

AIPD-RURAL SUMMARY DRAFT DESIGN DOCUMENT

NB: Design remains in draft pending Government of Indonesia approval

Executive Summary

Program name: Australia-Indonesia Partnership for Rural Economic Development

Duration: 5 years (with possible 2nd stage of 5 years to be decided)

Location: 4 Districts (total 20)¹ in each of East Java; NTT; NTB; Papua; West Papua

Goal: 30% increase in incomes for more than 1,000,000 or poor male and female farmers

Objective: Increased competitiveness of poor male and female farmers

Outcomes: Improved farmer practices; Increased access to input and output markets; Improved business enabling environment at regional level.

Approach: Market-led approach to development of agriculture systems. Starting with identifying agricultural commodities with the most growth potential and likely to impact poor farmers, work with on- and off-farm market stakeholders (public and private sector) to grow markets for commodities that are likely to increase the incomes of poor farmers.

1. Background

AusAID has supported rural development in Indonesia for decades, particularly in eastern Indonesia. Most recently AusAID funded the Smallholder Agri-business Development Initiative (SADI) which commenced in September 2006 and ended in June 2010. The Governments of Australia and Indonesia decided to replace the SADI program with a new program to address the most significant constraints to rural income growth. Due to the geographic focus and delivery model, AusAID's new Rural Economic Development program will share management arrangements with the Australia Indonesia Partnership for Decentralisation (AIPD), delivered by AusAID in conjunction with the Ministry of Home Affairs. The new program will be known as AIPD-Rural.

Despite considerable progress in fighting poverty in Indonesia over the last ten years, there is still much work to be done to achieve equitable and inclusive economic growth. Under the Australia-Indonesia Partnership, the Governments share a goal of increasing growth in rural incomes in Indonesia, including in less developed areas in eastern Indonesia.

¹ NTT: Timur Tengah Utara (2011); Flores Timur, Ngada, Sumba Barat Daya (2012); NTB: Lombok Utara (2011); Lombok Barat, Dompu, Bima (2012); Papua: Merauke (2011); Keerom, Paniai, and Supiori (2012); West Papua: Fakfak (2011); Sorong Selatan, Manokwari, Raja Ampat (2012); East Java: TBA.

Agriculture remains critical to the livelihoods of Indonesia's rural poor and is crucial to significant poverty reduction. Evidence suggests that 1% growth in the agricultural sector reduces rural poverty by almost 3%. AIPD-Rural will support the GoI's 2010-2015 medium term development plan, specifically the target of poverty reduction through increased (and inclusive) economic growth in rural areas through the development of competitive agricultural economic structures. The Program goal is in line with the first pillar of Australia Indonesia Partnership (AIP) Country Strategy (2008-2013) of "sustainable growth and economic management" and the high priority issues of partnership and gender equality.

Numerous factors contribute to low incomes for poor farmers. While they vary between locations and commodities, they generally include: poor cultivation techniques; lack of good seeds, planting material, pesticides, herbicides, fungicides or fertiliser; productivity far lower than the national average; poor infrastructure; expensive and irregular transport; long supply chains from the farmer to the end user; lack of quality incentives in pricing reaching farmers; lack of numeracy, literacy or financial literacy skills among farmers; lack of access to funds for both investment and daily expenses; and a complex regulatory environment which imposes additional local taxes and fees, and adds to the complexities of operating a business.

Despite various projects and government programs, relatively few poor farmers are enjoying the benefits. Public extension services have the potential to achieve high outreach, but are yet to reach this potential and currently often only benefit the better-off farmers. The private sector is still learning and exploring how to reach poorer rural farmers in cost effective ways. Some NGOs have developed effective approaches in working in an empowering way with poor farmers directly, but these activities are very limited in outreach.

AIPD-Rural aims to address in an equitable and sustainable way constraints to competitiveness of poor farmers, in order to increase their incomes. The program will do this by influencing and improving the way key stakeholders in the agriculture sector provide demand driven public and private services to farmers, and by improving the local policy and business enabling environment. The key challenge is to find the balance between sustainability, outreach and poverty impact.

2. Program Description

AIPD-Rural's goal is 30% or more increase in net incomes for 1,000,000 poor rural female and male farmers. Changes in income of poor farmer households are measured by changes in net income and changes in food security as a result of changed production practices. This reflects the focus of many poor farmers on subsistence farming rather than producing for markets.

AIPD-Rural's objective is increased competitiveness of poor female and male farmers. The competitive ability of the farmer is influenced by the availability and effectiveness of public and private services accessible by poor farmers, as well as the wider policy, infrastructure and regulatory environment. In order to achieve improved competitiveness of poor farmers, the program focuses on three key outcome areas:

Intermediate Outcome 1: Farmers apply improved farm practice. Improved farm practice is a key to increased productivity. The program will work in partnership with relevant stakeholders –

farmers, supply chain actors, public and private extension and research institutions – to develop systems for more efficient service delivery to poor farmers.

Intermediate Outcome 2: Farmers utilise improved access to input and output markets.

Supporting the development of more efficient supply chains will improve market access for the poor. This can be achieved through market stakeholders' investment in the supply chain to ensure availability and quality of products; facilitating greater interaction between market actors; better market transparency through improved information channels; stronger engagement by farmer groups in joint marketing activities; and improved access to finance.

