

GRDC INVESTMENT PROCESS FACT SHEET

GRDC
Grains
Research &
Development
Corporation

OCTOBER 2010

How does investment planning work?

This fact sheet explains aspects of the GRDC investment process. As well as providing an overview of the process, it describes the GRDC's use of impact assessment as a method of evaluating performance.

KEY POINTS

New investment in any year needs to:

- align with the GRDC's overall strategy;
- leverage inputs from other sources;
- move outputs closer to industry adoption; and
- refresh the research portfolio by responding to national and regional needs identified through the GRDC's engagement processes.

The GRDC's investment process can be described in six steps:

- 1 Identify RD&E priorities;
- 2 Investment Planning Week;
- 3 Release of the External Investment Plan;
- 4 Review and Priorities Meeting;
- 5 Contract projects; and
- 6 Assess reports.

The GRDC's investment portfolio comprises about 700 projects, with many being funded through multi-year contracts.

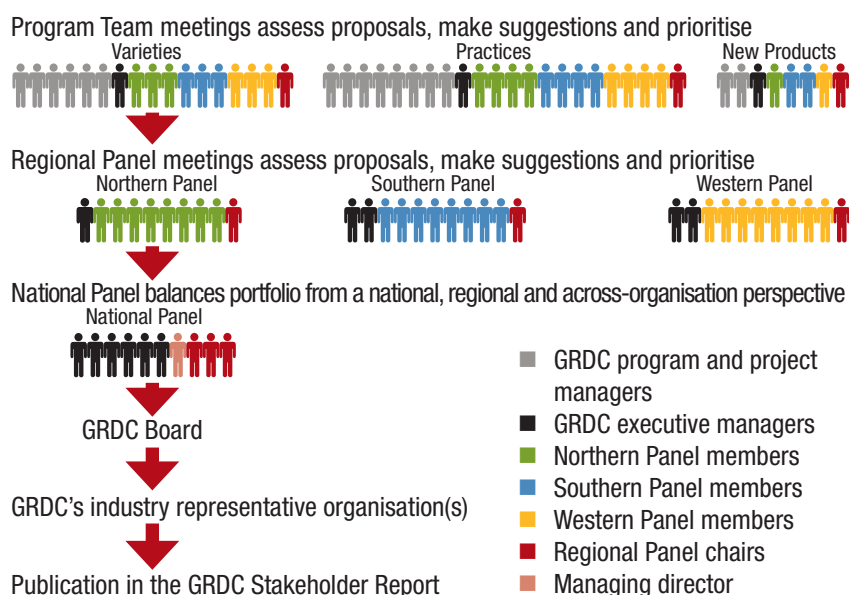
In any particular year, only about one-third of projects are due to end, meaning that funding is due to finish or be reviewed. Some of these projects are completed and therefore need no further funding from the GRDC, whereas others may require further investment.

The projects that are neither finishing or due for review are called 'continuing projects' and comprise about two-thirds of the GRDC's total investment portfolio in any particular year.

All investment in research, development and extension (RD&E) by the GRDC must generate benefits for grain growers, the industry and community generally.

While discussions between the GRDC and growers, researchers and industry groups about research requirements

Figure 1 Following external consultation, the GRDC uses a matrix approach between Program Teams and Regional Panels to discuss and prioritise investments



occur throughout the year, it is during Investment Planning Week (IPW) in July each year that the foundation for the following year's investments is laid.

Prior to IPW being held, RD&E needs identified through GRDC's engagement processes are collated and prioritised from a regional perspective. Managers take this information and prepare 'new project write-ups' for discussion at IPW (Table 1). At this meeting all new recommended investments are considered as well as identifying investment priorities for the next investment cycle.

The GRDC uses a matrix approach between the Program Teams and Regional Panels to discuss and prioritise investments (Figure 1). The outcomes are then refined by the National Panel that considers the balance between national investments and regional investments, and also the ratio of investments between each of

the regions in relation to the regional gross value of production.

