

# Commission Chair's and Chief Executive Officer's Review



## The year in review

The linked challenges of world food security and global climate change, together with a renewed emphasis on the importance of international agricultural research and development (R&D), have marked this last year. The global food crisis has been described as a 'silent tsunami' – but a man-made rather than natural catastrophe. We are seeing the outcome of a nexus between high prices for energy and food, exacerbated by global climate change. This unfortunate combination has led to rising costs of production and transport for agriculture, rising food prices and falling food stocks, while land is increasingly shifted out of food production to produce energy substitutes.

The food crisis is now on the G8 agenda, highlighting a heightened awareness and global concern that developing nations are suffering under the dual weight of record fuel and food prices and a recognition that the food crisis has become a sensitive political and security issue.

The unprecedented challenge to agriculture has put international agricultural R&D on centre stage. The Crawford Report (1976), which led to the formation of ACIAR, recognised that agricultural research and development has a critical role to play in the development process, stating that 'research assistance is one of the most effective ways of helping developing countries to achieve, by their own efforts, economic and social progress'. Now, in the midst of the current food security crisis over 30 years later, the World Bank concludes in their World Development Report 2008 that 'improving the productivity,

profitability, and sustainability of smallholder farming is the main pathway out of poverty in using agriculture for development', with innovation through science and technology being one of the key instruments.

It is clear from the current crisis that the world is changing in ways that affect developing countries most and the livelihoods of three-quarters of the world's poor will continue to depend on agriculture. Over the past ten years the developed world has stood by while productivity gains of basic staples – rice, wheat, maize and cassava – have stagnated. Productivity gains of these key crops must double to more than two per cent per annum, and this must be achieved in an era of climate change.

## Growth rates of yields for major cereals are slowing in developing countries



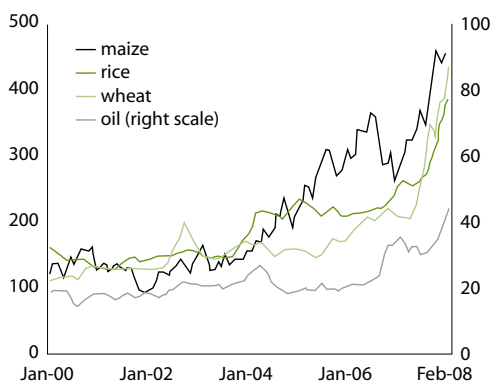
Source: World Development Report, 2008

We have been too complacent about our ability to feed the world. Agricultural supply must be boosted and this will need increased research spending – reversing years of agricultural underinvestment. Moreover, we

are nearing the half-way point towards the 2015 target for achieving the Millennium Development Goals (MDG), and we find the work to date and our achievements are clearly under threat. ACIAR has a special role to tackle these new challenges to agriculture and redouble our efforts.

The International Food Policy Research Institute and others have noted the causes of the food and agriculture crisis are complex and require a comprehensive response which needs to be both context- and region-specific. The Institute has identified the convergence of issues from supply and demand sides that produced the current world food crisis. Chief from the supply side are the lack of investment in agriculture and agricultural R&D, energy prices, poorly developed infrastructure and misconceived government policy actions. Increasing population, rising incomes and use of food for biofuels dominate the demand-side issues.

### World Commodity Prices, January 2000–February 2008 (US\$/metric ton)



Source: FAO international commodity prices database 2008, and IMF world economic outlook database 2007.

In the short run, humanitarian aid, social-protection programs and trade policies will determine how well the world copes with these problems. In May, the World Bank unveiled a \$1.2 billion fast-track funding facility to help combat the impact of rising food prices on the poor. The Food Price Crisis Response Core Multi-Donor Trust Fund was established to help vulnerable countries cope

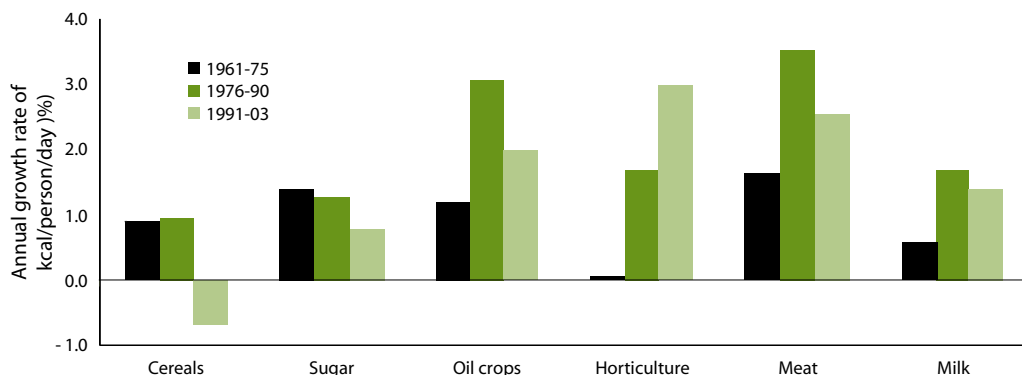
better, over the medium term, with higher and more volatile food prices. Since May Australia has committed an additional \$80 million in funding to assist with the current crisis. This comprises a contribution of \$30 million to the World Food Programme in response to its emergency food aid appeal and \$50 million to the World Bank to help stimulate agricultural supply. Australia has also committed to increasing its aid budget to 0.5 per cent of Gross National Income (GNI) by 2015.