Intermediate Outcome 3: Improved enabling environment at sub-national level. AIPD-Rural will focus on enabling environment issues constraining farmer competitiveness that emerge from Outcome 1 and 2 above. At a provincial level AIPD-Rural will focus on planning and strategy development for the agriculture sector, as well as on provincial regulatory issues. At the district level AIPD-Rural will focus support on district planning in agriculture, and regulatory issues related to agriculture and trade. It will also work closely with the agencies responsible for the coordination and delivery of public extension services.

Program Approach: The theory of change underpinning AIPD-Rural is 'market-led agricultural systems development'. At the core of this approach is the theory that all people living in communities trade goods and services with one another to meet their needs – thereby engaging in markets. AIPD-Rural aims, by working with private and public sector market actors, to grow markets for commodities that are likely to increase the incomes of poor farmers.

The box below contains a generalised description of the poor farmer, however it must be remembered that there is no single 'poor farmer'. As a result, activities targeting poor farmers must provide a high degree of flexibility in the commodities and farming systems targeted.

In order to improve incomes for small farmers the program must address the immediate problems that cause poor farming practice, poor access to markets and that constrain the enabling environment. For this to have an impact on significant numbers of farmers in the long-term, the interventions addressing the problems must be implemented in such a way that they support improved dissemination of solutions to the problems. This will allow these solutions to be replicated and 'scaled-up' in other locations and to other sectors.

A simple example of an activity that might improve farmer practices, as well as increasing access to input markets, is the provision of fertilizer for peanut farming: AIPD-Rural works with a fertiliser company to raise farmer awareness about the benefits of not only using the fertiliser in question, but using it in the manner that is most likely to raise production quality and quantity. AIPD-Rural assists the company to implement a public awareness campaign and at the same time train its network of retailers to more effectively provide information to farmers on using the fertiliser. Better use of the fertiliser leads to better productivity for peanut farmers, building the brand awareness of the fertiliser in question and influencing farmers' decisions in future about which fertiliser they buy. Other fertiliser companies see the profit in providing better service to peanut farmers (called crowding-in), and public awareness and retailer training campaigns are

scaled-up, leading to increasing productivity across a broader area for more farmers. AIPD-Rural steps away, and the cycle continues.

There are a multitude of factors that impact the effectiveness of markets for commodities such as peanuts. For instance, there may be government policy choices that constrain fertiliser market development; or there may be no infrastructure to transport fertiliser to areas where peanuts may be grown; or there may be lack of extension services to assist farmer practices and productivity. The task of AIPD-Rural is to identify the various constraints to market development of commodities most likely to bring benefits to poor farmers, and find ways to change behaviour of market actors – encompassing the public and private sectors, and civil society – to achieve better overall market performance, bringing the farmers along for the ride.

AIPD-Rural should not be considered an agriculture program; it can best be considered a market-led agricultural systems approach. The key elements of this strategic approach are:

- AIPD-Rural builds on local systems and puts system actors and institutions in the driver's seat and asks: "if the problem is..., then who has the (basic) capacity and the incentive to work on, and invest in, innovative solutions to address it, what is their agenda, what are they doing and why is this not enough to eliminate the problem?"
- Based on the clear problem understanding, AIPD-Rural needs to search for opportunities. Problems at the same time represent opportunities. The challenge for AIPD-Rural is to find the right actors that have the incentive and the motivation to get interested in a "rural adventure". It is about trying to find the system actor with the strongest incentive, the strongest capacity, who needs to make the smallest change step, and hence the lightest developmental push, to make the biggest change. This requires a creative, inquisitive mind, closeness to the sector, flexibility and negotiating skills. AIPD-Rural needs to be clear on the problem (clear on its strategy), but open, "opportunity driven" in terms of considering potential solutions to address it.
- To establish genuine partnerships AIPD-Rural needs to identify win-win situations. A genuine partnership is based on a common vision. This common vision will most likely be about making regional service markets work in a more comprehensive and inclusive manner for the benefit of partners, the service provider and the customer. What makes the win-win situation is the overlap of the objectives of the partners.
- Building on sustainability from the start: "Who does what" within the partnership depends on "who should do what" after the end of the intervention. "Who pays what" again depends on "who should pay what" after the end of the intervention. Like being clear on the problem, but opportunistic in terms of the solution, so also here the Program should be tough and flexible at the same time: flexible in terms of the content of partnership (as long as there is a win-win situation), but tough when it comes to the conditions of the partnership. Real ownership shows with real commitment, and true commitment with real (financial) investments in relation to the partner's capacity.
- AIPD-Rural emphasizes "systemic" change, meaning new lasting relations between system actors (e.g., between researchers and extension officers, between bankers and farmers), with the ability to evolve in time (there is innovative capacity within the relation), and with the ability to be replicated (e.g., the same bank expanding to a different area and apply the same model there, another bank also getting interested in farmers and developing a similar model). This is the base for sustainable and efficient impact at scale.

