



**Australian Government**

**Department of Foreign Affairs and Trade**

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Inquiry Secretary  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
PO Box 6021  
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CANBERRA ACT 2600

Dear Ms Fladun

Please find attached the Department of Foreign Affairs and Trade's submission to the current inquiry into the role of development partnerships in agriculture and agribusiness in promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region.

This submission highlights the Department's innovative aid approaches in the agriculture and fisheries sectors, which harness the expertise, creativity, networks and resources of numerous partners, including the private sector.

Through these partnerships, Australia is contributing significantly to development outcomes across the region, while maximising the aid program's effectiveness, value for money, sustainability and impact.

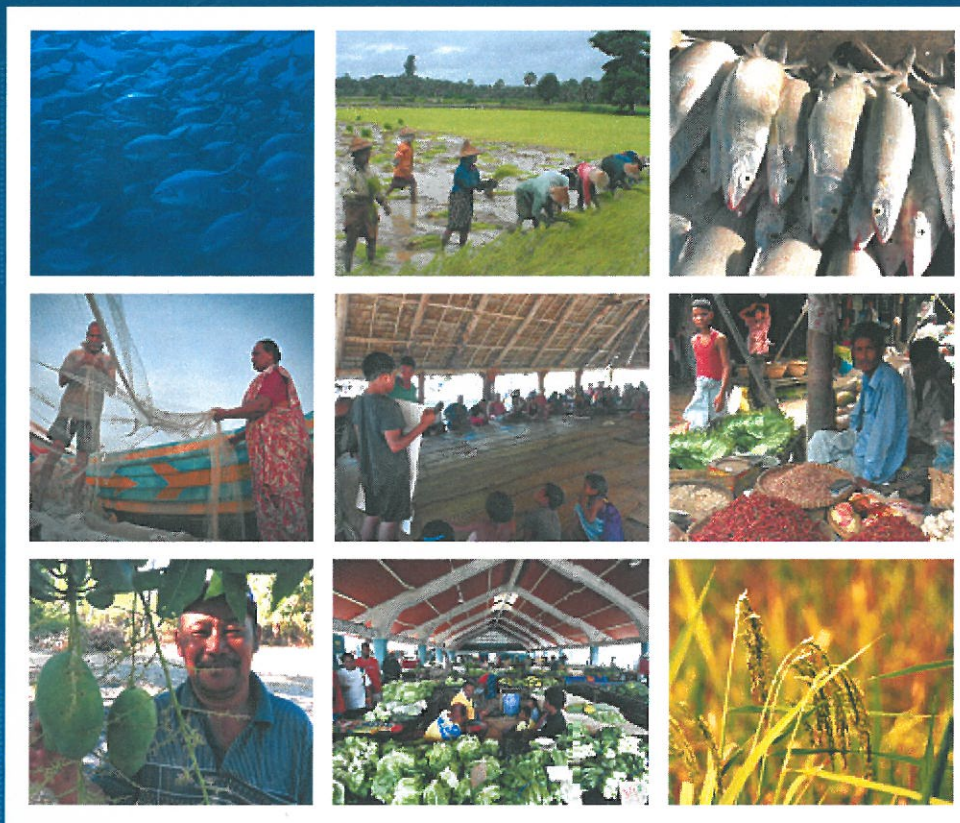
Please note that the Australian Centre for International Agricultural Research is providing a separate submission.

Yours sincerely

Elizabeth Ward  
First Assistant Secretary  
Office of Trade Negotiations



Australian Government  
Department of Foreign Affairs and Trade



## The role of development partnerships in agriculture and agribusiness in promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region

Department of Foreign Affairs and Trade submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade

November 2015

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Terms of reference

Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into:

*The role of development partnerships in agriculture and agribusiness in promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region*

The Committee will inquire into and report on the role of current and potential development partnerships in the food and agriculture sector with a range of stakeholders—including from business, civil society, the research and academic community, industry bodies and governments—in promoting prosperity, reducing poverty, and enhancing stability in the Indo-Pacific region. The inquiry will take into account the results of previous related inquiries, and will have particular regard to:

- . Australia's contribution and achievements to date in catalysing sustainable economic growth, improving livelihoods and strengthening food and nutrition security through partnerships in the agriculture and food sector in developing countries in the region
  - including the extent to which these efforts support our national interest;
- . The particular roles of agricultural innovation in supporting agricultural development and inclusive economic growth;
- . Actions and approaches to agricultural development in the region that would promote gender equity, women's economic empowerment and health;
- . The current and potential role of the private sector, including small developing-country entrepreneurs and larger Australian and international businesses, in driving inclusive and sustainable development in Indo-Pacific agriculture and food value chains;
- . Innovative modalities and practices that would enhance the contribution of all relevant stakeholders in supporting agricultural development, better nutrition and inclusive economic growth in the Indo-Pacific region.

# DFAT submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade

## Executive summary

The Department of Foreign Affairs and Trade (DFAT) manages the Australian government's aid program. DFAT's aid investments promote Australia's national interests by contributing to sustainable economic growth and poverty reduction, focusing in particular on the Indo-Pacific region.

The Government has identified 'agriculture, fisheries and water' as one of six priority areas for Australian aid. Agriculture and fisheries are key sources of jobs, incomes and exports and will continue to play an important role in economic growth and poverty reduction across the region. A projected 60 per cent rise in global demand for food by 2050 will create significant economic and business opportunities across the region, but will also present major challenges, including increasing pressure on finite resources. Close to 500 million people in our region still suffer chronic hunger and many countries struggle with the 'double burden' of both under and over nutrition. Gender inequality remains a significant barrier to realising full productive potential.

Australia's aid in agriculture, fisheries and water was valued at \$367.4 million, or 7.3 per cent of total aid spending, in 2014-15. Our aid investments work to: increase the contribution of these sectors to national economic output; increase the incomes of poor people; and enhance food, nutrition and water security in our partner developing countries.

Across DFAT's portfolio of multi-year investments, we prioritise effort in three areas:

- strengthening markets;
- innovating for productivity and sustainable resource use; and
- promoting effective policy, governance and reform.

**Development partnerships:** Delivering successful development outcomes, in line with these priorities, will require major advances in productivity, market systems, resource management and governance. DFAT harnesses the expertise, creativity, networks and resources of a wide range of partners to help tackle these challenges. Our development partnerships are fundamental to ensuring DFAT's aid investments are sustainable, achieve greater scale, maximise effectiveness and provide value for money.

For example, DFAT partners with ministries of agriculture to enable them to deliver more effectively on their mandates. Other Australian government agencies – such as the Australian Centre for International Agricultural Research (ACIAR), the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Department of Agriculture and Water Resources (DAWR) – are key research partners and providers of policy and technical expertise. Some of DFAT's best successes have come from working in partnership with the private sector – ranging from large international agribusinesses to small enterprises in partner countries – to strengthen agri-food markets. Civil society groups are also valued partners, as are multilateral and regional organisations and other bilateral donors.

**Innovation:** DFAT's development partnerships are an essential vehicle for driving agricultural innovation. We are using small amounts of aid funding to catalyse significant changes in agricultural and market systems across the region, including in Cambodia, Indonesia, Fiji, Timor-Leste and Pakistan. We are facilitating policy innovation, for example through a new regional dialogue involving agribusiness, governments and civil society. Together with ACIAR and others, DFAT is also supporting the adoption of new agricultural and fisheries technologies among our partner countries in the Indo-Pacific.

**Empowering women and achieving nutrition outcomes:** DFAT also works with a range of partners to close gender gaps, empower women and achieve nutrition outcomes. For example, with DFAT funding, an international NGO is helping the coffee industry in Papua New Guinea implement more gender-equitable policies and programs. In Indonesia, DFAT is working with local pig breeders to improve the profitability of pig rearing for low-income women. To address high rates of stunting in children, DFAT is collaborating with the Government of Timor-Leste, ACIAR and an Australian university to improve food security through increasing the productivity of major food crops. DFAT is also supporting Pacific regional organisations to address the looming 'food gap', which would see the availability of fish fall well behind the current food security and nutrition needs of Pacific Island countries.

**The way forward:** DFAT is now implementing a range of innovative agricultural development initiatives to boost productivity, strengthen agri-food markets and improve policy settings in Indo-Pacific developing countries. We will continue to draw on Australian and international scientific, business and policy capabilities to deliver market-driven solutions to development constraints facing our region. In particular, we will seek to expand the impact of Australia's development assistance in agriculture and fisheries by leveraging other sources of development finance and working with the private sector and other partners to deliver pro-poor outcomes.

# 1. Scope and context

**Terms of reference:** *The Committee will inquire into and report on the role of current and potential development partnerships in the food and agriculture sector with a range of stakeholders— including from business, civil society, the research and academic community, industry bodies and governments—in promoting prosperity, reducing poverty, and enhancing stability in the Indo-Pacific region. The inquiry will take into account the results of previous related inquiries ...*

## 1.1. Scope

This submission outlines the experience and perspectives of the Department of Foreign Affairs and Trade (DFAT) on development partnerships in the food and agriculture sector. It builds on the DFAT submission to the 2014 JSCFADT inquiry into *The role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region* (Submission 21, 7 May 2014). That submission described DFAT's approach to private sector development and private sector engagement in the Indo-Pacific region. This new submission is both narrower and broader: it focuses exclusively on the agriculture and food sector (including fisheries), while canvassing the full range of development partnerships relevant to the sector<sup>1</sup>.

## 1.2. Australia's strategic objectives and priorities

Australia's strategic approach to aid investments in agriculture must be viewed through the lens of the Australian government's new aid paradigm and broader economic diplomacy efforts. Australia's development policy is outlined in [Australian aid: promoting prosperity, reducing poverty, enhancing stability](#), launched by the Foreign Minister in June 2014.

The purpose of Australia's aid program is to 'promote Australia's national interests by contributing to sustainable economic growth and poverty reduction'<sup>2</sup>. We pursue this purpose by focusing on two development outcomes: (1) supporting private sector development and (2) strengthening human development. Aid for trade is a strong overarching theme. 'Agriculture, fisheries and water' is identified as one of six 'priority areas'.

The Government's [Strategy for Australia's aid investments in agriculture, fisheries and water](#), (the 'AFW Strategy'), released in February 2015, aligns with and supports the new aid approach. In particular, it states that Australia's aid investments in these sectors will contribute to the aid program's purpose and outcomes by pursuing three overarching (and inter-linked) objectives:

- increase contributions to national economic output;
- increase incomes of poor people; and
- enhance food, nutrition and water security.

These objectives will be met by prioritising efforts in three areas:

1. **Strengthening markets:** To help increase small-scale farmers and fishers' participation in markets and address constraints to agri-food business, including by leveraging private sector investment and innovation (with an emphasis on women's economic empowerment).
2. **Innovating for productivity and sustainable resource use:** To improve productivity along food and agriculture value chains and promote more efficient and sustainable use of natural resources, using international and Australian research and expertise.

<sup>1</sup> Aspects of 'water resource management' are also highlighted given its relevance to agricultural development and its inclusion in the Australian aid program's 'agriculture, fisheries and water' priority area.

<sup>2</sup> [Australian aid: promoting prosperity, reducing poverty, enhancing stability](#), DFAT, Canberra, June 2014.

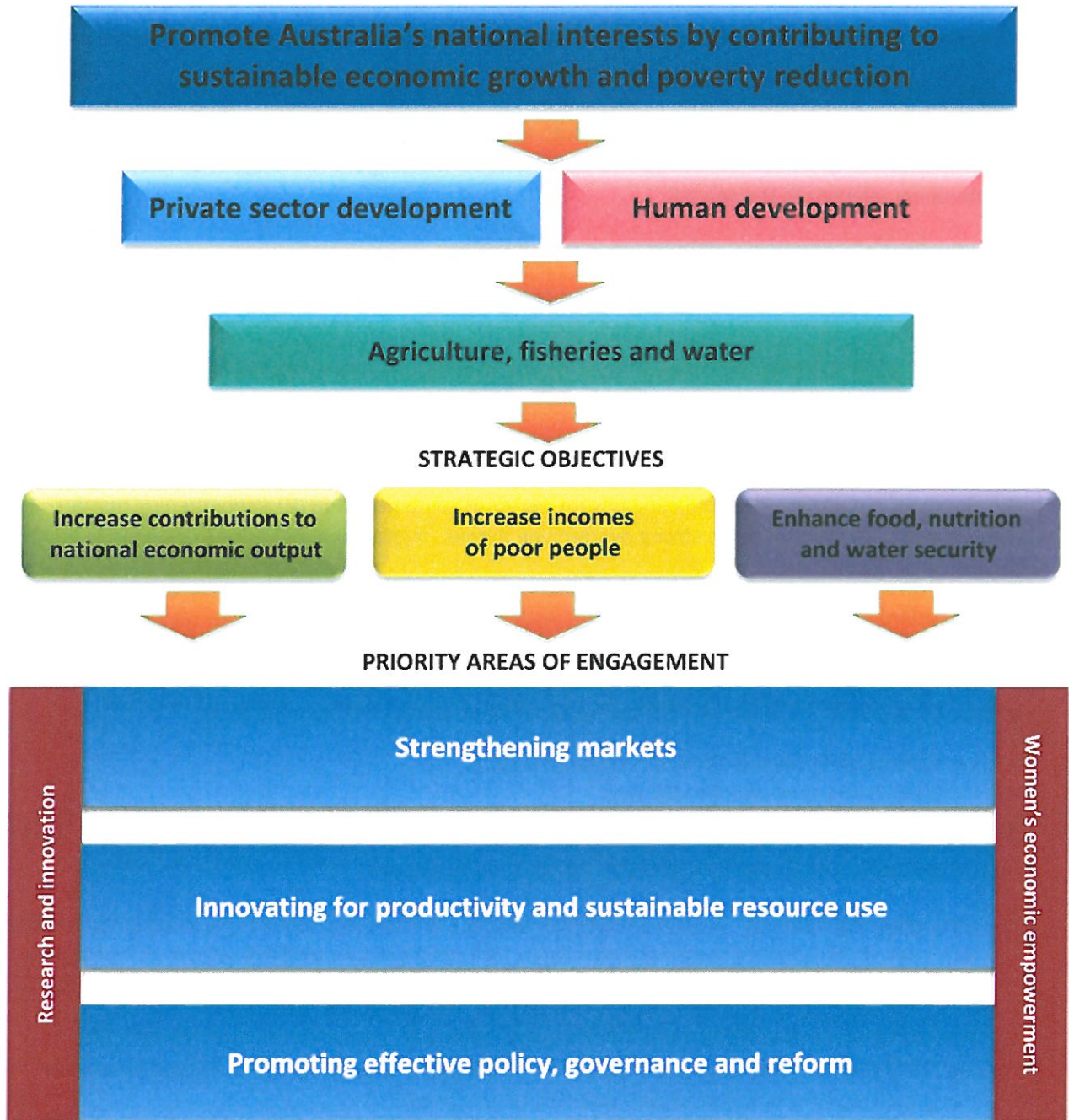


3. **Promoting effective policy, governance and reform:** To assist partner countries achieve more effective policy settings to promote sustainable and inclusive growth and open trade, and improve the enabling environment for business, investment and innovation.

Common to all three areas, the application of **research and innovation** is recognised as an integral element of the AFW Strategy. The strategy also underlines the critical role of **women's economic empowerment** in maximising development outcomes in the agriculture, fisheries and water sectors.

The following diagram illustrates the strategic framework for Australia's aid investments in agriculture, fisheries and water, as described above.

Strategic framework for Australia's aid investments in agriculture, fisheries and water



### 1.3. Global and regional challenges

*World agriculture must feed a projected population of 9 billion people by 2050, some 2.5 billion more than today, and most of the growth in population will occur in countries where hunger and natural resource degradation are already rife. Crop and livestock production systems must become more intensive to meet growing demand but they must also become more sustainable<sup>3</sup>.*

Global food demand is set to rise by 60 per cent by 2050<sup>4</sup>. In Asia, there will be an extra billion people to feed by this time<sup>5</sup>. This will create significant economic and business opportunities across the region, but will also present major challenges. Translating the opportunities into the best possible development outcomes, without compromising sustainability, will require major advances in productivity, market systems, resource management and governance. This requires taking an integrated, systems approach: interventions targeting agriculture and fisheries will often need complementary action in other areas such as water resource management, infrastructure, governance, gender equality, health, education and access to finance.

Tackling hunger remains a significant ongoing challenge. At present, enough food is produced to feed the world's population, yet 795 million people suffer hunger – nearly two-thirds of these in the Asia-Pacific region<sup>6</sup>. Moreover, poverty is inextricably tied to food security, with the poor spending more than half of their income on food<sup>7</sup>. This makes them particularly vulnerable to sudden food price increases.

At the same time, malnutrition affects one in three people worldwide and is linked to 45 per cent of deaths among children under the age of five<sup>8</sup>. Among several of our regional neighbours, including Timor-Leste, Papua New Guinea, Pakistan, Laos and Cambodia, stunting exceeds 40 per cent of children under the age of five. Moreover, a number of partner countries, particularly in the Pacific, face the so-called 'double burden' of malnutrition – that is, hunger co-exists with obesity, and/or nutrition-related non-communicable diseases (NCDs), such as type 2 diabetes and coronary heart disease<sup>9</sup>. This problem has significant health, social and economic implications for families, local communities and the region more broadly.

Fisheries are the cornerstone of food and nutrition security for many communities in the Pacific and other island states. Between 70 and 90 per cent of animal protein is derived from fisheries in many Pacific Island populations<sup>10</sup>. Fisheries are also a vital source of revenue, accounting for more than 50 per cent of total exports in about half of the Pacific Island countries<sup>11</sup>. Moreover, the Western and Central Pacific Fishery provides almost 70 per cent of global tuna production. Faced with increasing demand and declining resources, the need for effective and sustainable management of regional fish stocks and their environments is therefore of critical importance. The ongoing overcapacity of fishing fleets in the region adds to the complexity of the problem.

With capture fisheries already close to maximum catch levels, aquaculture will play an increasingly important role in the coming decades. Aquaculture is expected to surpass total capture fisheries in

<sup>3</sup> *Save and Grow*, Food and Agriculture Organisation (FAO), Rome, 2011.

<sup>4</sup> *World Agriculture Towards 2030/2050: The 2012 Revision*, FAO, Rome, 2012.

<sup>5</sup> Susantono, Bambang, "Feeding Asia safely", *Philippine Daily Inquirer*, 10 October 2015 (also published on the Asian Development Bank's website: <http://www.adb.org/news/op-ed/feeding-asia-safely-bambang-susantono>).

<sup>6</sup> *Regional Overview of Food Insecurity Asia and the Pacific*, FAO, Rome, 2015.

<sup>7</sup> *Food Security in Asia and the Pacific*, Asian Development Bank (ADB), Manila, 2013.

<sup>8</sup> *Global Nutrition Report 2015: Actions and Accountability to Advance Nutrition and Sustainable Development*, International Food Policy Research Institute, Washington, DC, 2015.

