EVOLUTION AND ACCOUNTABILITY IN THE GRDC

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Summary. Established only five years ago the Grains Research and Development Corporation (GRDC) has already undergone significant evolution to keep in step with the changing environment in which it operates. While approving the RDC model, in general, recent reviews have highlighted areas which require improvement to ensure that the grains industry of the 21st Century is under-pinned with research and development activities at World's best practice.

INTRODUCTION

The Primary Industries and Energy Research and Development Act of 1989 provided for the establishment of the rural Research and Development Corporations (RDCs). Inaugurated in 1990, under this legislation, the Grains Research and Development Corporation developed a five year strategic plan covering the period 1992-1997. While the plan has proved robust in its strategic direction the one constant in the operations of the Corporation has been continual change. This change reflects the dynamism of the Australian grains industry; increasing demands for accountability by the GRDC's stakeholders, and the outcomes of a number of reviews of the RDC model.

This paper addresses the evolution of the GRDC, the changing environment in which it operates and recent reviews to which it has been subjected, along with the other RDCs. The GRDC's performance is evaluated and future changes examined.

DISCUSSION

The evolution of the Grains Research and Development Corporation

The establishment of the GRDC saw 14 bodies, the national Wheat, Barley, Grain Legumes and Oilseeds Research Councils, along with the State Wheat and Barley Research Committees amalgamated into a single body responsible for industry-wide and national research and development issues in the grains industry. The evolution of the approaches taken through this transition is shown in Table 1.

Table 1. Evolution of Research and Development Policies up to the inception of the Grains Research and Development Corporation

	Pre 1985	1986-1989	1990+
Funding basis	Allocated grants	Competitive grants	Industry investment
Funding response	Reactive	Proactive	Targeted
Focus	R&D	Adoption	End-user
Relationship	Researchers set agenda	Researchers as customer	Stakeholders (government and industry) as customer

Status	Commodity	Commodity	Product / brand
Affiliation	States	National/ State	National / regional
Economic effect	Additive	Additive	Catalytic

The GRDC, as currently structured, has two sets of stakeholders - the industry levy payers (represented by the Grains Council of Australia) and the Government. It is accountable to both of them. In essence, the Corporation acts on behalf of its stakeholders as an investor in research and development activities.

In July 1993, the GRDC Board initiated a structure of three Regional Panels consisting of growers and industry experts, as well as a Market Advisory Group, to form the basis of the Corporation's industry network.

The national/regional structure ensures local grower involvement, balanced by an efficient national industry-orientated management approach, which seeks to optimise use of the industry's human resources and knowledge system.

The changing research environment

The institutional structure in Australia for undertaking and investing in grains research is pluralistic, with a prominent role being undertaken by public sector institutions. Since the resources allocated to grains industry research could be applied to other industries or used to produce other goods and services, the cost of grains research can be measured as the value of foregone alternatives. Principles of public accountability, therefore, require that government funded research programs should have built-in procedures to ensure regular reviews of their efficiency and the system of determining research priorities.

As the 21st Century approaches, recurring themes in government decision making on grains research and development will centre on:

- what is an appropriate level of support?
- in which areas should the money be invested? and
- who should pay?

Until recently these issues did not assume a prominent role in national or State Government research policy as additional resources were generally available to meet the research requirements of most newly defined priority areas. Similarly, the administrative processes for dividing up research resources produced little conflict since there were ample funds available for all users.

This climate is changing. As scientific knowledge advances and the technology necessary to develop its potential becomes increasingly complex, both the costs of research and the potential benefits are expanding. At the same time there is increasing emphasis on securing the greatest possible return on public investment in research and development. The effects of these changes will lead publicly funded research agencies to shed their responsibilities where returns are closely linked with individual benefits and to concentrate their investments in fields with broader, social benefits. The Industry Commission Report on Research and Development (1995) (1) focused on this issue.

The Industry Commission study is one of several recent reviews which have addressed the performance of the RDCs.

Australian National Audit Office

Recommendations contained in the Audit Report (2), such as greater use of investment analysis techniques, milestones, performance indicators and risk assessment were, or are, being pursued by the GRDC.