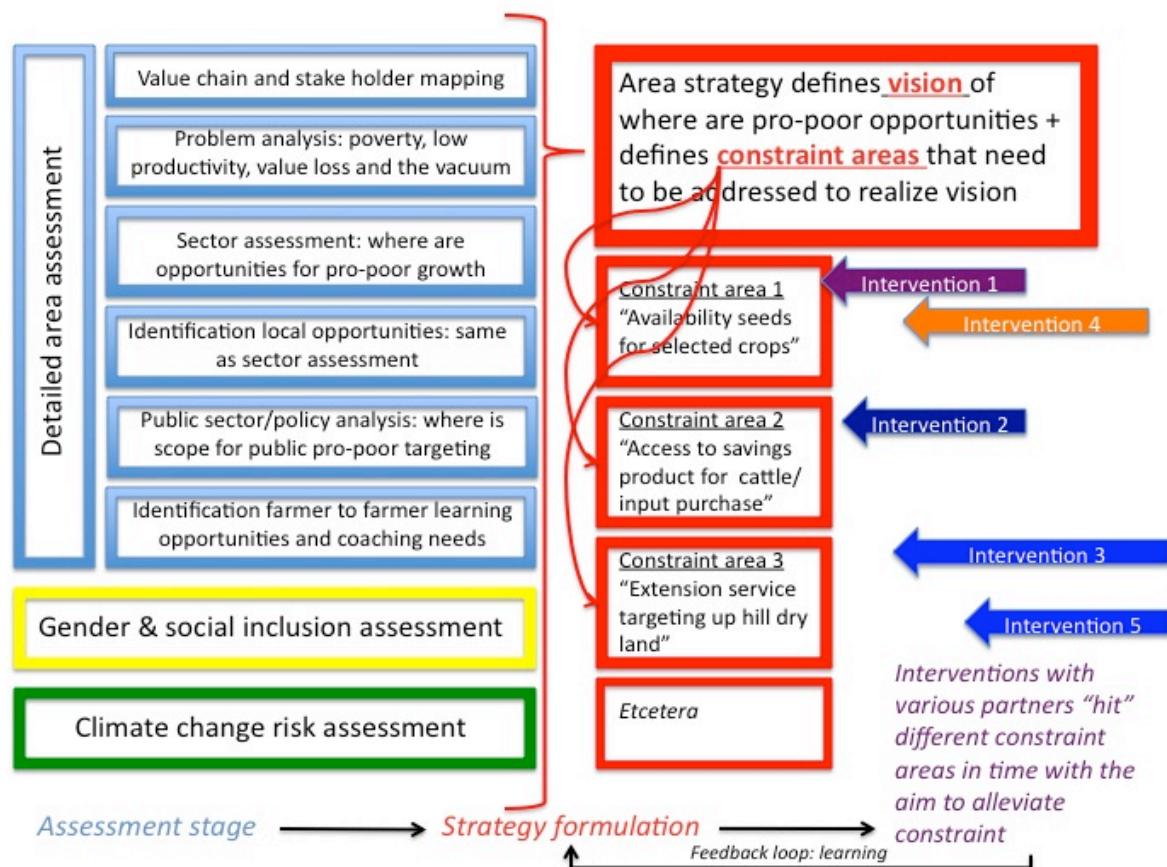
Bottom-up planning and analysis: As a starting point AIPD-Rural program staff and program partners, will conduct detailed local-level analysis of the market context within which poor farmers are living and working: what they are producing; agricultural growth potential; service markets for input-related services (seeds, fertilizer, production tools and financial services); availability of public and private extensions services; business linkages and supply chains; and gender and socio-economic factors.

Based on this analysis, AIPD-Rural searches for opportunities to work in partnership with local actors (private or public) with their own genuine incentives to develop more efficient and inclusive markets. By working through local systems AIPD-Rural aims to sustainably improve farmer competitiveness, and to ensure replication and scaling up of market development methods. The diagram below illustrates how detailed assessments will assist to determine:

1. Commodities with the most pro-poor growth potential, to use as entry points;
2. Local opportunities and potential partners;
3. Specific problems that need to be tackled to unlock pro-poor growth; and
4. The most promising channels/partners to work with to achieve this.

The outcome of the detailed assessments informs the AIPD-Rural provincial and district strategies, which guide program implementation.

Figure 1: From Assessments to Strategies and Interventions



Outcomes and Activities: Based on the provincial and district strategies developed through the analysis described above, and the identification of opportunities and constraints to market development, AIPD-Rural will implement activities to achieve the program outcomes mentioned above. The activities listed below are provided as generic examples only, to guide the implementation of actual activities that will be determined through on-the-ground analysis and design of interventions.

Intermediate Outcome 1: Farmers apply improved farm practice. To achieve this outcome, AIPD-Rural will implement activities to:

- Strengthen and assist farmer groups to adopt improved practices;
- Assist supply chain stakeholders to develop and/or deliver solutions for improved farm practices. For example, assist a seed company to better distribute seeds and provide information on seed use.
- Support more effective public extension service delivery. For example, work with local governments to better plan and budget for extension service delivery.
- Assist farmers to develop farm-to-farm learning systems. For example, work in partnership with more advanced farmers, or through a farmer field school, to engage local farmers in learning activities.

- Assist local research institutions develop and disseminate information for improved farm practices. For example, collaborate with the local BPTP on specific research needs emerging from AIPD-Rural work on specific commodities, and develop innovative dissemination methods.