<sup>9</sup> *The State of Food Insecurity in the World 2015*, FAO, Rome, 2015.

<sup>10</sup> *Australia and Small Island Developing States: Partners in Development*, Commonwealth of Australia, Canberra, 2011.

<sup>11</sup> *Pacific Perspectives 2014: Pacific Perspectives on Fisheries and Sustainable Development*, United Nations Economic and Social Commission for Asia and the Pacific, Fiji, 2014.

2023<sup>12</sup>. Global seafood production is projected to increase by 32 million tonnes (or 21 per cent) from 2010 to 2030, with 93 per cent of this additional production expected to come from aquaculture<sup>13</sup>.

Meanwhile, demand for water is coming under increasing pressure. Globally, agriculture currently uses 70 per cent of available water resources<sup>14</sup>, but rising energy demands, combined with urbanisation, pollution and climate variability, are posing significant challenges for water security. Global water demand (in terms of water withdrawals) is predicted to increase by 55 per cent by 2050 and more than 40 per cent of the world's population is projected to be living in areas of severe water stress by this time<sup>15</sup>. Water insecurity is being felt acutely across the Asia-Pacific, with about three-quarters of the countries in the region assessed as having either low levels of water security, or having barely begun to improve their water security<sup>16</sup>.

At least in the medium term, ongoing food and water security concerns in our region are also expected to be compounded by the return of the El Niño weather event. Previous El Niño episodes have caused climatic variations with significant impacts on agriculture and consequent implications for food security. The last two severe episodes – in 1997-98 and 1982-83 – resulted in significant crop damage and a surge in food prices. A number of meteorological authorities worldwide have predicted that the current event will be the strongest on record.

#### 1.4. Agricultural development and Australia's national interest

Development partnerships in the agriculture and fisheries sectors are an important contributor to the aid program's purpose: 'to promote Australia's national interests by contributing to sustainable economic growth and poverty reduction'. These sectors remain key sources of jobs, incomes, exports and food security across much of the Indo-Pacific region. Ensuring the continuity of a safe and nutritious supply of food is both a development and a security issue<sup>17</sup>, and underpins trust in the global trading system. Our aid helps catalyse investment and action to drive inclusive growth<sup>18</sup>, providing benefits for both our partner countries and Australia in terms of market growth, increased trade and greater regional stability.

Efficient, open and transparent agri-food markets are critical to raising farmers' incomes and promoting food security, allowing food to move to where it is needed. However, among a number of countries in the Indo-Pacific region, key enabling mechanisms such as infrastructure and financial services may be inadequate, especially in rural areas. Some economic and trade measures, including price support, tariffs, subsidies, export restrictions and certain food self-sufficiency programs, can also distort markets and constrain economic development.

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<sup>12</sup> OECD-FAO *Agricultural Outlook 2016-2024*, OECD & FAO, Rome, June 2015.

<sup>13</sup> *Fish to 2030: Prospects for fisheries and aquaculture*, World Bank Report 83177, World Bank, Washington DC, 2013.

<sup>14</sup> *Water withdrawal by sector, around 2006*, Aquastat, FAO, Rome, 2012.

<sup>15</sup> *United Nations World Water Development Report 2014: Water and Energy*, United Nations World Water Assessment Program (UNWWAP), UNESCO, Paris, 2014.

<sup>16</sup> *Asian Water Development Outlook 2013*, ADB, Manila, 2013.

<sup>17</sup> The 2007-08 food price crisis – which is estimated to have pushed up to 155 million people into poverty and 115 million into hunger – led to civil unrest in several countries, demonstrating the importance of food security for stability. Sources: *Global Economic Prospects 2009: Commodities at the Crossroads*, World Bank, Washington DC, 2009; and *Responding to the food crisis: Synthesis of medium-term measures proposed in inter-agency assessments*, FAO, Rome, 2009.

<sup>18</sup> The OECD defines 'inclusive growth' as economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society. See: <http://www.oecd.org/inclusive-growth/>.

### Trade and development: harnessing synergies

DFAT's trade policy and advocacy efforts strengthen and complement our aid investments. Open and well-functioning markets in developing countries can boost agricultural growth and food availability, while reducing the cost of food, price volatility and uncertainty of supply. Agriculture, however, is the most distorted sector of world trade. The World Bank has estimated that reforming trade rules for agriculture would boost global income by \$US 265 billion<sup>19</sup>. As many developing countries have a comparative advantage in agriculture, much of this gain would go to developing countries.

The importance of trade reform for development is recognised in the recently-agreed global Sustainable Development Goals (SDGs), where the food security goal includes the following target:

*Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round.*

The Cairns Group of 20 agricultural exporting countries, chaired by Australia, has played a leading role in promoting global agricultural trade reform since its formation in 1986. The Cairns Group advocates for the increased liberalisation of trade in agricultural goods, a cause that unites both the developing and developed country members in the Group.

Australia's bilateral, regional and plurilateral Free Trade Agreements (FTAs) – which include coverage of the agriculture sector – also play an important role in reducing trade barriers and facilitating regional food production supply chains. By strengthening the external trade environment, FTAs complement other activities, including aid investments, aimed directly at improving agricultural productivity and market systems.

Typically, as economies develop, the relative contribution of agriculture and fisheries to Gross Domestic Product (GDP) and economic growth generally declines. However, a recent Asian Development Bank (ADB) report argues that agriculture will remain crucial to our region's future economic transformation<sup>20</sup>. Specifically, it states that agriculture is important not only to economic development in low-income countries, but also to equitable and broad-based growth in middle-income countries that still have high levels of employment in the rural sector.<sup>21</sup>

Economic development in the agriculture and fisheries sectors has a major impact on poverty reduction. Over 70 per cent of the extreme poor live in rural areas<sup>22</sup> and depend heavily on these sectors for their livelihoods. World Bank analysis also shows that growth in the agriculture sector is two to four times more effective in lifting people out of poverty than comparable growth in other sectors<sup>23</sup>. The ADB recommends that paying greater attention to the role of agriculture in development can help the poor trace pathways out of poverty, through improved livelihoods, market access for smallholders, an increase in skilled employment in rural areas, and establishment of efficient value chains<sup>24</sup>.

Fisheries revenues now help to underpin the economic and broader security interests of the Pacific region. Our strategic focus has shifted to better managing these revenues and ensuring they continue to contribute to island economies for decades to come. Pacific fisheries directly contribute US\$350 million in licence fees to Pacific Island countries, and a further estimated US\$350 million in GDP through associated employment and investment. By 2020, the overall annual return to island

<sup>19</sup> *Global Agricultural Trade and Developing Countries*, World Bank, Washington DC, 2005.

<sup>20</sup> *Agriculture and Structural Transformation in Developing Asia: Review and Outlook*, ADB Economics Working Paper, ADB, Manila, 2013.

<sup>21</sup> *ibid.*

<sup>22</sup> *The Rural Poverty Report*, International Fund for Agricultural Development, Rome, 2011.

<sup>23</sup> *World Development Report 2008 - Agriculture for Development*, World Bank, Washington DC, 2008.

<sup>24</sup> *Agriculture and Structural Transformation in Developing Asia: Review and Outlook*, *op.cit.*

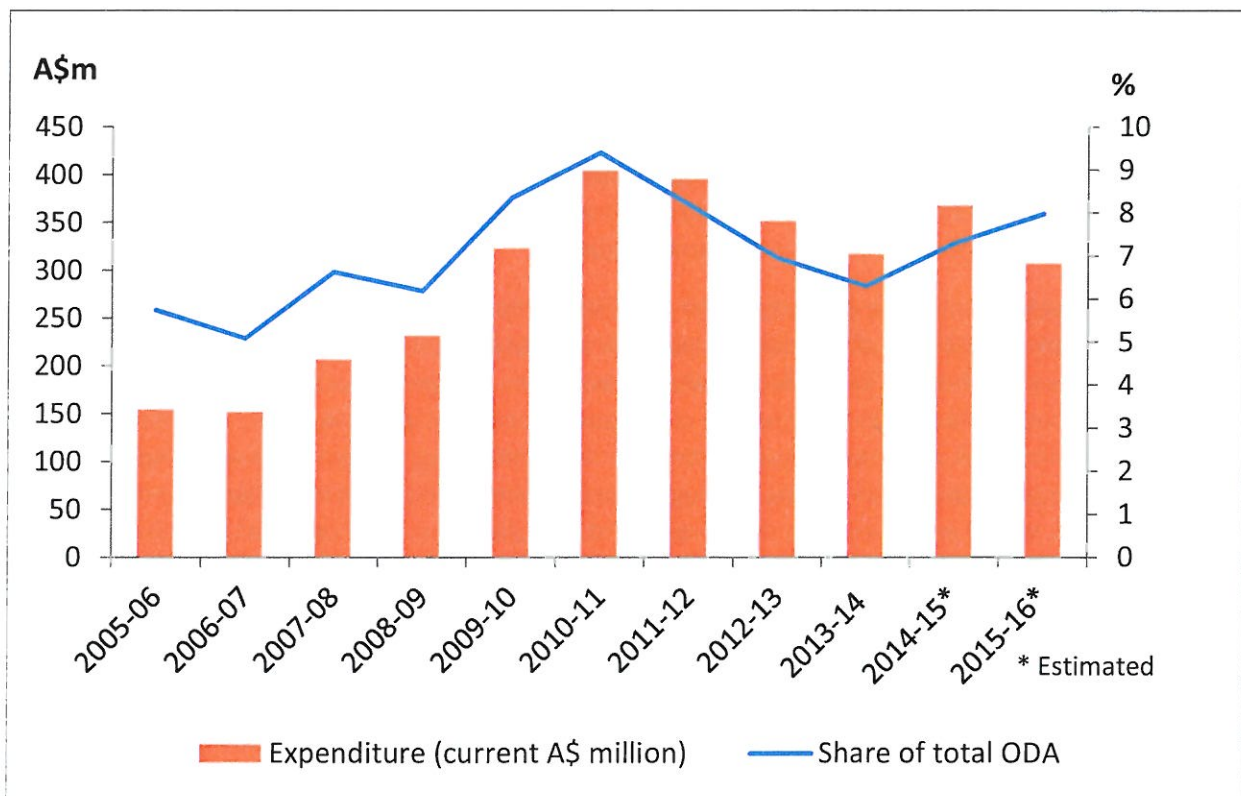
countries from fishing is likely to exceed US\$1 billion. For the smaller micro-states (such as Kiribati and Nauru), revenues from tuna access fees can exceed 60 per cent of total government revenue. Agriculture and inshore fisheries are vital to food security and nutrition, but face enduring threats from population growth, climate change and other environmental factors.

Stronger rural livelihoods in developing countries serve Australia’s national interests. Better pest and disease management on farm, in transit, in processing and better quarantine services at borders reduce the likelihood of outbreaks in Australia and give greater stability to the lives of people in our region. Better health from more nutritious diets reduces the burden on health systems and allows people to live full and productive lives. Creating new jobs, business opportunities and investment in agriculture and fisheries can help tackle growing disparities in wealth between rural and urban populations, and address the high rates of youth unemployment in rural areas. In times of drought, conflict and natural disasters, more resilient production systems mean people are less impacted and can recover more quickly. This may mean that the scale of migration from rural to urban areas (and beyond) is more manageable.

### 1.5. Aid resources for agriculture and fisheries

Over the past decade, agriculture<sup>25</sup> has accounted for between 5.1 and 9.4 per cent of Australia’s total official development assistance (ODA) (see the chart below). In 2014-15, expenditure on the sector is estimated at \$367.4 million, or 7.3 per cent of ODA – see the table below and [Annex B](#). Australia’s ODA in agriculture and fisheries will contribute substantially to achieving the Government’s 20 per cent aid-for-trade target by 2020, given these sectors currently account for over a quarter of Australia’s aid-for-trade expenditure<sup>26</sup>.

Australia’s agriculture ODA over time



<sup>25</sup> The 'agriculture' priority area under Australia's current development policy includes 'fisheries', 'water resource management', 'forestry' and 'rural development'.

<sup>26</sup> ODA investments reported under the OECD DAC's 'rural development' code, on the other hand, do not count as aid for trade.

Australia's ODA for agriculture, fisheries and water: 2014-15 estimated outcome (\$m)

	<b>DFAT</b>	<b>ACIAR</b>	<b>Other APS agencies</b>	<b>Total</b>
Agriculture	128.8	76.5	4.5	209.8
Fisheries	11.1	4.2		15.3
Forestry	3.1	4.9	0.1	8.1
Rural development	91.0			91.0
Water resource management	43.2			43.2
<b>Total</b>	<b>277.2</b>	<b>85.7</b>	<b>4.5</b>	<b>367.4</b>

## 2. Innovation and partnerships for agricultural development

**Terms of reference:** *The Committee will inquire into and report on the role of current and potential development partnerships in the food and agriculture sector with a range of stakeholders— including from business, civil society, the research and academic community, industry bodies and governments—in promoting prosperity, reducing poverty, and enhancing stability in the Indo-Pacific region...The particular roles of agricultural innovation in supporting agricultural development and inclusive economic growth...*

### **Why innovate in aid and development?**<sup>27</sup>

*The world is changing. Fast. New pockets of poverty. New technologies. New sources of development finance. New players. New opportunities. It is clear that our approach to development must adapt and keep pace.*

*We believe that innovation – finding new ways to solve problems – holds the key to progress and success in our world. Innovation can help deliver development solutions that are cheaper, faster and more effective. By thinking differently about risk, we can make investments with greater reward and greater impact.*

*We know we don't have all the answers. But by being open to new perspectives and encouraging fresh thinking, we believe we can find new ways to tackle our toughest challenges and seize the most exciting opportunities.*

### 2.1. International trends in innovation

Global innovations in agricultural development have been progressing in three areas:

- **Market systems development and private sector partnerships:** Aid funding is small, relative to private sector investment, the size of agri-food markets and the scale of development challenges. In developing countries, the private sector funds 60 per cent of all investments and provides 90 per cent of jobs, and private capital accounts for 80 per cent of finance flows. Given these factors, donors can potentially achieve a far larger impact if they use aid funding to leverage private sector resources and catalyse pro-poor commercial activity. DFAT approaches are outlined in Chapter 4 below.
- **Policy environment:** Creating an enabling policy environment, access to financial services, good infrastructure and an open and transparent trade regime are critical for agricultural development that supports inclusive growth and food and nutrition security. Innovation is needed in how national governments, donors, agriculture and food sector businesses, the financial sector and international organisations collaborate to improve the enabling environment. The importance of a 'systems approach' was emphasised in the *G20 Food Security and Nutrition Framework* (developed during Australia's presidency in 2014)<sup>28</sup>. Strengthening the evidence base for sound policy, and engaging policymakers through various dialogue mechanisms, can also help strengthen policy settings. Examples of DFAT initiatives are provided in Chapter 3.
- **Scientific and technological advances:** Advances in agricultural technology have been responsible for the 'Green Revolution' of the 1960s and 1970s and ongoing productivity increases. New technology is required to meet the world's growing food needs, as well as to promote efficient and sustainable use of natural resources (including fish, water, land and genetic resources) that are under threat from over-exploitation and climate change. Many countries also need to develop technologies to overcome their biosecurity challenges to enable access to

<sup>27</sup> DFAT innovationXchange website: <https://innovationxchange.dfat.gov.au/>.

<sup>28</sup> Australia 2014 G20 website: [http://www.g20australia.org/official\\_resources/g20\\_food\\_security\\_and\\_nutrition\\_framework](http://www.g20australia.org/official_resources/g20_food_security_and_nutrition_framework).

international markets and help address the spread of exotic pests and diseases. Innovations in the development and use of information and communication technologies (ICT) have massive potential to help drive agricultural development and overcome poverty. For example, mobile phones can provide farmers with financial services (through phone banking), market information or extension services. Innovative application of ICT is also increasing the efficiency and reducing the costs of biosecurity management and trade in agricultural commodities.

## 2.2. DFAT's commitment to innovation

The Australian government has made important commitments to fostering research and innovation in the aid program, as exemplified through the launch of DFAT's innovationXchange in March 2015 and support for the Global Innovation Fund.

DFAT's agricultural aid portfolio has been well placed to respond to these new policy priorities. As outlined in the remaining chapters of this submission, the sector has been a fertile source of research innovations utilising Australia's agricultural science capability, and has been at the forefront of applying market-driven solutions to the challenges of international development.

### Innovation for the Blue Economy

The Hon Julie Bishop MP announced a \$3-million Blue Economy Aquaculture Challenge during the Indian Ocean Rim Association (IORA) Council of Ministers Meeting in Padang, Indonesia on 23 October 2015. This Challenge is the culmination of extensive work by DFAT's innovationXchange, in partnership with CSIRO, to identify areas that have potential for transformative change in the 'Blue Economy'<sup>29</sup>, in particular the Indian Ocean. The Challenge will focus on developing aquaculture technologies and systems that grow economies and improve the lives of people living in poverty. It will achieve this by identifying new opportunities and new sustainable food and protein sources, while ensuring positive environmental and social impacts.

Aquaculture has enormous potential to provide a significant proportion of the world's nutrition and, in particular, its protein needs. However, many aquaculture farms are environmentally and economically unsustainable and have poor working conditions. Moreover, 90 per cent of aquaculture occurs in developing economies without access to the latest technologies or sufficient capital for investment. As such, reengineering aquaculture has the potential to drive economic development and improve the lives of people living in poverty. By working in partnership, DFAT is able to bring to bear Australia's substantial assets, knowledge and expertise in the field of productive and sustainable management of ocean resources.

## 2.3. The importance of partnerships

Australia is a highly efficient agricultural producer with extensive expertise in agricultural policy, agronomy, research, marketing and agribusiness management. DFAT draws on this, and expertise from around the world, to support economic growth in the region's agriculture and food sectors. Partnerships are fundamental to the way DFAT operates in the agriculture and fisheries sectors. We take a pragmatic approach, identifying the best partners to work with to deliver results. Our partners include governments, the private sector, non-government organisations and research institutions.

DFAT's partnership approach is essential to achieving value for money from taxpayers' funds. Working in partnerships is far less expensive than trying to deliver goods and services ourselves. Agricultural ODA is a relatively small investment compared to foreign direct investment, domestic private sector investment, remittances, and even partner government investment. A partnerships

<sup>29</sup> The Indian Ocean Rim Association (IORA) defines the 'Blue Economy' as 'marine economic activity, including fishing, renewable energy, mineral exploration and coastal tourism'.



approach allows us to leverage these other key sources of finance to substantially amplify our limited ODA budget.

Working in partnership is vital to the sustainability of our work. By partnering with existing service providers and businesses, impacts can continue after our program funding ends. Getting to know our partners and their incentives is important, so we can identify how these incentives align with our development objectives.

