

**AUSTRALIA-INDONESIA  
PARTNERSHIP - RURAL  
ECONOMIC DEVELOPMENT  
PROGRAM**

Mid-term Review

*Prepared for*

**DFAT**

Australian Embassy  
Jalan Patra Kuningan Raya Kav. 1-4  
Jakarta Selatan 12950  
**Indonesia**

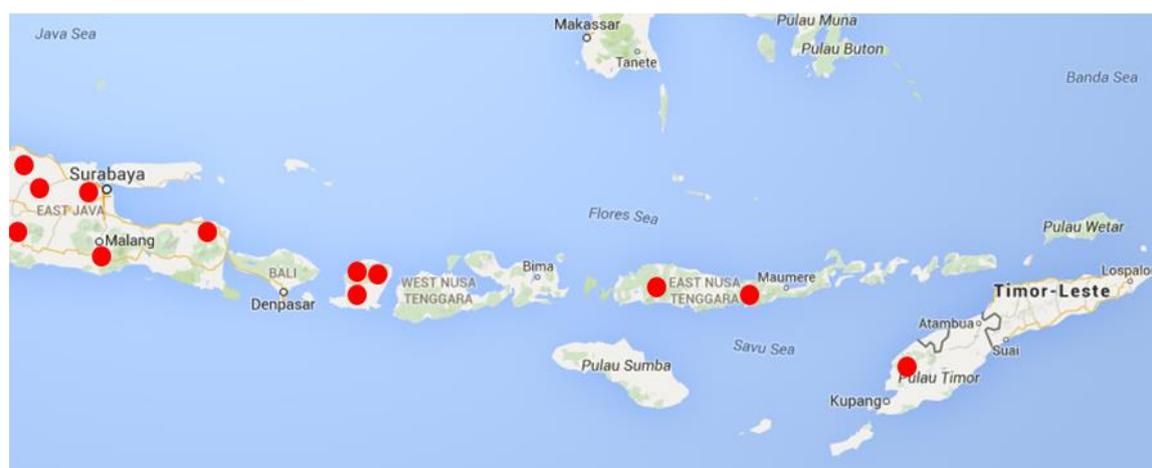
22 December 2016

*Prepared by*

John Fargher & Associates Pty Limited (ABN 60 153 795 183)

## Aid Activity Summary

Aid Activity Name	AIP-Rural Economic Development Program		
DFAT initiative number	INJ498		
Commencement date	November 2013	Completion date	December 2018
Total Australian investment	AUD112 million from DFAT		
Total other investment	Time and co-investment from private sector partners, adopting producers and local Indonesian Government staff		
Delivery organisation(s)	The Palladium Group (PRISMA, TIRTA, SAFIRA) & CSIRO (ARISA)		
Implementing Partner(s)	Private sector agribusinesses in eastern Indonesia, Bappenas, the Ministry of Public Works, the Ministry for Research and Technology and provincial and district agencies responsible for public works, agricultural extension and development planning.		
Country/Region	Indonesia / East Java, Nusa Tenggara Barat, Nusa Tenggara Timur, Papua and West Papua		
Primary Sector	Rural Development		



● Location of MTR intervention field site visits, September 2016.

## Acknowledgments

The team thanks all participants from the Indonesian Government, DFAT and the private sector (farmers and market intermediaries) for their time and contribution to this mid-term review. Staff from the Australian Embassy Jakarta, the AIP-Rural Secretariat and the implementation partners based in Surabaya supported the review team. Thank you all for the contribution you are making to economic development and agriculture in eastern Indonesia.

## Authors' Details

The evaluation team was led by John Fargher, independent evaluator and member of the Strategic Review Panel (SRP); with technical inputs from Rob Hitchins, from the Springfield Centre, market systems development specialist and member of the SRP; Julie Delforce DFAT officer from the Agricultural Productivity and Food Security Branch; and Daniel Rantzen, DFAT officer from the Indonesia Desk.

## Disclaimer

The views expressed in this mid-term review report are those of the authors and do not necessarily represent the views of the Indonesian Government or the Australian Government.

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## Executive summary

A Mid-Term Review (MTR) of AIP-Rural (AUD112m, 2013-18) was undertaken during September 2016. It comprised two independent consultants assisted by two Canberra-based DFAT officers. The team conducted document review; field interviews with 220 interviewees (26% women) in Jakarta, East Java, NTT and NTB; discussions with AIP-Rural staff in their Surabaya office; and meetings with officials from the Indonesian Government and from the Australian Embassy in Jakarta.

AIP-Rural aims to increase the agricultural incomes of at least 300,000 poor smallholder farmers by 30% by stimulating greater private and public sector investments that create better access for farmers to inputs and markets. It operates in five provinces of Indonesia: East Java, NTB, NTT, Papua and West Papua and includes four component projects. The program uses a market systems development approach. Key program strategies include working through private sector actors to deliver services and products in transactions of mutual benefit to farmers and the private sector actors.

### Key Findings

#### ***AIP Rural remains highly relevant to the current Indonesian context***

AIP-Rural remains beneficial to both Indonesia and Australia. Agriculture represents a key source of Indonesian jobs, incomes, exports and food security, and continued growth of the Indonesian economy benefits Australia in terms of market growth, trade and greater regional stability. Agriculture is important to the people and economy in eastern Indonesia, where AIP-Rural is focussed. Between 2002 and 2012 eastern Indonesia absorbed more people into agriculture, unlike more developed provinces where the agricultural workforce declined. The program has led to a growing body of evidence to help inform DFAT policy dialogue. Embassy staff should lead the process of sharing information with Indonesian Government counterparts to ensure dialogue and advocacy remain in line with both countries' priorities.

#### ***The result measurement system is sound***

We assess with confidence that the systems used by the program, and the data captured and analysed within them, are robust and accurate. We are satisfied the data systems employed by the managing contractor are credible, independently audited and meet international good practice standards. The monitoring information produced is useful to DFAT.

#### ***Progress is on track but mixed across the portfolio***

We are confident mid-term results remain on track. Implementing teams believe their ambitious targets to be achievable by December 2018, an assessment we for the most part share. To achieve them, the teams will need to continue to focus on results, collaborate with partners to achieve the required level of scale and maintain their use of rigorous portfolio measurement systems. Overall value for money has exceeded expectations, and is enhanced by private sector leverage, which increases the likelihood of the program leading to sustainable change. We assess historical governance arrangements are no longer fit-for-purpose and should be simplified and focused more on the delivery of results.

PRISMA remains the largest component and dominates the program, accounting for 92 percent of AIP-Rural's total outreach target of 300,000 households. We assess PRISMA to be on track to achieve its targets, although it risks falling short should current implementation momentum not be maintained. We are satisfied that PRISMA's approach to managing its portfolio of interventions has resulted in measurable increases to net income in targeted rural households and it has sufficient resources to manage the required scale-up of its activities. Projected performance and scale-up are plausible and achievable.

We are less certain, however, of the likelihood of the other three much smaller programs (ARISA, TIRTA, SAFIRA) accomplishing their outreach targets. Nonetheless we assess that while their progress to date has been slower than anticipated, the foundations have been sufficiently established for them to start delivering adequate results in terms of outreach and net attributable income gains to targeted farmers. A key focus should be for them to prove the viability of their respective concepts (commercialised research links, private investment in tertiary irrigation and value chain financing) and possibilities for scale-up, in order to inform DFAT's consideration of including them in any subsequent phase of AIP-Rural.

We underline that the three smaller projects comprise a minor part of AIP-Rural's projected outreach – around ten percent. The overall focus should, therefore, be on PRISMA's efforts to take its results to scale and facilitate private sector partners to sustain successful market interventions. Nonetheless, it is important for implementing teams to ensure the three smaller programs receive sufficient support to increase their chances of meeting targets.

### ***Market systems development approach is delivering value for money results***

The methods and systems used to measure AIP-Rural results are robust, attributable and credible. This, combined with our own observations, have led us to deduce with confidence that private sector relationships that PRISMA has brokered are maturing and the level of leverage flowing out of them is increasing towards international benchmarks for this type of aid investment. Private sector partners value the commercial approach adopted by PRISMA and are starting to proactively approach the program to explore new interventions or expand existing partnerships. This is a positive sign.

## **Recommendations**

- 1. DFAT and Palladium refine governance arrangements** – Historical governance arrangements were appropriate at conception but now require finessing. DFAT and Palladium should negotiate new arrangements that better reflect the head contract and afford opportunities for simplification.
- 2. DFAT ensure Palladium maintains focus on delivering results through PRISMA** – With 92% of the targeted outreach and 80% of resources it is PRISMA that will deliver the key results for AIP-Rural. The PRISMA portfolio has enough “star” interventions to allow a more focused portfolio of existing and new interventions during the remaining time.
- 3. DFAT ensure Palladium and CSIRO manage smaller projects to prove concepts and deliver targets** –ARISA (managed by CSIRO), TIRTA and SAFIRA (both managed by Palladium) should focus efforts on a smaller portfolio of interventions to enable them to achieve outreach targets and demonstrate proof of concept in their sectors.
- 4. DFAT consider a simplified second phase to capture momentum** – The MTR strongly recommends DFAT consider a further phase of AIP-Rural. The approach is cost-effective and efficiently facilitates private sector firms to deliver innovations that increase the income and resilience of farming households in eastern Indonesia. Evidence at mid-term suggests refinement of the current design would provide strong direction for a second five-year phase (2019-2023). Should it proceed, DFAT could consider emphasising simplification (*e.g.* one initiative and one implementation partner) and increasing the program's reach and coverage (*e.g.* targeting an additional 700,000 households and expanding geographic coverage).

## Acronyms

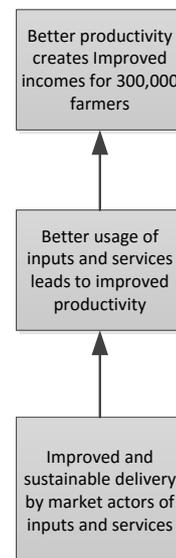
AAER	Adopt Adapt Expand Respond
ADB	Asian Development Bank
AIDP	Australia Indonesia Development Partnership
AIP	Aid Investment Plan
ARISA	Applied Research and Innovation Systems in Agriculture
AUD	Australian Dollar
<i>Badan Penyuluhan Pertanian</i>	Agriculture Extension Agency
Bappeda	<i>Badan Perencanaan Daerah</i> (Provincial/District Planning Agency)
Bappenas	<i>Badan Perencanaan Nasional</i> (National Planning Agency)
BPPT	National Agency for Technical Development and Assessment
<i>Bupati</i>	Head of the District Government
DFAT	Department of Foreign Affairs and Trade (Australia)
<i>Dinas</i>	District Office
<i>Dinas Pertanian</i>	District Agriculture Service
DPR/D	Provincial or District Parliament
DPISS	District Information Support System
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i> (District Government)
GoA	Government of Australia
GOI	Government of Indonesia
M&E	Monitoring and Evaluation
MoHA	Ministry of Home Affairs (Indonesia)
MPW	Ministry of Public Works (Indonesia)
MRM	Monitoring and Results Measurement
MTR	Mid Term Review
NGO	Non-government Organisation
NTB	<i>Nusa Tenggara Barat</i>
NTT	<i>Nusa Tenggara Timur</i>
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PNA	Papua Needs Assessment
PPA	Partner Performance Assessments
PRISMA	Promoting Rural Incomes through Support to Markets in Agriculture
RENSTRA	<i>Rencana Strategis</i> (Strategic Plan)
<i>Rencana Induk</i>	Master Plan
RPJM	Medium Term Development Plan
RPJP	Long Term Development Plan
SAFIRA	Strengthening Agricultural Finance in Rural Areas
SRP	Strategic Review Panel
SWOT	Strengths Weaknesses Opportunities Threats
TIRTA	Tertiary Irrigation Technical Assistance program in Indonesia
TOR	Terms of Reference
UN	United Nations
VfM	Value for Money
WB	The World Bank

# 1 Introduction

## 1.1 Activity background

### Goal and Key Strategies of AIP-Rural

AIP-Rural aims to sustainably increase the agricultural incomes of 300,000 poor households in eastern Indonesia by approximately 30%. Its approach is different from past rural development projects in ASEAN. Its core strategy for delivering change at the farm level is through private enterprises that have a stake in rural agricultural growth and competitiveness (see theory of change summary, right). This approach is often called “market systems development”. At AUD112 million over 5 years, AIP-Rural is one of the largest such programs in the world. The program is funded principally by DFAT with a co-contribution by CSIRO on ARISA. Indonesian Government partners are BAPPENAS (for PRISMA and SAFIRA), the Ministry of Public Works (for TIRTA), and the National Agency for Technical Development and Assessment (BPPT) in the first year for ARISA, however as BPPTs mandate was changed ,CSIRO, DFAT, and the Government of Indonesia agreed to change the implementing agency to the Ministry for Research, Technology, and Higher Education (Kemristekdikti) in 2016.