Intermediate Outcome 2: Farmers utilise improved access to input and output markets. To achieve this outcome, AIPD-Rural will implement activities to:

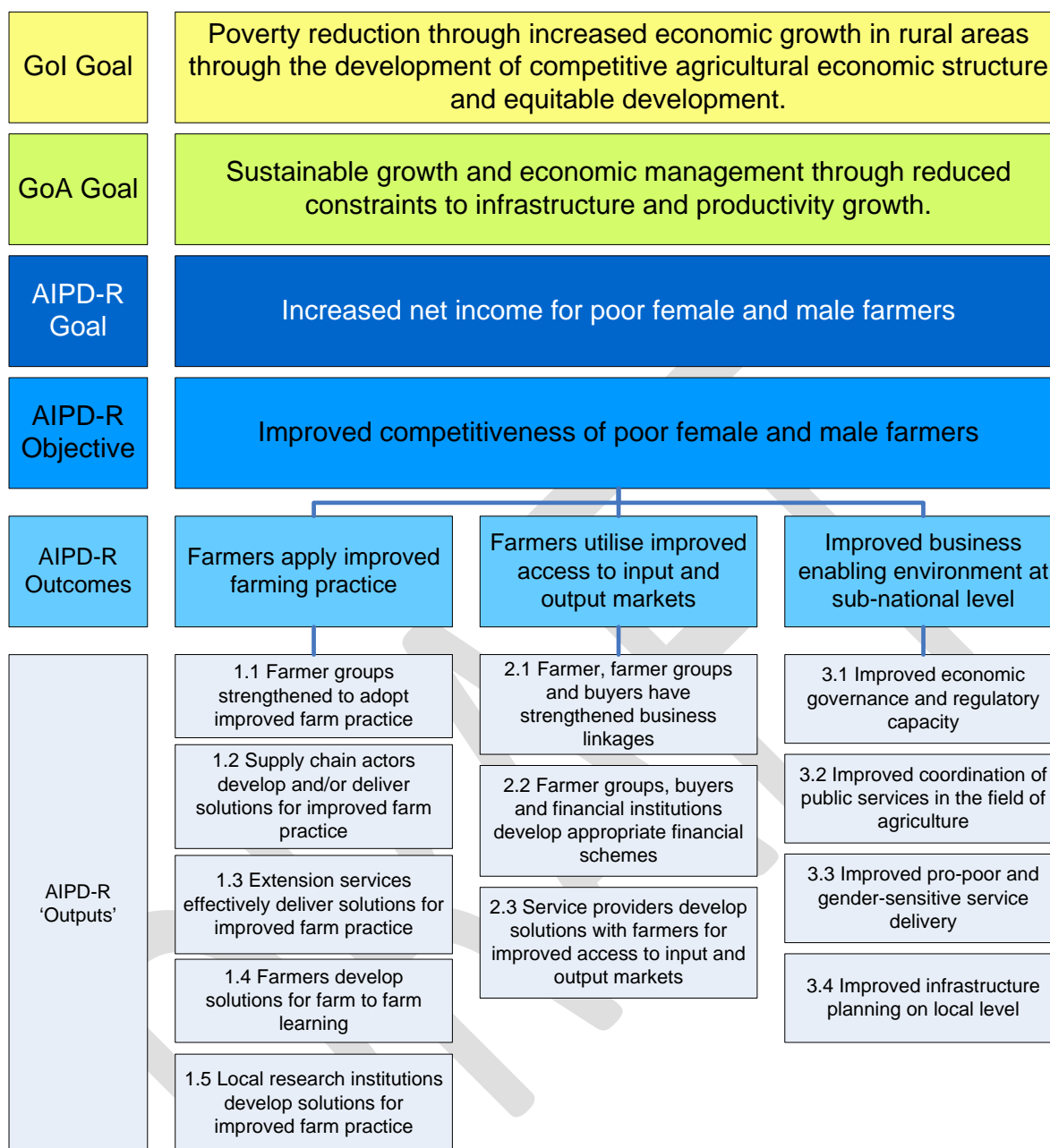
- Strengthen business linkages between farmers, farmer groups and buyers. For example, work with lead firms to train farmers on better production techniques and contract with those farmers to buy their produce.
- Assist financial institutions develop appropriate financial schemes accessible to buyers and farmer groups. For instance, analyse the existing access to finance schemes and help them work better for the poor.
- Assist service providers to partner with farmers to develop solutions for improved access to input and output markets. For example, business development service providers such as CSOs, universities or private companies.

Intermediate Outcome 3: Improved enabling environment at sub-national level. To achieve this outcome, AIPD-Rural will implement activities to:

- Improve economic governance and regulatory capacity. For example, focusing on specific local constraints identified through the analysis of value chains and practical work with farmers, assist local government planning and policy work, as well as regulatory challenges.
- Improve coordination of public services in the agricultural sector. For example, strengthen the establishment of new institutions for public extension coordination.
- Improve gender and pro-poor service delivery. For example, strengthen or establish farmer networks for marginalised groups and women-headed households, to assist them to engage with markets.
- Improve local government infrastructure planning.

Figure 2 below illustrates the AIPD-Rural program hierarchy, and how program activities and outcomes contribute to higher order program objectives.