Partnerships also allow us to achieve scale and improve our effectiveness by leveraging a wide range of expertise, creativity, networks and resources. External sources of expertise required to design and deliver effective aid investments are often far broader than what would normally be available in-house. Moreover, DFAT cannot replicate the intimate knowledge of local context and culture possessed by some other organisations operating in the countries where we work.

Nor can DFAT replicate the vast networks of farmers that local market actors engage with on a daily basis – buying their products, supplying farm inputs, providing financial services or employing their labour. For example, by working with one fertiliser company in Cambodia with a network of 500 retailers across the country, each serving at least 70 farmers, our Cambodia Agricultural Value Chain Program (CAVAC) can reach 35,000 farmers.

## 2.4. Types of partners

### 2.4.1. Partner governments

Partner governments in developing countries are the first point of contact in all of DFAT's development work. Through close dialogue with partner governments, DFAT identifies where their development priorities overlap with Australian interests and capabilities. In many cases, this leads us to partner with organisations outside of government. In other cases, we work with governments themselves, for example with ministries of agriculture.

DFAT supports a number of ministries of agriculture throughout our region to help develop policies and strategies that enable them to deliver on their mandates. This includes advice on institutional reform, human resources and budget execution. It also includes technical advice in relation to government farm extension services, quarantine and biosecurity. For example, in the Solomon Islands, DFAT has been supporting the Ministry of Agriculture since 2008, in partnership with the World Bank. This support has helped to build the Ministry's capacity to identify agricultural pests and diseases, advise farmers on pest management and strengthen border controls to prevent pests and diseases spreading through the region.

### 2.4.2. Australian government and research partners

Australian government agencies, both within and outside the Foreign Affairs and Trade portfolio, bring specialist skills and policy leadership on particular aspects of agricultural development. For example, the Australian Centre for International Agricultural Research (see ACIAR's separate submission) funds collaborative projects between Australian and developing-country researchers. In addition to ACIAR's direct budget allocation (\$91.7 million in 2015-16), DFAT partners with ACIAR on several major agriculture and fisheries programs. In recent years, DFAT funding has accounted for between 20 and 25 per cent of ACIAR's total budget.

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) is a key research partner and technical knowledge provider. Its expertise, particularly on agricultural systems innovation and private sector engagement, is highly valued and recognised internationally.

The Food Systems Innovation initiative (FSI), a partnership between CSIRO, ACIAR and DFAT, is aimed at increasing development outcomes through the practical application of agricultural research. FSI has focused on linking development programs with research and evidence on the role of agriculture in addressing malnutrition, and the role of the private sector in agriculture and poverty reduction.

Several Australian universities are also important research partners in the aid program. For example the University of Sydney is collaborating on projects relating to village poultry production, while DFAT engages closely on fisheries research with the University of Wollongong through the Australian National Centre for Ocean Resources and Security (ANCORS).

There are a number of points of policy intersection between DFAT's agricultural productivity and food security activities and the work of the Department of Agriculture and Water Resources (DAWR). DAWR manages, inter alia, Australia's relationship with the UN Food and Agriculture Organisation (FAO) and the International Treaty on Plant Genetic Resources for Food and Agriculture, as well as Australia's international engagement on water resource management and fisheries issues. The promotion of harvest strategies to ensure the sustainability of fish stocks in the Pacific and Indian Oceans is led by DAWR in collaboration with DFAT and other partners.

#### 2.4.3. Multilateral organisations

At the global level, DFAT manages Australia's participation in major multi-country partnerships – including through the United Nations and its subsidiary organs. For example, we are the lead agency on *Agenda 2030* – the global development goals – one of which is the elimination of hunger. As noted in Chapter 1, DFAT also supports agricultural development through our international trade partnerships, ranging from the Cairns Group in the World Trade Organisation (WTO) to various bilateral, regional and plurilateral free trade agreements (FTAs). DFAT also coordinates Australia's engagement in a number of G20 workstreams, including on development, where food security is a longstanding topic of interest.

Other key international partners include the World Bank and its private sector development arm, the International Finance Corporation (IFC). Along with other leading global donors, we support key multilateral initiatives such as the Global Agriculture and Food Security Program (GAFSP) and AgResults. We are also a contributor to the Global Crop Diversity Trust (GCDDT).

#### 2.4.4. Regional organisations

At the regional level, we participate in various food security and fisheries fora, including through Asia Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations (ASEAN) and the Indian Ocean Rim Association (IORA). We also partner with the Asian Development Bank (ADB) on a number of collaborative rural development projects in the region.

DFAT works closely with regional partners to improve the management of fisheries and agriculture resources. In the Pacific, we engage with the principal regional fisheries bodies – the Pacific Islands Forum Fisheries Agency (FFA), the Secretariat of the Pacific Community's (SPC) Division of Fisheries, Aquaculture and Marine Ecosystems (FAME), and the office of the Parties to the Nauru Agreement (PNA). We also support a broader economic diplomacy agenda within the Pacific Islands Forum (PIF).

SPC is also a key partner in support of increased agricultural productivity and trade. Its regional programs support Pacific Island governments and the private sector, in areas such as organic certification, value-chain development, biosecurity management and pest control. DFAT also supports Pacific Islands Trade and Invest (PT&I), the Pacific trade and investment facilitation agency, to increase agricultural and niche value-added product exports and investment in agribusiness.

#### 2.4.5. Other donors and global networks

On agriculture, food security and fisheries issues, DFAT engages bilaterally with its aid agency counterparts in a number of likeminded OECD member countries, most notably Canada, Germany, New Zealand, the Netherlands, the United Kingdom and the United States. Cooperation is mostly through multilateral initiatives such as GAFSP and AgResults, inter-governmental fora such as APEC, and networks such as the Global Donor Platform for Rural Development (GDPRD) and the Scaling Up Nutrition (SUN) donor network.

#### 2.4.6. Business and industry bodies

DFAT's engagement with the private sector for agricultural and fisheries development is outlined more fully in Chapter 4 of this submission. We are involved with the World Economic Forum (WEF), both as a lead donor to its 'Grow Asia' initiative, and through participation in its Transformation Leaders Network. We have various forms of collaboration with leading multinational corporations, including Syngenta Asia-Pacific, Olam International, Nestle, Bayer CropScience, Unilever and Rabobank. Our market development programs also partner with numerous local agricultural businesses and businesses that support agriculture, in areas such as finance, transportation, packaging, marketing, and input supply, to improve opportunities for the poor.

We draw on the research and program delivery skills and capacities of leading consulting and implementing organisations, including Palladium (formerly GRM International), Cardno, Adam Smith International and Carana Corporation. In the context of our engagement with Australian agribusinesses, we also consult key industry peak bodies and interest groups, such as the Australian Food and Grocery Council and Food Innovation Australia Ltd.

Many countries lack public-private dialogue mechanisms that can enable agribusiness activity. In the Pacific, Australia's Pacific Horticultural and Agricultural Market Access (PHAMA) program works with national governments to convene Market Access Working Groups. These working groups provide the link between farmers, processors, exporters and government to identify and address key issues constraining market access and the development of agricultural trade.

#### 2.4.7. Civil society

DFAT works with numerous non-government organisations (NGOs), including through the Australian NGO Cooperation Program (ANCP). NGOs are valued partners, often bringing resources and knowledge not available to other development actors, as well as strong local community connections and trust. DFAT's main NGO partners in the agriculture and fisheries sectors include: Oxfam Australia, World Vision Australia, World Wide Fund for Nature (WWF) Australia, Fairtrade Australia and New Zealand, CARE Australia, Save the Children, ActionAid, Worldfish, The Nature Conservancy and Rare.

Philanthropic organisations, most notably the Bill and Melinda Gates Foundation (Gates Foundation), are also playing an increasing role as partners in agricultural development initiatives. For example, like Australia, the Gates Foundation is a major donor to GAFSP and AgResults.

### 3. Contribution and achievements

**Terms of reference:** ...Australia's contribution and achievements to date in catalysing sustainable economic growth, improving livelihoods and strengthening food and nutrition security through partnerships in the agriculture and food sector in developing countries in the region, including the extent to which these efforts support our national interest...

#### 3.1. Evolving approaches

Australia's aid program has a long history of working in the Indo-Pacific region to address development challenges in agriculture. Our agricultural programs have a good track record – improving the lives of people throughout the region and serving Australia's national interests by contributing to poverty reduction, stability and prosperity.

Partnerships with Australia's development NGOs have helped local communities improve their agricultural productivity and food security. Scholarships and awards programs have helped build the capacity of policymakers and researchers in these sectors. In addition, Australia has been a good international citizen, contributing early and generously to global food security initiatives such as the Global Agriculture and Food Security Program, AgResults and the Global Crop Diversity Trust.

Australia's research excellence and technical expertise in agriculture have long been recognised and highly valued, both in the region and globally. Since its establishment in 1982, ACIAR has become a global leader in developing and delivering effective agricultural research partnerships in developing countries<sup>30</sup>. Australia also has world-leading expertise in biosecurity and food safety, providing support in these areas to improve partner countries' domestic production and export income, as well as enhancing regional pest and disease management. Through the aid program, DFAT and its partners have provided innovative solutions to increase agricultural productivity, helping farmers across the Indo-Pacific to increase their yields and farm more sustainably.

#### **Solomon Islands Cocoa among the world's best<sup>31</sup>**

*HONIARA, 02 NOVEMBER 2015 (PACNEWS) — Cocoa grown, fermented and dried in Solomon Islands has won a leading international cocoa award overnight in Paris, France...*

*Earlier this year the Australian Government sponsored a sample of cocoa grown by Solomon Islands cocoa farmer, David Kebu Junior, to enter the International Cocoa of Excellence Programme. Last night, the Solomon Islands entry was awarded an International Cocoa Award – one of only seventeen recipients from around the world...*

*David has worked with a number of Australian Government programs to increase his yields and quality of his cocoa harvest. Through the Pacific Horticultural and Agriculture Market Access Program (PHAMA), David has trialled new sun assisted drying techniques for Solomon Islands.*

*Solomon Islands Commodities Export Market Authority Chairman Alfred Ramoagalo is excited about Solomon Islands' first cocoa award.*

*"Solomon Islands cocoa receiving an International Cocoa Award highlights the quality of our cocoa on the international stage. It puts us on the map and hopefully in the minds of chocolate producers across the world", he said.*

*Sun assisted dried cocoa, and increasing yields through plantation management has the potential to achieve greater export returns for local farmers in Solomon Islands. The Australian Government is continuing its support for local farmers to develop solar drying processes here in Solomon Islands...*

<sup>30</sup> As noted in Section 2.4.2., ACIAR receives its own aid budget appropriation, as well as receiving funds from several DFAT country programs to deliver specific projects (see [Annex A](#) for examples).

<sup>31</sup> "Solomon Islands Cocoa among the world's best", PACNEWS, Pacific Islands News Association, 2 November 2015.

Australia has provided sustained and substantial aid program support to the fisheries sector in the Pacific for over 30 years, and is a founding member of both the Pacific Islands Forum Fisheries Agency (FFA) and the Secretariat for the Pacific Community (SPC). Working with these bodies, Australia has: delivered research, programs and technology to facilitate and promote domestic industry investment in the region; strengthened measures to address Illegal, Unregulated and Unreported (IUU) fishing; updated laws to incorporate regional and international obligations; and investigated and implemented measures to increase food security.

Strong performance management systems (outlined in Section 3.2 below) have enabled aid managers to learn from Australia's extensive experience in agriculture and fisheries, using these lessons to adapt, evolve and improve aid approaches.

A 2012 evaluation of Australia's rural development assistance found that:

*The lives of large numbers of poor rural people had been improved as a result of Australian interventions. Australian aid has helped poor rural women and men access more value from new markets, make more effective use of scarce natural resources, and accumulate assets so that they can afford to send children to school, pay for health care and gain access to other essential services<sup>32</sup>.*

However, that review also noted the shortcomings of a narrow focus on increasing agricultural production at the local level without sufficiently considering the wider market, policy and trade environment: *'even excellent research will not translate into development outcomes if the context is unsupportive or there is an unmet need for other interventions'*<sup>33</sup>. It called for a more systemic approach, based on a strong analysis of the political, economic and social environment.

The review acknowledged that significant progress was already being made in this direction:

*In the past, much of Australia's rural development assistance has typically been delivered through a series of relatively small projects. It is now moving to larger, more dynamic, market-oriented programs designed to achieve substantial and sustainable poverty benefits at scale. Of the interventions reviewed, those that generated the deepest pro-poor impacts were focused on adjusting underlying constraints in the rural economy—changing the 'rules of the game'—to help the poor and disadvantaged achieve the surpluses and trading opportunities to provide a sustainable pathway out of poverty.<sup>34</sup>*

Consistent with these findings, an increased focus on larger initiatives designed to strengthen 'market systems' has become the dominant feature of DFAT's agricultural development portfolio in recent years (see Chapter 4). The department's programs have focused increasingly on creating the enabling economic and market conditions that drive investment, link farmers to markets, spur innovation and encourage local entrepreneurship. In pursuing these market-driven approaches, DFAT has also recognised the need to engage more effectively with a range of national and international private sector operators to catalyse investment and address impediments to value chain development.

The importance of understanding gender dynamics in delivering effective aid programs is being increasingly recognised (see Chapter 5). Women play an essential but often unheard role in agriculture and fisheries. A DFAT gender stocktake in 2014<sup>35</sup> noted that greater attention to gender dimensions, and improved planning to address gender equality gaps, were necessary to maximise results and impact from our programs.

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<sup>32</sup> *From Seed to Scale-Up: Lessons learned from Australia's rural development assistance*, Office of Development Effectiveness, AusAID, Canberra, April 2012.

<sup>33</sup> *Ibid.*

<sup>34</sup> *ibid.*

<sup>35</sup> *Smart economics: evaluation of Australian aid support for women's economic empowerment*, Office of Development Effectiveness, DFAT, Canberra, August 2014.

DFAT is also working to strengthen the integration of nutrition considerations into the design of its agricultural development programs (see Chapter 6). A major new investment in Timor-Leste features this 'nutrition-sensitive agriculture' approach.

The Government's economic diplomacy focus, together with the strong aid policy emphasis on private sector development, aid for trade, gender equality and the empowerment of women, have given further impetus to these evolving trends in DFAT's approach to agricultural development assistance.

### 3.2. Measuring performance

A key feature of the Australian aid program's capacity to evolve, adapt and improve, and to be accountable for its taxpayer funding, is its performance measurement systems and processes. Last year, the Government introduced a new performance framework, [\*Making Performance Count: enhancing the accountability and effectiveness of Australian aid\*](#). The new framework links performance with funding and ensures a stronger focus on results and value for money. It operates at all levels of the Australian aid program, with ten high-level targets to assess the aid program against key goals, including on gender equality and aid-for-trade.

At the sectoral level, DFAT assesses its portfolio of aid investments in agriculture and fisheries by analysing a number of different information sources, including:

- **Aggregate Development Results (ADRs)** to obtain a high-level quantitative analysis across the aid portfolio;
- **Aid Quality Checks (AQC)s** of country and regional aid investments to understand progress, achievements and trends across the sector;
- **Aid Program Performance Reports (APPRs)** to assess strategies and investments in country and regional programs;
- **data on agriculture and fisheries performance indicators** collected through investment-level monitoring and evaluation frameworks, and through external, independent assessments;
- **ACIAR's own documentation**, including annual reports, reviews, adoption studies, impact assessments and technical publications.

### 3.3. Recent achievements in agriculture

#### Aggregate results at a glance

In 2014-15, DFAT's aid interventions resulted in:

- 637,291 poor women and men adopting innovative agricultural and fisheries practices; and
- agriculture and fisheries production increasing in value by over US\$46 million.

DFAT's current portfolio of aid investments in agriculture comprises a diverse mix of programs that enable poor men and women to increase their incomes in a variety of ways, including through: increasing agricultural production, improving product quality, reducing the cost of production and post-harvest losses, and strengthening market linkages. Since the policies and budget decisions of developing country governments can have a major impact on agricultural development, many of DFAT's programs also seek to engage policymakers and support reform efforts.

### Policy engagement

In June 2015, DFAT entered into an ASEAN Food Security Policy Partnership with the Organisation for Economic Cooperation and Development (OECD). Through this partnership, the department is supporting the OECD's current work to build the evidence base, and intensify policy engagement with ASEAN member countries, on policy options to address short-term and long-term food security challenges in Southeast Asia. Other relevant organisations, such as the Food and Agriculture Organisation and the Asian Development Bank, are also participating in regional workshops run under this DFAT-funded initiative.

In the South Asia region, DFAT is supporting transboundary cooperation on water, energy and agriculture through the Sustainable Development Investment Portfolio (SDIP). DFAT is partnering with CSIRO, ACIAR and regional organisations to make available Australian scientific capability and technical and policy knowledge on agricultural and water resources management. This is helping to drive an innovative policy reform program in the region.

Innovation in policy reform and the business enabling environment requires effective dialogue between business and government. DFAT is supporting the 'Grow Asia' partnership, which provides a mechanism for political leaders to engage with business and other stakeholders involved in the agriculture sector. The initiative has strong backing from ASEAN agriculture and forestry ministers.

A key strength of DFAT's agricultural development programs in recent years has been the recognition that some of the best opportunities for innovation and poverty reduction exist in connecting demand with supply in partnerships beyond the farm gate, among processors, transport operators, retailers, input suppliers and consumers. Our market development programs increase the incomes of the poor by changing market systems in ways that stimulate additional production, marketing or agribusiness opportunities, or through increased employment in rural communities (see section 4.3). A major achievement of DFAT's recent work in this sector is not only the results these programs have delivered, but the accumulation of experience and lessons learned in working with these predominantly private sector organisations to reduce poverty. These lessons are now being utilised more broadly across the aid program.

Achievements from some of Australia's larger aid investments in agriculture are highlighted below.

### Recent achievements

- **Cambodia Agricultural Value Chain Program (CAVAC):** CAVAC is training around 20,000 progressive and entrepreneurial farmers in new agricultural technologies. These 'model' farming households will be encouraged to share their knowledge with an estimated 120,000 other households. In 2014-15, it is estimated that the model farmers increased their rice yields by 8 per cent or 200 kg per household. This equates to US\$3.7 million worth of additional production.

A separate component of CAVAC plans and builds irrigation infrastructure. In 2014-15, 5,700 households benefited from this, resulting in production of an additional 100,000 tonnes of paddy rice, valued at over US\$20 million<sup>36</sup>.

- **Pacific Horticultural and Agricultural Market Access Program (PHAMA):** PHAMA is a Pacific-wide program helping the agriculture industry access export markets, including Australia. Among other successes, it has played a direct role in enabling the Solomon Islands to preserve vital export markets for tinned tuna and sawn logs. In a small economy with limited international trade opportunities, this has preserved exports valued at \$60 million per annum, which otherwise are likely to have been lost.

<sup>36</sup> Report on Aggregate Development Results for CAVAC, DFAT, Canberra, 2015.