The competitiveness and enterprise development needs of farmers in eastern Indonesia are very diverse. Different climates, cultures, infrastructure, and agricultural systems all demand “tailor-made solutions” in order to be relevant and have impact on the incomes of poor farmers. The delivery mechanism for these solutions, in AIP-Rural, is through “interventions”. These are identified through analysis with market actors, negotiated with early adopters and then supported through adaptation and early scale-up led by the private sector partner. By December 2018, about 80-100 interventions are foreseen for the 5 AIP-Rural provinces: East Java, Nusa Tenggara Barat, Nusa Tenggara Timur, Papua and Papua Barat. Each intervention has: an impact or causal model; a key set of private or public sector partners or co-investors; a method for assessing attribution for increased farmer income; and the ambition of reaching significant numbers of poor farmers in a specific geographic location.<sup>1</sup>

These interventions are managed as a portfolio of four AIP-Rural projects, each with its own focus for growing agricultural incomes using a consistent market systems development approach. Each project has its own design document, outreach targets, methodologies, staff, budgets and areas of operation. The projects are:

- **PRISMA** (AUD 77 million) aims to remove growth constraints in particular agricultural commodities important to small farmers (*e.g.* beef, cocoa, coffee, maize). The project commenced in November 2013 and will end on 31 December 2018.
- **ARISA** (AUD 8 million) concentrates on the commercialisation and dissemination of innovations that will have an impact on smallholder agriculture. The project commenced in 11 December 2014 and will end on 30 June 2019.
- **TIRTA** (AUD 9.5 million) addresses increasing farmer access to tertiary irrigation by facilitating private investment in this sector. The project commenced in 27 July 2015 and will end on 31 December 2018.
- **SAFIRA** (AUD 4 million, as part of PRISMA) supports existing financial institutions to expand their portfolios of agricultural finance to smallholders, The project commenced in 6 October 2015 and will end on 31 December 2018.

<sup>1</sup> DFAT (2013) *AIP-Rural Delivery Strategy*. Department of Foreign Affairs and Trade, Australian Embassy, Jakarta, Indonesia.

## 1.2 Mid-term review purpose and key questions

The primary purpose of the mid-term review (MTR), which covers the period of November 2013 to August 2016, is to provide independent and informed advice to DFAT on the:

- continued relevance of projects implemented under the AIP-Rural portfolio to the DFAT Aid Investment Plan for Indonesia and the Indonesian Government
- adequacy of progress across the portfolio and within each component project
- methodologies and approach adopted for each component project
- changes needed, if any, to improve the effectiveness and efficiency of programs under the portfolio.

As such, the MTR is able to inform “stop-go” decisions, revisions or any suggested modifications, and also consider if a second phase of AIP-Rural is merited.

The key evaluation questions addressed by the review are reflected in the structure of this report and presented in detail in the evaluation plan presented to DFAT in August 2016 and also the terms of reference (Annex 5). In summary, the key evaluation questions are:

- How is the investment in AIP-Rural relevant to the Indonesian context, the DFAT AIP and current Indonesian Government priorities?
- Is the underlying program theory, portfolio design and resource allocation a cost-effective way to achieve designed end-of-program outcomes and targets?
- What lessons can be learned from the AIP-Rural model?
- What is the progress of each project and their key interventions, and to what extent is the progress adequate at mid-term to achieve designed end-of-program outcomes and targets?
- What lessons can be learned from the consistent use of a market or enterprise development approach to rural development across the portfolio of projects?

The MTR also provides information in response to two questions that support DFAT consideration of a second phase on investment in AIP Rural for the period 2019 – 2023:

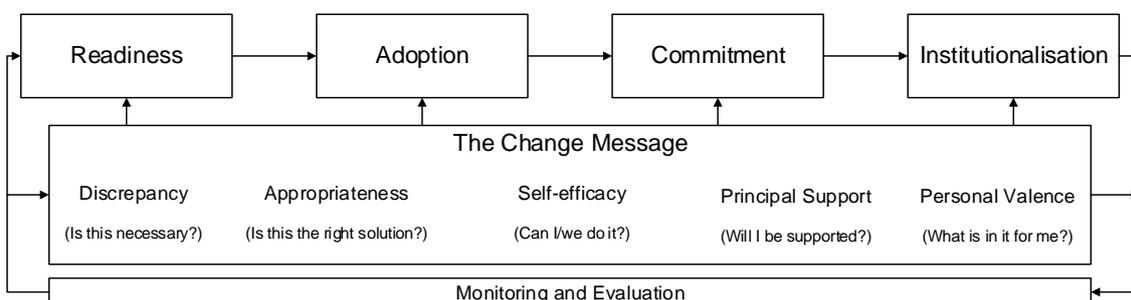
- Should DFAT implement a second five year phase of AIP-Rural (2019 – 2023)?
- Should Phase 2 continue with the same four projects, approach, management model and objective as Phase 1 or modify the scale, value and/or location?

## 1.3 Theoretical foundation for mid-term review

The mid-term review is framed by two theoretical constructs:

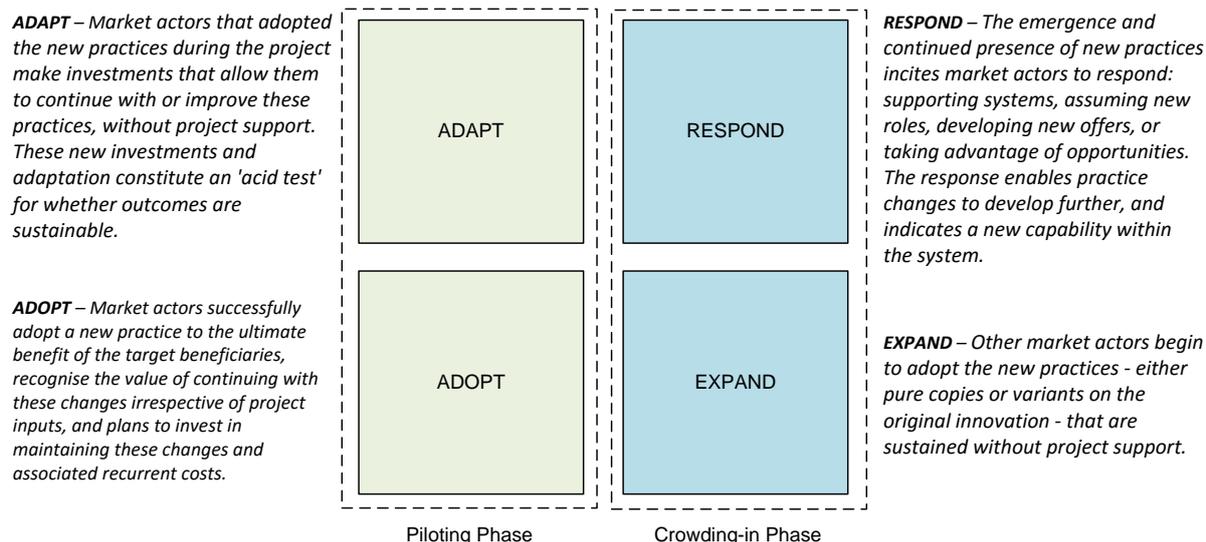
- **Organisational change** – the psychology that determines the willingness of organisations and the people working in them to change and the time it takes to change practices and behaviours as an individual and in an organisation (Chart 1).
- **Systemic change** – the adaptation and commitment to new practices in pilot businesses and the crowding-in or replication of competing businesses to achieve a change in the market system relating to a particular sector or product (Chart 2).

**Chart 1 : Theoretical foundation – how people and organisations change**



Source: Armenakis, A., Harris, S. and Feild, H. (1999) *Making change permanent: a model for institutionalising change interventions*. Research in Institutional Change and Development, Issue 12, pp97 – 128. Stamford, CT: JAI Press Inc. USA.

Chart 2 : Theoretical foundation – AAER framework



Source: Nippard, D., Hitchins, R., and Elliott, D. (2014) *Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes*. Briefing Paper, The Springfield Centre for Business in Development, Durham, UK. [pp6-8]

These theoretical constructs inform MTR judgements about the adequacy of progress (*e.g.* to what extent are intervention partners progressing from readiness to adoption or commitment) and the likelihood of systemic change resulting from some interventions (*e.g.* to what extent will new practices and other changes be sustained when AIP-Rural ends). Using theoretical constructs such as these provides a foundation for organising information, assessing progress and using lessons learned to support management decisions aimed at efficiently and effectively achieving end-of-program outcomes and related targets.

## 1.4 Mid-term review scope and methods

Given the purpose of the MTR, the resources allocated to it and the key evaluation questions posed, four methods were used to collect data: document review (Annex 3); semi-structured interviews; field and site observations; and simple case studies. 220 interviewees were engaged through semi-structured interviews of which 26% were women. A breakdown of the interviewees is presented in Annex 4. Application of methods against the key evaluation questions is set out in the evaluation plan.

Criteria for purposeful sampling to select interventions for field work (Annex 4) included:

- **location** – to cover as much of the target geography as possible
- **type of enterprise** – to cover as many of the interventions as possible
- **potential for scale and systemic change** – to assess adequacy of progress and likelihood of reaching the end-of-program outcomes and related targets
- **adequacy of progress** – to review interventions self-selected by implementers as successful, moderately good or weak to identify themes and drivers that might account for this performance
- **inclusion** – to ensure we cover women, youth and remote/poor entrepreneurs and their markets.

Interpreters independent of AIP-Rural were used for key informant and group interviews in the field. Data collected during the review were collated and synthesised by the team to answer key evaluation questions. Quantitative and context data were analysed with MS Excel and presented as time series or comparative (*e.g.* with/without or before/after) charts. Qualitative information was analysed with triangulation, comparison and synthesis to identify themes and lessons for reporting.

## 1.5 Limitations

The mid-term review was conducted over a short time frame, with a small team covering a purposefully selected sample of AIP-Rural locations, interventions and partners. Two team members are also from the Strategic Review Panel – providing in-depth understanding of the program and its history but possibly limiting the exploration of performance at mid-term.

This was not a scientific evaluation with a counterfactual and randomised sample of project sites or partners. Rather it was a review of a purposeful sample of interventions that sought to learn lessons from recent implementation and collaboratively identify opportunities for improved effectiveness and efficiency. The short time for field work and small number of site visits (Annex 4) was a limitation since it yielded insufficient data collection to allow use of statistical methods. However, interviews with 220 people (26% women, Annex 4) and quantitative analysis of monitoring data enabled credible evidence to be assembled.

In addition, the four projects (PRISMA, ARISA, TIRTA and SAFIRA) commenced at different times and two (TIRTA and SAFIRA) were in the early stages of implementation at program mid-term. It was therefore only possible to assess adequacy of progress against planned progress at that point in time, and make a judgement about the likelihood of the more recently started projects and their interventions contributing to end-of-program outcomes and targets. There was not yet evidence of intermediate outcomes and systemic change in many interventions because they are in early implementation.

## 2 Development context and relevance

### 2.1 Development context

The development context in Indonesia, particularly eastern Indonesia, confirms the relevance of the AIP-Rural investment.

Since AIP-Rural commenced, the Indonesian Government introduced new policy settings that affect the agribusiness sector (Annex 1). These include the 2012 Food Law and the Strategic Plan for Agriculture (2015-19), which together form part of the government's National Medium-Term Development Plan; and the policy priorities of President Widodo, elected in 2014, who has repeatedly underlined the importance of agriculture as a key strategic economic sector. In summary, Indonesia's main agricultural policy priorities include achieving self-sufficiency in key commodities such as rice, maize, soybean, sugar and beef; achieving national food security; balancing the needs of producers and consumers; increasing farmer welfare through higher income; diversifying food sources away from cereals; increasing the competitiveness of agricultural production, value-added processing and export; and managing the effects of climate change.<sup>2</sup>

Indonesia has sought over the long term to achieve 100 percent self-sufficiency in rice, and over the short term to ensure that the domestic price and available quantity of rice do not deviate greatly from their trend values. In addition to rice, the 2012 Food Law broadened the self-sufficiency policy to cover other key foods and expanded the means by which the government could influence domestic food markets. The Law aims to promote more equitable, stable and sustainable food outcomes as well as food sovereignty and food safety in Indonesia.<sup>3</sup> The Food Law called for greater public investment in agricultural research and development. The Law also included trade policy measures. These were proposed to address at least five of the law's

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<sup>2</sup> Government of Indonesia (2015) *Strategic Plan for Agriculture (2015-19)*. Ministry of Agriculture, Jakarta, Indonesia.