Figure 2: AIPD-Rural Program Heirarchy



Market Entry Commodities: While AIPD-Rural uses a commodity-focused approach as an entry point, it is not a single commodity approach. It keeps the whole farm system in mind and actively searches for opportunities to optimize farm systems. It will support commodities that provide the best opportunities to improve poor farmer income in target areas. In selecting the particular commodity to use as an entry point in a particular area, the following criteria will be used:

- Growth potential;
- Relevance to poor farming households;
- Numbers of poor farmers potentially influenced;
- Problems which AIPD-Rural can be reasonably expected to impact;

- District and provincial government priorities;

Entry points for engagement with local markets are likely to be found in commodities such as seaweed, maize, peanuts, cattle and livestock, and cocoa. Examples of other relevant commodities might include: mung and other beans; candlenut, tamarind and other tree crops; fisheries (both fresh and brackish water fish cultivation); horticulture for supplying regional towns or tourism destinations (e.g. West Manggarai); and agro forestry (not a commodity but a farming system). Final target commodities will be confirmed based on further on-the-ground analysis of the province and district context.

Figure 3: Assessment of Entry Commodities

Commodity	Characteristics	Potential
Seaweed	Fast growing market. Indonesia has the best natural conditions for seaweed growing in Asia. Problems with disease introduce significant risk. Processing not yet well developed.	High potential to support income improvements among very poor farmers in coastal areas. Improvements could be made through minimising risk by stimulating production in the most suitable locations, education on how to prevent failure of harvests and introduction of risk sharing mechanisms that help farmers cope with strongly fluctuating incomes. As seaweed cultivation spreads through value chain linkages, working through traders looks most promising. Nurseries for seedlings are underdeveloped. Research on new genotypes offers potential for improvements. The establishment of new local processing units in Sumba and Flores offers potential.
Maize	Strongly growing sector, good prices, but low productivity. Problems related to farm practice and inputs.	Good potential to support income improvements among very poor farmers as maize is widely grown in poorer areas and requires lower initial investments. Interventions are feasible, however there is no single channel which reaches farmers. Increasing productivity in maize will therefore require numerous strategies including: public demonstrations, coaching, promotion through retailers and seed companies, pre-financing and input packages through traders (as is happening in NTB), perhaps crop-financing through banks, and warehouse receipt systems.
Groundnut (peanuts)	Similarities with maize. Strong demand. Lead firm model with Garuda works, but market more fragmented compared to cocoa	Good potential to support income improvements among very poor farmers. Growth potential is high. AIPD-Rural must recognize the different groundnut value chains (industrial food processing, oil and snack consumption) and have a clear understanding of which groundnut variety feeds into which value chain. Different buyers are looking for specific products. Connecting the right product (through the right seed variety) to the right buyer and basic improvements in cultivation techniques could be two major lines of work.
Cattle and livestock	Growing sector, relevant for NTT (Timor) and NTB. Interesting maize-cattle model.	Not as targeted on the very poor farmers as some of the other entry commodities because the initial investment for poor farmers is a hurdle and profitability remains questionable. Potential for savings through regulatory changes (transportation). Potential in other livestock such as goats and poultry.
Cocoa	Typical smallholder cash crop. Relevant for Flores and Papua. Well developed interventions under SADI, committed lead firms.	Not as targeted on the very poor farmers as some of the other entry commodities. However significant potential for increasing farmer incomes particularly because the large buyers want to have certification introduced by 2020 for 90% of the purchases. This opens a wide field for collaboration and secures the market for the smallholders in the long run.

Geographic Areas: AIPD-Rural will work in five provinces: East Java, NTB, NTT, West Papua and Papua. The selection of these provinces is justified by their high average poverty, and their alignment with both the AIP strategy and GOI objectives to accelerate inclusive growth in less developed areas. Reflecting integrated management arrangements, AIPD-Rural will work in the same four districts in each province as the AIPD program. Though focused on these target districts, many activities will address issues relevant to the whole province, such as access to markets or finance.

Program Duration: The Program is designed to be implemented in two 5-year stages over a period of 10 years, to enable the program to achieve sustainable results at scale. It will begin immediate mobilisation in East Java, NTT and NTB while, subject to PCC approval, commencing research and analysis work in Papua and West Papua in year 1.