- **Market Development Facility (MDF):** The Market Development Facility (MDF) in Fiji, Timor-Leste, Pakistan, Papua New Guinea and Sri Lanka is assisting businesses in sectors with high potential both for growth and for benefitting the poor, including in horticulture, agribusiness, export processing, tourism, manufacturing, meat, dairy and leather. In Fiji, where the program has been operating for just over four years, MDF's 35 active business partnerships have leveraged close to US\$2.6 million worth of private sector investment. MDF has also increased the incomes of 1,811 Fijians (892 men and 919 women) by more than 15 per cent.

By mid-2017, it is estimated MDF will work through more than 200 active business partnerships across all five countries, resulting in increased incomes for more than 112,000 people.

An example of MDF's work is the partnership with Acelda II Unipessoal Lda, a local agribusiness company in Timor-Leste. Despite the Timorese preference for local rice varieties, approximately 50,000 tonnes of rice is imported each year. One reason for this is the absence of businesses investing in the milling and packaging needed to make the product suitable for sale in supermarkets. MDF's partnership with Acelda is providing a locally-driven, ongoing solution by connecting rural supply to urban demand. With expected annual demand for rice being in the order of 250 tonnes, more than 300 farmers will be able to supply Acelda.

- **Australian NGO Cooperation Program<sup>37</sup>:** In 2012-13, approximately 13 per cent of ANCP funding was in the agriculture, fisheries and water sectors. In Cambodia, ANCP supported World Vision Australia to establish agricultural cooperatives that provided small loans to members. One farmer reported that he was able to invest in cucumber cultivation using new farming techniques he learned through training at his cooperative. The investment resulted in his family's income quadrupling, providing the income for his children to attend school.

WWF Australia used ANCP funds to implement Inshore Fish Aggregating Device (IFAD) projects in Papua New Guinea and Solomon Islands. These projects create more accessible fishing sites and secure a good bait supply for local fishing communities. Through improved access to micro-finance, business plan development and training opportunities (especially for women), these communities gained the ability to establish and maintain the IFAD devices and improve their livelihoods.

### 3.4. Supporting Pacific fisheries

The coastal fisheries sector in the Pacific is vital to rural livelihoods, food security and nutrition. Recent research by the Secretariat of the Pacific Community (SPC) indicates that inshore fisheries provide the primary or secondary source of income for up to 50 per cent of coastal households in the region. Moreover, while the populations of many Pacific Island countries and territories are growing, coastal fisheries resources are declining. Unless the resulting food gap is minimised and filled, there will be significant negative impacts on the traditions, health and wellbeing of Pacific Island communities. The impacts of climate change are also creating new environmental uncertainties and challenges for inshore fisheries managers.

In response, through its \$12 million annual regional aid support for Pacific fisheries, DFAT has undertaken new initiatives focused on addressing these challenges. In March 2015, DFAT collaborated with ACIAR and Worldfish (a prominent NGO active in the region) in sponsoring a major workshop hosted by the SPC to develop a key Strategy document: *A new song for coastal fisheries – pathways to change*<sup>38</sup>. Representatives of fisheries and environment agencies from the SPC's 22 member countries, regional agencies, NGOs and local communities participated in the workshop and contributed to the development of the Strategy.

<sup>37</sup> ANCP Aid Program Performance Report 2013-14, DFAT, Canberra, 2014.

<sup>38</sup> *A new song for coastal fisheries – Pathways to change – the Noumea Strategy*, Secretariat of the Pacific Community, Noumea, 2015.



The Strategy has now been endorsed by Pacific Islands Forum leaders as a key component of the new *Regional Roadmap for Sustainable Pacific Fisheries*<sup>39</sup>. It provides an enhanced focus on coastal fisheries management and related development activities. It also outlines actions that national governments and all other stakeholders will need to commit to in order to provide substantial support for this community-driven approach. Most critically, it provides political recognition of the value of coastal fisheries to food security and rural development. Implementation will require coordination and collaboration between local communities, fisheries agencies and other relevant stakeholders.

#### ***Community-Based Fisheries Management for Coastal Fisheries***<sup>40</sup>

*The DFAT-funded Community-Based Fisheries Management (CBFM) team has been working with pilot communities in Kiribati – in Butaritari and North Tarawa - for the past year to build relationships and understanding of their key fisheries management challenges. This resulted in development of the first two community fisheries management plans for Kiribati.*

*Following passionate discussions at the Butaritari Island Council, it was agreed that the village of Tanimaiaki would be the first community to develop a management plan, followed by Kuma. During the subsequent fortnight, traditional leaders, men, women and youth attended meetings facilitated by the CBFM team, during which they discussed and planned the future of their local fisheries. On 30 May 2015, a village assembly was organised. This meeting was attended by 80 people who shared their ideas and opinions and decided on their common vision, objectives and actions as part of their own community fisheries management plan.*

*Following this success, the Kuma leaders invited the CBFM team to their village to facilitate the same process and on 5 June 2015, the Kuma community fisheries management plan was finalised. Both communities will now discuss their plans with neighbouring villages and local institutions to build support for community fisheries management plans for the whole island. Villagers will also start implementing their actions and monitoring their progress. The CBFM team will continue to work with the other pilot sites to develop their management plans, as well as enhancing collaboration with the Government of Kiribati to better support community-based management initiatives in the long run.*

A number of other new fisheries initiatives have recently been launched or are planned to enhance food and nutrition security in the region. In partnership with ACIAR and Worldfish, DFAT has commenced support (through \$6 million worth of funding over four years) for the Community-Based Fisheries Management and Aquaculture initiative to promote the sustainable use of coastal resources in Kiribati, the Solomon Islands and Vanuatu. DFAT is sponsoring new work on three case studies that will examine the role of fish in development across the broader Indo-Pacific region. The department will help to accelerate the recovery of communities and coastal fisheries following Tropical Cyclone Pam in Kiribati, Tuvalu and Vanuatu.

DFAT is also helping countries of the Pacific manage the valuable offshore tuna caught in their waters. We are working with both the SPC and the Pacific Islands Forum Fisheries Agency (FFA) to develop better strategies so that more Pacific tuna and by-catch are available to meet local food security needs in coming years. In collaboration with whole-of-government partners, DFAT has provided funding support for technologically-innovative approaches that both improve the sustainability of fishing practices and combat the threat posed by Illegal, Unreported and Unregulated (IUU) fishing.

DFAT is directly supporting SPC members to transition their catch reporting, traditionally done on paper, to electronic means (including tuna tagging programs). This assists the region in developing a better understanding of the dynamics of tuna stocks. This information is used directly in

<sup>39</sup> *Regional Roadmap for Sustainable Pacific Fisheries*, Forum Fisheries Agency, Honiara, 2015.

<sup>40</sup> Courtesy of Dr Quentin Hanich, Australian National Centre for Ocean Resources and Security (ANCORS), University of Wollongong.

assessments to develop detailed information on fish movements, swimming depth, water temperature, geographical location and vulnerability to fishing equipment.

Australian funding has also enhanced the capabilities of the Regional Fisheries Surveillance Centre at the FFA in Honiara, Solomon Islands. Through new satellite-based vessel monitoring system technology, the region is able to track and analyse a vast array of vessel data. Furthermore, the development of new regional legal arrangements, such as the Niue Treaty Subsidiary Agreement, permits enhanced information sharing and interoperability of assets in a cost-effective fashion.

### 3.5. Supporting improved water resource management

The Australian Water Partnership (AWP) was established by DFAT earlier this year to share Australia's experience and expertise with countries in the Indo-Pacific region to improve sustainable water management. The Government has agreed to support the AWP for eight years, with initial funding of \$20 million for four years.

Dealing with water scarcity – arising from both climatic as well as policy and management factors – is central to Australia's water reform narrative, as well as being critical for meeting global food security challenges. Australia is a world leader in innovative technology and sustainable water management practices. The AWP will partner with Australian public and private sector water experts to engage with water management counterparts among developing country partners in the region. AWP will give priority to working through DFAT country and regional aid programs, as well as with multilateral agencies and NGOs. Negotiations are underway with the World Bank and the ADB on potential areas for engagement in training, capacity building and specialist advice.

The AWP will respond to international requests for access to Australia's experience, at a time when demand for more water from growing populations, agriculture, industry, and electricity generation is increasing rapidly. An early success has been the strong interest in applying Australia's National Hydrological Modelling Platform, eWater SOURCE. This platform is being tested or applied in river basins in Vietnam, Cambodia, Laos, Myanmar, Thailand, Bangladesh, India and Pakistan.

## 4. Innovation in private sector engagement

**Terms of reference:** ...The current and potential role of the **private sector**, including small developing-country entrepreneurs and larger Australian and international businesses, in driving inclusive and sustainable development in Indo-Pacific agriculture and food value chains...

### 4.1. International trends

The private sector is broad and complex. It involves hundreds of millions of small-scale farmers, numerous small and medium-sized enterprises, along with large global corporations. Formal and informal markets overlap and interact and there are complex trading relations from local through to international levels. Smallholders (farmers working on less than 1-2 hectares of land<sup>41</sup>) account for 90 per cent of the world's farmers, but only 50 per cent of global agricultural production<sup>42</sup>.

As recognised in the *G20 Food Security and Nutrition Framework*:

*'Effective global food security and nutrition requires an inclusive economic growth and development approach, in partnership with the private sector. It is the private sector (including family farms, cooperatives, small and medium-sized food system enterprises and corporations) that produces, processes and distributes most of the food consumed in the world.'*<sup>43</sup>

The largest share of investment in agriculture comes from farmers themselves. The FAO estimates that each farmer in low and middle-income countries invests on average about US\$150 annually – giving a total of over \$170 billion across the developing world. On-farm investment is more than three times as large as all other sources of investment (government and corporate) combined.<sup>44</sup>

While the rural poor are typically not influential market participants, they depend on markets for their livelihoods as both consumers and producers of market goods and services. Donors are increasingly recognising that significant opportunities exist to increase farmer incomes and reduce poverty through improving the efficiency of these markets and addressing local market failures, including by understanding and working with the private sector actors in these market systems.

Investments by private companies in developing-country agriculture are limited by perceived risks and uncertainties, the challenges of dealing with highly dispersed and fragmented producer (primarily smallholder) and consumer markets, and gaps in information on potential opportunities. Despite these challenges, local and other businesses do invest in agriculture – providing services such as seeds, fertilisers, transport and markets for farmers to sell their produce.

In addition, some international businesses are recognising that including the poor in the business process – as producers or consumers or by directly employing and training low-income people – can offer benefits and opportunities. For instance, with 4 billion potential consumers and producers at the 'bottom of the pyramid'<sup>45</sup>, markets can be expanded or new ones developed. Better integrating poor farmers into markets can both reduce poverty and provide private sector growth opportunities. Demonstrating commitment to principles and standards relating to 'responsible sourcing' can also help secure market share and avoid reputational risks. Increasingly, the topics of sustainability and inclusiveness are becoming mainstream business concerns. As illustrated in the diagram below, the

<sup>41</sup> Definitions vary, including by region, but data for 81 countries shows that 73 per cent of holdings are under 1ha, and 85 per cent are under 2 ha (Source: *Investing in smallholder agriculture for food security: A report by The High Level Panel of Experts on Food Security and Nutrition*, FAO, Rome, June 2013).

<sup>42</sup> *From Islands of Success to Seas of Change*, Centre for Development Innovation, Wageningen University and Research Centre, Wageningen, Netherlands, 2012.

<sup>43</sup> Australia 2014 G20 website: [http://www.g20australia.org/official\\_resources/g20\\_food\\_security\\_and\\_nutrition\\_framework](http://www.g20australia.org/official_resources/g20_food_security_and_nutrition_framework).

<sup>44</sup> FAO website: <http://www.fao.org/investment-in-agriculture/en/>.

<sup>45</sup> The 'bottom of the pyramid' refers to the largest, but poorest socio-economic group.

result is that the interests of aid donors, private agribusinesses and other partners are increasingly converging.

### Opportunities: converging interests

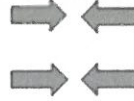
#### Private sector:

Increasing recognition of benefits of 'inclusive business' models:

- including the poor in the business process; finding synergies between profit-making and development

#### Why?

- Securing and expanding markets – 'bottom of pyramid' consumers
- Growth opportunities: new suppliers; overcoming bottlenecks
- Avoiding reputational risks through 'responsible sourcing'



#### Aid donors:

More emphasis on leveraging/ catalysing other forms of investment

- willingness to explore new public/ private relationships and delivery forms

#### Why?

- Evolving role of aid – a declining share of global finance for development
- Recognition that private sector will be the primary source of economic growth, incomes and jobs in developing countries



#### Other essential partners:

**Governments:** enabling environment – set policy directions; public money for infrastructure  
**Civil society:** mobilise and support communities, build local capacity; advocate for socially and environmentally-responsible actions; bridges gaps not addressed by the market  
**Research and scientific community:** evidence-building; technological solutions; innovation

## 4.2. DFAT's approach to private sector engagement and private sector development

DFAT now has an explicit focus on private sector engagement, as outlined in the 2015 *Ministerial Statement on Engaging the Private Sector in Aid and Development*<sup>46</sup>. All new investments will explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes. In practice, this means increased engagement with the private sector across the full range of work, and increased focus on growing the private sector in those countries where DFAT works. In support of the new policy framework, three new initiatives are helping DFAT partner more readily with business:

- The **Global Compact Network Australia Business Development Partnership** will build understanding among Australian businesses of their role in, and the business case and value drivers for, sustainable development. It will also build the capacity of Australian businesses to engage and partner in international development activities, and to operate more effectively and responsibly in developing countries in our region.
- The **Global Reporting Initiative** will assist businesses in their efforts to improve reporting on social and environmental issues in Indonesia, Philippines, Sri Lanka, and Papua New Guinea. Increased transparency can help small and medium companies manage risk, access capital and secure contracts with larger corporations further up the supply chain. Activities will include a gender and transparency program and a governance and anti-corruption reporting program.
- The **Business Partnerships Platform** is being established to enable businesses to partner with DFAT on investments that deliver both a social and financial return on investment. It will help DFAT increase the number of its private sector partners, leveraging the experience and ability of business to address intractable development challenges. Businesses will also benefit from DFAT's convening, brokering and influencing abilities, its understanding of the development and

<sup>46</sup> *Creating shared value through partnership: Ministerial statement on engaging the private sector in aid and development*, DFAT, Canberra, August 2015.

business environment in developing countries, and complementary policy reform initiatives. Competitively-selected business partners will receive matched DFAT grant funding of up to \$500,000.

The term 'private sector development' refers to DFAT's aid investments that support the private sector in the developing countries in which it works, to contribute to economic growth and poverty reduction. These investments focus on building better business and investment environments, supporting growth in specific markets, and maximising the development impact of individual businesses.

### 4.3. Working with the private sector for agricultural development

Some of DFAT's biggest successes in agricultural development have come from supporting the local and international businesses that already provide goods and services that the poor need every day.

Working with private sector partners in developing countries is an efficient way to access and leverage their intimate knowledge of the changing dynamics of markets and their large networks of suppliers and buyers, which can include vast numbers of smallholders.

In recent years, DFAT has applied a variety of innovative approaches to working with the private sector in agriculture and related sectors to achieve sustainable benefits for poor people at scale. These initiatives have included challenge funds, 'making markets work for the poor' programs and, most recently, participation in multi-stakeholder collaborations involving a range of agribusiness operators.

#### 4.3.1. Challenge funds

DFAT's Enterprise Challenge Fund (ECF, 2007-13) supported projects through open competition between private firms that put forward innovative solutions to address market failures and stimulate long-term pro-poor economic growth. Businesses contributed at least 50 per cent of the total project costs. Over its six years of implementation, the ECF provided jobs, increased incomes or extended access to vital goods and services to over 78,000 people in eight countries across the Asia-Pacific region. The Research to Business program, supported by DFAT through the Africa Enterprise Challenge Fund, adopted a broadly similar approach.

Through the G20 Development Working Group, Australia championed the testing of a new approach to catalyse large-scale private sector driven agricultural development. This led to the development of the AgResults initiative, launched at the G20 Summit in Toronto in 2010. The governments of Australia, Canada, the United States and the United Kingdom, together with the Bill and Melinda Gates Foundation, committed \$162.5 million to the initiative. AgResults aims to overcome market failures that impede the emergence of sustainable commercial markets for new technologies, by offering results-based economic incentives (known as "pull" mechanisms) to competing private companies able to achieve pre-defined development results. The initiative is now implementing seven pilot projects incentivizing the private sector to achieve large-scale adoption of agricultural innovations benefitting poor smallholder farmers.

#### **AgResults pilot for aflatoxin-free maize in Nigeria<sup>47</sup>**

In Nigeria, AgResults is seeking to accelerate the adoption of Aflasafe™, a proven biological control for aflatoxin, a highly carcinogenic toxin that afflicts up to 60 per cent of Nigeria's maize harvest in some years. AgResults is seeking to catalyse the widespread adoption of Aflasafe™ by awarding a premium payment for each kilogram of maize verified to have been treated with Aflasafe™.

During the first year of the pilot, 3,271 farmers' participated and over 7,220 tonnes of maize were confirmed as Aflasafe™ treated. By the fourth year of the pilot, nearly 35,000 farmers are expected to participate, selling 200,000 tonnes of high-Aflasafe™ maize, as well as consuming roughly 60,000 tonnes in their own households.

<sup>47</sup> AgResults website: <http://agresults.org/en/283/NigeriaAflasafePilot>.

### 4.3.2. Making markets work for the poor

DFAT also seeks to catalyse private sector activity in our partner developing countries through several innovative market-based programs based on ‘making markets work for the poor’ (or M4P) principles<sup>48</sup>. Relevant programs include: the Cambodia Agricultural Value Chain Program (CAVAC); the Market Development Facility (MDF) in Fiji, Timor-Leste, Pakistan, Sri Lanka and Papua New Guinea; and the Australia-Indonesia Partnership for Rural Economic Development (AIP Rural) program in Indonesia (see the box below and [Annex A](#)).

#### AIP-Rural

The Australia-Indonesia Partnership for Rural Economic Development (AIP Rural) is a large-scale agricultural development program which aims to stimulate private sector-led economic activity, leading to an increase in the incomes of 300,000 smallholder farmers in Eastern Indonesia by 30 per cent by 2022. Areas of focus include:

- improving smallholder farmers’ access to new markets and identifying constraints to business along the supply chain;
- introducing better agricultural inputs, know-how and technology to boost agricultural productivity;
- investing in new agricultural infrastructure such as irrigation, roads and storage facilities; and
- providing access to affordable and appropriate finance for smallholder farmers through small loans.

In pursuing this work, AIP-Rural partners with key market stakeholders, including the local and national governments, the private sector, business associations, NGOs and research institutions.

One component of AIP-Rural is Applied Research and Innovation Systems in Agriculture (ARISA) – a partnership between Indonesia’s Agency for the Assessment and Application of Technology and Australia’s CSIRO. ARISA supports, on a competitive basis, the creation of partnerships between agricultural research organisations and private companies able to disseminate new technologies and agricultural practices to farmers – thereby raising farmers’ incomes.