<sup>3</sup> Anderson, K. (2013) *Indonesia's Food Law of 2012*. Report to USAID. United States Agency for International Development, Jakarta, Indonesia.

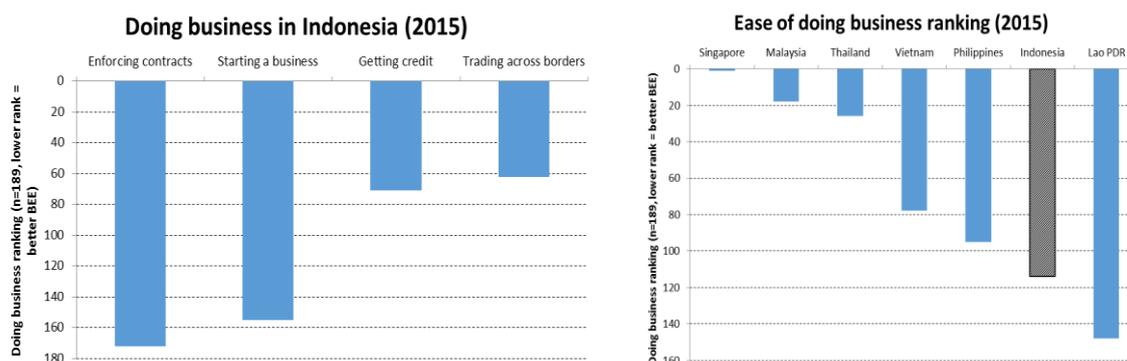
objectives: food self-sufficiency; higher incomes for producers; lower food costs for consumers; more diversity, higher quality and greater nutrition in the foods available to the consumer; and less volatility in the prices and available quantities of staple foods. Critics, however, have suggested that these trade policies are likely to create uncertainty in demand-supply gaps, leading to price fluctuations and perhaps less incentives for private sector investment in agriculture.<sup>3</sup>

It is estimated that expenditure on fertiliser subsidies accounted for approximately 37% of total budgetary support to agriculture between 2006 and 2010, with only a 1.5% increase in rice yields.<sup>4</sup> In 2013, this subsidy amounted to USD1.4 billion. Subsidies on seed inputs (*e.g.* rice, maize and soybean) amounted to USD150 million in 2013 with the level of subsidy ranging from 55% for hybrid maize to 91% for hybrid rice.<sup>4</sup>

## 2.2 Business and investment context

Indonesia is not an easy environment in which to start a business or enforce contracts – factors that are easier to manage in most other ASEAN countries (Chart 3). The credit environment has improved in recent years, although it remains a challenge in eastern Indonesia. Trading across borders, especially within the ASEAN Economic Community, is relatively efficient.<sup>5</sup> Recent changes to government policies and their implementation have improved the business environment. In 2015 Indonesia improved 11 positions (to 109) in the World Bank annual Doing Business rankings (Chart 3). The key factors contributing to the improvement were reforms in three areas: simplifying processes for obtaining credit, starting a business and paying tax. Nonetheless, in October 2015, investment planning deputy Tamba Hutapea of the Investment Coordinating Board (BKPM) frankly acknowledged that further reform was required. Indonesia still ranks below major regional peers (Chart 3).

**Chart 3 : Business environment in Indonesia**



Source: [www.doingbusiness.org/reports/global-reports/doing-business-2015](http://www.doingbusiness.org/reports/global-reports/doing-business-2015) Accessed July 16, 2016.

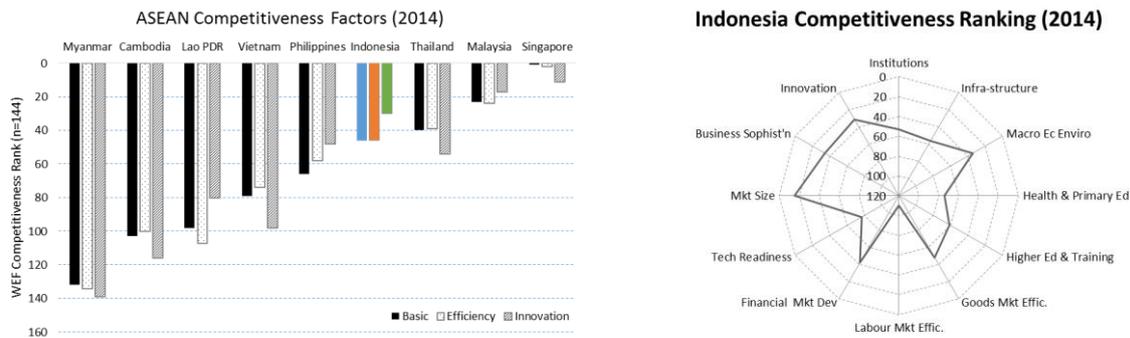
Compared with its ASEAN peers, Indonesia has several competitive advantages, particularly the size of its market, its macro-economic management and financial market development (Chart 4).<sup>6</sup> Investment in innovation is relatively high and provides opportunities for adoption and adaptation of new technologies in agri-business.

<sup>4</sup> OECD (2012) *Review of Agricultural Policy in Indonesia*. Organisation for Economic Cooperation and Development, Paris, France.

<sup>5</sup> World Bank (2016) *Doing Business 2015*. Source: [www.doingbusiness.org/reports](http://www.doingbusiness.org/reports) Accessed July 16, 2016.

<sup>6</sup> Source: WEF (2014) *The Global Competitiveness Report 2014-15*. World Economic Forum, Geneva Switzerland. [pp14 - 20, n=144]

## Chart 4 : Indonesia is competitive against ASEAN peers



Source: WEF (2014) *The Global Competitiveness Report 2014-15*. World Economic Forum, Geneva Switzerland. [pp14 - 20, n=144]

### 2.3 Relevance

The overarching goal of Australian development cooperation with Indonesia is to boost inclusive growth and productive jobs by improving Indonesia’s competitiveness. The first and second of three Aid Investment Plan objectives are supported by AIP-Rural: (1) Effective economic institutions and infrastructure; and (2) Human development for a productive and healthy society. The portfolio directly delivers results for Performance Benchmark 4: The number of smallholder farmers with increased incomes through private sector investment.<sup>7</sup>

The market systems development approach used in AIP-Rural contributes to the DFAT innovation agenda and supports a more mature development cooperation partnership – an “economic partnership” – that focuses on leveraging Indonesia’s own substantial resources. AIP-Rural also makes significant contributions to aid-for-trade in Indonesia (in turn contributing to the 20% target for Australia's Aid for Trade investments by 2020). The AIP-Rural investment represents 5% of Australian bilateral aid for Indonesia.

AIP-Rural also contributes to priorities identified in Indonesia’s Medium-Term Development Plan (RPJMN 2015-2019), including: accelerating productivity, competitiveness and inclusive development, poverty reduction and inclusive growth, and addressing regional disparity between the east and west by focusing on eastern Indonesia.

AIP-Rural is relevant to the current Indonesian context and benefits both countries. Agriculture is an important source of jobs, incomes, exports and food security in Indonesia. Australian aid aims to catalyse investment and action to drive inclusive growth.<sup>7</sup> It provides benefits for both Indonesia and Australia in terms of market growth, increased trade and greater regional stability.<sup>8</sup>

The composition of Indonesia’s economy has changed significantly in the past 15 years: from dependence on agriculture to a more balanced economy with the industry and services sectors contributing the most to the GDP. According to 2014 World Bank data, agriculture contributes 14% to the nation's GDP, while the industry and services sectors contribute about 43% each. However, agriculture remains an important employer (e.g. 33% of the workforce in 2015 compared to 22% in manufacturing and 45% in services) and continues to be the leading economic activity in eastern Indonesia.<sup>9</sup>

It is still relevant to address poverty in eastern Indonesia through supporting agricultural markets. The greatest proportion of agricultural workers and farmers and the greatest

<sup>7</sup> DFAT (2015) *Aid Investment Plan, Indonesia, 2015/16 to 2018/19*. DFAT, Canberra, Australia.

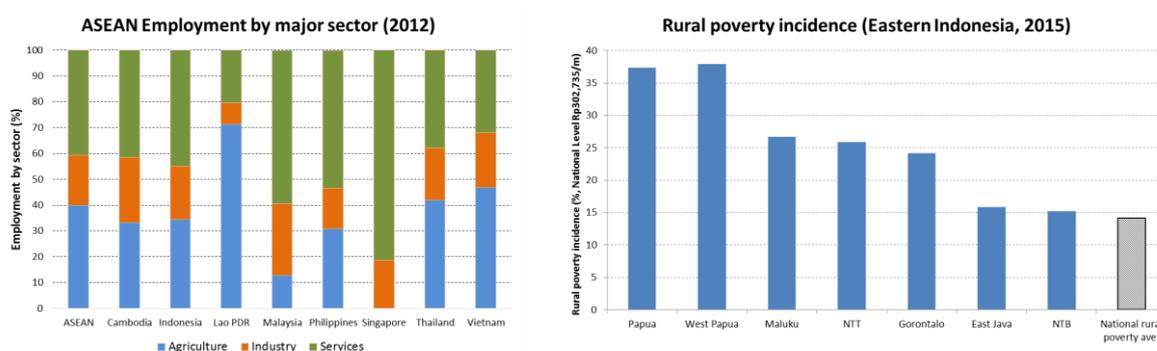
<sup>8</sup> DFAT (2015) *The role of development partnerships in agriculture and agribusiness in promoting prosperity, reducing poverty and enhancing stability in the Indo-Pacific region*. DFAT submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade, Australian Parliament, November 2015. Department of Foreign Affairs and Trade, Canberra, Australia.

<sup>9</sup> World Bank (2016) *Indonesia Economic Quarterly* (June 2016). World Bank, Jakarta, Indonesia. [p40] as well as ILO and ADB (2014) *ASEAN Community 2015: Managing integration for better jobs and shared prosperity*. International Labour Organisation, Bangkok, Thailand and Asian Development Bank, Manila, Philippines. [Table F1-6, p125]

proportion of poor living in rural areas is in eastern Indonesia (Chart 5). In 2014 a third of Indonesian workers were engaged in the agriculture sector.<sup>10</sup> The provinces targeted by AIP-Rural have by far the highest proportion of the workforce employed in agriculture – nearly 60%. Agriculture is important to the people and economy where AIP-Rural is focussed. Between 2002-2012 eastern Indonesia still absorbed more people into agriculture, unlike more developed provinces (especially in Java, Sumatra, Bali and parts of Sulawesi) where the agricultural workforce is declining.<sup>11</sup>

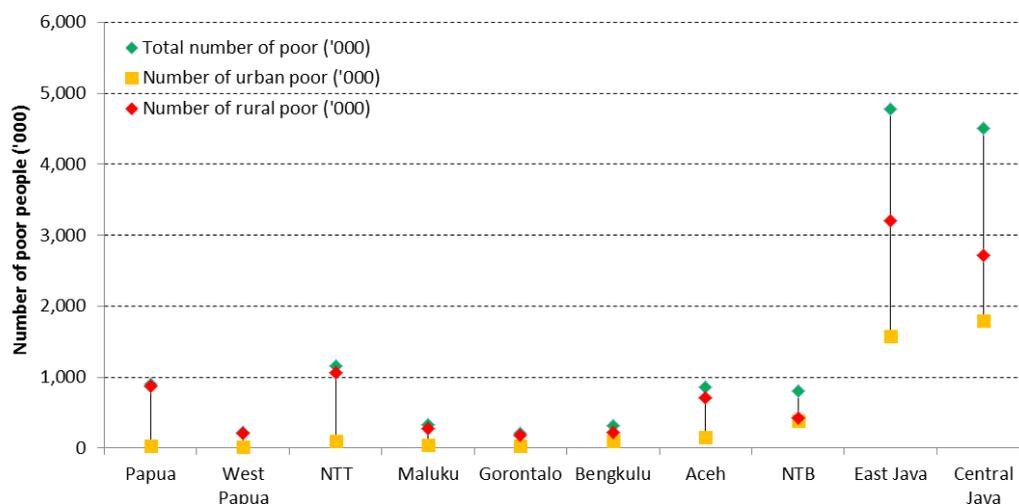
In 2015, 14% of the rural population in Indonesia was classified by the government as poor, compared with just over 8% of the urban population.<sup>12</sup> While most poor people in Indonesia live on Java (e.g. eastern Indonesian provinces had fewer numbers of poor people than were found in East Java, where 4.8 million people [12.3% of the population] were poor in 2015), the proportion of the population that is poor is higher in eastern Indonesia (Chart 5), especially for people who rely on agriculture for their livelihoods (Chart 6).

