

Message from the outgoing Chair

This is the fourth Annual Report that I have oversighted as the Board Chair and I write this message with sadness as it will be my last as Chair. I have resigned from the positions of Board Chair and President of the Policy Advisory Council, effective 19 July 2004. I was first appointed to these positions on 1 June 2000 for a three-year term and then re-appointed for a second term of three years.

My decision to resign early has been prompted by my secondment to a senior position with the Queensland Department of Primary Industries and Fisheries. I have come quickly to the view that the best interests of ACIAR will be served by my standing down from the Board and the Policy Advisory Council.

The ACIAR Board is, under s7 of the enabling legislation, "...responsible for the conduct and control of the affairs of the Centre". The Board approves all projects over \$165,000 under a delegation from the Minister (which we carefully exercise in a way which incorporates the government's broader policy agenda into the decision-making). The Queensland Department of Primary Industries and Fisheries is a key provider of contract services to ACIAR and the particular position that I have taken up will deal directly with Queensland's primary industries' research agenda and its relations with ACIAR. It was clear to me that it would only be a short time before conflicts of interest made my Board role unworkable. My resignation was the only appropriate course.

Looking back on the Board

The small size of the ACIAR Board—five members—has its strengths and weaknesses. The intimacy of a small Board provides the opportunity for all members to participate actively in the agenda. All the ACIAR Board members with whom I have served have brought special and different skills to their roles and all are senior leaders in their respective fields. Undoubtedly all have a high opportunity cost on their time and, with those pressures, I have reached a personal view that **there is a case for a small increase in Board size**. Whether it is appropriate for the Minister to consider changes to the existing governance arrangements will need to await the Government's decisions on the 'Uhrig Review of corporate governance of Federal Government statutory bodies and office holders'.

Turning to the broader issues of governance, **ACIAR's Board is responsible for the normal duties expected of any Board**: reviewing the strategy and the budget allocations, monitoring performance, approving large investments (in our case more than \$165,000), oversight



John Williams and Beth Woods in Papua New Guinea



Beth Woods and ACIAR Board with PNG cocoa breeders

of the performance of the Director (that is, the CEO), management succession planning, ensuring major risks are identified and managed, and ensuring that the organisation's operations are compliant with legal requirements.

During my tenure as Chair, the Board assumed responsibility for the process of the **Director's selection and performance evaluation**. The appointment of the Director of ACIAR is subject to Cabinet and Executive Council consideration, but the Minister has given the Board the job of search and nomination. I believe this to be an important Board role and I want to place on record my appreciation to the Minister for his confidence in the Board. As a Board we are directly accountable to the Minister. We have been fortunate that the Minister has monitored these accountabilities in a way that has been both supportive and questioning.

Another important advance during my term has been building **strong links between the ACIAR Board and the Director-General of AusAID, Bruce Davis**. Together I believe we have created new opportunities for our organisations to work more closely and effectively.

More broadly, it has been a pleasure to work with the Minister and with my fellow Board colleagues. **Governance is about people** and, over the period, we have fostered mutual respect, trust and an open, knowledgeable debate. As a Board we have been united in seeking to discharge our governance obligations appropriately while also looking for new opportunities to apply ACIAR's funds and efforts to reducing rural poverty in the Asia-Pacific region.

Looking back on ACIAR operations

ACIAR and its Australian partners have **achieved much in difficult circumstances**. It is not easy designing projects and working in different countries and different institutional frameworks. Establishing effective research platforms is not enough. ACIAR has an obligation to ensure that projects are designed in ways that will lift farmer incomes, particularly of the poorest farm families. We are, after all, part of the Australian Government's overseas aid program that seeks to help build a more secure and prosperous region. Poverty reduction is central to this.

Over recent years two factors have challenged ACIAR's capacity to deliver. The first is **security**, an issue that faces both ACIAR and its Australian research partners. This difficult issue is being managed by the Centre Director and his contractor counterparts. It hasn't precluded us doing our job, but it has made it more difficult. It is a tribute to ACIAR staff and project teams that our long-standing relationships have not been put aside and our work has mostly continued.