In the medium term the pressing issue is to resolve where and how the world produces more food. A global response must address the decline in agricultural productivity growth and at the same time address the transformational opportunities emerging from this crisis, such as higher prices, to help smallholder farmers and build resilience to future food crises. Unlike emergency relief, in the aftermath of disaster, agricultural aid aims to establish a deeper and more enduring food security capability.

Many are calling for a second ‘green revolution’, modelled on that which staved off famine in Asia in the 1960s, 70s and 80s through new high-yielding rice and wheat varieties, and boosted rice production to give the region a surplus for several decades. Others argue the second ‘green revolution’ will be harder to achieve than the first because of acute land and water restraints and climate change.

We recognize the critical need to focus on the productivity growth of the staples of the food security systems – the major cereals. The shift in food demand towards animal proteins will inevitably put pressure on the basic staples because they are also used as animal feed. Moreover, if food provision is going to increase, we also need ‘more crop per drop (of water)’ because of the fresh water challenge in the changing climate. Our research partnerships will therefore need to focus on building stress-tolerant crop cultivars of the basic staples, also on conducting site-specific trials of these cultivars in the key production areas,

## Per capita food consumption in developing countries is shifting to fruits and vegetables, meat and oils



Source: World Development Report, 2008

enhancing water productivity, and slowing the rate of deforestation.

### Meeting the year's challenges

In its programs, ACIAR has responded to the challenges and built on its experience, creating research and extension partnerships that have successfully improved and secured food production in developing countries, particularly in our own Asia-Pacific region. The agency has also drawn on its global presence and perspective and its long-standing partnerships with the International Agricultural Research Centres (IARCs) that form the Consultative Group on International Agricultural Research (CGIAR). By working with the centres, we not only draw on expertise, we also support maintenance of crucial genetic resources and help preserve the genetic diversity which is fundamental to food security.

By drawing on this genetic diversity to improve crop varieties in developing countries that have experienced civil unrest or war, Australian aid, and ACIAR in particular, has helped communities along the road to economic recovery. Examples of our current work that highlight the importance of preserving genetic diversity include the Seeds of Life Program in East Timor, a new wheat program in Afghanistan, and another addressing crop productivity problems in Iraq.

Developing countries are more likely to suffer through climate change because they rely on agriculture for employment and contribution to their economies. Thus poor smallholder farmers expect to bear the brunt of climate change impacts first, and ACIAR funds several projects to assist them – addressing seasonal forecasts, climate change mitigation and adaptation. Most of our work has focused on building the capacity of farmers to respond to climatic changes, again through the development of more sustainable, resilient agricultural systems. Changed farming practices and new crop varieties play a vital role in delivering better water use efficiency, tolerance to drought and water logging, and resistance to the pests and diseases predicted to proliferate in a changing climate.

The ACIAR project modality and partnership model have led to successes in the past and will continue to do so. More than ever, Australia and ACIAR are well placed to contribute to the current challenges, based on the proven formula of partnerships between Australian research institutions and national research systems in developing countries, often with IARC involvement. Because we share the tropical and semi-arid agro-climatic conditions and associated challenges with many of our partner developing countries, our expertise is in demand. And the results speak for themselves: ACIAR Impact Assessment

Studies and Meta-analysis of ACIAR Bilateral Investments clearly demonstrate that partner countries and Australia gain direct economic benefits well in excess of annual outlays from agricultural, forestry, fisheries and policy research.

## **Performance and programming for success**

As revealed in the body of this Report, 2007–08 was a year of solid performance against targets set in the 2007–08 Annual Operational Plan (AOP) and the Portfolio Budget Statement. We have continued to deliver good results in an operating environment where funding to international agricultural R&D has stagnated, the cost of doing research has increased and Australian research providers are increasingly requiring ACIAR to shoulder a greater proportion of the project costs.

The Annual Report outlines the scope and position for our work in each country in which we operate, and provides details of the progress and headline achievements of our programs and individual projects. With much of the most important agricultural innovation requiring significant and long-term (5–10 year) investments to translate the research investment into productivity outcomes and reduced poverty, planning continued to play a key role at ACIAR in 2007–08. Our AOP provides the details of country-specific and regional issues, along with current and foreshadowed priority initiatives for cooperation with individual countries and international centres. The 2008–2012 Corporate Plan is intended as a broader road map. These documents have emerged from a complex consultative process with clients, partners and stakeholders and aim to provide them with a clear sense of our directions and key objectives.

