

## Management Response:

### Review of the Australia-Indonesia Partnership for Rural Economic Development (AIP-Rural) Program Mid-Term Review

DFAT commissioned a mid-term review of the AIP-Rural program in September 2016. The review examined four programs in the AIP-Rural portfolio: PRISMA, TIRTA, SAFIRA, and ARISA. It considered questions around results, relevance, implementation, governance arrangements and monitoring and evaluation. DFAT also requested advice on whether a second phase of AIP-Rural should be considered.

The review demonstrates that Australian aid is making important contributions to reducing rural poverty and supporting the development of competitive markets in the agriculture sector in eastern Indonesia. The review confirms that the 'Making Markets Work for the Poor' and private sector engagement approach of AIP-Rural is sound and aligned with Government of Australia and Government of Indonesia policies and priorities. Overall, AIP-Rural is performing strongly - the largest program, PRISMA, is on track to achieve the goal of increasing incomes of 300,000 smallholder farm households, whilst the smaller three programs, ARISA, TIRTA and SAFIRA, have experienced delays and should focus on demonstrating proof of concept in the remaining period.

DFAT agrees with the recommendations and will work closely with Palladium, CSIRO and the Government of Indonesia to implement the recommendations.

#### DFATs Management Response to the Recommendations

Recommendation	Response	Details
<b>Recommendation 1:</b> DFAT should refine governance arrangements	Agree	DFAT agrees with this recommendation. New governance arrangements are expected to be in place by February 2017.
<b>Recommendation 2:</b> DFAT should ensure Palladium maintains focus on delivering results through PRISMA	Agree	DFAT agrees that PRISMA, as the largest program, is important and will be responsible for delivering key results for AIP-Rural.
<b>Recommendation 3:</b> DFAT should ensure Palladium and CSIRO manage smaller projects (ARISA, TIRTA, SAFIRA) to prove concepts and deliver targets. Specifically:  - ARISA, TIRTA and SAFIRA should be led by market development specialists with specialist sector skills engaged when needed	Agree	DFAT agrees and will work with Palladium and CSIRO to implement these recommendations.

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- the pipeline of interventions should be periodically reviewed along the lines of PRISMA's QMT
  - programs should build on PRISMA's private sector partnerships
  - a fit-for-purpose application of DCED should be applied.
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**Recommendation 4:**  
DFAT should consider a simplified second phase to capture momentum

Agree

DFAT will consider a second phase of AIP-Rural, taking into account this recommendation.

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