**Chart 5 : Poverty incidence, numbers and location in Indonesia**



Sources:  
BPS–Statistics Indonesia (2016) *Statistical Yearbook of Indonesia 2016*. [www.bps.go.id](http://www.bps.go.id) [Tables 4.6.2 and 4.6.4]  
ILO and ADB (2014) *ASEAN Community 2015: Managing integration for better jobs and shared prosperity*. International Labour Organisation, Bangkok, Thailand and Asian Development Bank, Manila, Philippines. [Table F1-6, p125]

**Chart 6 : Poverty in eastern Indonesia is mostly rural**



Source: BPS–Statistics Indonesia (2016) *Statistical Yearbook of Indonesia 2016*. [www.bps.go.id](http://www.bps.go.id) [Tables 4.6.2, 4.6.4]

<sup>10</sup> ILO and ADB (2014) *ASEAN Community 2015: Managing integration for better jobs and shared prosperity*. International Labour Organisation, Bangkok, Thailand and Asian Development Bank, Manila, Philippines. [Table F1-6, p125]

<sup>11</sup> Manning, C. and Purnagunawan, R. D. (2014) *Regional labour markets 2002-2012: limited convergence but integration none-the-less*. In Hill H. (ed.) (2014) *Regional dynamics in a decentralised Indonesia*. Institute of Southeast Asian Studies, Singapore. [pp353-367].

<sup>12</sup> BPS–Statistics Indonesia. 2016. Poverty Statistics Table 4.6.1. [www.bps.go.id/linkTabelStatis/view/id/1488](http://www.bps.go.id/linkTabelStatis/view/id/1488) Accessed August 14, 2016.

Given continued dominance of the agriculture sector in eastern Indonesia, targeted Australian support to stimulate growth in this sector and raise rural income through investments such as AIP-Rural remains relevant. This is particularly the case given GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture.<sup>13</sup>

## 3 Evaluation findings

### 3.1 AIP-Rural is delivering measurable results

At mid-term, there are attributable and measured results delivered by AIP-Rural. Lagging results, which are measured after they have occurred and so under-state the number of people that benefit or are engaged by the program at mid-term, include:

- 22,273 households have increased income
- 9,916 poor households (USD2/day) have increased income
- AUD4.3million measured net attributable income increase
- 68,201 people benefit (32% women)
- more than 100,000 households have access to innovations introduced by AIP-Rural
- 578 small businesses with attributable increase in turnover
- AUD1.5million (26%) co-investment of intervention costs
- 55 active interventions
- delivery in 5 provinces
- 114 staff, of which 88% local, including 85 Indonesian staff and 46 co-facilitator staff with strengthened skills in facilitating private sector partnerships.

At mid-term, AIP-Rural contribution to DFAT aggregated development results (measured to December 2015 and reported in May 2016) is compelling: the number of people benefitting through increased incomes increased from 4,134 reported in 2015 to 18,567 reported in 2016; the number of people benefitting from adoption of innovative agricultural practices increased from 4,937 in 2015 to 25,594 in 2016; and those benefitting from increased access to financial services was 5,636 in 2016. Other results include the value of additional agricultural production – USD477,799 in 2015 and USD2,857,946 in 2016; and the value of private sector investment leveraged – up from AUD104,322 in 2015 to AUD761,716 in 2016.<sup>14</sup>

### 3.2 Progress at mid-term is adequate

AIP-Rural began implementation in late 2013 with the inception of PRISMA. Other projects commenced later (Chart 7) and so progress must be assessed as the rate of delivery after commencement rather than simply at a point in time (Chart 8). Detailed review of the effectiveness of each project is presented in Section 3.3. At the whole-of-program level progress is judged to be adequate because, in addition to the quantitative achievements presented in Section 3.1:

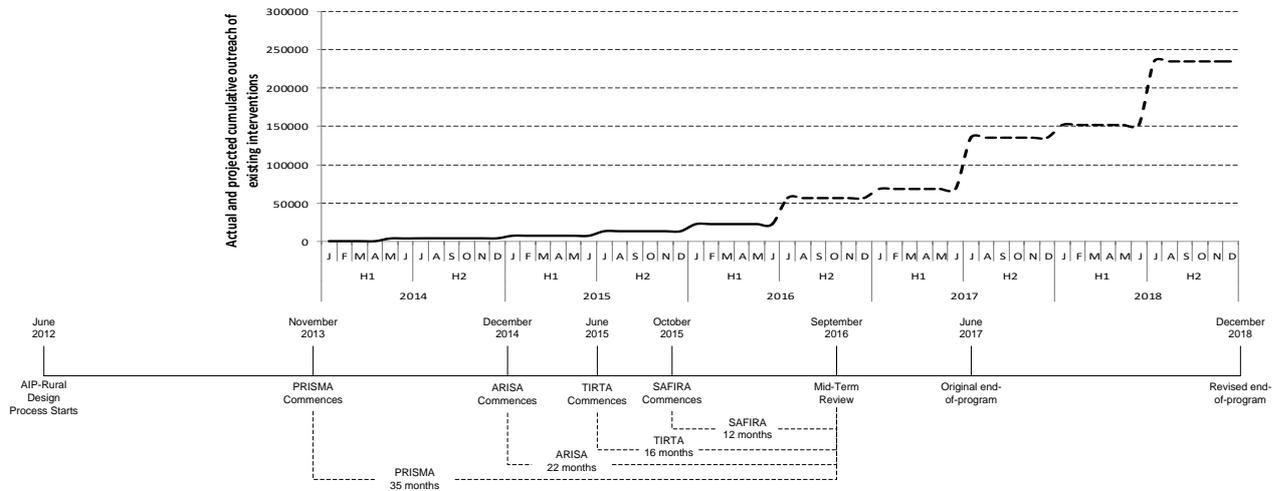
- More than 50 interventions have commenced implementation with private sector partner co-finance and started delivering farmers access to, use of, and attributable additional income from agricultural innovations.
- The key source of results, PRISMA, is currently ahead of planned outreach and income targets and compares favourably with international leverage, efficiency and performance assessment benchmarks or standards.

<sup>13</sup> World Bank (2008) *World Development Report*. World Bank, Washington DC, USA. [p6].

<sup>14</sup> Sources: DFAT Aggregated Development Results reports for Indonesia 2015 and 2016. Note these data are different from the more-up-to-date program MIS data used for analyses prepared for this evaluation.

- A diverse portfolio of interventions has demonstrated the relevance and efficacy of market systems development in eastern Indonesia and evidence-based systems are in place to manage that portfolio as impact studies and partner performance yield information to support management decisions.

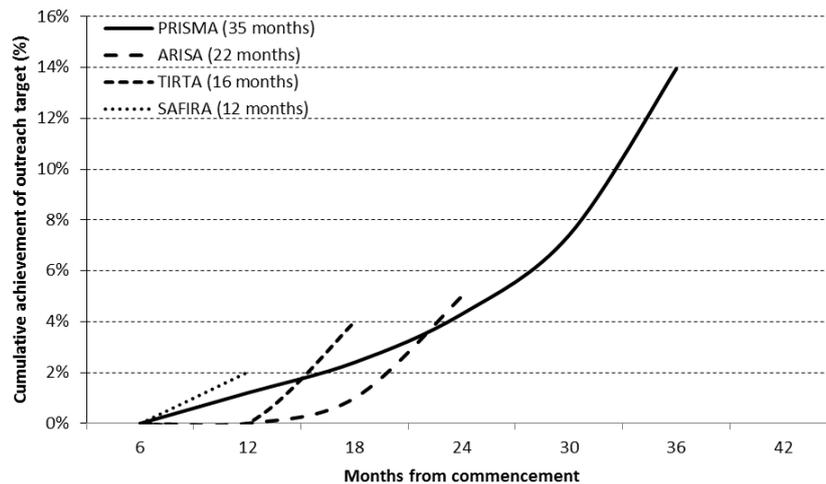
**Chart 7 : AIP-Rural timeline and outreach from current interventions**



Note: Chart 7 does not show outreach projected from pipeline interventions, which would contribute towards final targets.

**Chart 8 : Outreach is growing but the rate needs to increase**

**AIP-Rural cumulative outreach achievement from commencement (December 2016)**



Source: AIP-Rural MIS September 2016

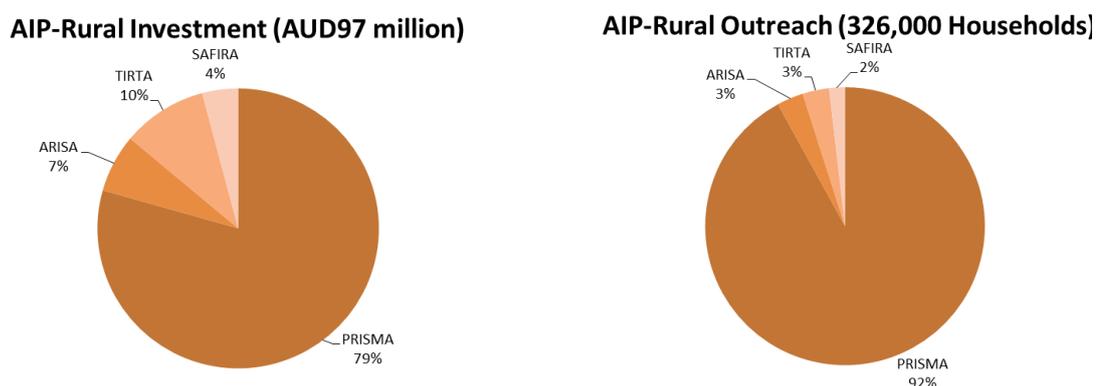
### 3.3 Effectiveness is mixed across the portfolio at mid-term

The AIP-Rural portfolio is dominated by PRISMA (Chart 9). It is the largest and longest-running component project. The lessons from early implementation and the systems, resources and relationships that PRISMA now has provide a foundation for the other projects to build on. This is starting to happen – for example ARISA and PRISMA collaborate to take the Shallot Integrated Pest Management intervention to scale; TIRTA is building on the PRISMA relationship with Syngenta to deliver the Pilanggede crop protection intervention in East Java; and SAFIRA is complementing PRISMA maize interventions in East Java and NTB. Other examples are presented in project progress reports.

As detailed in Section 3.5, the MTR assesses PRISMA to be on track to achieve its projected targets by December 2018. Prospects are less certain for the other three component projects in

the AIP-Rural portfolio (ARISA, TIRTA, SAFIRA), since their progress to date is slower than planned. Nonetheless the foundations have been sufficiently established for them to start delivering adequate results in terms of outreach and net attributable income gains.

**Chart 9 : The AIP-Rural portfolio is dominated by PRISMA**



Source: AIP-Rural design documents

### 3.3.1 PRISMA

The core logic used for the PRISMA investment is working (Box 1). At mid-term, adequate progress is being made towards outreach and income targets (Section 3.1, Chart 10). The most successful PRISMA interventions have strong private sector partners (*e.g.* PT East West Seed Indonesia, PT Syngenta Indonesia), offer a tangible benefit to market intermediaries and farming households, and have potential for systemic change. At mid-term the most successful PRISMA interventions include:

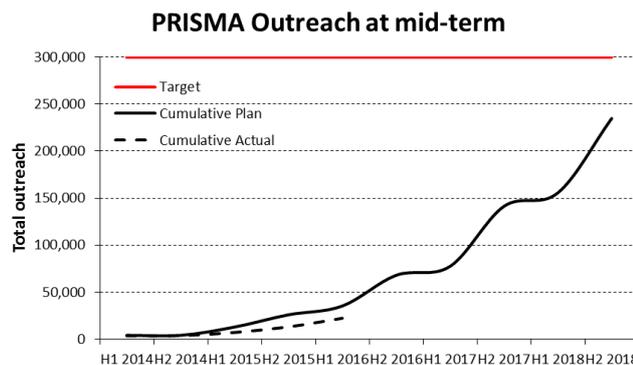
- Early flowering mango in East Java and NTB (1MOA + 2MOA) – 5,099 household outreach (HH) and AUD975,000 net attributable income improvement (NAI)
- Stimulating market of OPV Seed in NTT (3MED) – 4,081 HH and AUD400,000 NAI
- Developing Commercial Market in East Java (1SNA) – 2,889 HH and AUD10,000 NAI
- Hybrid Maize Seed in East Java (1MEA) – 2,759 HH and AUD220,000 NAI
- Coffee Franchise Development in NTT (3CEA) – 1,751 HH and AUD235,000 NAI
- Certification & Nurseries in East Java (1SNB) – 1,498 HH and AUD140,000 NAI
- Pest Control and GAP Services in NTB (2CWA) – 1,387 HH and AUD300,000 NAI
- Pig Rearing in NTT (3PGA) – 1,118 HH and AUD170,000 NAI
- Access to GAP and Fertiliser in East Java (1CAA) – 643 HH and AUD70,000 NAI
- Decentralised Cashew Processing in NTT (3CEB) – 498 HH and AUD90,000 NAI
- Shallot Quality Seeds in NTB (2STA) – 273 HH and AUD60,000 NAI
- Good Quality Seed in East Java (1PTA) – 101 HH and AUD111,000 NAI
- Certified Organic Coconut Sugar in East Java (1CTA) – 71 HH and AUD2,000 NAI

The quantitative results reported above are attributable and credible. PRISMA monitors progress and measures results using indicators and methods aligned with the DCED Standard (see Section 3.8 on page 28 for detailed review).<sup>15</sup> The standard uses lagging indicators (they are reported 6-12 months after the fact) and so outreach and attributable-income results reported by PRISMA are conservative. The methods and systems used to measure results are robust, attributable, and credible – and they have recently been independently audited and found compliant with the standard.