To develop the budget the GRDC considers new and continuing investments, reserve levels and income forecasts. The GRDC's revenue and expense budget is highly dependent on crop production and grain prices. After consultation between the GRDC Board and the GRDC's industry representative organisation – now formally Grain Producers Australia (GPA) – the budget and a brief analysis is published in April in the GRDC Stakeholder report.

Although GPA is the formal 'legal' representative organisation, GRDC also proactively engages with other grower organisation.

This cycle of consultation, investment and internal feedback helps ensure that the research investment chain continues to generate benefits for all stakeholder groups.

SIX STEPS IN THE GRDC

STEP 1

Identify RD&E priorities (THROUGHOUT THE YEAR)

- Potential issues and priorities are identified (mainly through growers, the regional panels, project reviews, project progress reports, consultants, researchers, Grain Producers Australia (GPA) and state farming organisations, Research Advisory Committees (RACs), the National and Regional Agribusiness Reference Groups (NARGs), Grower and Adviser Updates, forums, field days and survey results).
- The GRDC also takes into account the Australian Government's National Research Priorities and Rural R&D Priorities.
- All priorities looked at are potential areas for investment in future investment cycles.
- Resource allocation recommendations are provided to the GRDC Board and then to the GPA for comment in the form of a draft GRDC Stakeholder Report.

STEP 2

Investment Planning Week (JULY EACH YEAR)

- In consultation with Regional Panels, GRDC managers develop write-ups for new projects and those due for review for further investment evaluation (Table 1).
- These proposals outline the aims of the proposed RD&E project, its deliverables (outputs) and approximate budgets. These are discussed and refined during Investment Planning Week.
- All proposals are categorised as either national or regional investments, and the appropriate procurement method (open tender, limited tender, multi stage tender, direct negotiation) is also identified.
- The proposals are ranked by the GRDC Program Teams, which include members of GRDC's Lines

of Business (Varieties, Practices, New Products) and regional panel members (Figure 1).

- The Regional Panels (northern, southern and western) then rank the proposals according to their regional priorities.
- The GRDC's National Panel makes recommendations for resource allocation to frame a high-level budget and formulates the External Investment Plan.

STEP 3

Release of External Investment Plan (AUGUST EACH YEAR)

- Investment proposals identified as suitable for competitive tender are published in the GRDC's annual External Investment Plan, which is posted on the GRDC's website during the period of call for tenders. The External Investment Plan is based on the GRDC's Strategic Research & Development Plan 2007–12 (www.grdc.com.au/strategicr&dplan). About half of total new investments in any given year go to tender.
- Tenders are evaluated against specific selection criteria to determine the preferred provider(s)
- Other projects are directly negotiated where there is limited expertise in a research area and/or there needs to be ongoing access to co-owned intellectual property.
- The GRDC usually invests in partnership with organisations that will deliver the RD&E.

STEP 4

Review and Priorities Meeting (MARCH EACH YEAR)

- Progress on the status and development of new investments agreed to at Investment Planning Week is reviewed.
- The resources being contributed to the project by the research partner(s) are assessed.

- Alterations to the priority of proposals (many of which are now draft project specifications) occur through Program Teams and regional panels to reflect new information.
- The high-level budget framework is reviewed in light of the latest revenue forecasts.
- The GRDC's National Panel provides a list of projects with recommendations to the GRDC Board.
- These recommendations form the basis of the GRDC Annual Operational Plan (www.grdc.com.au/grdcaop) and the finalised GRDC Stakeholder Report (see page 4).
- The GRDC Annual Operational Plan must be submitted to the Minister of the Department of Agriculture, Fisheries and Forestry by 30 April.
- Approval from the Minister is required prior to the funding of projects.

STEP 5

Contract projects (JULY ONWARDS EACH YEAR)

- Contracting of projects begins, based on the project specifications being agreed to by the contracting parties.