Commonwealth Department of Finance

The *Commonwealth Authorities and Companies (CAC) Bill* is one of three Bills replacing the *Audit Act 1901*. The CAC Bill provides for the establishment of a new system of accountability and reporting for Directors, including those on the Boards of the RDCs.

The Bill's provisions impose a range of new and direct responsibilities, with corresponding potential liability of considerable magnitude, on individual Directors. For example, individual Directors are required to become closely involved with all aspects of their organisation's activities and those of its subsidiaries.

Additional requirements appear also in the Report of Operations under this legislation. Emphasis is given to the importance of reporting achievements against performance indicators. RDCs are required to include an assessment of how the research and development projects in which they invested, in whole or in part, during the reporting period are expected to contribute to improving the efficiency and competitiveness of the industry in which they are involved.

The Minister for Primary Industry and Energy has endorsed Stage 1 recommendations contained in the *Review of Rural Research* (3), including the development of research priorities within a broader industry strategic planning process, and the development of performance indicators that capture Government objectives for public good research.

Industry Commission

The Industry Commission Draft Report on Research and Development released in December 1994, proposed to radically change the role of the RDCs by removing responsibility for public good research. The RDCs argued that this would fragment the operation of the rural research system thereby reducing its present, hard won, level of integration. The Commission also proposed to drastically cut government funding from $ for $ matching (to 0.5% of GVP) to $1:$4 matching.

Submissions made in response to the Draft Report swayed the Commission both in its stance on the public good issue and on matching funds, thus, the Final Report recommends:

• the Commonwealth to continue to provide one dollar for every industry dollar spent on R&D up to 0.25% of GVP; and

• thereafter to contribute at the rate of one dollar for every two dollars from industry, with no ceiling.

That component which involves a reduction in the ratio of government support should be phased in over five years.

Stakeholder Expectations

All of these reviews endorsed the RDC model but a major thrust has been to improve the accountability of the RDCs. Increased emphasis on performance indicators, investment analysis techniques and risk assessment of research projects are featured. The importance of developing strategies and plans for

addressing broad industry portfolio issues has also been identified as a high priority. These issues will be discussed in later papers.

Further changes

Since its inception, the GRDC has sought to move away from the historical situation of supporting grains industry research whereby it reacted, annually, to several hundred submissions for funding. The GRDC's current approach involves a more active role in defining what research is needed and developing key research programs to achieve industry goals. In addition, the Corporation has set in place procedures to:

• move away from a large number of small projects, to a small number of larger, but better managed, programs; and

• to have a greater proportion of the GRDC portfolio negotiated pro-actively.

The GRDC Board has noted the general commendation of performance by independent reviews but believes that it faces a challenge to ensure that the Corporation is performing as rigorously in respect of the outcomes of its investments as it does in respect of inputs. To this end, more rigorous scrutiny of continuing investments by means of adherence to milestones will be made and final reporting on completed work will become even more critical. The PIERD Act embodies a requirement that the RDCs disseminate and promote the adoption of the outcomes of their investments and the GRDC takes both injunctions most seriously.

In short, as the Corporation takes an increasing share of equity in those programs which it supports, and as its activities are more rigorously evaluated, a similar level of rigour must be applied to the research providers with which the Corporation invests.

CONCLUSIONS

Change in the GRDC reflects the changing environment in which it operates. It is manifested in the increased accountability for the GRDC's investments in research demanded by its stakeholders and addressed in recent reviews, in terms of milestones, benefit cost analysis and other reporting requirements made of research providers.

It will take time to shift the balance of investment towards a negotiated format and the GRDC Board has made a commitment to retain mechanisms by which research providers will be able to approach the Corporation with innovative ideas.

Further evolution will help maintain the present regard for the RDC model displayed by national and international observers (1, 2, 3, 4).

REFERENCES

1. Research and Development, Industry Commission Report No. 44, 15 May 1995.

2. Rural R&D Program - Efficiency Audit, Australian National Audit Office, Audit Report No. 38, July 1993-94.

3. Review of Rural Research: Report of the Task Force on Review of Rural Research (the 'Byrne' Report), Department of Primary Industry and Energy and the Commonwealth Department of Finance, 1993-94.

4. Inventing the Future - Milling Wheat Project, a report by Booz, Allen and Hamilton commissioned by the Grains Council of Australia's National Grain Marketing Strategic Planning Unit, January 1995.