The second issue that ACIAR has had to confront is the **constant budgetary pressure facing most Australian research partners**. This financial pressure means that there must be very clear Australian benefits



Beth Woods inspecting sugar cane in Papua New Guinea

for these providers to contribute significantly to ACIAR-funded projects. In response to this situation, ACIAR is increasing its budget support on particular items in the contract deliverables. ACIAR has to stay focused on its aid-related mission but operate in a way that continues to recognise the importance of Australian benefits. The model of partnership between Australian and partner country scientists has delivered successfully over the years of ACIAR's operations; the partnership benefits are much greater than the effects of simply providing money for agricultural research in partner countries.

Looking ahead

ACIAR has been in operation for twenty-two years. **It is a success story**, enjoying strong bilateral political support. We had no *a priori* right to that support—it has been earned and it has to be re-earned continuously. To do that, ACIAR management and staff must anticipate change and remain responsive. Simply re-doing what worked in the past has no place in ACIAR.

I am confident that **ACIAR is in good hands**—the Board, the Policy Advisory Council and all ACIAR's people here and overseas are people of talent and dedication. It has a strong set of research partners. And the incoming Chair is superbly equipped to provide strategic leadership. Meryl William's experience provides the ideal fit with her new responsibilities.

My thanks to all those who have supported me as Chair—it has been an experience and an organisation I will cherish always. I must record particularly my thanks to the leaders of ACIAR during my term—Peter Core, Michael Brown, John Skerritt, and Bob Clements—who represent a diverse but outstanding set of skills and capacities. Between them they have ensured that ACIAR has built new areas of activities, new relationships, and continuing success. They have been excellent friends and a great source of wisdom and support.

Beth Woods

Outgoing Chair
ACIAR Board of Management
July 2004





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The Director's review



The strategic context

Agriculture is fundamental to the livelihoods of peoples in the Asia-Pacific region. It is the economic heart of our partner countries. Unlocking the potential of their agriculture, forestry and fisheries, when done on a sustainable basis, will do more than anything else to produce results—families that can feed themselves and opportunities for the poor to climb out of poverty. With 70 per cent of the poor in rural areas, lifting incomes from agriculture is a key to improving their livelihoods. No other economic activity generates the same benefits for the poor.

The Green Revolution of the 1970s achieved much. Since 1970, global food production has outpaced population growth but regional differences remain stark. In our region of Asia-Pacific, agricultural productivity has provided the platform for diversified economic growth. But the differences are marked. In India alone, nearly 300 million people still live in extreme poverty. And 65 per cent of the world's poor live in Asia.

Some have criticised the Green Revolution because of the second generation environmental pressures on soils and water. Others have argued that the Green Revolution did not reach down to the poor. Whatever the criticisms, and some are valid, the reality is that agricultural production has kept pace with population growth due to increased productivity, in part coming from agricultural research.

ACIAR was established in the early 1980s to help strengthen the national agricultural research systems in partner countries by creating a union between our agricultural researchers and those in partner countries. In my view, this union has provided enormous benefits to both sides and this Annual Report provides a snapshot of our efforts and results in 2003–04.

Just as in Australian agriculture, ACIAR programs have been grappling with the second generation soil and water problems that are arising. We have, quite rightly, had to broaden our focus beyond productivity-enhancing, enterprise-specific agricultural research to addressing broader environmental pressures. But embedded in all our programs is recognition that it is productivity enhancements that are sustainable and benign to the environment that will unlock agriculture's potential to provide a 'ladder out of poverty', if not for today's farmers then definitely for their children.

"If you can't measure it, you can't manage it."

D. Garvin 1993, Building a learning organisation, Harvard Business Review July–August 1993.



ACIAR today

I have been ACIAR's Director for two years now and, in my view, the original architects of ACIAR got it right. The partnership model for agricultural research does produce very significant benefits for partner countries and Australia's overall aid efforts.