STEP 6

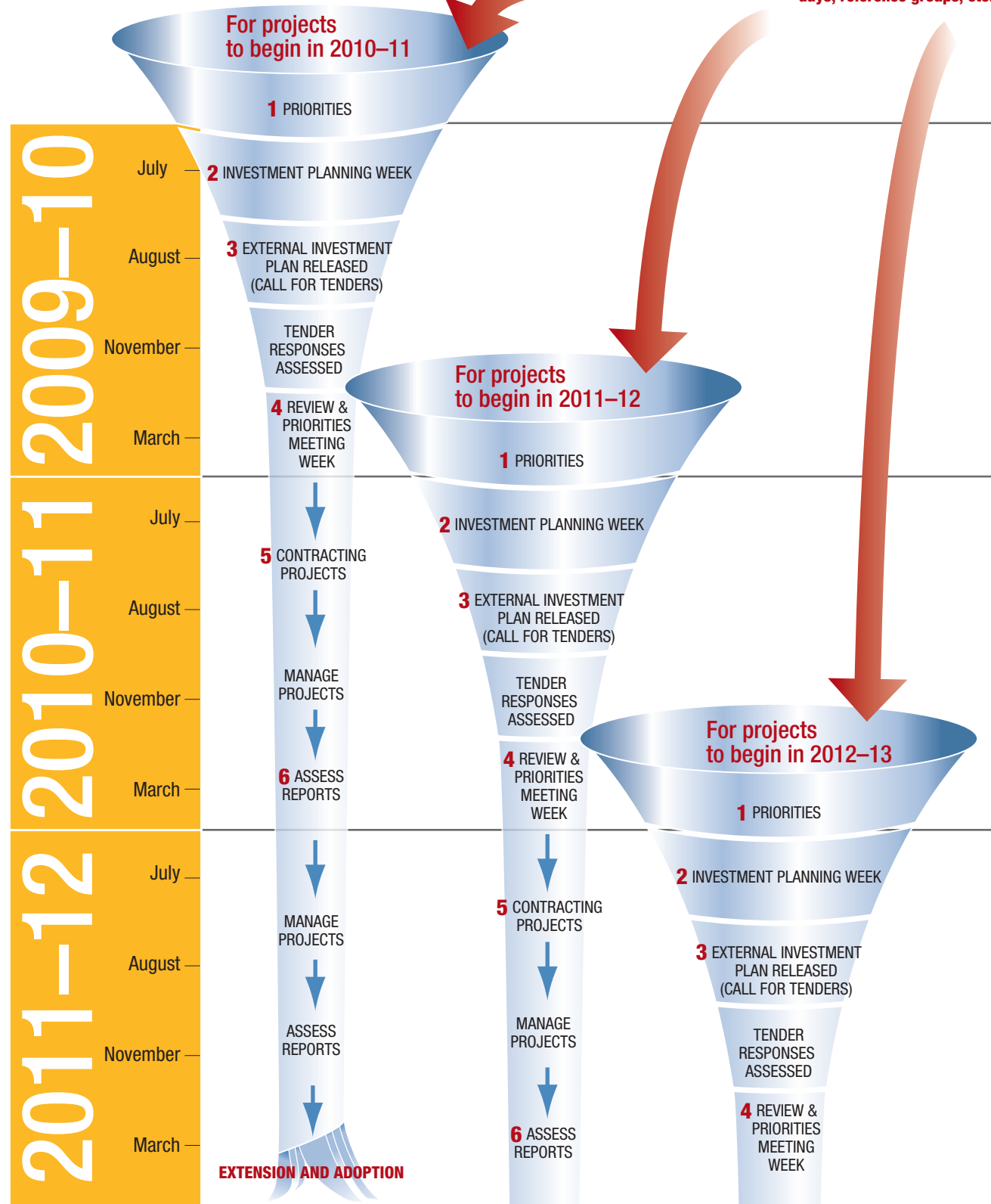
Assess reports

- Annual progress reports for continuing investments are received for assessment in March each year.
- Issues for GRDC managers to follow up are identified.
- Payments to research partners are made for those projects with approved progress reports.
- Project final reports are assessed at the end of the project (usually in September).
- Research project information is communicated to grain growers and industry stakeholders.

INVESTMENT PROCESS

Steps in the GRDC Investment Planning Process

Growers, researchers, consultants, GPA and state farming organisations, RACs, Updates, forums, field days, reference groups, etc.