The M4P approach has been a departure in practice for the Australian aid program, recognising that a range of local buyers, processors, finance providers and input suppliers are already servicing the ‘bottom of the pyramid’. Not only does it involve partnering with private businesses as the key implementing partner, but also typically involves little or no direct delivery of services to target groups. Instead, poor women and men benefit indirectly, from the expansion of businesses, improved service delivery by the private sector and other economic opportunities catalysed by the aid intervention. Typically, the key contribution of the aid program is in the form of sophisticated market analysis and the brokering of new business models and partnerships, with quite modest financial contributions to particular business projects.

The following box highlights examples of solutions generated through DFAT’s market-based programs:

- **Better fertiliser use:** In Cambodia, farmers lacked advice on appropriate fertiliser use and their rice yields were often low. The Cambodia Agricultural Value Chain Program (CAVAC) has worked with fertiliser retailers to shift their business model to include advisory support and farmer training. With improved fertiliser use, farmers make more profit and can afford fertiliser next season. Similarly, CAVAC is working with pesticide retailers to minimise the potential negative health and environmental consequences that can result from poorly-managed pesticide use. CAVAC has also been successful in working with Government on improving pesticide regulations.

<sup>48</sup> For further information of the M4P approach and principles, see: *The Operational Guide for the Making Markets Work for the Poor (M4P) Approach*, Springfield Centre, Durham, United Kingdom, September 2014 (available at: <http://www.springfieldcentre.com/wp-content/uploads/2014/09/2014-09-M4P-Operational-Guide-with-watermark1.pdf>).

- **A better price for early season mangoes:** The Australia-Indonesia Partnership for Rural Economic Development (AIP-Rural) is working to improve the profitability of mangoes for small-scale farmers in Eastern Indonesia. Mangoes typically sell for low prices over a short fruiting season of three months. However, if farmers apply a plant growth regulator to their trees, this stimulates early flowering and lengthens the season to seven months. Farmers can then benefit from higher prices during the off-season months. AIP-Rural is partnering with a leading agrochemical company to make this technology, and the necessary training, available for mango collectors who in effect 'rent' mango trees from small-scale farmers. This business model creates benefits and profits for all the players in the value chain (the inputs company, farmers, and collectors) and is therefore more likely to be sustainable once 'kick-started' by AIP-Rural. While this venture is still in its early stages, around 10,000 farmers are expected to benefit, potentially doubling their net annual income<sup>49</sup>.
- **More affordable agricultural lime:** Small-scale farmers in Fiji struggle to be profitable partly because of the high cost of the imported agricultural lime (Aglime) they need to improve soil productivity. DFAT's Market Development Facility (MDF) identified the opportunity to work with a local cement manufacturer to expand into production of Aglime. MDF helped broker a deal with local commercial sugar cane producers that guaranteed an initial market for the local Aglime. MDF also worked with a range of other partners to package and market the product, and with farmers to explain its benefits and correct use. The supplier was then able to increase production to supply the more risky market of small-scale farmers. The end result is that poor farmers can buy local lime at nearly a third of the cost of imported lime, while a range of local entrepreneurs have expanded their businesses. Over the next few years, it is anticipated that up to 10,000 farmers will start using Aglime. This is expected to result in increased yields in sugarcane, root crops and horticulture in the order of 93,500 tonnes per year, and in increased dairy production in the order of 1.3 million litres of milk per year. Farmers involved in the program are expected to record an average of up to FJ\$550 in increased income per year.

#### 4.3.3. Leveraging inclusive business

Profitable business can be a powerful motor for change in tackling poverty and achieving sustainability. But ... they can't do it on their own. Creating the enabling conditions for inclusive and sustainable markets calls for effective partnerships between business, producer organisations, policymakers, donors, civil society organisations, knowledge institutes, and international agencies.<sup>50</sup>

The World Economic Forum (WEF) has led the global inclusive agribusiness agenda through its 'New Vision for Agriculture' (NVA) initiative, launched in 2009. It engages over 350 organisations in its work to strengthen collaboration among relevant stakeholders. It has partnered with the G7 and G20, facilitating informal leadership dialogue and collaboration. At the regional and country levels, it has catalysed multi-stakeholder partnerships in 16 countries in Africa, Asia and Latin America, including two regional partnerships – Grow Africa (launched in 2011) and Grow Asia (launched in April 2015). These efforts have mobilised over US\$10 billion in investment commitments, of which US\$1.2 billion has been implemented, reaching over 3.6 million smallholder farmers.

DFAT has established strong links with the WEF, particularly through its role as a founding donor to Grow Asia. This program, endorsed by ASEAN agriculture and forestry ministers, provides a unique ASEAN-wide forum for policy dialogue and action, bringing together international and national businesses, government and civil society stakeholders to implement sustainable and inclusive business models at a regional scale. Grow Asia's primary objective is to increase the scale and impact of inclusive agribusiness ventures, by providing smallholder producers with better access to

<sup>49</sup> *Reaping the Benefits of Off-season Mango Production*, AIP-PRISMA, Surabaya, Indonesia, August 2014 (at: [http://www.grminternational.com/files/documents/20140904\\_AIP-PRISMA\\_HumanInterestStory\\_Mango.PDF](http://www.grminternational.com/files/documents/20140904_AIP-PRISMA_HumanInterestStory_Mango.PDF)).

<sup>50</sup> *From Islands of Success to Seas of Change*, op.cit.

technology, farm inputs, training, financing and international and regional markets. Grow Asia has set a target of increasing the agricultural productivity and profitability of 10 million smallholder farmers by 20 per cent by 2020, while reducing their water use and greenhouse emissions.

#### Grow Asia support for dairy value chain in Indonesia<sup>51</sup>

The Grow Asia country platform in Indonesia (PISAgro) has been funded by the private sector to work across 10 different commodity chains. In the dairy sector, it has mobilised Nestlé, the Government of East Java, the Milk Cooperatives of East Java and DuPont to collaborate on a value chain project that is expected to increase the income of 20,000 farmers by over 40 per cent by 2020, while at the same time using the biogas by-product to bring green energy to farmers' houses.

Involvement with Grow Asia provides DFAT with opportunities to work closely with the WEF's global business partners and key ASEAN ministries to accelerate pro-poor economic growth in our region. It has the potential to leverage impacts at a scale not possible via traditional development approaches.

As an early demonstration of Australia's commitment to Grow Asia, DFAT supported a regional Roundtable on Inclusive Agribusiness in Southeast Asia in Ho Chi Minh City, Vietnam in September 2015. The event was launched by Vietnam's Minister of Agriculture and Rural Development and brought together 120 representatives from leading agribusinesses, public sector organisations and NGOs to map out opportunities for scaling inclusive agribusiness across the ASEAN region.

#### Inclusive business

Several large global agribusinesses have committed to various forms of sustainable and inclusive business principles and practices. For example:

- **Unilever:**<sup>52</sup> 'By 2020, we will have a positive impact on the lives of 5.5 million people by improving the livelihoods of smallholder farmers, improving the incomes of small-scale retailers and increasing the participation of young entrepreneurs in our value chain... Through our commitment to sourcing sustainably – in particular cocoa, tea, vanilla and vegetables – we are strengthening smallholder farming... Helping smallholder farmers improve their practices and giving them access to better-quality seeds, training and fertilisers, means they can double or even triple their yields.'
- **Syngenta:**<sup>53</sup> Commitments, by 2020, include: 'improving the fertility of 10 million hectares of farmland on the brink of degradation'; 'enhancing biodiversity on 5 million hectares of farmland'; 'reaching 20 million smallholders and enabling them to increase productivity by 50 per cent'; 'training 20 million farm workers on labour safety, especially in developing countries'; and 'striving for fair labour conditions throughout our entire supply chain network.'
- **Nestlé:**<sup>54</sup> 'For a company to prosper over the long term and create value for shareholders, it must create value for society at the same time.' Commitments include responsible sourcing in supply chains and rolling out sustainable improvement plans with cocoa and coffee farmers.
- **Mars:**<sup>55</sup> 'Our goal is to minimize our impact on the environment, and as one of the world's leading food manufacturers, Mars has a role to play in helping our agricultural suppliers produce more with less. Sourcing more sustainably produced raw materials will benefit both farmers and their communities, so together we can achieve lasting results.'

Many smaller regional agri-food companies, such as the Philippines-based **Jollibee** foods, are also recognising the value in pursuing more inclusive business models.

<sup>51</sup> Grow Asia Investment Design Summary, DFAT, Canberra, 2014

<sup>52</sup> Unilever website: <https://www.unilever.com/sustainable-living/the-sustainable-living-plan/enhancing-livelihoods/inclusive-business/>.

<sup>53</sup> Syngenta website: <http://www.syngenta.com/global/corporate/en/goodgrowthplan/commitments/Pages/commitments.aspx>.

<sup>54</sup> Nestle website: <http://www.nestle.com/csv/what-is-csv/commitments>.

<sup>55</sup> Mars website: <http://www.mars.com/global/about-mars/principles-in-action.aspx>.



DFAT is also supporting inclusive agribusiness through the multi-donor Global Agriculture and Food Security Program (GAFSP). GAFSP's Private Sector Window, administered by the International Finance Corporation (IFC), provides concessional finance to agribusinesses, rural banks and other private sector actors to stimulate additional agribusiness and rural finance activity. DFAT's contribution is targeted specifically towards agribusiness development activities in our region, in collaboration with the Asian Development Bank.

#### **Partnership with Water Stewardship Australia**

In an innovative approach to engaging the private sector, DFAT is partnering with Water Stewardship Australia (WSA) to work collaboratively with Australian businesses to address water-related issues that inhibit economic growth and to promote trade that meets customer expectations in terms of responsible use of natural resources. To improve natural resource management, WSA engages major water users in river catchment planning and management. For industry, the benefits of the stewardship approach lie in better management of water risks, engagement with stakeholders, cost savings and recognition for adopting the best management practices.

WSA is building on its experience working with Inghams Enterprises (suppliers and producers of poultry and feed) in Australia to work with farmers and Bright Dairy in China to assess their water impacts and promote stewardship. WSA is also working with the international Alliance for Water Stewardship, Nestle and WWF to launch water stewardship in Pakistan. Establishing good water stewardship is fundamental to sustainable business and economic growth, as well as maintaining healthy and prosperous communities.

#### **4.3.4. Civil society value-add**

Multi-stakeholder approaches such as Grow Asia and GAFSP recognise the important role that civil society can play in brokering the relationship between farmers and the private sector. NGOs are forging direct links with business at a number of levels, including through high-level relationships with multi-nationals. For example, in 2003 WWF joined with palm oil producers and buyers and environmental and social groups to establish the Roundtable on Sustainable Palm Oil (RSPO), with a view to improving economic benefits to communities while reducing adverse environmental impacts.

DFAT's four-year, \$4.5 million partnership with Fairtrade Australia & New Zealand is a good example of a civil society organisation working with the private sector to connect subsistence and smallholder producers to markets. The partnership supports Fairtrade's efforts to build the capacity of smallholder producers in the region to supply products, and to escalate demand in the Australian retail market for ethical and sustainable products. Fairtrade has increased its investment in the Australian market, while continuing to support more than 43,000 producers in the Pacific, Papua New Guinea and Timor-Leste, 23 per cent of whom are women.

World Vision is also actively engaging with the private sector. In Cambodia, for instance, it works with 115,000 farming households across 45 farming communities to improve access to agricultural inputs and technical advice. World Vision is now partnering with a Cambodian social enterprise which uses a network of 235 franchised farm business advisors to provide advisory services and agricultural inputs (such as seeds and irrigation equipment) targeted at smallholder farmers. Through this collaboration, farm business advisors will be made available to World Vision communities and key market constraints will be targeted for attention. Appropriate agriculture kits will be developed and refined for sale, and groups at risk of exclusion from input markets – especially women, the disabled and the very poor – will be supported.

*NGOs typically work with the poorest and most vulnerable communities and can be invaluable partners for governments and companies seeking to reach and impact these groups. NGOs can facilitate interactions with marginalised groups and can call upon their relationships and the trust they often have with the community to act as an honest broker. NGOs can use their knowledge of local contexts to advise partners on issues surrounding cultural appropriateness and the impact that resources may have on local markets. Additionally, NGOs can act as partners to deliver training, convene stakeholders for dialogue, and in some cases, deliver services<sup>56</sup>.*

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<sup>56</sup> A situational assessment of Aid for Trade (A4T), public private partnerships (PPPs) and inclusive business opportunities for Australia, Carana Corporation, Canberra, October 2014.

## 5. Gender equality and women's economic empowerment

**Terms of reference:** ...Actions and approaches to agricultural development in the region that would promote gender equity, women's economic empowerment and health...

### 5.1. International trends

Women comprise about 43 per cent of the agricultural labour force in developing countries, with participation as high as 50 per cent in Eastern Asia and 70 per cent in South Asia. Yet, women in agricultural and rural areas have more restricted access than men to productive resources and opportunities, and as a result produce less than male farmers. The FAO refers to this challenge as the 'gender gap'. It estimates that if women globally had the same access to productive resources as men, women could increase the yields on their farms by 20-30 per cent<sup>57</sup>. In turn, this would raise the total agricultural output in developing countries by between 2.5 to 4 per cent and reduce the number of hungry people in the world from 29 per cent down to 17 per cent.

#### The gender gap

Compared with men, women farmers:

- operate smaller farms, on average only half to two-thirds as large;
- keep fewer livestock, typically of smaller breeds, and earn less from the livestock they do own;
- have a greater overall workload that includes a heavy burden of low-productivity activities like fetching water and firewood;
- have less education and less access to agricultural information and extension services;
- use less credit and other financial services;
- are much less likely to purchase inputs such as fertilizers, improved seeds and mechanical equipment;
- if employed, are more likely to be in part-time, seasonal and low-paying jobs; and
- receive lower wages for the same work, even when they have the same experience and qualifications.

The gender gap is likely to become more pronounced due to the feminisation of agriculture, as economies in our region undergo agrarian transitions (see the box below). Women are increasingly important in the agriculture sector, working on their own and others' farms<sup>58</sup>.

In agriculture, as with other sectors, investing in women and narrowing gender equality gaps is increasingly seen as 'smart economics'<sup>59</sup>. Gender equality (GE) and women's economic empowerment (WEE) has been shown to contribute to growth, development and stability<sup>60</sup>. Indeed, imposing or perpetuating constraints on the realisation of women's full potential comes at a rising economic cost. GE can provide benefits for agricultural value chains, with women presenting new market opportunities as buyers, suppliers and consumers, leading to new opportunities for businesses<sup>61</sup>. Misallocation of women's time and skills also deprives countries in our region of much-needed labour, in the context of labour shortages caused in part by out-migration of men.

<sup>57</sup> *The State of Food and Agriculture 2010-2011: Women in Agriculture – Closing the Gender Gap for Development*, FAO, Rome, 2011.

<sup>58</sup> De Schutter, Olivier, "The agrarian transition and the 'feminization' of agriculture", Conference Paper No. 37, *Food Sovereignty: A Critical Dialogue* International Conference, Yale University, 2013.

<sup>59</sup> DFAT website: <http://dfat.gov.au/aid/how-we-measure-performance/ode/odepublications/Pages/smart-economics.aspx>.

<sup>60</sup> Kabeer, N. and Natali, L., *Gender Equality and Economic Growth: Is there a Win-Win?*, IDS Working Paper, No. 417, Volume 2013, Institute of Development Studies, Brighton, United Kingdom, February 2013; Cumbers, D. and Teignier-Baqué, M., "Gender Inequality and Economic Growth", Background Paper, *World Development Report 2012: Gender Equality and Development*, World Bank, Washington DC, 2011.

<sup>61</sup> *Challenging Chains to Change: Gender Equity in Agricultural Value Chain Development*, Royal Tropical Institute (KIT), Agri-ProFocus and the International Institute of Rural Reconstruction (IIRR), Amsterdam, 2012.

International donors and development agencies have pursued a range of interventions in agriculture and rural development to promote gender equality and women's economic empowerment. Policy engagement has focused largely on reforms to strengthen women's land tenure rights and women's access to finance. Programming interventions to strengthen women's engagement in commercial agriculture have centred on supporting farmer groups and collectives in order to build savings, improve production and facilitate greater access to markets and related services<sup>62</sup>.

If there are more women in economic leadership positions in government and the private sector, agricultural policies and programs are more likely to take full account of and respond to women's changing position in agriculture and their needs. International research demonstrates the importance of strengthening women's participation and power in decision-making, and women's legal status and rights to property as pathways to economic empowerment.

WEE is also critical for improving wider development outcomes. When women control additional income, they spend more of it than men do on food, health, clothing and education for their children.<sup>63</sup> Agricultural development can empower women by introducing technologies (e.g. labour-saving devices or processing equipment) to make their workloads more manageable<sup>64</sup>.

#### What is the feminisation of agriculture?<sup>65</sup>

As countries develop, the relative weight of the agricultural sector generally declines, in terms of both GDP and employment. In developing countries in particular, this agrarian transition is deeply gendered. Due to social norms concerning gender roles, men face fewer mobility and time constraints than women and generally have higher levels of education. Therefore men migrate first, for longer periods and to further destinations.

The result is the 'feminisation' of agriculture – that is, the increased importance of women's role in agriculture. This may mean women take on greater decision-making roles, even in patriarchal societies that have conventionally been resistant to changes in gender ideologies and practices<sup>66</sup>. However, increased agricultural work may be a serious burden for women. Women are persistently paid at a lower rate than men and also have significant unpaid labour responsibilities, such as the care of children and elderly, cooking and cleaning.

The feminisation of agriculture has potentially wide-ranging implications for DFAT's agriculture programs. Further analysis is required to explore gender trends in the agriculture sectors of DFAT's partner countries and identify how best to ensure that technologies, policies and market systems are supportive of, and beneficial for, women's and men's changing roles, and help close gender gaps.

## 5.2. Strategic and operational guidance on GE and WEE

Australia's development policy and its supporting strategies bring a greater focus to GE and WEE in DFAT's agricultural development work. In line with international best practice, the new DFAT *Gender Equality and Women's Empowerment Strategy* articulates a twin-track approach: the department will (1) take specific action to address binding constraints that are fundamental to realising substantive gender equality; as well as (2) integrating gender equality concerns into all of DFAT's investments. At least 80 per cent of Australia's aid investments, regardless of their objectives, are required to effectively address gender equality issues in their implementation. At a minimum, this requires that

<sup>62</sup> *World Development Report 2012: Gender Equality and Development*, op.cit.

<sup>63</sup> *The State of Food and Agriculture 2010-2011: Women in Agriculture – Closing the Gender Gap for Development*, op.cit.

<sup>64</sup> Grassi, F., Landberg, J. and Huyer, S., *Running out of time. The reduction of women's work burden in agricultural production*. FAO, Rome, 2015.