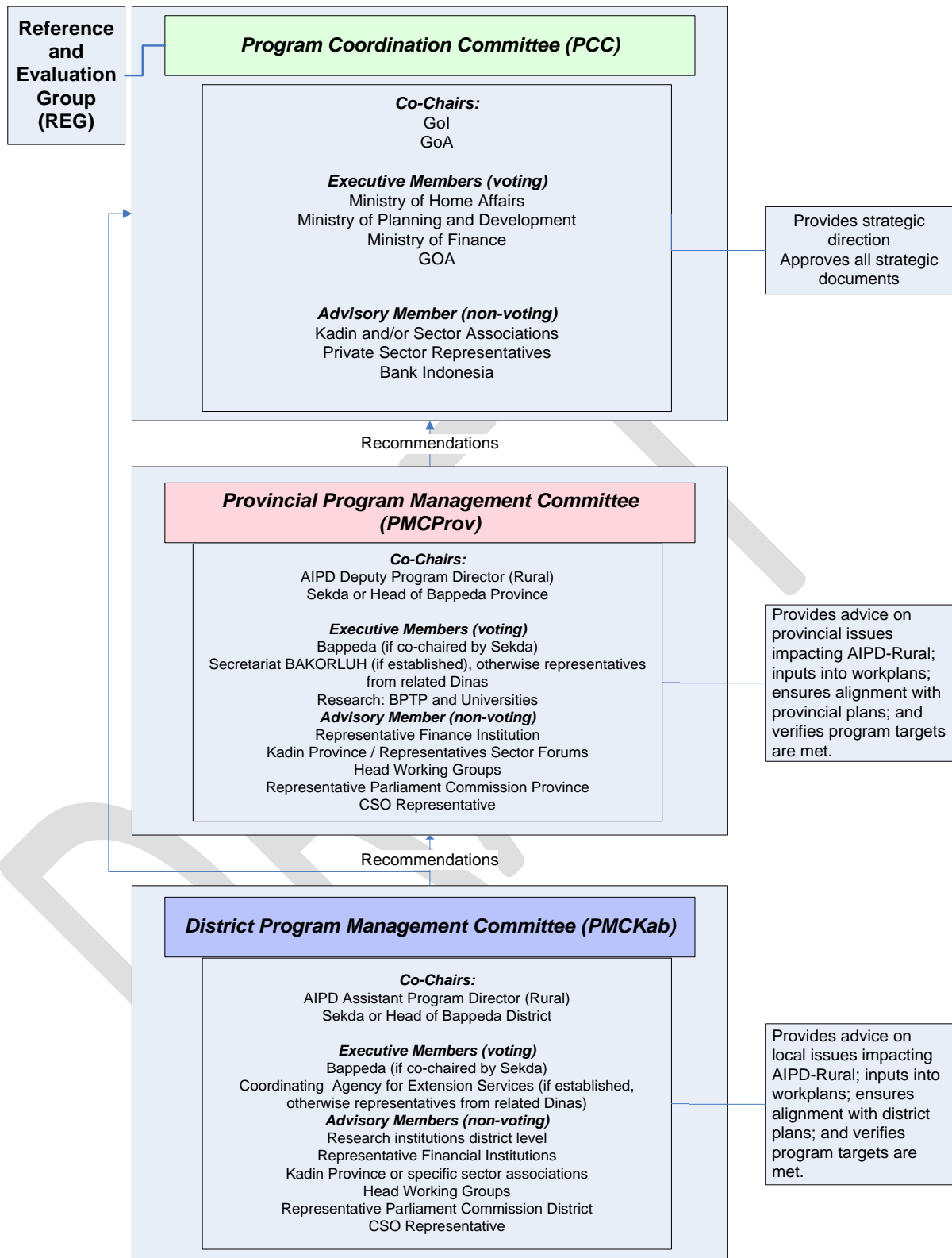
3. Program Governance Arrangements

AIPD-Rural governance structures reflect those of the AIPD. They are made up of GOI and GOA executive members with decision making power, and advisory members who provide advice to inform decisions, as profiled in Figure 4 below. Advisory Members will be representatives of public and private sector stakeholders, and nominated by the Executive Members. Additional technical expertise may be engaged as required. In providing program oversight and setting direction, these governance structures will assist strategic coordination and information sharing to ensure:

- a. Implementation of AIPD-Rural's strategic approach and principles
- b. Maintenance of a clear focus on achieving desired outcomes
- c. Access to information from government stakeholders on policies and programs which may impact implementation of initiatives supported by AIPD-Rural at provincial and district levels.
- d. Feedback to government on constraints to farmer competitiveness resulting from government policies and programs.
- e. Sharing lessons learnt which emerge during AIPD-Rural's implementation.

A program Reference and Evaluations Group engaged directly by AusAID will provide independent advice directly to the PCC. Where existing bodies have relevant membership, AIPD-Rural will seek to utilize these bodies. Figure 4 shows the overall governance structure.

Figure 4: AIPD-Rural Governance Structure



National Level Governance

The agreed roles and responsibilities of the GOI and GOA in regard to program governance will be documented in a Subsidiary Arrangement, in accordance with the provisions of the General Agreement on Development Cooperation between Australia and Indonesia.

Program Coordination Committee (PCC): There will be a number of national level agencies whose support will be required and with whom it will be necessary to coordinate. The PCC is the highest strategic decision making body for AIPD-Rural. It will be comprised of senior representatives from AusAID, MoHA and Bappenas and MoF. The Ministry of Agriculture may also be invited to join. It will be co-chaired by AusAID and the GOI Executing Agency. The role of the PCC is:

- a. To make decisions on the overall strategic direction, with a clear focus on achieving desired outcomes.
- b. To review and approve Annual Plans
- c. To connect AIPD-Rural to the public and private sector at a national level
- d. To review advice and recommendations from the Reference Evaluation Group.
- e. To review advice and recommendations from Provincial and District Program Management Committees, and approve or reject proposed strategy's for AIPD-Rural support.
- f. If necessary to make an informed decision, request members of the national, provincial and district PMCs to provide additional briefings at the PCC meetings (this is expected to be an exception).
- g. To identify focus areas for evaluations.
- h. To assist and approve Terms of Reference for external evaluations.