The GRDC Stakeholder Report

This report, produced each year in April, is a formal planning and reporting tool designed to provide crucial information to GRDC's industry representative organisation.

It is part of a suite of formal and informal measures GRDC uses to ensure effective communication and accountability to Australian grain growers.

In conjunction with the GRDC Annual Report and GRDC Growers' Report, the Stakeholder Report provides an overview of GRDC activities, key achievements and an analysis of revenue and expenditure estimates for the ensuing financial year. This information is provided to enable GRDC's industry representative organisation to make an informed decision and recommendation on the GRDC levy rate for the coming financial year.

What is the GRDC levy?

The GRDC is funded jointly by a 0.99 per cent levy on grain growers (0.693 per cent levy on maize) that is matched by the Australian Government (Department of Agriculture, Fisheries and Forestry (DAFF)).

The 0.99 per cent levy is collected on 25 different crops produced in Australia: wheat, barley, oats, sorghum, cereal rye, triticale, maize (0.693 per cent levy), canary seed, millets/panicum, canola, linseed, safflower, soybeans, sunflowers, chickpeas, cowpeas, faba beans, field peas, lentils, lupins, mung beans, navy beans, peanuts, pigeon peas and vetch.

The levy rate is considered annually by GRDC's industry representative organisation which may recommend to the Minister a levy rate change.

The Australian Government matches the grower levies up to a maximum of 0.5 per cent of the gross value of grains production. The amount of the contribution is determined annually, by the Australian Government, and based on the three-year rolling average gross value of production of the 25 leviable crops.

Table 1 Typical information required for new project write-ups discussed at Investment Planning Week.

- What is the issue?
- Where did it originate?
- What activity is needed to address the issue?
- At what stage is the proposal? Is it a project the GRDC has invested in before that needs to be continued or is it a preliminary concept for totally new investment?
- Describe the project. What are the target crop type and expected outputs?
- What is the likelihood of the project achieving its expected outputs?
- What is the pathway and estimated time to delivery to growers/industry?
- What are the risks behind assumptions in moving from project outputs to industry outcomes?
- What are the expected outcomes and impacts from the proposed investment?
- What region(s) will receive the greatest benefit from the outcomes?
- Is there collaboration and linkages to other projects?
- What is the indicative budget and suggested procurement method and rationale?
- How does the project fit to the GRDC's corporate strategies?
- How does the project fit to grain grower, panel and Australian Government priorities?

Levies are collected through the Department of Agriculture, Fisheries and Forestry – Levies Revenue Service.

The amount of levy revenue received each year depends on a number of factors, including drought or other weather events, major pest or disease outbreaks, grain price fluctuations, the Australian dollar exchange rate and significant shifts away from grains in the farm business mix. The GRDC manages its financial reserves to minimise its exposure to risk from such factors.

The levy provides funding for grains research, development and extension coordinated and facilitated by GRDC.

Impact assessment

Evaluating the impact of investment in research, development and extension is a core business process for the GRDC.

Therefore, several independent impact assessment studies are commissioned each year to examine economic, environmental, and social benefits of GRDC's investment in projects. GRDC uses these impact assessment studies to understand how effectively it is delivering desired outcomes to its key stakeholders.

The guidelines used for assessing impact across Rural Research and Development Corporations have been reviewed by key economic agencies of the Australian Government including Treasury, Department of Finance and Deregulation, Department of Agriculture, Fisheries and Forestry (DAFF), Productivity Commission and the Australian Bureau of Agricultural and Resource Economics (ABARE).

Impact assessment reports can be accessed from the GRDC website.

Useful resources:

- **GRDC website – About GRDC and Applying/Reporting** www.grdc.com.au
- **GRDC Annual Report and Grower Report** [Ground Cover Direct 1800 11 00 44, www.grdc.com.au/bookshop](http://www.grdc.com.au/bookshop)
- **Your GRDC Levy Fact Sheet** www.grdc.com.au/director/events/factsheets
- **Leecia Angus, executive manager corporate strategy and impact assessment** [02 6166 4500, Email l.angus@grdc.com.au](mailto:l.angus@grdc.com.au)

