like to thank the Board for its support and all the staff and our research partners for their commitment in contributing to our successes in 2002–03. As ACIAR's new Director, it has been a challenging year but one enriched by public service.

Peter Core
Director
September 2003