Provincial Level Governance

The implementing agency at the Provincial Level will be the relevant executing SKPD (most likely the Bappeda, though this may differ between Provinces), with any other relevant SKPD engaged as executive members. Local private sector or civil society stakeholders may be engaged as advisory members. Provincial level governance will focus on horizontal coordination between line agencies and working with provincial partners who: (i) are responsible for service delivery, including infrastructure and regulatory issues; and/or (ii) are in charge of coordination and delivery of services to district governments (e.g. services for extensions services, research).

Provincial Program Management Committee (PMC): The role of the PMC is to:

- (a) Provide high level advice on the strategic direction of AIPD-Rural at a Provincial level.
- (b) Connect AIPD-Rural to the public and private sector at a Provincial level.

- (c) Review six-monthly monitoring reports and makes recommendations on how improvements can be integrated.
- (d) Review all initiative strategies and makes recommendations to the PCC on the appropriateness of the program of assistance.
- (e) Consider the rolling Annual Plan and provide advice to the PCC.
- (f) Provide observations and advice to the PCC on issues which may influence the direction of future assistance.

The PMC should meet up to two weeks before the PCC. This provides sufficient time for its conclusions to be documented and provided to the PCC for consideration. The PMC would be co-chaired by AusAID and the head of the relevant Provincial government executing agency, which will be established in the program inception period and captured in Technical Arrangements with the respective local governments.

District Level Governance

At the district level, the governance mechanism is focused on implementation (public extension services, regulatory issues, etc) as well as horizontal coordination between the district level SKPD.

District Program Management Committee (DMC): The role of the DMC is to:

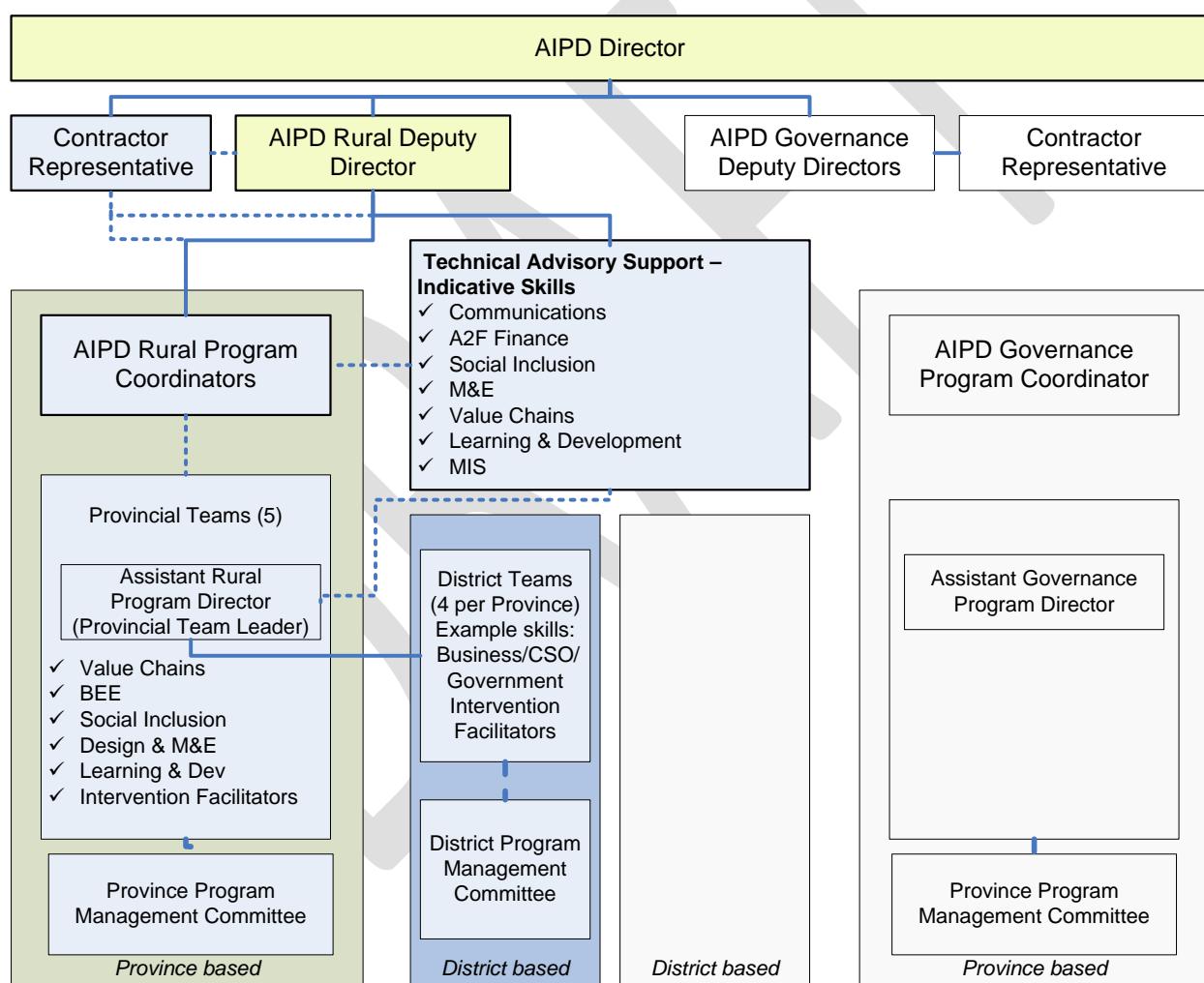
- (a) Provide high level advice on the strategic direction of AIPD-Rural at a district level.
- (b) Connect AIPD-Rural to the public and private sector at a district level.
- (c) Review monitoring reports and make recommendations on how improvements can be integrated.
- (d) Review all initiative strategies and makes recommendations to the PCC on the appropriateness of the program of assistance.
- (e) Consider the rolling Annual Plan and provide advice to the PCC.
- (f) Provide observations and advice to the PCC on issues which may influence the direction of future assistance.
- (g) Engage with external reviewers of AIPD-Rural, as required.