<sup>15</sup> Donor Committee for Enterprise Development – see: [www.enterprise-development.org/measuring-results-the-dced-standard/](http://www.enterprise-development.org/measuring-results-the-dced-standard/)

Key PRISMA achievements at mid-term include: increasing the access of around 100,000 households to agricultural innovations; measured and attributable income increases of AUD4.3million to 22,273 households; benefiting 68,201 people (32% women and 45% poor [USD2 PPP]); 578 small businesses with increased turnover; and attracting co-investment of AUD1.5million (26%) from the private sector. The outreach (numbers of benefiting households) is close to plan at mid-term (Chart 10) and ahead of the trajectory used by PRISMA for portfolio decisions.

**Chart 10 : PRISMA Outreach at mid-term**



Source: PRISMA MRM System September 2016.

These PRISMA achievements were supported by technical advice and quality assurance from the two advisers in the AIP-Rural Secretariat. Their inputs significantly reduced DFAT implementation risks and enabled early engagement with private sector partners and implementation of “quick-win” interventions (e.g. early flowering technology for mango which after 2 years benefits more than 5,000 households with aggregate net attributable income improvement of almost AUD1 million [Box 1]).

**Box 1 : East Java mango – a PRISMA intervention ready to scale**

Indonesia is the fourth largest mango producer globally, producing ~2.4 million tons in 2014. Mango is the largest fruit crop in Indonesia, but production is highly seasonal. Since off-season prices can be up to four times higher, early flowering technology offers an off-season production opportunity to improve farmer and trader incomes.

East Java dominates mango production in Indonesia, accounting for approximately one-third of national production. PRISMA identified a market opportunity to stimulate mango production during the off-season when prices are particularly high. The interventions developed to address this opportunity – starting in September 2014 with those implemented in East Java and NTB – worked with collectors and an input supplier (PT Syngenta Indonesia) to introduce early flowering techniques and good practice mango management. After less than 2 years, the results attributable to PRISMA in East Java include: 4,438 households with measured increase in income (of which 20% poor); private sector co-investment of AUD210,000 (76% leverage of the DFAT investment); and measured net attributable income improvement of 24% (in total ~IDR8.5 billion in 18 months).

This mango intervention is a good example of market development (Chart 2) taking change to scale:

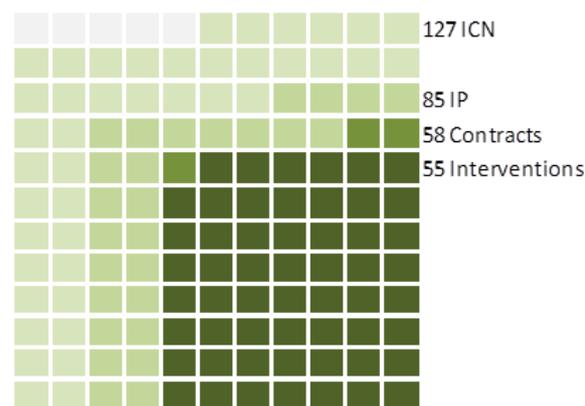
- **Adopt** – Syngenta and PRISMA introduced mango collectors and lead farmers to early flowering technology and good practices through targeted farmer field days and expos. Field agronomists financed by Syngenta and PRISMA facilitated demonstration plots (“seeing is believing”) and targeted information materials. Over two seasons collectors, lead farmers and PRISMA/Syngenta field agronomists exposed 8,497 farmers to the innovation and 5,099 households adopted it and increased their enterprise income as a result. In 2016/17 the projected outreach is an additional 6,500 households and the net attributable increase is projected to be at least 50%.
- **Adapt** – Based on early adoption results, Syngenta included mango production and the products Cultar® and Amistar Top® in the sales targets set out in their 2016 business plan. They increased imports of the active ingredient by 80% (to 1.8 tons) in 2015 and set targets for 2016 of 4.5 tons. Syngenta also employed two additional field agronomists to focus on mango production and early flowering technology in East Java.
- **Expand** – Other members of established farmer groups to which leading farmers belong adopted the innovation package. Syngenta also started to expand the innovation offering to farmers growing other crops (e.g. dragon fruit and apples). Several competing suppliers of the inputs needed for early flowering technology are now targeting the East Java mango market, including PT Rainbow Agri-sciences Indonesia (RAID). Part of their strategy is to offer the input in a smaller container (50mL) than that offered by Syngenta (250mL) so that smaller mango producers can afford the inputs. At the same time, farmers renting their mango trees to collectors have increased the annual fee by 30% to around IDR200,000 per tree.
- **Respond** – In 2016 other market actors supported adoption of the innovation by mango farmers. For example, one collector/trader in Pasuruan District now provides input-finance to farmers he trusts so they can adopt the innovation and then sell their off-season production to him.

In 2017 and 2018 PRISMA will work with Syngenta and RAID to target the 200,000 mango producers in East Java and their collectors and input retailers with a social-media campaign and series of targeted expos and field days to facilitate rapid scale-up. All participants have an incentive to sustain this change beyond the life of PRISMA.



Other early PRISMA outputs included building a market systems development team (almost 100 people), engaging private sector partners, designing 127 intervention concept notes, 85 intervention plans, 58 contracted agreements and implementing 55 interventions (Chart 11). The start-up costs involved with this thorough sector analysis and intervention preparation are characteristic of the approach and resulted in quality private sector partnerships, plausible interventions and early results. Not all interventions have worked (Section 3.5) but PRISMA now has a quality portfolio with scalable interventions.

**Chart 11 : Start-up costs yield results**



Source: PRISMA MRM System September 2016.

Although it is too early to be definitive, there is early evidence of systemic change (*e.g.* trends in intermediate service providers, enterprise turnover, partner investment and farmer access and use) emerging from some interventions (*e.g.* early flowering mango in East Java [1MOA, Box 1] and pig production in NTT [3PTA, Box 5, page 18 and Section 3.4]).

Private sector partners value the commercial approach adopted by PRISMA and are starting to pro-actively approach PRISMA to develop new interventions or expand existing partnerships. For example, Syngenta and EWINDO approached PRISMA to explore new sub-sector and geographical opportunities as they develop or update business strategies. Co-facilitators such as NGOs also appreciate what PRISMA has to offer, although the experience working with them is mixed (Box 2). At mid-term, about one third of outreach is through co-facilitated interventions.

## Box 2 : Mixed experience with co-facilitated interventions

PRISMA outsourced some interventions to 'co-facilitators', usually international or local NGOs, in order to secure implementation capacity, geographic presence and initiate some activities during its infancy. It was also envisaged that these organisations would remain as a source of market systems development expertise once AIP-Rural ends. This approach has only been partially successful. Approximately 30% of the current PRISMA outreach is attributable to co-facilitated interventions but their quality is variable and the transaction costs are high.<sup>1/</sup> Co-facilitators required intensive support because they lacked capacity to implement a market systems development approach. This additional link in the implementation chain made supervision and results measurement by PRISMA more difficult. Co-facilitators found it difficult to undertake more complex interventions across the value chain, such as those working with larger firms. The approach has been more successful with NGOs that have specific technical expertise, some business orientation and established local networks (*e.g.* HIVOS and VECO in the pig and coffee interventions in NTT). Such co-facilitators can perform focused, sub-contractor roles, carefully managed by PRISMA.

This is consistent with international experience. The Samarth program in Nepal and the Kenya Markets Trust, both funded by DFID, shifted away from the co-facilitation model. The SDC- and DFID-funded Katalyst program concluded that "*The weak levels of knowledge and current incentives characteristic of the wider Bangladesh 'development machine' make working with other organisations especially difficult.*"<sup>2/</sup> It found that few NGOs were capable or committed to a more sustainable approach, and required high levels of support and supervision, increasing rather than reducing demands on Katalyst staff. Since market systems development is a relatively novel approach in Indonesia, with most NGOs depending on funding from donors who require them to perform conventional, direct delivery approaches, their commitment to a more systemic approach is likely to remain limited until there is a critical mass of demand from donors and government.

<sup>1/</sup> PRISMA (2016) Self-Assessment [pp6, 10, 11]

<sup>2/</sup> Gibson, A (2005) *Review of alternative delivery options for Katalyst in the context of the overall expansion consideration process*; Katalyst, SDC/DFID.

At mid-term PRISMA does not contribute towards smallholder agriculture policy change in Indonesia. This is not unexpected. What PRISMA is doing is engaging with existing institutions that seek to influence agricultural policy in Indonesia (*e.g.* PISAgro, provincial and

district government agencies) and supporting them by sharing sector analyses as well as presenting simple case studies of how poverty reduction and food security can be achieved with private sector approaches (for example, see: <http://aip-rural.or.id/prisma>). The most effective way PRISMA can contribute towards smallholder agriculture policy change is to deliver results as planned and communicate targeted case studies and lessons from the field to support existing influencers. The systems, people and resources are in place to do this.

PRISMA has embraced innovation in many of its interventions. Examples include the use of information and communications technology to support the transition to scale (Box 3), and use of public-private partnerships to increase the efficiency of service delivery for farmers.

### Box 3 : Using ICT to take extension services to scale

In Indonesia, extension services are acknowledged as an important component of achieving food security. Three types of extension workers – public, private, and self-help – are recognised in national legislation (UU No. 16 Tahun 2006). In East Java and NTB there are not enough public extension officers to serve the more than 4 million farming households and government does not have the recurrent budget to expand the number of public extension workers.

PRISMA's vision of systemic change is more extension information providers entering the market for commercial reasons. Input suppliers will enable and improve the embedded service that they provide and telecommunication or start-up companies will enter the market to provide information and other agricultural support services for farming households.

To achieve its vision of change, PRISMA facilitates the private sector to develop crop protection call centres and build innovative smartphone applications which helps extension workers and farmers in East Java and NTB. For example, PRISMA works with PT BASF Indonesia to develop and operate a Crop Protection Call Centre for crop farmers in East Java (Intervention 1ESA). The call centre allows farmers to access (via the call centre) private agronomists, who provide advice and appropriate product recommendations.

Similarly, PRISMA facilitates PT 8Villages Indonesia to develop and commercialise a pest and disease smartphone application for farmers in NTB (Intervention 2ESA). This intervention is implemented with the NTB provincial government extension service office, to develop a platform and content for information to help farmers manage pest management and disease control. PT 8Villages is building the smartphone application to help public extension workers identify pests and diseases, and access up-to-date advice on good agricultural practices to manage them. The extension workers will then deliver this technical advice to their farmer groups. At mid-term, the intervention has released an application on the Google Play Store titled “*Dokter Tanaman*” (Plant Doctor) for Android smartphones. Around 100 NTB extension workers were trained in use of the SmartApp in June 2016 and they are now training their peers to use the application. There are close to 500 registered users within 3 months of the application release. To complement this, PRISMA is exploring an idea with a telecommunications company to create a platform for a general agriculture helpline for farmers.

PRISMA steers development towards a pro-poor, sustainable and scalable model, and also encourages the partners to develop gender-sensitive services to ensure women and youth farmers feel comfortable to access and use the service.

By December 2018, PRISMA expects to deliver a suite of ICT solutions that reach at least 80,000 farmers and benefit 20,000 of them. The combined budget of the two interventions is 60,000 AUD, which represents a good value for money.