<sup>65</sup> De Schutter, Olivier, "The agrarian transition and the 'feminization' of agriculture", op.cit.

<sup>66</sup> "The great transformation in South Asia: feminisation of agriculture and food security", Australian National University, Canberra August 2015.

DFAT ensures that women along with men benefit from its work. The department will also help shift norms, legal frameworks and policies towards gender equality wherever opportunities arise.

DFAT's priorities are aligned with Sustainable Development Goal 5 (SDG5): *Achieve gender equality and empower all women and girls*. DFAT also works to promote gender equality through its support for the realisation of other SDG goals, in particular SDG2: *End hunger, achieve food security and improved nutrition, and promote sustainable agriculture*.

Achieving results on gender equality in agriculture requires clear policy guidance, prior analysis of context-specific gender equality gaps, capability development for both Australian and local partner stakeholders, clearly defined objectives, strategies and indicators around gender equality results, and access to resources to translate policy into practice and results on the ground. In September 2015, DFAT released an *Operational Guidance Note: Gender Equality and Women's Economic Empowerment in Agriculture* to provide sector-specific advice to DFAT activity managers (see the box below).

**Key messages from the *Operational Guidance Note: Gender Equality and Women's Economic Empowerment in Agriculture*<sup>67</sup>.**

The Operational Guidance Note supports DFAT activity managers to:

- integrate gender equality concerns into analysis that is commissioned or commission specific gender analysis as needed for the agriculture sector; and
- ensure that DFAT's agriculture investments:
  - do no harm to women and gender dynamics;
  - work on agricultural value chains, technologies and policies that have a potential to empower women;
  - measure changes in women's empowerment; and
  - help close gender gaps where possible.

Training has also been provided to build the capacity of DFAT and partner agency staff. We are also setting in place streamlined contractual arrangements to help program managers access world class expertise in GE and WEE.

**Women's empowerment in Pacific cocoa value chains**

The world's cocoa industry is increasingly focusing on gender equality as a strategy to improve the lives of male and female cocoa growers. In October 2015, DFAT funded a master class on Gender in Cocoa Value Chains featuring Dr Anna Laven, an international expert in this field. This event was a unique opportunity for a range of DFAT's stakeholders from government (Autonomous Bougainville Government Administration), private sector (Chocolateria San Churro), NGOs (Fairtrade, CARE, ADRA and Oxfam Trading), and research organisations (CSIRO, University of Sydney and University of Queensland) to discuss and exchange ideas on their strategies to empower women through cocoa value chain development.

<sup>67</sup> DFAT website: <http://dfat.gov.au/about-us/publications/Pages/agriculture-and-food-security-operational-guidance-notes.aspx>.

### 5.3. DFAT's actions and partnerships to promote GE and WEE

In promoting GE and WEE, DFAT works with a range of partners that brings different strengths, expertise, linkages and capacity to empower women. Different partners also have different motivations and incentives. While researchers and NGO partners have long approached GE and WEE from a human rights and good practice (i.e. aid effectiveness) perspective, private sector partners will generally require a sound business case. Examples of some of these approaches are outlined below:

#### Private sector

DFAT's market systems development programs work with private sector partners to develop new business models that create 'win-win' scenarios for both women and businesses.

- Pig rearing is traditionally a women's livelihood in Flores, Indonesia. The demand for pigs is high as they play an important role in rites-of-passage ceremonies. Yet, farmers use traditional methods which typically results in unhealthy pigs and suboptimal returns. Until recently, women have had limited access to improved pig breeds or high quality fodder. DFAT's AIP-Rural program is working to improve the quality of commercially-bred pigs to increase the incomes of poor women farmers. The implementing partner, Hivos, is working with three local pig breeding companies to develop a package of services that include better quality piglets, advice regarding fattening practices, improved fodder and veterinary services. Instead of taking 18 months to fatten, the pigs now take only four months before they are large enough to be sold.

#### Civil society

- Through the DFAT-funded Coffee Industry Support Project, CARE has been working with the Papua New Guinea coffee industry to encourage more gender equitable policies and programs. Previously, despite working longer hours than men in coffee gardens, women represented less than five per cent of all participants in extension training, and participated less in farm and household decision-making. Since the project commenced, more than 35 per cent of participants in extension training are women, and more than 450 women have been trained in improved agricultural practices. Three of CARE's partner organisations have also committed to recruiting female extension officers with five expected to be employed full-time by December 2015. The project also provides business skills training to farming families to boost productivity, while empowering women with greater control over their income and increased influence in managing household tasks. Nearly 700 farmers, including over 200 women, have received training with early results indicating that workloads are being shared more equitably within the household, and women are being consulted more by their husbands in decision-making.
- In rural Afghanistan, gender inequality remains high. Women have limited access to economic opportunities, there is low female participation in the workforce and women's voices are seldom heard in communal decision-making. Female-headed households are among the poorest and most marginalised members of the villages. The Australia Afghanistan Community Resilience Scheme (AACRS) aims to improve the role and position of rural women in ten provinces. The AACRS works through five NGO partners (World Vision, ActionAid, CARE Australia, Oxfam and the Aga Khan Foundation) to provide training and income-generating opportunities for women (e.g. gardening, poultry raising or beekeeping), helping them to access micro-credit and improve their literacy skills. The NGO partners work with the local communities, including their civil and religious leaders, to increase female participation in decision-making structures, raise awareness around gender equality and facilitate behavioural change.
- Women play an integral, but often overlooked or diminished, role in successful coastal fisheries management. Given the significant effect gender relations have on the course of development, DFAT is leading new community-based approaches to fisheries management which will ensure women play a greater role in decision-making and have more equitable access to the benefits of coastal fisheries. As part of this commitment, DFAT, in collaboration with ACIAR, Worldfish and

ANCORS, is providing \$6 million to support gender-equality programs in Kiribati, the Solomon Islands and Vanuatu. Australia will also continue to support mechanisms to improve outcomes for women, including access to small-scale finance and assistance in the handling and marketing of coastal resources.

#### Research organisations

- Curtin University is working closely with the 20 partners of ACIAR's Sustainable and Resilient Farming Systems Intensification (SRFSI) project. This project forms part of the DFAT-funded regional program in South Asia – the Sustainable Development Investment Portfolio (see [Annex A](#)). SRFSI aims to mainstream gender equality across its work. Since 2014, the project's partners have been working with 10,000 farmers in eight districts across Bangladesh, Nepal and India to improve their agricultural livelihoods. Despite considerable socio-cultural constraints, 2,000 women farmers are now participating in the trials, training and exchange visits related to conservation agriculture techniques. The clear focus on gender equality is supporting the development of suitable technologies and dissemination strategies that will impact farming livelihoods for both men and women. For example, research trials on intercropping leafy vegetables in maize were specifically designed for women farmers, directly providing them an additional income source and improved food security.

#### International organisations

- The role of women in public life in Balochistan in Pakistan is limited. Through the Australia Balochistan Agribusiness Program (AusABBA), the FAO, as implementing partner, has been working to promote the role of women in agriculture. Of the 574 community-based organisations established under AusABBA, 40 per cent are women's organisations. To facilitate women's engagement, a number of activities have been designed to target women in poultry, wool, and vegetable gardening. For example, poultry is traditionally a women's livelihood in Balochistan. The FAO is currently trialing a solar-powered egg hatching machine, based on a model from Australia. If successful, the sale of chicks could become a vital income generating opportunity for women. Thus far, the program has provided 1,200 women with training in poultry management and supported their access to chicken feed.

## 6. Agriculture and fisheries development for better nutrition

**Terms of reference:** ...Actions and approaches to agricultural development in the region that would promote gender equity, women's economic empowerment and health<sup>68</sup>...

### 6.1. International trends

Globally, there has been an increasing focus on the malnutrition challenge – both undernutrition and overnutrition. Of 652 million children in the world under the age of five, 161 million are chronically undernourished<sup>69</sup>. Undernutrition contributes to an estimated 45 per cent of under-five child deaths, or 3.1 million deaths every year<sup>70</sup>. Meanwhile, 1.4 billion people are now overweight and over 500 million are obese<sup>71</sup>.

The Indo-Pacific region is grappling with particularly serious and complex nutrition issues. Timor Leste and Papua New Guinea have some of the highest child stunting rates in the world at 50 per cent in each country. Child undernutrition in the first 1,000 days of life from conception to age two is largely irreversible, and therefore carries long-term economic impacts. Children who are stunted at age five earn an estimated 22 per cent less as adults. The annual costs of undernutrition and micronutrient deficiencies are estimated at 2-3 per cent of global GDP, equivalent to US\$1.4-2.1 trillion per year<sup>72</sup>. As a value-for-money investment, nutrition is assessed, globally, to return \$16 for every dollar invested<sup>73</sup>. In the Indo-Pacific, the ratios are even higher: 44:1 in the Philippines, 29:1 in Pakistan, and 48:1 in Indonesia.

In addition, while the populations of many Pacific Island countries and territories are growing, coastal fisheries resources are declining. This is causing the gap to widen between the amount of fish required for food security and the amount sourced through sustainable harvests from coastal fisheries. Within 15 years, it has been estimated that an additional 115,000 tonnes of fish will be needed across the region for good nutrition.

Some countries continue to face persistent child undernutrition even as their overweight and obesity rates rise. This is referred to as the 'double burden' of malnutrition. For example, in the Solomon Islands, 33 per cent of children are stunted and 39 per cent of women are obese, while in Indonesia, 39 per cent of children (under five) are stunted and 12 per cent of children (under five) are overweight<sup>74</sup>. The double burden is a particular challenge in the Pacific, where the prevalence of overweight adults in some Pacific Island countries is among the highest in the world (see the table below). There are linkages between undernutrition and overnutrition: undernourished children are vulnerable to obesity and related non-communicable disease later in life. The health and economic consequences of overnutrition (overweight and obesity) are severe for individuals, households, and societies. Non-communicable disease related to being overweight or obese impedes an individual's ability to work while also burdening them with increased health care costs. Societal costs of overnutrition include high costs to the health system, loss of productivity, and a reduced GDP due to absenteeism, chronic illness, disability, and premature death<sup>75</sup>.

<sup>68</sup> This chapter focuses on nutrition since this is the main area of intersection between agriculture and health in which DFAT is engaged. In addition, DFAT is aware that the Sub-Committee has a particular interest in nutrition issues.

<sup>69</sup> *Global Nutrition Report 2015*, International Food Policy Research Institute, Washington DC, 2015.

<sup>70</sup> Black, RE; Victoria, CG; Walker, SP; Bhutta, ZA; Christian, P; de Onis, M; Ezzati, M; Grantham-McGregor, S; Katz, J; Martorell, R; Uauy, R; and the Maternal and Child Nutrition Study Group, "Maternal and child undernutrition and overweight in low-income and middle-income countries", *Lancet*, 382, 2013.

<sup>71</sup> World Health Organisation (WHO) website: <http://www.who.int/mediacentre/factsheets/fs311/en/>.

<sup>72</sup> *The State of Food and Agriculture 2013: Food Systems for Better Nutrition*, FAO, Rome, 2013.

<sup>73</sup> Figures relate to nutrition-specific investments for stunting reduction. *Global Nutrition Report 2014*, International Food Policy Research Institute, Washington DC, 2014.

<sup>74</sup> *World Health Statistics 2013*, WHO, Geneva, 2013.

<sup>75</sup> *Health for Development Strategy 2015-2020*, DFAT, Canberra, June 2015.



## Malnutrition in the Asia Pacific<sup>76</sup>

	Stunting of children under the age of five (%) and year of data collection	Adult overweight and obesity (2008 data)	
		Obese (BMI >30)	Overweight (BMI >25)
Timor Leste	50 (2013) <sup>77</sup>	3	13
Pakistan	45 (2012)	6	24
Indonesia	36 (2013)	5	21
Myanmar	35 (2009)	4	19
Philippines	30 (2013)	6	27
Papua New Guinea	50 (2009)	16	48
Solomon Islands	33 (2007)	32	68
Vanuatu	26 (2007)	30	65
Fiji	8 (2004)	32	67
Samoa	6 (1999)	56	86
Tonga	2 (1986)	60	88

In many of our partner countries, the double burden of malnutrition is experienced as societies undergo a nutrition transition<sup>78</sup>, with rising incomes associated with changes in diet and physical activity. This in turn results in increased prevalence of obesity. In rural areas, increased mechanisation of farm activity leads to reduced physical activity at the same time that more – but not necessarily better quality – food becomes available. Traditional diets featuring grains and vegetables are giving way to calorie-dense and processed foods that are high in fat and sugar.

The causes of poor nutrition are multi-faceted and not just related to insufficient or excessive intake of food. Internationally, there is a recognition that agriculture can contribute to better nutrition through a number of pathways<sup>79</sup>:

- **Agriculture as a source of food.** This is the most direct route to improving diets (quantity and quality), ensuring year-round access to adequate, safe, nutrient-rich food. It is based on two assumptions: (1) that increases in production of a range of foods (including dairy, fish, fruits, grains, livestock, root crops and vegetables) enhance food availability and access to a diverse diet; and (2) that increased food availability and access leads to greater intake and improved nutrition outcomes at the individual level.
- **Agriculture as a source of income.** This is based on the assumption that an increase in income from agriculture-related activities (including the processing and sale of agricultural products or wages earned) can be used to access health services or purchase higher-quality, nutrition-rich food that is consumed by individual household members.
- **Agriculture as a driver of food prices.** Increased availability of food, through more efficient production techniques, improved technologies (i.e. for post-harvest storage, processing and distribution) and domestic and trade policies, affects a range of supply and demand factors and influences the price of food (fresh and processed). This in turn affects the income and purchasing power of households.
- **Agriculture to empower women.** Initiatives that both educate women and enhance their involvement in agriculture-based activities can strengthen women’s capacity and increase their

<sup>76</sup> Unless otherwise specified, the data are drawn from the *Global Nutrition Report 2014 Country Profiles* at: <http://globalnutritionreport.org/the-data/nutrition-country-profiles/>.

<sup>77</sup> Data for stunting in Timor Leste is drawn from the *Timor-Leste Food and Nutrition Survey*, Timor-Leste Ministry of Health, 2013.

<sup>78</sup> Popkin et al, *Now and Then: The Global Nutrition Transition: The Pandemic of Obesity in Developing Countries*, Department of Nutrition and Carolina Population Center, University of North Carolina, 2012.

<sup>79</sup> *Agriculture and nutrition: a common future, a framework for joint action*, European Commission, FAO, Technical Centre for Agricultural and Rural Cooperation (CTA) and World Bank Group, 2014.

access to, and control over, resources and assets, consequently augmenting their power to make decisions on the purchase and allocation of food, health and care within their households. According to the FAO, a \$10 increase in a woman's income achieves the same improvements to children's nutrition and health as a \$110 increase in a man's income<sup>80</sup>. However, the additional time pressures of increased workforce participation can also have negative impacts on the nutritional status of women and their children.

- **Agriculture to contribute to macroeconomic growth.** Agriculture is the dominant productive sector in many developing countries. Increasing agricultural productivity raises national revenue, increasing the funds available to invest in improving essential basic social services, such as education, health, safe water supply, sanitation and safety-net programs, which have been shown to improve nutrition outcomes.
- **Agriculture to ensure sustainable food and nutrition security and resilience.** Protecting and promoting biodiversity is essential to support dietary diversity and the preservation of ecosystems. Agricultural practices that promote the sustainability of natural resources (biodiversity, forestry, soil and water) ensure the long-term future of agricultural production, the sustainability of livelihoods, and resilience to climate change.

International commitments on nutrition were agreed during the Second International Conference on Nutrition (ICN2) in November 2014, and through the development of World Health Assembly (WHA) global nutrition targets for 2025<sup>81</sup>. Under Sustainable Development Goal (SDG) 2, to '*End hunger, achieve food security and improved nutrition, and promote sustainable agriculture*', one of the targets is to end all forms of malnutrition by 2030.

Key global partnerships seeking to improve nutrition outcomes are the Scaling-Up Nutrition (SUN) Movement and the Global Alliance for Improved Nutrition (GAIN). SUN encompasses over 2,000 organisations, including governments, civil society, the UN, donors (including Australia), businesses and researchers. Under GAIN, the Amsterdam Initiative against Malnutrition (AIM) works at multiple levels of value chains to make nutritious foods more accessible to poor consumers.

## 6.2. DFAT's approaches to promote better nutrition

Australia's development policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability* (June 2014), explicitly addresses nutrition under both the 'agriculture, fisheries and water' and 'education and health' priority areas. Consistent with the international trends outlined above, the strategies subsequently released for these sectors commit the aid program to a strengthened focus on nutrition security<sup>82</sup>. DFAT prioritises nutrition in the first 1,000 days of life and during a girl's adolescence. There is also a strong focus on the prevention of overnutrition, especially in the Pacific.

DFAT's approach recognises that nutrition is a complex issue requiring coordinated action across many sectors – not just agriculture, but also health, social protection, education and WASH (water, sanitation and hygiene). The department also coordinates across government agencies, and with a range of in-country partners and stakeholders to develop common understanding.

Through our agriculture-sector interventions, DFAT seeks, where appropriate, to maximise the impact of nutrition outcomes for the poor or, at the very least, to minimise any unintended negative nutrition consequences for the poor, especially women and young children.

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<sup>80</sup> FAO website: <http://www.fao.org/gender/infographic/en/>.

<sup>81</sup> WHO website: <http://www.who.int/nutrition/global-target-2025/en/>. The six targets include a 40 per cent reduction in the number of children under-5 affected by stunting.

<sup>82</sup> *Strategy for Australia's aid investments in agriculture, fisheries and water and Health for Development Strategy 2015-2020*, DFAT, Canberra, 2015.

In August 2015, DFAT released an Operational Guidance Note on nutrition-sensitive agriculture to support the integration of nutrition considerations into agricultural programming. It identifies a range of ways in which agriculture investments can improve nutrition, including:

- increasing year-round access to a range of nutrient-rich foods;
- increasing incomes, particularly for women, to improve access to nutrient-rich food and health services;
- safeguarding and strengthening the capacity of women to provide for the food security, health, and nutrition of their families; and
- integrating nutrition messaging and nutrition-sensitive policies.

Nutrition-sensitive agriculture, or agricultural development with explicit nutrition objectives, is a relatively new area of work for DFAT and many other donors. Despite the obvious links between agriculture and nutrition, the global donor community is challenged by the paucity of evidence on the nutritional impact of agricultural and food security interventions. DFAT is committed to contributing to the evidence base and sharing good practice within Australia and internationally. Through participation in the Global Donor Platform for Rural Development's nutrition working group, DFAT is working to exchange ideas with other international development agencies in this field.

In addition, during 2015, DFAT commissioned three case studies through ACIAR, examining the role of fish as a key source of nutrition across the Indo-Pacific region. This information will help enhance future food and nutrition security through better targeted fishing and aquaculture enterprises.