Beyond our core mandate of supporting agricultural innovation to achieve development outcomes we have also contributed to the whole of government response to specific development challenges and worked on a range of wider Government initiatives.

In 2007–08 we received additional funding through AusAID to support specific joint programs. We participated in the Australia-Indonesia Partnership (AIP) to support Indonesia's reconstruction and development efforts, both in and beyond tsunami-affected areas. Another such initiative was the Australia-Pakistan Agriculture Sector Linkages Program (ASLP) between the agricultural sectors of Australia and Pakistan. Other co-invested project work has been in the Philippines and Iraq. The trend towards making program co-investments with AusAID continued while in other areas our research investments have complemented AusAID's development programs.

Our new Corporate Plan notes that, more than ever, our programs need sharper focus, more integration with overall development efforts, and concurrent flexibility to respond to the immediate needs of partner countries. An essential characteristic of our program work in 2007–08 has been a strong alignment with whole of government Australian aid program strategies for the individual partner countries and an evolution in program and project design. We are now developing fewer 'stand alone' projects; instead we develop either clusters of closely-linked projects addressing a common program theme or larger multidisciplinary projects addressing critical issues. In 2007–08 a number of larger integrated projects under development involved individual investments from ACIAR and included: the southern Philippines horticulture initiative; application of molecular markers in wheat breeding in India; and profitable and sustainable farming on poor sandy soils of south central coastal Vietnam.

ACIAR has a long history of significant investment in quantitative assessment of the impact of our research funding. In 2007–08 we developed a new set of guidelines for undertaking impact assessment studies for ACIAR projects and added Project Impact Assessment Summaries to our suite of work. This year we also instituted a process to link our impact assessment work to the activities of the Office of Development Effectiveness (ODE).

## Building an effective organisation

During 2006–07 the Australian Government assessed the governance arrangements of ACIAR against the principles and recommendations of the Uhrig Review. This review, undertaken by Mr John Uhrig, AC, sought ways to achieve the most effective accountability and governance structures across the whole of government, for ACIAR and other statutory authorities in the Foreign Affairs and Trade portfolio. As a result ACIAR's Board of Management transitioned to an executive structure comprising a Chief Executive Officer (CEO) and a seven-member Commission. This process was formalised in June 2007 with the *Australian Centre for International Agricultural Research Amendment Act 2007* receiving Royal Assent and the amending legislation providing for a number of changes to the governance arrangements of ACIAR with effect from 1 July 2007.

A key focus of 2007–08 was on accommodating and implementing the new governance structure to ensure that ACIAR met the expectations of the Minister and the Portfolio Secretary under the new arrangements and also supported the new ACIAR Commission in carrying out its responsibilities. The transition and implementation process was relatively seamless and has led to an efficient and effective executive management structure and well integrated corporate governance framework. ACIAR's staff members have embraced the new arrangements with enthusiasm and commitment.

The new ACIAR Commission advises the Minister on the strategic directions of ACIAR while the CEO provides operational leadership. The CEO is a member of the Commission and has Head of Agency powers as set out in Part 7 of the *Financial Management and Accountability Act 1997* and Part 9 of the *Public Service Act 1999* respectively. The CEO is now directly responsible to the Minister for managing the affairs of ACIAR in a way that ensures proper use of the Commonwealth resources.

The functions of the Commission focus on provision of advice to the Minister in relation to the formulation of agricultural research and development programs, the funding of these programs and, on the Minister's request, any other matter relating to the ACIAR Act. The ACIAR Policy Advisory Council continues to facilitate the building of strategic partnerships and its membership is drawn largely from our partner countries.

During the last year Australia also had a change of government and consequently the agency has been involved in the Government's revised agenda for the aid program. This included the AusAID-led whole of government response to the global food security crisis. The new Government's commitment to increase Australia's Official Development Assistance (ODA) mentioned earlier will lead to a scale-up of expenditure in major sectors influencing Millennium Development Goal outcomes and a stronger focus on rural development assistance to lift agricultural productivity in key staple crops. Most importantly for ACIAR, Australia's world-class scientific expertise will have greater involvement in research to further boost agricultural productivity.

## The year ahead

The agency moves into 2008–09 with a challenging agenda and a spotlight on international agricultural R&D. We recognise the urgency for increasing agricultural productivity, particularly for local staple crops, and fostering cash income-generating opportunities for those whose livelihoods depend on agriculture. And we must rise to these challenges within a framework of better natural resource management and greater climate variability.

Finally, our thanks go to the Commission members, the Policy Advisory Council and the ACIAR team – the staff and research partners here and overseas – for their professionalism, commendable contributions and dedication to ACIAR and its mission.

**Dr Meryl Williams**  
Commission Chair

**Mr Peter Core**  
CEO