### 3.3.2 ARISA

ARISA commenced implementation in December 2014, and its first interventions began in September 2015. The nine month period between project initiation and intervention implementation reflected the in-country start-up phase, developing interventions and partnerships with potential university and private sector partners, and reaching contracted agreements, however implementation was also slowed as a result of the team struggling with the market systems development approach, as well as CSIRO's restricted capacity to operate in Indonesia. Initial recruitment emphasised agricultural research experience rather than market systems development (e.g. the key intervention manager in Indonesia having the job title “Grants Manager” rather than “market facilitator” or similar). Initial partnerships focused towards public sector research institutes rather than the private sector. The team took some time, and a lot of supplementary support, to begin applying the market facilitation approach. After 22 months the project now has 6 interventions under implementation, which have led to approximately 900 households adopting new agricultural technologies or practices and 100 increasing their incomes as a result. Other early results include:

- **Beef cattle NTB (2BZA)** – commenced in 2015 using tree legume (*Leucaena* sp.) feeding systems. By 2016 ~600 farmers (32% women) have adopted the new system. The private sector partner, meat processing company PT Dharma Raya, was unable to participate as actively as planned because of high beef prices in Sumbawa and changes to the beef retail prices in Jakarta responding to policy changes allowing increased meat imports. ARISA has engaged the trader association, PEPEHANI and individual large traders to strengthen the intervention.
- **Cassava and Sheep East Java (1CZA and 1KZA)** – the cassava intervention builds on existing university and private sector partner relations initiated in 2008. PT Bangit Cassava Mandiri (BCM) invested around IDR25 billion in the intervention in the form of market guarantees and technical and commercial support to the cluster owners. The Cluster Owners provide capital to build local cassava pre-processing plants. Over 400 additional farmers (~40% women) now grow newer cassava varieties and have adopted good agricultural practices. A new cassava processing cluster was established by private sector partners to supply an existing modified cassava flour enterprise – PT BCM – in Central Java. ARISA and its research institution partner University of Jember developed waste management innovations that include use of by-products for fertiliser and sheep feed.
- **Dairy East Java (1DZA)** – commenced in early 2016. PT Nestlé Indonesia will invest around IDR1.2 billion to develop fodder farm enterprises with technical innovations from ARISA and a local university. Nestlé’s investment includes equipment for farmers to improve dairy management practices (e.g. stand mats, water troughs and milking equipment). Almost 300 farmers (~30% women) have adopted the intervention technologies in the first growing season, so outreach by the end of 2016 is anticipated to exceed 300 households.
- **Shallot IPM East Java (1IZA)** – this intervention completed its pilot phase with 150 farmers (72% women) in both the dry season and wet season, demonstrating good success in reduced input costs of pesticides (Chart 12). This lifts net attributable farmer incomes by 30-50%. This intervention is now being taken to scale in partnership with PRISMA and private sector partners PT NASA and Nufarm Limited, an Australian input supplier.

**Chart 12 : Early results from ARISA and PRISMA – IPM in shallots**



Source: John Fargher, SRP IV, September 2015.

From this evidence, the MTR concludes that market systems development can work with innovations systems as well as in other sectors. The current portfolio of 7 active or planned interventions is likely to be sufficient to deliver targets and demonstrate proof of concept. In addition, some PRISMA interventions (e.g. coffee NTT and mangoes NTB) include research institutions in their partnerships. The interventions have attracted private sector and research institution co-investment. This is encouraging, but it is too early to assess whether the behaviour of research institutions has changed sustainably – at mid-term there is little or no

evidence that research institutions are changing behaviour to seek private sector partners for new research initiatives outside of ARISA.

Substantial support from the Secretariat, the SRP and external consultants, together with the recruitment of additional market facilitation capacity within the ARISA team, has helped get ARISA back on track. However, a considerable amount of further market facilitation is likely to be required in all interventions. The capacity of the ARISA team to do this remains a concern – most project staff are located in Australia or outside Surabaya, and none have the required market systems development competencies. The limited presence in Surabaya reduces opportunities for the ARISA team to engage with other AIP-Rural projects and complicates management of interventions.

ARISA has a research and policy engagement sub-component that uses innovation systems framing to explore and advance innovation relevant to smallholder farmers through partnerships between public research institutes and the private sector. Outputs under this sub-component have taken longer to deliver than planned and are yet to be finalised. This work was intended to contribute to a policy-engagement process, and may still do so in the second half of implementation. At mid-term, ARISA does not contribute towards smallholder agriculture or innovation systems policy change in Indonesia. However, as ARISA reports observe, innovation policy change is a “crowded space”, involving many players, including other DFAT initiatives. Given ARISA’s limited capacity and time frame and its imperative to prove the concept of effective private sector-research institute collaboration, it is unlikely to achieve the planned level of influence. It would be prudent to ensure that the evidence and learning from ARISA’s proof of concept is incorporated into other mechanisms that are better placed to influence national policy, such as the Knowledge Sector Initiative (Phase II).

CSIRO does not have an Indonesian entity (as, for example, Palladium and most other DFAT contractors do), which has impacted on their ability to implement activities. This impeded implementation progress of ARISA.

### 3.3.3 TIRTA

TIRTA commenced implementation in July 2015 and its outreach is currently behind plan. After 16 months the project has one intervention under implementation, two more in advanced development, and more than five under preparation. Like ARISA, the TIRTA team struggles to apply the market systems development approach, and focused initially more heavily on water user associations (HIPPAAs) and the technical aspects of irrigation. Stimulating private sector investment in and management of tertiary irrigation was central to the concept being tested by TIRTA, so this weakness has hindered progress considerably. Targeted training implemented in mid-2016 has not yet resulted in measurable behaviour change in the team. Leadership of the team was changed prior to the MTR to introduce more market facilitation experience. Despite this, the first intervention – in Pilanggede East Java (1PGA, Box 4) – facilitated private sector investment in new irrigation infrastructure and inputs for crop protection. This intervention creatively used PRISMA relationships with Syngenta to develop a crop protection intervention for rice to complement the tertiary irrigation intervention. Almost 400 farmers are using the new practices or irrigation services.

#### Box 4 : Early signs that TIRTA can be effective

TIRTA facilitated a local rice miller and trader to invest ~ IDR1.2 billion for the pump refurbishment, pipes and operating costs needed to irrigate an additional 150ha of rice. To reduce his risk, and to increase farmer income further, the investor asked TIRTA to facilitate a new market in crop protection. Building on relationships initiated by PRISMA, Syngenta agreed to co-invest with TIRTA to demonstrate the use of the GroMore ® package of crop protection inputs. Results after the first irrigation season are encouraging – 400 farmers are using the new practices or irrigation services, 25-30% increased irrigated rice productivity; 20-50% increased sales of inputs by Syngenta; and new input-suppliers (e.g. PT Nurchosin) crowding in. An impact study in late 2016 will measure outreach, which is expected to identify ~300 farmers with increases in net income attributable to TIRTA.



There is not yet sufficient evidence to conclude that TIRTA can bring about system change in tertiary irrigation but the Pilanggede intervention, although small, demonstrates that the logic of the market systems development approach can work as the design envisaged. The farmer-income improvements that irrigation offers, and the productivity increases possible with improved tertiary irrigation delivery and management make the sector a sensible target for innovation in AIP-Rural. It is too early to say whether or not this sector is appropriate in a portfolio of market systems development investments, but the leading indicators (*e.g.* investor interest and co-financing by market intermediaries such as Syngenta and PT Nurchosin) are promising. The complementary interventions for good agricultural practices in rice reduce investor risk and increase farmer incomes further. This illustrates the importance of exploiting synergy between irrigation-focused interventions and PRISMA's private sector expertise and relationships, if interventions are to be successful.

In their self-assessment, the TIRTA team said that the overall outreach and farmer income targets are achievable by the end of 2018. For this to happen, TIRTA will benefit from closer engagement with PRISMA portfolio teams and the technical advice currently available from the Secretariat, to refine and consolidate the current portfolio of 1 active and 7 planned interventions, particularly to secure viable private sector partnerships and investments, in order to prove the concept and reach the targets. The TIRTA team should focus on East Java and not be distracted by other geographies at this stage.

At mid-term TIRTA does not contribute towards irrigation policy change in Indonesia. This is as expected. However, the counterpart agency in the Ministry of Public Works is engaged and positive about TIRTA and is keen to learn from engagement of the private sector in tertiary irrigation. The opportunity is for TIRTA to demonstrate a number of models during the next 2 years and to write these up as policy briefs with staff of the Directorate of Irrigation and Lowland Resources during 2018.

### **3.3.4 SAFIRA**

SAFIRA is a recent addition to the AIP-Rural portfolio, commencing 12 months ago. Progress of implementation is currently behind plan. The team was uncertain about the validity of value chain financing and, as with the other small projects, inexperienced in the application of the market systems development approach. Access to finance for agriculture is low in eastern Indonesia: 6% of lending compared with 15% of GDP<sup>16</sup> and a dynamic rural finance policy environment complicates delivery, but early signs are that value-chain finance is of interest to financial institutions. For example, SAFIRA has signed 3 memoranda of understanding (MoU) and 6 letters of intent, including MoUs with Bank Andara for value chain financing of maize farmers in NTB and with Bank Sinarmas to support financial services for beef producers in East Java). Seven interventions are now under preparation, of which three directly support other projects. Outreach of 240 is anticipated by early 2017.

The MTR is concerned about the team's capacity for market facilitation, beyond working with financial institutions. SAFIRA's proposed partnerships are with banks or other financial institutions, a form of partner with which the team is well acquainted. However, agri-businesses are also a vital part of value chain finance. Here the link with PRISMA will be essential if interventions are to be successful, as has been in the case with TIRTA and ARISA. SAFIRA can support PRISMA to achieve scale and sustainability, as value chain finance is a constraint in many of PRISMA's sectors. SAFIRA is not resourced to address wider sector constraints that may impinge on its ability to prove the value chain finance concept and achieve outreach (*e.g.* SAFIRA might broker a deal between a bank and a large off-take firm to provide pre-

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<sup>16</sup> Bank of Indonesia summary information 2015.

season finance to contract farmers. If these farmers suffer from low productivity due to a lack of appropriate seeds or knowledge, or if they engage in side-selling because of their social relations with small traders, then the financing model is unlikely to be successful. PRISMA is set up to facilitate solutions to these types of constraints; SAFIRA is not. Moreover, PRISMA now has established connections with a variety of large firms that are likely to play an important role in taking the concepts being tested by the smaller projects to scale. Existing PRISMA private sector partnerships provide a platform for SAFIRA to take advantage of “quick wins” to demonstrate proof of concept before the end of 2018. This has been the experience with the other small projects.

The SAFIRA progress report says projections for MoUs already signed are expected to contribute approximately half of the targeted numbers of farmers financed for the period up to semester 1 2018, and that the remaining interventions (4, bringing the total to 7) forecast for the next 12 months would contribute the balance needed to meet the total SAFIRA targets. A dynamic rural finance policy environment complicates delivery but existing PRISMA private sector partnerships provide a platform for SAFIRA to demonstrate proof of concept before the end of 2018.

At mid-term SAFIRA does not contribute towards rural finance policy change in Indonesia. This is as expected. The team is supporting AIP-Rural to implement a financial services survey (SOFIA, implemented by Oxford Policy Management, a consultancy). The information from this survey may provide an entry point for discussions with rural finance influencers and regulators such as *Otoritas Jasa Keuangan* (Financial Services Authority).

### 3.4 Program theory and portfolio logic are appropriate

Evidence from two years of implementation and field inspections by the SRP and the MTR team present a range of evidence to support the conclusion that **the underlying program theory is sound**. Three applied theories explain the causal mechanisms for changes expected from each project and their interventions (Box 1, page 11 and Box 5):

- **Individuals adopt innovation** – how farmers adopt new practices and diffuse their experience through a community is well understood and applied to AIP-Rural.<sup>17</sup>
- **Organisations change** – how organisations change and respond to opportunities is explained by a range of theories, which can be summarised in 4 steps (Chart 1, p2).<sup>18</sup>
- **Market development and systemic change** – the way market actors respond to stimulus can be summarised in 4 stages (Chart 2, p3).<sup>19</sup>

After sector analysis and early engagement with prospective partners, each AIP-Rural intervention team, led by a Head of Portfolio, develops the intervention logic. This is peer reviewed by the Secretariat and other Heads of Portfolio, and forms the foundation for selecting specific monitoring indicators to complement the standard KPIs used consistently by all interventions.