### 6.3. DFAT's actions and partnerships to promote better nutrition

DFAT works with a range of partners that play different roles in the food system to ensure coordinated action. The following are a range of examples from across the aid program:

#### Partner governments

- The challenge of malnutrition is widespread in Timor-Leste. Nationally, the prevalence of stunting in children under the age of five was 50 per cent in 2013. The Government of Timor-Leste has been playing a lead role in addressing the country's food security and nutrition challenge through an enabling policy environment, namely its comprehensive national Zero Hunger Challenge (ZHC) and its associated National Action Plan for a Hunger and Malnutrition Free Timor-Leste (PAN-HAM-TIL) (July 2014). The ZHC promotes the critical role that agriculture plays in good nutrition by clearly recognising the intrinsic links that exist between nutrition, agriculture and economic growth for the majority of the rural population. These aims are further embedded in the Ministry of Agriculture and Fisheries' (MAF) Medium Term Development Plan and Medium Term Investment Plan. DFAT supported the development of the recently endorsed National Nutrition Strategy and costed action plan (2015-2019).
- Also in Timor-Leste, Australia's Seeds of Life program, implemented by the University of Western Australia and funded by DFAT and ACIAR, has worked within the MAF since 2000 to improve food security through increased productivity of major food crops – maize, sweet potato, cassava, rice and peanuts. Sweet potato and peanuts are critical to improving nutrition. With support from the program, the MAF launched a national seed system in June 2013 that will provide farming families with enough quality seeds of proven food crop varieties to plant each year.

### Timor-Leste: Agriculture in a multi-sectoral Australian aid program for better nutrition

Australia's aid program is taking a multi-sectoral approach to working with the Government of Timor-Leste to tackle Timor's nutrition challenges. Our programs in health, agriculture and water and sanitation have an overarching goal of improving the nutrition of women and children – recognising that the malnutrition challenge in Timor-Leste is complex and multi-dimensional.

Australia's newly-announced agricultural program in Timor-Leste, TOMAK Farming for Prosperity (\$25 million, 2016-2021), has a specific focus on promoting good nutrition, including improving dietary diversity, improving agricultural practices to ensure a year-round supply of locally-available nutritious food, and empowering women<sup>83</sup>. TOMAK, which was designed with support from the Seeds of Life Program (ACIAR and the University of Western Australia) and CSIRO (through the Food Systems Innovation initiative), is DFAT's first agricultural development program to be designed with explicit nutrition objectives.

To better understand agriculture's contribution to improved nutrition, DFAT's innovationXchange is funding a pilot project to work with the Government of Timor-Leste to measure the collective impact of our sectoral programs using digital technologies for real-time monitoring of indicators.

### Private sector

- The AgResults Zambia Biofortified Maize Pilot aims to support the introduction of biofortified pro-vitamin A (PVA) orange maize into commercial urban and rural markets by offering cash prizes to competing milling companies to produce and sell target volumes of this product. Maize biofortification is a low-cost method to combat vitamin A deficiencies, which cause up to 250,000 child deaths triggered from blindness annually in Africa. In Zambia, research indicates vitamin A deficiency rates are as high as 31 per cent in children and 21 per cent in women. By 2019, the pilot is expected to produce up to 60,000 tonnes of biofortified PVA maize meal per year. That amount is anticipated to provide significant health benefits to over half a million Zambian consumers of PVA maize meal<sup>84</sup>.
- Aflatoxin contamination is a global problem affecting 4.5 billion people in developing countries. Aflatoxins are highly carcinogenic substances produced by particular types of fungi commonly found in maize, soy and groundnuts. DFAT's Market Development Facility (MDF) is assisting a small Timorese agribusiness, Timor Global, to establish storage and aflatoxin testing facilities that will enable it to safely source local maize and soy for the production of fortified food stuffs and other products. The intervention will also contribute to the creation of jobs in the testing facilities and related activities.

### Research organisations

- Poultry is an integral part of many farming systems and rural women's livelihoods across Africa and Asia. It is also an important source of animal protein and income for farming households. With DFAT's support, the University of Sydney (USyd) is undertaking research to improve poultry health. In Timor-Leste, USyd is working collaboratively with DFAT to explore the links between village poultry health and human nutrition. This is part of the DFAT-funded Timor-Leste Village Poultry Health and Biosecurity Program, implemented in partnership with the Timor-Leste MAF, Australia's DAWR and USyd. Through Australia Awards funding, USyd is hosting a PhD research project in Tanzania into aflatoxin contamination of poultry feed (village grains) and its impact on chickens, including as residues in liver and eggs. Previous studies have linked childhood exposure to aflatoxins with a high percentage of stunting in children.

<sup>83</sup> DFAT website: <http://dfat.gov.au/about-us/grants-tenders-funding/tenders/business-notifications/Pages/investment-design-and-supplier-engagement-tomak-farming-for-prosperity-timor-leste.aspx>.

<sup>84</sup> AgResults website: <http://agresults.org/en/307/ZambiaBiofortifiedMaizePilot>.

- Growing nutrient-rich foods are not the only way to reach better nutrition outcomes. Increases in income from cash crops, such as coffee and cocoa, can also contribute to better nutrition. Through a program to develop cocoa value chains in Bougainville, Papua New Guinea, co-funded by ACIAR, USyd teams will work with communities to build awareness around better nutrition and health, in tandem with cocoa extension activities. The project's objective is to encourage households to spend increased incomes on nutritious foods and accessing health services.

#### Civil society organisations

- Flocks of village chickens across Africa and Asia are vulnerable to Newcastle disease (ND), a virus that can kill up to 100 per cent of village flocks during outbreaks. Through the Africa Partnerships Fund, DFAT is supporting the KYEEMA Foundation, a Brisbane-based NGO, to work with several African governments and the Pan African Veterinary Vaccine Centre of the African Union (AU PANVAC) to better control ND. The program builds the capacity of partner governments to produce ND vaccines, test for ND, and implement vaccination campaigns. In Tanzania alone, the number of ND vaccines manufactured and distributed has increased from less than 1.5 million in 2001 to around 30 million doses annually. In areas where village chickens are vaccinated, chicken numbers have increased significantly, enabling households to eat chickens and eggs, and to sell chickens for household expenditures such as food and school fees. The program relies on an innovative vaccine developed under an ACIAR partnership.

#### International organisations and multi-donor programs

- In 15 of the 28 recipient countries under the World Bank-managed Global Agriculture and Food Security Program (GAFSP), to which Australia is a key donor, around 13 per cent of its \$912 million Public Sector Window portfolio is targeted towards nutrition-related activities. Over two-thirds of this is for nutrition-sensitive agriculture activities, while the remainder includes nutrition activities beyond the agriculture sector, such as behavioural change communication campaigns and efforts to improve home conditions<sup>85</sup>.
- DFAT provides core funding and advice to the Pacific Islands Forum Fisheries Agency (FFA) and the Secretariat of the Pacific Community (SPC) to address the looming 'food gap', which would see the availability of fish falling well behind the current food security and nutrition needs of Pacific Island countries. Australia has supported multi-year fisheries institutional strengthening programs in Nauru, Papua New Guinea, Samoa and Tonga, and has recently assisted Kiribati in developing their National Fisheries Policy, launched in November 2013.
- Australia has also been a strong advocate for the advent of the World Bank's new Pacific Regional Oceanscape Program (PROP). The PROP will deliver considerable support to the four (initial) participating countries – Solomon Islands, the Federated States of Micronesia, Marshall Islands and Tuvalu. Other island countries are expected to join in future years. PROP will improve the institutional capacity of Pacific Island countries to better manage both offshore and inshore fisheries and provide them with resources to participate in all aspects of the *Roadmap for Sustainable Pacific Fisheries*. The possible transfer of offshore tuna resources into domestic markets, to offset the decline in the capacity of coastal fisheries, is one key element of the Roadmap to better address the emerging food security and nutritional needs of Pacific populations.

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<sup>85</sup> *Global Agriculture and Food Security Program (GAFSP) Annual Report 2014*, World Bank, Washington DC, November 2014.

## 7. The way forward

**Terms of reference:** ...*Innovative modalities and practices that would enhance the contribution of all relevant stakeholders in supporting agricultural development, better nutrition and inclusive economic growth in the Indo-Pacific region.*

### 7.1. International leadership

Creating a sustainable and reliable global food system that supports inclusive growth and better nutrition is not just about aid. It cuts across Australia's economic, security, trade and global development interests. Australia is well placed to prosper from developing and delivering the innovations needed to meet future food demands in a sustainable way. The opportunities lie not just in exporting high quality, high-value 'clean green' food products, but also in exporting business know-how, science, technology and educational services.

The integration within DFAT of aid, trade and foreign affairs, together with the release of both the *White Paper on Developing Northern Australia* (June 2015) and the *White Paper on Agricultural Competitiveness* (July 2015), provide a strong foundation for strengthening Australia's position as a leading agricultural nation at the forefront of innovations in the global food system. Australia's aid and trade policies on agricultural development and food security are coherent and mutually-reinforcing, and we already have a well-recognised international leadership role in this sector.

DFAT's active participation in regional and international fora allows us to promote Australia's approaches and interests. Engaging with other donors and multi-stakeholder networks also provides access to a wide range of experience and best practice in supporting agricultural development.

### 7.2. Fostering inclusive business at scale

Well-targeted use of Australian aid investments can help transform how productive resources are utilised to drive growth, tackle poverty and ensure long-term security and stability. However, donor funding alone cannot drive agricultural development. The role of donor funding is increasingly about brokering and catalysing the actions and resources of others, including: developing country partner governments; scientists and researchers; small, medium and large businesses; the NGO sector; and the farmers and fishers themselves.

#### The challenge of scale-up

*The magnitude of the issues prevalent in the agricultural sector is simply vast. Inclusive agri-markets must therefore develop meaningful responses at commensurate scale. Unless they are scaled up, good initiatives are likely to remain 'islands of success', instead of becoming accepted common practice and functioning as seas of change. Scaling up, however, requires specific and explicit effort.<sup>86</sup>*

As highlighted throughout this submission, DFAT is now implementing a range of innovative agricultural development partnerships that seek to boost productivity, strengthen agri-food markets and improve policy settings. However, achieving systemic change and impact at scale will remain challenging. What works at small scale in one location will not always lend itself to expansion or replication. From the inclusive business perspective, dealing with very large numbers of individual small producers – to improve their livelihoods and capacity to participate effectively in markets – involves significant logistical and cost challenges. Government policy settings may also hinder business activity. Developing mechanisms for business to engage with policymakers and partner with donors, developing country governments and civil society can help overcome the disincentives

<sup>86</sup> *From Islands of Success to Seas of Change*, op.cit.

businesses face in working with lower income groups at the scale necessary to have long-term impact.

With these challenges in mind, and as recommended in *Partnering for the Greater Good*,<sup>87</sup> DFAT is now working more closely with a range of private sector operators. DFAT's new relationships with the UN Global Compact and the Global Reporting Initiative will help build business capability to engage in sustainable international development. The Business Partnerships Platform will provide financial and other assistance for business proposals that offer 'shared value' (i.e. both social and commercial returns) in developing countries.

*In the Asia-Pacific, Australia is a primary agricultural exporter to regional developing countries and already has market-based linkages and relationships. This presents significant opportunities to further integrate Australian agribusiness into regional value chains; build on Australia's strong expertise in research and development; and leverage the unique local placement of project officers to pursue PPP [public-private partnership] opportunities... It is in Australia's overall geostrategic interests to at least motivate its business community to engage at a deeper level in countries across the Asia-Pacific region.*<sup>88</sup>

DFAT is also working to build relationships with key Australian partners with a view to enhancing Australian business engagement in sustainable and inclusive agri-food value-chain initiatives in the Indo-Pacific region. The department convened a workshop in June 2015 with civil society representatives (NGOs and researchers) to exchange ideas on practice and innovation, especially in relation to working with the private sector. A DFAT-hosted agribusiness roundtable in August 2015 attracted a diverse group of participants representing leading Australian and international businesses, financial institutions, NGOs, representative bodies and government agencies. There is a clear appetite for further structured engagement, including identifying practical mechanisms for collaboration.

#### **Seed Pacific**

DFAT's innovationXchange is developing a new initiative to leverage private sector investments that tackle development challenges in the Pacific. Seed Pacific will target businesses that are prepared to show leadership and innovation in the region. While Seed Pacific is not focused on a particular sector, it is anticipated that it will include businesses that are involved in agriculture and nutrition. It will broker and support promising partnerships between global businesses and local organisations to develop, test and grow new business models that while making profit, have significant development impact.

Seed Pacific will be launched in early 2016 with a series of collaborative forums to bring businesses together with Pacific governments, regional organisations and civil society to identify opportunities for productive collaboration. DFAT will then launch an open call for ideas for innovative business models with the potential to deliver both commercial and development returns. Seed Pacific's \$20-million competitive fund will leverage co-investments with private sector partners to trial the most promising pilots. It will provide flexible, tailored support for the business models to test, learn and evolve until they demonstrate commercial and developmental success.

Another important area for further work is on leveraging alternative sources of finance for agricultural development to achieve greater impact and sustainability. Through its innovationXchange, DFAT will

<sup>87</sup> *Partnering for the greater good: The role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region*, Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade, Canberra, June 2015.

<sup>88</sup> *A situational assessment of Aid for Trade (A4T), public private partnerships (PPPs) and inclusive business opportunities for Australia*, op.cit.

support the trialing of alternative financial instruments, such as equity investments through impact investors.

Impact investors seek out businesses that provide social as well as financial returns, known as 'social enterprises'. Impact investing in agriculture has been constrained, in part, by a limited pipeline of suitable projects. A recent DFAT-commissioned analysis of trends and opportunities provides a useful basis for exploring possible mechanisms for brokering relationships between impact investors and small to medium-sized agribusinesses<sup>89</sup>. In the Pacific, we are seeking to leverage the finance and expertise of impact investors, as well as partnering with social enterprise incubators to help farming cooperatives develop the skills and expertise they need to supply international export markets. Early pilot projects are proving promising. To date, DFAT has helped facilitate investment in two agribusinesses in Tonga, and an expanded program of activity is anticipated in 2016.

DFAT's efforts to stimulate greater inclusive agribusiness investment in the region, through the various approaches described above, could potentially yield development impacts at a scale not possible or affordable through the use of Australian aid alone.

### 7.3. Strengthening partnerships with governments, civil society and researchers

DFAT recognises that fostering inclusive business depends on a supportive environment of relationships and partnerships across government, business, civil society and science. Strengthening relations with partner governments across the region on all aspects of agricultural development and trade underpins the Government's new *Strategy for Australia's aid investments in agriculture, fisheries and water*. DFAT will also continue to work with a diversity of civil society organisations, both in Australia and in partner countries. These play a critical role in mobilising community and farmer efforts to improve agriculture, and strengthening the development impacts of business activity.

Research organisations also have a key role to play in driving agricultural innovation. Working collaboratively with ACIAR and CSIRO, DFAT sees the strengthening of partnerships between Australian and regional research institutions as an essential part of the forward agenda. Significantly, innovation hinges to a large degree on how effectively government, business, civil society and science can collaborate. DFAT has been proactive in supporting the Grow Asia initiative, which brings all of these groups together with high-level government and business sector backing.

### 7.4. Gender and nutrition

While much progress has been made in DFAT's agricultural investments to empower women and close gender equality gaps, many opportunities for further work still remain. In particular, we will continue to promote labor-saving technologies, practices and services for women and girls, support women's entrepreneurship and leadership in the agriculture sector, and take steps to improve women's access to and control over land and other agriculture-related assets. In addition, further research and policy analysis will be required on the trend towards feminisation of agriculture in key partner countries in the Indo-Pacific and its implications for future aid programming.

'Nutrition-sensitive agriculture' is a relatively new area of work for DFAT. Further effort will be required to promote the inclusion of explicit nutrition objectives in future DFAT agriculture investments, and ensure coordination and collaboration with other sectors to maximise nutrition outcomes. DFAT will draw on international experience and best practice to create a strong evidence base on what works in this field.

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<sup>89</sup> Winters, M. and Johnston, M., *A Review of Impact Investing into Inclusive Agri-business in Southeast Asia*, Palladium Group, 2015.



## 7.5. Coordination, analysis and aid management

The Government's *Strategy for Australia's aid investments in agriculture, fisheries and water* will continue to guide DFAT's development partnerships in agriculture and agribusiness. DFAT will work to ensure strong coordination across all agriculture-related programs funded by Australian aid, including by encouraging and facilitating information-sharing and direct communications between relevant organisations and individuals. We will also promote integrated approaches, recognising that achieving desired outcomes in agricultural development, food security and nutrition will often require complementary interventions in other sectors – such as governance, infrastructure, social protection, financial inclusion, health or education.

DFAT will continue to monitor and analyse global challenges, trends and approaches to identify opportunities and risks. Over the past two years, DFAT has commissioned analytical reports on: the role of agriculture in economic growth in the region<sup>90</sup>; aid for trade in the agriculture sector<sup>91</sup>; international best practices in public-private partnerships for agricultural market development<sup>92</sup>; and innovative financing for agricultural development<sup>93</sup>. We will continue to draw on these analyses, and commission further work as needed, to underpin innovation and new approaches across the agriculture portfolio.

Further work will be undertaken within DFAT to ensure that our design, contracting and reporting requirements can accommodate the innovative partnership-based approaches now being pursued in the agriculture sector. DFAT will also continue to invest in building the capacity of our staff – and those in key partner agencies – to understand current issues in agricultural development and food security, build productive partnerships and design and manage innovative programs.

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<sup>90</sup> *Agriculture and Economic Growth Study*, Adam Smith International, Canberra, March 2015.

<sup>91</sup> *International Trends in Aid for Trade in Agriculture*, Carana Corporation, Canberra, September 2014.

<sup>92</sup> *Trends in public-private partnerships (PPPs) and inclusive business models (IBMs) for improving food security and rural development through agriculture*, Carana Corporation, September 2014.

<sup>93</sup> *A Review of Impact Investing into Inclusive Agri-business in Southeast Asia*, op.cit.