Executive members of the DMC might include Sekda, Bappeda and relevant SKPD with advisory members from district level research institutions, KADIN, and any other relevant market development stakeholders. The DMC would be co-chaired by AusAID District staff and the head of the relevant executing SKPD, which will be established in the program inception period and captured in Technical Arrangements with the respective local governments. The

AIPD-Rural and ensure that the AIPD-Rural program approach and principles are reflected in all interventions. The AIPD Program Director is responsible for maintaining overall strategic direction, and for ensuring program synergies and efficiencies between AIPD and AIPD-Rural are optimized.

Reflecting current arrangement for AIPD, the AIPD-Rural Managing Contractor will be engaged to recruit and support staff, and provide administration and logistics support. An AIPD-Rural Program Coordination Team, with members recruited by the Managing Contractor and reporting to the DPD-Rural, will provide advice and support to AIPD-Rural Provincial and District staff who are responsible for delivering the program on the ground. Provincial Team Leaders will drive provincial program delivery. Technical Advisory Support will be contracted in as required.

Figure 6: Program Management



6. Delivery Mechanisms

AIPD-Rural is expected to use two main delivery mechanisms. The different delivery mechanisms take into account the potential difficulties of engaging exclusively and immediately

with markets in eastern Indonesia. There are risks that a narrow market development approach might not reach weaker markets and most vulnerable target groups due to issues of geographic remoteness, low levels of connecting infrastructure, low population density, and lack of public and private sector capacity to provide services.

Delivery Mechanism 1: Reflecting the market development approach, AIPD-Rural will work directly with private sector companies to facilitate the provision of services. In some cases, service providers might be lead firms in a specific sector. Examples for this delivery mechanism are: A cocoa buyer, who is interested in improved quality of supply, might not only buy cocoa beans from farmers, but might also provide extension services to farmers on quality improvement. Such extension services will satisfy the farmer incentive of increased income due to improved productivity and quality of production and at the same time satisfies the incentive of the buyer for improved supply. Or a seed company might provide not only seeds, but also information services on best farm practice through their distributor network or through local media. The farmers who benefit from this additional service are likely to increase productivity and the additional service might result in increased sales for the seed company.

In situations where there is both market and government failure to deliver services, AIPD-Rural will provide technical assistance to government to facilitate public service delivery, or will procure services and in some cases possibly goods directly from NGOs, research institutions or other 3rd parties for specific activities aimed at stimulating market development. An example might include training for farmers to better equip them to engage with markets, for instance through the formation of farmer groups.

Delivery Mechanism 2: AIPD-Rural will facilitate government delivery of, or assist government to procure, “public services” that will increase farmer competitiveness through improved farmer practices and access to markets. Services may be delivered directly by government with technical assistance from AIPD-Rural, or procured by government from 3rd parties such as private sector firms, NGOs or research institutions.

A Collaborative Grant Fund provided by AusAID will allow local, provincial and national government agencies, including government agricultural research institutions, to directly access co-financing for jointly agreed activities. Funding and implementation arrangements will be negotiated during activity identification and detailed in activity plans and technical guidelines, in accordance with GOI regulations regarding on-granting of donor funds to local governments. These plans and technical guidelines will be submitted for PCC approval.

In line with GOI regulations, AusAID Grant Funds will be transferred directly from AusAID to a GOI account in accordance with a grant agreement. The partner GOI agencies will be required to provide a minimum contribution from their own budget. AIPD-Rural will provide analytical, capacity building and technical support as required to ensure that fiduciary risks are properly identified and addressed, to ensure Australian funds are properly managed and accounted for.

7. Program Monitoring and Evaluation

AIPD-Rural will develop separate Monitoring and Evaluation Frameworks (and detailed Plans) during the inception phase in line with the guidelines provided in the full Program Design Document. The program logic should not be assumed to be static, but critically re-examined on the basis of lessons learnt and changing environment.

The Monitoring Framework will focus on accountability and improvement, and monitor: program quality; implementation of program principles; integration of cross-cutting issues; progress in establishing effective relationships with stakeholders (both public and private sector); progress against timelines and budget for each intervention; capacity development of individuals and of organizations; unexpected outcomes; risk; and effectiveness of the Management Information System (MIS). The framework must clearly identify how lessons learnt will be fed back into Program planning and to relevant GoI agencies and programs funded by GoI and other donors.

The Evaluation Framework (and detailed Evaluation Plan) will focus on evaluation of outcomes across all levels and on improvement. Evaluation will occur: separately for each intervention through to its contribution to the Program goal level, at an outputs and above level looking across interventions, and in terms of the development of capacity within each program component to support improved competitiveness of poor farmers.