The MTR team conducted a rapid appraisal of 17 logic models (31% sample) prepared for AIP-Rural interventions (PRISMA 9 interventions [18%]; ARISA 3 [43%]; TIRTA 3 [100%] and SAFIRA 2 [67%]). This appraisal highlighted the coherence of causal mechanisms assumed across the portfolio; a consistent approach to assumptions; and a consistent approach to identifying monitoring points. The quality of the sampled logic models is generally high, and better than average for DFAT investments. More emphasis could be placed on testing readiness

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<sup>17</sup> Rogers, Everett M. (1962) *Diffusion of Innovations*. Glencoe: Free Press, USA. ISBN 0-612-62843-4

<sup>18</sup> Armenakis, A., Harris, S. and Feild, H. (1999) *Making change permanent: a model for institutionalising change interventions*. Research in Institutional Change and Development, Issue 12, pp97 – 128. Stamford, CT: JAI Press Inc. USA.

<sup>19</sup> Nippard, D., Hitchins, R., and Elliott, D. (2014) *Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes*. Briefing Paper, The Springfield Centre for Business in Development, Durham, UK. [pp6-8]

to change in farmers and market intermediaries (Chart 1, p2)<sup>18</sup> as well as any specific change pathways relevant to women or youth.

**Box 5 : Market-systems development in practice – pigs in Flores**

<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Better productivity increases incomes for 300,000 farmers</b></p> <p style="text-align: center;"><b>FARMERS</b></p>		<p>Ibu Maria has owned pigs on her small farm in central Flores since 2011. She used to spend several hours a day collecting and preparing local feed like banana leaves, papaya and cassava tubers. Before PRISMA, fattening piglets to adult size took around two years.</p> <p>Through PRISMA's interventions, small-scale farmers like Ibu Maria have learned how to build good pig pens and fatten their pigs using high quality commercial feed. Her cross-bred sow now lives in a clean, covered enclosure behind her home and its piglets take 3-4 months to grow to marketable size. The improved progeny sell for around IDR3m, compared to IDR2m for the local breed. 'Feed is expensive but the result is good,' she says. She now has a regular flow of income to help look after her six children.</p> <p>Ibu Maria is proud of her sow. She cleans its pen twice a day but spends far less time preparing feed than she used to.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Improved and sustainable delivery of inputs and services by market actors</b></p> <p style="text-align: center;"><b>RETAILERS</b></p>		<p>Commercial feed companies have responded by promoting quality feed mixes in Flores through breeding companies, a credit union and retailers. More than 50 small businesses now supply inputs and services to the pig-growing businesses of Flores. For example Ibu Regina (far left) and her staff sell pig feed in their agricultural supply shop in Flores. She also provides leaflets explaining good pig husbandry practices to farmers.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Better useage of inputs and services leads to improved farm productivity</b></p> <p style="text-align: center;"><b>BREEDERS</b></p>		<p>PRISMA's pig sector intervention, which began in 2014, facilitated pig breeders and smallholder farmers to invest in improved breeds and husbandry practices, supported by local veterinary services. All eight large pig breeders in Flores have adopted improved breeding and husbandry practices as a result of the PRISMA intervention. For example Bruder Luci's pigs (pictured) have their own water fountain along with regular cleaning and high quality feed. He sells piglets to more than 1,100 smallholder farmers.</p>

(Photographs: Julie Delforce, September 2016)

AIP-Rural interventions are rigorously designed with detailed sector analysis, partner negotiations and incremental delivery (see Chart 11, p12). The result is quality private sector partnerships, plausible interventions and early results. The value for money analysis (Section 3.6) demonstrates portfolio efficiency. Not all interventions have worked, and at mid-term the lagging outreach indicator results are delivered by 17 of 55 interventions implemented since commencement. This is to be expected at mid-term and a portfolio review process (Section 3.8, Chart 22 on p28) is now regularly used to refine the portfolio, focus on those interventions likely to succeed at scale, and allocate resources efficiently.

Contextual analysis (Section 1, Annex 1) consistently identifies access to finance; productivity increases through irrigation (at worst allowing farmers to change from one to three crops per year, but at best allowing increased productivity in each irrigated crop cycle) and applied science; and access to market as constraints to farming household income. As such, there is a

clear line of sight between the outcomes of SAFIRA, TIRTA and ARISA and the key agricultural and poverty issues in eastern Indonesia. Some of the root causes (*e.g.* fragmented geography) are given while others (*e.g.* the health and education context) are beyond the AIP-Rural mandate. The national agricultural and food security policy settings are not easily changed in the short term, but the emerging partnership between DFAT, Bappenas and the AIP-Rural management team suggests that lessons learned from AIP-Rural, especially PRISMA and TIRTA, may inform DFAT policy dialogue during 2017 and 2018.

The allocation of resources between the projects (*e.g.* investment of AUD97 million is allocated 79% to PRISMA, 7% to ARISA, 10% to TIRTA and 4% to SAFIRA) is cost-effectively divided given the designed result targets (*e.g.* outreach of 326,000 households is allocated 90% to PRISMA, 3% to ARISA, 3% to TIRTA and 4% to SAFIRA [Chart 9, p10]). This appropriately enables the smaller projects to focus on modest results targets and proof-of-concept, and concentrates portfolio resources (*e.g.* money, people, systems, time) on farmer outreach, leveraging private sector partners, and systemic change.

A key lesson from portfolio review is to not treat TIRTA, SAFIRA and ARISA as being equivalent to PRISMA. They all use a common approach, but have different aims and therefore should allocate resources accordingly. PRISMA is the engine for delivering results. The three smaller projects are to explore feasibility of using market systems development in new sectors. The pipeline of interventions for 2017-2018 would therefore benefit from review and simplification following the MTR – it currently has 14 interventions from TIRTA (too many); 1 for SAFIRA (too few); no new ones for ARISA (appropriate); and 37 from PRISMA (Chart 18 on p19). Existing portfolio review systems should continue to be used.

### **3.5 The market-systems development approach is working**

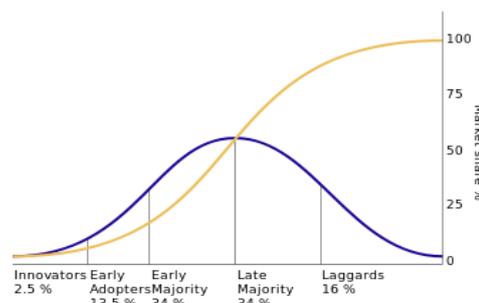
The evidence provided in earlier parts of Section 3 suggests that market systems development works as a common approach in irrigation, value chains, research and finance. This section explores the causal model and the way projections are made, and then identifies why interventions are successful or weak, and presents early evidence of systemic change.

The causal model that is the foundation of AIP-Rural (Section 3.4, Chart 1, Chart 2) is clearly working in PRISMA (Box 1, Box 5, Box 7). Leading indicator results from ARISA and TIRTA (Box 4) show a similar response by market actors and farmers to interventions. For example, cassava producers and processors in Jember are responding to ARISA interventions (1CZA, 1KZA) in ways that mirror the experience in PRISMA. Similarly, the first TIRTA intervention in Pilanggede (1PGA) shows investors, input-suppliers and farmers responding as expected. SAFIRA is in early implementation but initial responses by several finance sector companies suggest the concept can be proven under AIP-Rural. Some of these observations are reinforced by the engagement of the same private sector partners in different component projects – for example PT Syngenta Indonesia works with TIRTA (*e.g.* 1PGA) in much the same way as it works with PRISMA (*e.g.* 1MOA). These findings provide confidence that the lagging outreach and business income changes will be delivered. Because PRISMA has more mature interventions than the other projects, it is the source for early evidence of systemic change (Boxes 1, 4, 5 and 6).

PRISMA's pathway to achieving its outreach target of 300,000 households by 2018 is ambitious, characterised by a modest start followed by a rapid escalation of achievement from the program's midway point. The foundation for projections used by PRISMA is research conducted in the USA during the 1950's and widely accepted as the basis for calculating adoption and diffusion of innovations, especially in agriculture (Chart 13).<sup>17</sup> What PRISMA does and the way interventions are delivered is consistent with the innovations used to measure the archetypal curve (Chart 13): the program introduces innovations through markets, expecting that market forces will sustain the take-up of innovations.

This approach requires considerable start-up costs for sector analysis, developing staff facilitation skills relevant to the local context and negotiating inputs from private sector partners (Chart 11, p12). It entails testing and proving pro-poor commercial concepts that will attract further commercial investment, to create a multiplier effect that leads to large scale and sustained impact. At mid-term, the extent of achievement still required for PRISMA to meet its targets appears daunting. However, the MTR team is satisfied that the

**Chart 13 : Confidence in the curve**



Source: Rogers, E. M. (1962) *Diffusion of Innovations*. Glencoe: Free Press. ISBN 0-612-62843-4.

methods PRISMA uses to develop projections are robust (independently audited by DCED in mid-2016), including the use of:

- **Evidence** – The rate of adoption of an innovation depends on attitudinal and behavioural changes in farmers and their market partners. PRISMA projections use the international norm (Rogers’ analysis of diffusion, Chart 13).
- **International benchmarks** – PRISMA management compared this rate of adoption with that of three mature M4P interventions, two from the Katalyst program in Bangladesh<sup>20</sup> and one from the PropCom program in Nigeria.<sup>21</sup> The average trajectory from these three cases is consistent with the diffusion study, but more conservative – reflecting the reality of pro-poor interventions and targeting poor households and poorer districts (Chart 14).

**Chart 14 : Benchmarking PRISMA and other programs**

Stage	Diffusion study (theory)	Three M4P programs (practice – on average)
Innovators	2.5% of target farmers	3%
Early adopters	16%	11%
Early majority	50%	26%
Late majority	84%	50%
Laggards	100%	100%

Source: MTR team analysis of results from 3 M4P programs

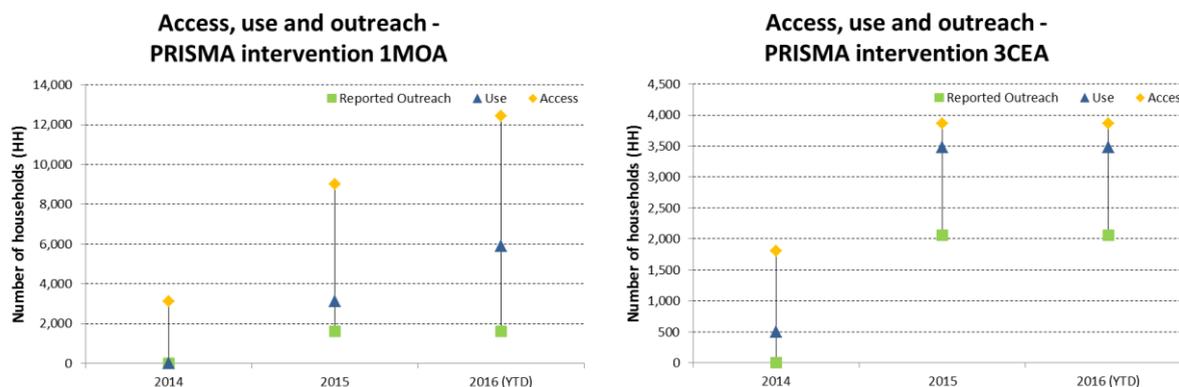
- **Conservative, context-adjusted projections** – PRISMA makes projections by thorough analysis of potential farmer and business adoption, combined with careful examination, review and adjustment of assumptions used against actual performance. Management also applies a discounting factor to all projections to avoid optimism bias. Leading indicators (e.g. use) are measured to support assessment of context and application of discounting.
- **Learning from actual outreach results** – PRISMA measures performance of each intervention by determining the number of women and men farmers with access to innovations promoted through an intervention (using Indonesian statistics and private sector partner data); monitoring the number of farmers using innovations (using private sector partner data and field monitoring observations); and rigorously measuring the attributable net income and turnover increase in a sample of farmers and businesses to determine how many households actually benefit (reported as outreach 6-12 months after farmers have adopted an innovation).
- **Rigorous portfolio review** – A final check used by PRISMA is the application of a Quality Management Tool for portfolio review (Section 3.8). This systematic review process uses quantitative and qualitative criteria to assess the likelihood that each intervention will

<sup>20</sup> Improving Local Govt. Services (ILGS) and seed mini-packs intervention; <http://katalyst.com.bd/>

<sup>21</sup> Fertilizer mini-packs intervention, see: [www.propcommaikarfi.org/](http://www.propcommaikarfi.org/)

achieve scale through systemic change. This informs resource allocation decisions to achieve outreach targets and also to ensure efficiency and value for money. The triangulation achieved by this robust approach results in a realistic projected trajectory towards targets. Leading indicators give us confidence of scale (trajectory of access and use across the portfolio and for star interventions) (Chart 15).