But these benefits are very dependent on the way we manage the partnership model, project selection and the synergies that we build with other donors, particularly AusAID. Every model needs to be continually adjusted towards 'best practice' and, in 2003–04, we have made special efforts in four particular areas:

1. getting our priority directions right
2. getting projects with a strong impacts focus
3. getting a stronger 'whole-of-government' focus
4. recognising when to disengage.

Getting our priority directions right

This is an on-going agenda for us, with a number of initiatives coming together in 2003–04. The catalyst for this has been our new Annual Operational Plan (AOP). The overseas membership of our Policy Advisory Council has always provided important inputs, but the members are now making a more significant input into establishing the priority focus areas for our partnerships through their input into the AOP process. Improving the country consultation process is a 'work in progress'. On-going formal and informal dialogue has been stepped up in order to keep priorities fresh and to provide greater focus. Formal consultations are also making their contribution and, in 2003–04, these were held with Pacific countries in November and with Vietnam in February.

Equally, the AOP and its country focus is being used extensively inside the Australian Government with AusAID and DFAT to ensure that our program directions are consistent with broader policy goals. This also applies to Australian research partners such as CSIRO, the State Departments and universities.

We can never say we have 'got it right' but our new AOP, which operated for the first time in 2003–04, did provide a basis for focused dialogue on priority directions.

Getting projects with a stronger impacts focus

This is an 'evergreen' issue for all research-funding agencies. How much to put into the building blocks or basic research compared with near term or applied research? ACIAR is no different, and during 2003–04 we have had vigorous debate about impacts and getting the right balance in the context of program directions.

At one level, we have significantly upgraded our ex post project evaluations to demonstrate the impacts of our projects. There is now a system of rolling audits of projects completed three years earlier. We



have increased the number of ex post formal project evaluations and introduced a summary annual reporting arrangement for current projects along with more detailed reporting obligations for completed projects. All of this increases the transparency of our project outputs and outcomes, with the side effect of stimulating project partners to place a greater emphasis on potential impacts.

At another level, we have taken a decision to focus our project selection and design, in part, around time to impact. Projects that have a long gestation period can have significant impacts but they are more risky. For this and other reasons we have decided that we should aim to adjust our projects portfolio so that 40 per cent of new projects are designed to have impacts within five years of completion, 40 per cent within 10 years and 20 per cent within 15 years. This rebalancing process will commence in 2004–05 and will give us a sharper impact focus. A likely outcome of this strategy is a closer alignment with development activities, with AusAID in particular.

Getting a stronger ‘whole-of-government’ focus

As a small statutory body, ACIAR must work across organisational boundaries. During 2003–04, we worked very closely with AusAID and the Australian Government Department of Agriculture, Fisheries and Forestry in a number of areas. Some examples were the emerging programs in Solomon Islands and East Timor, a trade-related initiative in Africa, and nation-building initiatives in Afghanistan and Iraq. These examples demonstrate how ACIAR is playing its part in a comprehensive whole-of-government response. Another is our contribution to the agenda of the National Research Priorities.

Recognising when to disengage

The 2003–04 year saw us redefining the nature of our partnerships with several countries. These changes will be on-going, with a stronger focus emerging for those partners where the poverty issues are strongest and where in-country capacity is limited.

ACIAR and Thailand have agreed that, with the graduation of Thailand as an aid recipient, only a limited number of new activities, all focused on the implementation of the results of earlier ACIAR projects, will be considered in future. This follows an earlier decision taken by Malaysia and ourselves to complete existing projects but not to commence new ones.

The decision to disengage is a complex one, not one that can be easily captured by a single indicator. Per capita income is an incomplete measure but one that permits country comparisons. Compared with Australia’s Gross National Income (GNI) per capita figure of more than \$30,000, some comparative numbers for some of ACIAR’s partner countries are set out in Table 1.