## Annex A

### Key Australian aid investments in agriculture and fisheries

<b>GLOBAL LEVEL</b>
<p><b>Global Agriculture and Food Security Program</b> (\$107.9 million, 2010-2018)</p> <p>Australia is a strong supporter of the Global Agriculture and Food Security Program (GAFSP), a World Bank-managed multilateral mechanism that emerged out of the G8 and G20 processes to boost investment in agriculture and food security. GAFSP provides assistance through two separate funding channels – a Public Sector Window (PuSW) and a Private Sector Window (PrSW). The PuSW provides grants to low-income countries to assist them to implement national strategies to raise agricultural productivity, link farmers to markets, improve rural livelihoods, and reduce risk and vulnerability. The PrSW provides concessional finance to agribusinesses, rural banks and other private sector actors to stimulate additional agribusiness and rural finance activity in low-income countries. Australia has contributed \$100 million to the PuSW to date. In June 2015, Australia also provided new funding worth \$7.9 million to the PrSW, which will facilitate private sector operations in the Indo-Pacific region.</p>
<p><b>AgResults</b> (\$20.5 million, 2011-2014)</p> <p>Australia (with Canada, the UK, the US and the Gates Foundation) is a core partner in AgResults, a G20 initiative driving private sector-led agricultural development, research and delivery for smallholder farmers by rewarding businesses for achieving pre-defined development results. Through a number of pilot projects, AgResults is working with private sector actors across multiple agricultural value chains in Africa and Asia. These pilots are driving widespread adoption of existing technologies to: increase agricultural productivity; improve farm incomes, enhance human nutrition and on-farm storage of grain; and improve livestock health and farm management practices.</p>
<b>REGIONAL LEVEL</b>
<p><b>Grow Asia partnership</b> (\$8 million, 2015-2018)</p> <p>Australia is a founding partner in 'Grow Asia', a new multi-stakeholder agribusiness platform established jointly by the World Economic Forum (WEF) and the ASEAN Secretariat. It aims to increase sustainable and inclusive agricultural development and food security by unlocking new private sector investment and supporting regional cooperation. Bringing together business, government and civil society, Grow Asia will link small-scale farmers in ASEAN economies to regional and global markets.</p>
<p><b>Fisheries Development Assistance in the Pacific</b> (Up to \$45 million, 2015-2018)</p> <p>Australia supports increased benefits to Pacific Island countries from sustainable commercial and subsistence fisheries and effective governance and ecosystem-based management mechanisms for sustainability.</p> <p>Australian support is largely implemented through regional fisheries organisations –the Pacific Islands Forum Fisheries Agency (FFA) and the Secretariat of the Pacific Community's (SPC) Division of Fisheries, Aquaculture and Marine Ecosystems (FAME). In response to the growing threats to the Pacific's coastal fisheries, Australia has also increased support, through ACIAR, for community-based fisheries management and aquaculture assistance.</p>
<p><b>Sustainable Development Investment Portfolio</b> (\$49.4 million, 2012-2016 )</p> <p>The Sustainable Development Investment Portfolio (SDIP) seeks to improve transboundary water resource management, increase access to energy and energy connectivity, and improve agricultural productivity and farm incomes. SDIP targets these three inter-related sectors where Australia is uniquely placed to contribute its expertise and technologies. SDIP focuses on a sub-region of South Asia defined by three major Himalayan river basins—the Indus, Ganges and Brahmaputra—covering north-east Pakistan, northern India, Bangladesh, Nepal and Bhutan.</p>

<p><b>African Enterprise Challenge Fund (AECF)</b> <b>(\$33 million, 2012-2019)</b></p>
<p>Australia is supporting the multi-donor Africa Enterprise Challenge Fund (AECF), which is working to spur entrepreneurs and companies in Africa to develop innovative, commercially-viable and practical business ideas that could have a positive impact on rural livelihoods and incomes. Australia funded one round of a 'Research into Business' (RIB) Window, which aims to support business ideas that can take research discoveries and make them commercially viable. The RIB Window aims to benefit 750,000 households by strengthening agribusiness market systems in order to benefit the poor, 60 per cent of whom are living on less than US\$2 per day. Australia's aid program has also supported a funding window for Zimbabwe, which has funded 28 agribusiness and financial service projects that have benefited about 280,000 households – directly through the creation of 1,200 new jobs, and indirectly through increased farm productivity and incomes.</p>
<p><b>DFAT- CSIRO Africa Food Security Initiative</b> <b>(\$35 million, 2010-2016 )</b></p>
<p>In East Africa, DFAT is funding CSIRO's partnership with the Biosciences eastern and central Africa (BecA) research hub in Nairobi. This partnership aims to strengthen the capacity of the hub, and of African scientists in using modern biosciences for food and nutritional security. Some of the projects undertaken by the partnership include: promoting the adoption and commercialisation of highly-nutritious crops such as vegetable and grain amaranth; addressing aflatoxin contamination in maize; and developing vaccines and sustainable control strategies for livestock diseases.</p> <p>DFAT also invests in the Africa Biosciences Challenge Fund managed under the CSIRO-BecA partnership. This fund enables African researchers to visit and undertake cutting-edge research for periods of three to twelve months at the BecA hub.</p>
<p><b>Pacific Horticultural and Agricultural Market Access Program</b> <b>(\$30.8 million, 2010-2017)</b></p>
<p>The Pacific Horticultural and Agricultural Market Access Program (PHAMA) aims to improve economic growth and livelihoods in Pacific countries by increasing Pacific horticultural and agricultural exports to international markets. The program is being funded by both the Australian and New Zealand aid programs through to 2017. The program has been initially implemented in Samoa, Tonga, Solomon Islands, Vanuatu and Fiji. It has two key components: (1) addressing market access priorities identified by national private-public sector partnerships through technical assistance or research; and (2) strengthening the capability of the Secretariat of the Pacific Community to better engage on agriculture and forestry issues in the region.</p>
<p><b>ASEAN Food Security Policy Partnership with the Organisation for Economic Cooperation and Development</b> <b>(\$1.7 million, 2015-2018)</b></p>
<p>In June 2015, DFAT entered into a partnership with the Organisation for Economic Cooperation and Development (OECD) to strengthen the evidence base on food security policy options in ASEAN countries. Some policy settings intended to ensure domestic food security have the opposite effect, by distorting agricultural production and trade. The OECD is increasing its engagement in the region and will lead analysis and dialogue with and among policymakers to support their development and implementation of more efficient and effective policies.</p>
<p><b>Stop Transboundary Animal Disease and Zoonoses Initiative</b> <b>(\$12.9 million, 2011-2015)</b></p>
<p>The Stop Transboundary Animal Disease and Zoonoses Initiative (STANDZ) combines ongoing support to two programs of the World Organisation for Animal Health (OIE): (1) the Southeast Asia and China Foot and Mouth Disease Program, and (2) Strengthening Initiatives for Veterinary Services. The goal of STANDZ is to reduce the impact of emerging infectious diseases on food security, public health and livelihoods in Southeast Asia by strengthening the capacity of the region's animal health sector to prevent, control and eradicate priority Transboundary Animal Diseases and Zoonoses.</p>

<b>COUNTRY LEVEL</b>
<b>Market Development Facility (\$48 million, 2011-2017)</b>
The Market Development Facility (MDF) is focused on reducing poverty by stimulating economic growth. It works through partnerships with the private and public sector to identify and develop new products and services or new ways of doing business, which provide increased income and employment opportunities for poorer populations. MDF shares the risk of investment to turn local opportunities into realities. The facility is a six-year multi-country program to increase employment and incomes for poor women and men in Fiji, Timor-Leste, Pakistan, and more recently, Sri Lanka and Papua New Guinea. Partnerships with businesses span carefully selected sectors with high growth potential, including in tourism, horticulture, agribusiness, agricultural export processing, manufacturing, construction, meat and dairy, and leather.
<b>The Australia-Indonesia Partnership for Rural Economic Development (AIP - Rural) (\$112 million, 2010-2017)</b>
The Australia-Indonesia Partnership for Rural Economic Development (AIP-Rural) is a large-scale agricultural development program being pursued jointly by the Australian and Indonesian governments. Its goal is to achieve a 30 per cent increase in the incomes of 300,000 smallholder farmers in Eastern Indonesia by 2022. The program is working to achieve this goal through a suite of targeted aid interventions aimed at catalysing private sector-led economic activity, including: improving smallholder farmers' access to new markets; identifying supply chain constraints to business; using more efficient agricultural inputs, technology and expertise to boost agricultural productivity; investing in new agricultural infrastructure; and providing access to affordable and appropriate finance for small-scale farmers and rural businesses. In pursuing this work, AIP-Rural partners and/or co-invests with key market stakeholders, such as the local and national governments, the private sector, business associations, NGOs and research institutions.
<b>The Cambodia Agricultural Value Chain Program (\$38.2 million, 2013-2020)</b>
The Cambodia Agricultural Value Chain Program (CAVAC) aims to increase farmer incomes in rice-based farming systems by accelerating growth in the value of agricultural production. CAVAC strengthens market connections that promote greater investment and add value along specific value chains that link suppliers to farmers and farmers to consumers. CAVAC operates in three Cambodian provinces – Kampot, Takeo and Kampong Thom. It provides assistance in four areas: (1) agribusiness; (2) water management and irrigation; (3) research and extension; and (4) the business enabling environment.
<b>Australian Assistance to Agriculture Development in Balochistan Border Areas (AusABBA), Pakistan (12.9 million, 2011-2016)</b>
The Australian Assistance to Agriculture Development in Balochistan Border Areas (AusABBA) aims to reduce poverty and economic inequities for 175,000 people from Pakistan's western border districts of Chagai, Kech, Kharan, Nushki, Panjgur and Washuk through sustainable agricultural development. The project is implemented by the Food and Agriculture Organisation and focuses on development of marginal and small-scale producers, as well as food processors, traders and exporters in the western districts of Balochistan province.
<b>Phase 2 of the Agriculture Sector Linkages Program, Pakistan (13.8 million, 2009-2015)</b>
Phase 2 of the Agriculture Sector Linkages Program (ASLP II) in Pakistan has three components: (1) pro-poor value chains; (2) enabling policy; and (3) agricultural capability. Specifically, it aims to support improvements in 'value-chain' frameworks for the mango, dairy and citrus industries started under Phase 1. It also supports capacity building in the agriculture sector, through a stronger focus on formal and informal training. This includes training provided through existing programs such as the John Allwright Fellowships Program and the John Dillion Fellowship program. It also promotes the development of policies and regulatory frameworks to enable more sustainable farming systems. In addition, Phase 2 focuses more broadly on increasing incomes of poor smallholder farmers and expanding market system interventions into Balochistan Province.

<p><b>Australian Community Rehabilitation Program, Sri Lanka</b> (<b>\$45 million, 2009-2016</b>)</p>
<p>The Australian Community Rehabilitation Program (ACRP) focuses on providing international NGOs with program funding to support activities in vulnerable, lagging and conflict-affected Sri Lankan communities to enable them to recover and take advantage of new opportunities for economic and social development, including in agriculture and food security. The ACRP program is primarily designed to support community development, grounded in the evolving Sri Lankan situation in which conflict, security and sustainable development are closely linked. The key aims are to: strengthen the capacity of local governance structures and support them to adopt policies and development plans that address root causes of conflict; increase economic opportunities and ensure that individuals and groups are able to fully participate in development; and empower critical actors at the community level who will support and strengthen peace and development.</p>
<p><b>Livelihoods and Food Security Trust Fund, Burma</b> (<b>\$19 million, 2009-2016</b>)</p>
<p>The Livelihoods and Food Security Trust Fund (LIFT) in Burma aims to improve the livelihoods and food security of vulnerable populations in the communities affected by Cyclone Nargis. The package involves support for activities identified in the Post-Nargis Recovery and Preparedness Plan Prioritised Action Plan (PONREPP PAP), which was developed by the Tripartite Core Group comprising the Burmese regime, the United Nations and ASEAN.</p>
<p><b>Seeds of Life Phase III, Timor-Leste</b> (<b>\$26 million: \$23 million DFAT and \$3 million ACIAR), 2011-2016</b></p>
<p>Seeds of Life, run in partnership with ACIAR, aims to improve food security in Timor-Leste. The program supports the development and distribution of better yielding varieties of crops such as rice, maize, sweet potato, cassava and peanuts. With access to better seeds, farmers are able to grow more and better crops and earn cash income by selling some of their crops, thereby enabling them to support their families and improve their nutrition. By the end of 2015, around 65,000 farmers (around 50 per cent of farmers in Timor-Leste) will have access to Seeds of Life seed varieties.</p>
<p><b>Australia Afghanistan Community Resilience Scheme</b> (<b>\$25.4 million, 2011-2017</b>)</p>
<p>The Australia Afghanistan Community Resilience Scheme (AACRS) is a grants program to improve rural livelihoods in Afghanistan. Under AACRS, DFAT is funding five international NGOs to deliver programs focused on improving resilience and/or livelihoods in Afghan rural communities.</p>
<p><b>ACIAR Afghanistan Agricultural Research Portfolio</b> (<b>\$ 17.7 million, 2012-2017</b>)</p>
<p>DFAT funding under this initiative supports ACIAR's work on three adaptive agricultural research projects aimed at improving and sustaining the productivity of targeted Afghan farming systems in water scarce environments. These projects aim to improve grain productivity, livestock productivity and water management.</p>
<p><b>Solomon Islands Rural Development Program</b> (<b>\$31.8 million, 2008-2020</b>)</p>
<p>The Rural Development Program is a joint program between the World Bank, Australia, the European Union, the International Fund for Agricultural Development (IFAD) and the Solomon Islands Government. The program is raising the living standards of rural households by improving infrastructure and services, as well as helping the Ministry of Agriculture and Livestock to deliver advice and services to farmers. Phase one (2008–15) had three components: building small-scale village infrastructure, building capacity in the Agriculture Ministry, and assisting rural businesses with training and finance. Phase two (2015–20) will provide small-scale village infrastructure projects in every rural ward of the Solomon Islands, support productive alliances between private sector and smallholder farmers, and stimulate agribusiness activity in rural areas.</p>

<p><b>ACIAR Multidisciplinary Research Program Burma</b> <b>(\$12 million, 2011-2016)</b></p>
<p>This research program aims to improve food and livelihood security for smallholder farmers in Burma. The program has four main components: legume productivity; rice productivity; aquaculture development; and livestock based enterprises. Research into socio-economic factors affecting the acceptability and adoption of promising technologies is also a central element of the program. Expected outcomes are: (1) increased net production of food and cash incomes of rural households through improvements in the adoption of production and post-harvest technologies in agriculture and fisheries; (2) building capacity for agriculture and fisheries development and extension through program activities and post-graduate and short-term training; and (3) stimulating policy change in relevant Burmese Government ministries.</p>
<p><b>Australia Middle East NGO Cooperation Agreement</b> <b>(Phase 2 - \$38 million, 2009-2015)</b> <b>(Phase 3 - \$40 million, 2016-2020)</b></p>
<p>The Australian Middle East NGO Cooperation Agreement (AMENCA) was initiated in 2005 in the Palestinian Territories. The six-year second phase (AMENCA 2) ended in August 2015. The program has been a key element of Australia's bilateral aid to the Palestinian Territories and a vehicle for a decade of collaboration between Australian aid and Palestinian civil society organisations. Since 2009, AMENCA 2 has directly benefited over 100,000 Palestinians, more than half of whom have been women. It has enabled some 8,660 poor farmers and over 2,500 small businesswomen to raise their incomes by an average of 47 per cent. AMENCA 2 farmers were able to produce additional food valued at more than \$100 million.</p> <p>DFAT will now implement a third phase of AMENCA. <i>AMENCA 3: Palestinian Farmers Connecting to Markets</i> will bolster the Palestinian National Authority's efforts to make farming a driver of economic growth and a tool for strengthening community fabric. Building on the achievements of AMENCA 2, it will focus more on agricultural value chains and working with the private sector. It will improve the competitiveness of Palestinian farmers, helping them connect to markets in a sustainable way, increasing the incomes of small farming communities and empowering women and youth in those communities.</p>
<p><b>Papua New Guinea - The PNG Economic Development Program</b> <b>(\$18 million, 2015-2019)</b></p>
<p>DFAT-ACIAR collaboration under the PNG Economic Development Program aims to: improve economic development opportunities for women in rural and peri-urban PNG; accelerate development of the canarium nut industry; improve the quality and competitiveness of PNG's smallholder cocoa sector; and develop a commercial sweet potato sector industry in PNG.</p>

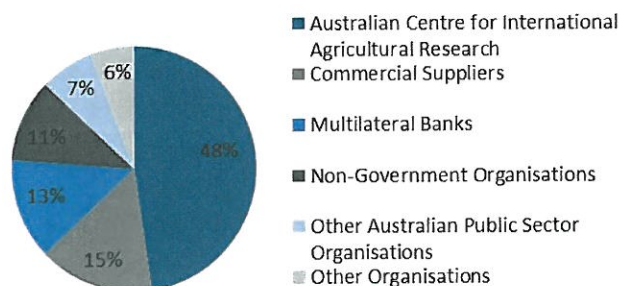
## Australian Aid for Agriculture

A productive, efficient and market-oriented agriculture sector provides a strong foundation for economic development. It provides employment and income,



empowering women and lifting people out of poverty. Agriculture is also a substantial source of export earnings across much of our region.

Australian Agriculture ODA, by Partner Type 2014-15



### STRATEGIC DIRECTION

The [Strategy for Australia's aid investments in agriculture, fisheries and water](#) (February 2015) outlines the overarching rationale, objectives and priorities for the Australian aid program's investments in these sectors.

Australia's aid investments in agriculture prioritise three key areas of engagement:

1. Strengthening markets;
2. Innovating for productivity and sustainable resource use; and
3. Policy, governance and reform

A key focus of the Strategy is to promote innovative and catalytic use of Australian aid and expertise in agriculture. It also highlights the critical role of women's economic empowerment in maximising development outcomes.

In September 2015 the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) announced an Inquiry into the role of partnerships in agriculture and agribusiness in promoting Australia's development goals.

### AUSTRALIAN AGRICULTURE ODA BY REGION, 2014-15 to 2015-16

Region	2014-15 Estimated Outcome \$m	2015-16 Budget Estimate \$m
Pacific	14.5	11.0
East Asia	64.9	72.3
South and West Asia	24.7	24.0
Africa and the Middle East	18.4	13.4
Latin America and the Caribbean	0.5	0.3
Rest of the World*	86.8	83.5
<b>Total ODA to Country</b>	<b>209.8</b>	<b>204.4</b>

\*Includes ACIAR funding not attributed to specific countries or regions

### PROGRAM HIGHLIGHTS

- Nearly 640,000 poor women and men adopted innovative agricultural and fisheries practices such as new growing techniques or improved crop varieties
- New market opportunities and increased productivity led to agriculture and fisheries production increasing by over USD46 million
- Innovative agricultural development partnerships with private enterprise in Cambodia, Indonesia, Fiji, Timor-Leste and Pakistan are gaining momentum and delivering results.
- For example in Cambodia \$1.2m in pro-poor private sector agriculture investments were leveraged and the incomes of 135,000 poor people were increased.

### TOP 10 COUNTRIES BY TOTAL AUSTRALIAN AGRICULTURE ODA 2015-16

Country	2015-16 Budget Estimate \$m
Indonesia	30.9
Cambodia	16.7
Pakistan	6.7
Timor-Leste	6.5
Afghanistan	6.2
Papua New Guinea	5.1
Laos	5.0
Vietnam	4.3
Philippines	3.9
Burma	2.6

### KEY FRAMEWORK DOCUMENT

- Strategy for Australia's aid investments in agriculture, fisheries and water

Last updated: October 2015