Table 1. GNI per capita (AUD)

Papua New Guinea	976	East Timor	957
Indonesia	1,307	India	884
Vietnam	792	Pakistan	755
Philippines	1,878	Bangladesh	663
Cambodia	516	China	1,731
Laos	571	Thailand	3,646

Source: Australia’s International Development Cooperation 2004–05





Rice seed being planted as part of an ACIAR supported CARDI breeding program for better quality Cambodian rice

By any measure, there is a large number of rural poor in ACIAR partner countries. In China, there are more than 150 million people earning less than US\$1 per day. In India, the comparative figure is 300 million. By any standard, much work remains but even in these two partner countries, China and India, the nature of our relationship is changing as these countries go through the process of modernisation, which includes the development of a large (by Australian standards) wealthy population. In China, stronger cost-sharing arrangements now apply and in India, similar arrangements apply with government-funded research partners with our programs in both countries having a stronger emphasis on achieving practical farm level impacts, particularly in poorer regions.

People matters

From an internal perspective, 2003–04 was more about consolidation around the changes introduced in 2002–03: downsizing of some corporate functions, greater operational transparency to stakeholders, a stronger focus on project impacts, and recognition that whole-of-government considerations will be primary to our business directions. ACIAR needed to become less insular and it has. Armed with the Annual Operational Plan, we are now stretching out to stakeholders both here in Australia and in our partner countries.

None of these changes have been easy but they are happening, albeit slowly in some cases. It takes time and the risks of losing momentum are real. The challenge is to continue getting short-term wins, as we have with our restructured website and Annual Operational Plan, that will provide the incentives for ongoing improvements.

More broadly, we are shifting greater responsibility to our 11 program managers who are responsible for delivering an impacts-focused project portfolio for their discipline coverage and best practice services. We are not there yet, but we are creating pathways for program managers to work together in particular country clusters via the establishment of regional coordinators and through assignments to task forces.

It's an old adage but the analogy of the symphony orchestra is relevant to ACIAR—in directional terms an organisation of knowledge specialists underpinned by best practice information systems with a common vision, a view of the whole.

ACIAR's strengths rest on our specialist skills and a capacity to see where agricultural innovation can best feed into rural development and poverty reduction. The agenda is definitely not static and 2003–04 saw the recruitment of new staff to program manager vacancies from retirements. The downside of significant losses in corporate memory has been compensated by new vibrancy and different insight. Opportunities to reshape programs with limited disruption have also been taken.

The job is still ahead of us; particularly for me as the Director in providing the 'vision' in a way that clarifies the directions we need to move. We are

sharpening our operational effectiveness but that is not strategy. The operational agenda is about constant change towards best practices, whereas the strategic agenda is about direction, continuity, making clear trade-offs.

Looking ahead into 2004–05

All of us hope that the international security situation improves in 2004–05. Our own staff and the staff of our partner organisations have continued to operate in difficult circumstances—whether in the shadow of terrorism or severe health warnings. They did this because of their commitment to poverty-reducing agricultural research and the crucial long-term importance of Australia’s relationships with countries in our region.

Our operating environment will get better, if not in 2004–05 then the following year. We will continue to stay focused on our central mission within a framework of:

- a greater documentation of project outputs and outcomes
- an open, transparent and accountable relationship with all stakeholders
- a ‘whole-of-government’ approach at the national level, particularly with all our colleagues in the Foreign Affairs and Trade portfolio
- an intimacy in our overseas and domestic partner relations which ensures that our contracted project portfolio will continue to meet the needs of our partners and lift the incomes of the rural poor.

Peter Core

Director

September 2004



Young peanut seller in East Timor

Some facts

- 80 per cent of our global population have 20 per cent of the world’s income.
- Between 60 to 80 per cent of food in developing countries is produced by women.
- 65 per cent of the world’s poor live in Asia.
- Around 70 per cent of the world’s absolute poor live in rural areas.
- The world has a global population of 6.3 billion which will grow to more than 8 billion by 2030. The population of Asia will have grown by 1.2 billion in this time.
- Nearly 20 per cent of the world’s people are now living on less than US\$1 per day.
- Most of the world’s rural poor depend on agriculture to survive.
- One of the Millennium Development Goals is to halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 per day.