**Chart 15 : Progress towards targets – access, use and outreach**



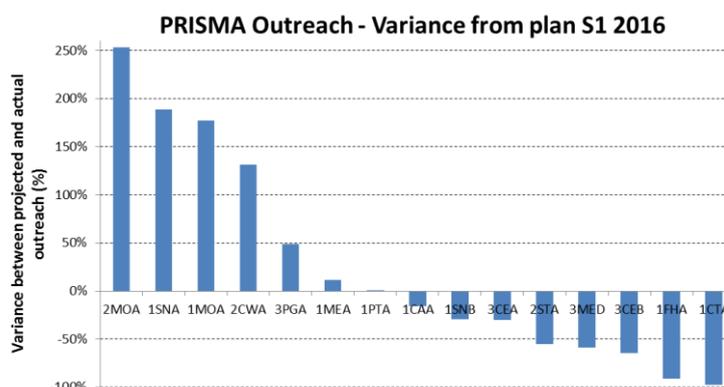
Source: PRISMA MRM and DFAT ADR data S1 2016 analysed by MTR Team.

While both the PRISMA team and the MTR are confident that outreach targets will be met by December 2018, there is no room for complacency. Any loss of the current momentum would put these targets at risk. The implementing teams need to continue their focus on results, collaborate with partners to achieve the required level of scale and maintain their use of rigorous portfolio measurement and management systems. Variance from projections (Chart 16) suggests PRISMA has a number of “star” interventions that will make significant contributions to delivering outreach targets if taken to scale.

The market systems development approach requires a diverse portfolio of interventions and an active pipeline, to spread risk, encourage innovation and maintain momentum. This portfolio needs to be actively managed, as PRISMA does using its QMT process (Chart 22, p28). This ensures failing initiatives are dropped, underperforming initiatives are adjusted, and higher performing initiatives are prioritised, in terms of resources and supplementary interventions. The smaller projects would benefit from a similar process. Whilst a pipeline of new interventions is necessary, to ensure innovation and maintain momentum, it is imperative that AIP-Rural does not proliferate the number of interventions in a quest for scale. Scale is most likely to come from a small number of ‘star’ interventions.

The PRISMA team have an improving understanding of what is likely to succeed and the portfolio is actively managed – intervention results are used to revise, drop or add on an iterative basis. Half of the interventions in the portfolio are small in terms of both cost and outreach. Conversely, 29% of interventions are likely to achieve scale. These scalable interventions are where most effort should be devoted.

**Chart 16 : Variance from outreach projection is declining**



Source: PRISMA MRM data S1 2016 analysed by MTR Team.

Early experience in AIP-Rural, consistent with lessons from other market development programs, confirms that an intervention is likely to succeed if there is a private sector partner with the motivation and capacity to invest, and continue doing so in the long run, because it is in their commercial interests to do so. At mid-term **successful interventions** (measured by outreach, net attributable income increase and potential for scale) include:

- Early flowering mango in East Java (1MOA)
- Stimulating market of OPV Seed (3MED)
- Developing Commercial Market (1SNA)
- Hybrid Maize Seed in East Java (1MEA)
- Coffee Franchise Development (3CEA)
- Certification & Nurseries (1SNB)
- Pest Control and GAP Services (2CWA)
- Pig Rearing in NTT (3PGA)
- Good Quality Seed (1PTA)
- Cattle ARISA (2BZA)
- Cassava East Java (1CZA)
- IPM East Java (1IZA).

Several factors explain **successful interventions**:

- **Sector analysis to identify root causes and opportunities** – PRISMA has developed the capacity to accurately identify the causes of market constraints and the related business opportunities (viable solutions) that might attract the private sector. This analysis requires triangulation of quantitative and qualitative sources, field investigations, and a culture of critical enquiry and challenge within the team. This now exists in PRISMA.
- **Scrutiny of prospective partners** – successful interventions emerge when the real incentives and capacity of private sector partners is understood: their long term interests, commitment and readiness to invest. This ‘due diligence’ entails looking beyond official policies, mission statements or well-written proposals for matching funding. It requires entrepreneurial analysis.
- **Facilitated ‘deals’ and intervention management** – encouraging partners to invest in an initiative tests and builds ownership over time, leading eventually to program exit and sustained market change. This requires sophisticated negotiation, monitoring and partnership-building skills in the team.
- **Early identification of scale agents** – if early adoption and net income change is aligned to projections, other firms who might copy and spread an innovation more widely are likely to emerge. Without such players, intervention success tends to be confined to isolated pockets of change and over-reliant on a single partner. Portfolio teams are starting to identify scale agents attracted to some interventions (Box 1, Box 6).
- **Calibre and skills mix of intervention teams** – all these success factors rely on skills and committed people to do the analysis, due diligence and deal making and intervention management. PRISMA deserves recognition for the rapid and structured way in which it has built an increasingly capable cadre of staff in a comparatively short time frame. The use of Swisscontact, through PROMARK, to prepare materials in *Bahasa Indonesia*, deliver induction training and provide mentoring has been a good investment. ARISA, SAFIRA, TIRTA suffered from a lack of market facilitation capacity but this is being remedied through recruitment, short term inputs and links to the PRISMA team. The Secretariat has added substantial technical and mentoring value across all the projects. AIP-Rural now has a cadre

of 114 increasingly capable staff, 88% of whom are local. 75% of the senior management positions are currently held by international professionals – highlighting the limited market systems development capacity in Indonesia and the opportunities for local staff development, coaching and mentoring which PRISMA is actively pursuing. The current staff cadre is adequate, but unlikely to be sufficient for scale-up, because this typically entails more sophisticated interventions (*e.g.* engaging the larger scale corporate sector at a higher level, brokering more complex relationships with multiple stakeholders) than pilot interventions. Further staff development should be anticipated. The SRP noted that AIP-Rural, particularly PRISMA, required a greater number of experienced staff to oversee and improve the quality of its portfolio, and to mentor its expanding cadre of staff, to build on the induction training provided by PROMARK. Management has responded by recruiting four Heads of Portfolio (HOP), each responsible for several interventions and between fourteen and fifteen intervention staff. These HOPs are making a tangible difference to portfolio quality and the capability of staff. The number of HOPs and other senior staff with the experience needed for these functions is insufficient, and is a point of vulnerability. The existing portfolio and pipeline suggest that the current Heads of Portfolio already operate at full span of control. Therefore it would be prudent to allow for promotion of existing staff capable of performing as Head of Portfolio and recruitment of additional experienced staff, if needed, to secure program scale-up. The MTR understands that since the program is underspent there should be resources available to cover additional high calibre staff within the existing program resource envelope.

Luck also contributes. Many factors beyond the control of a program can affect the best-designed intervention and the most committed partner (*e.g.* weather patterns, global market dynamics or trade policy settings). However, a flexible approach, diversification of partners and high calibre staff can help mitigate or navigate such factors.

**Weak interventions** are identified through a quarterly portfolio review process (Section 3.8, Chart 22). The timeliness of screening is appropriate and the culling rate – currently ~12% of the portfolio – is appropriate, especially at this formative stage of the program. Weak interventions, and the reasons for them being identified as weak, include:

- Peanuts EJ (no committed partner)
- Cassava NTT (lack of partner capacity)
- Cashew NTB (lack of partner capacity)
- Fish cage finance EJ (very high cost per beneficiary)
- Irrigation EJ (partner backed off)
- Soybean EJ (competing subsidy program)
- Soybean EJ (low partner capacity).

None of the interventions have yet delivered **systemic change**. Those interventions assigned a ‘push’ rating in the QMT portfolio review process (Section 3.8, Chart 22) have the greatest potential to do so, but that level of change is not realistic at this early stage of implementation. Most interventions are pilots conducted over one or two seasons only, and have focused on demonstrating successful local-level business models. Other interventions are moving from the ‘Adopt’ to ‘Adapt’ stage with a small number of interventions witnessing some level of ‘Expand’ and ‘Respond’ (*e.g.* East Java Mango and NTT Pigs – see Boxes 1 and 6). Further interventions will be required to bring about systemic change, based on these successful pilots. For example, 88% of the current intervention portfolio focusses on inputs and agricultural practices. This is a sensible starting point because they are quick wins – addressing these constraints contributes quickly to raising farmer incomes, and they represent attractive opportunities for private sector investment.

Over time the program will need to shift its focus to other types of constraints, relating to processing, quality control, marketing and sector coordination. These types of supporting functions and rules are important for locking in and rewarding sustained productivity and quality, and help to ensure that sub-sectors are able to adapt to changing circumstances over

time – that is systemic change. Examples of movement in this direction include PRISMA work in the pig sector in NTT (Box 6) and with PISAgro on maize.

### **3.6 Efficiency and value for money are improving**

Since inception in late 2013 AIP-Rural has disbursed AUD28 million, of which direct intervention costs account for almost AUD6.5 million. Many technical staff inputs, which are fully allocated to development and implementation of interventions, are not costed to the relevant interventions. These costs are monitored, but need to be integral to intervention cost analysis so that full value for money is transparently reported.

AIP-Rural MIS monitors three value for money indicators: investment leverage, social return on investment, and investment per farmer. Early evidence suggests that PRISMA delivers value for money (Chart 17). Several PRISMA interventions already generate more net income for farmers than the direct cost of the intervention (*e.g.* Shallot Quality Seeds [1:2.8] and early flowering mango [1:1.2]). Even with the total program costs accounted for, AIP-Rural provides value for money when benchmarked against alternative rural development approaches such as the graduation model (Chart 17).

### Box 6 : Early signs of systemic change in a pig intervention

NTT is the largest producer and consumer of pork in Indonesia, accounting for a quarter of national production. PRISMA identified an opportunity to stimulate pig productivity and strengthen the market system of input-suppliers and buyers. Starting in March 2014, PRISMA in collaboration with HIVOS – a co-facilitator NGO, developed interventions to address this opportunity, working with a veterinary services firm, pig breeders, feed suppliers, banks and credit unions, and buyers to introduce improved animal husbandry practices, breeds and inputs. After two years, the results attributable to PRISMA in NTT include: 1,118 households (of which 73% are poor) with measured increase in income and reduced work burden; private sector co-investment of AUD440,000 (72% leverage); and measured net attributable income improvement totalling nearly AUD1.7 million. Farmer income increased by 956% over the life of the pilot – around AUD75 per year each.

The PRISMA pig intervention (3PTA) is an example of market development theory in practice (Chart 2):

- **Adopt** – PRISMA encouraged pig breeders and farmers to invest in improved breeds, feed and husbandry practices (improved pens, water supply, feeding practices, veterinary care) using demonstrations, supported by veterinary services company PT SJM. Feed companies, most notably Charoen Pokphand, were supported to introduce quality feed mixes in Flores through retailers, breeders, traders and other market actors. Those actors were in turn supported to inform farmers about better rearing practices. As a result, the time it takes to fatten a piglet to marketable size (70-100kg) reduced from 24 months to 3-4 months. Selling price increased: IDR3-4m compared to IDR2m per animal. Interestingly, the time spent rearing pigs fell from five hours to ninety minutes per day – a particular benefit for women. Other market actors also benefited – for example, one agent's feed sales increased from 250-500kg to 15-20 tonnes per month over a two year period.
- **Adapt** – Buoyed by the early adoption results and signs of commercial potential, feed companies invested in their distribution and retail networks, introduced smaller pack sizes (5-20kg) and new feed mixes suited to the local breed. Breeders invested in improved facilities and artificial insemination and now act as feed agents. Some farmers have become breeders themselves. One feed company hired local field staff and developed their own information leaflets. Another invited its agents to its feed mill in Sidoarjo as part of a learning and branding strategy.
- **Expand** – All eight main breeders in Flores have adopted the new rearing 'model'. Three additional feed companies, including Cargill, have independently entered the market, with some planning to expand into other parts of NTT. Feed sales have increased through a network of 25 agents, 25 sub-agents and a diverse range of other actors. This is improving penetration of feed and information into remote areas.
- **Respond** – Over time, other market actors have come to recognise the significance of the new model and become supportive of it. Bank NTT and BRI now target lending to the sector, as do four credit unions that also supply feed. Twenty-four pig traders are better informed and provide information to farmers. Opportunities to sell fattened pigs are expanding. Some butchers and retailers are beginning to differentiate by quality – paying by weight rather than visual estimates, and making premium cuts available. At least 22 restaurants have expanded their pork menus. Three are developing contract farming relationships with smallholder pig farmers, who will have access to BRI credit. A further 11 restaurants and 4 pork traders are considering similar agreements with pig farmers. One feed partner sent a representative to Java in August to learn pork processing techniques, with a view to developing the processed meat market in Flores. Another small feed company is also looking to establish a local pork processing business.

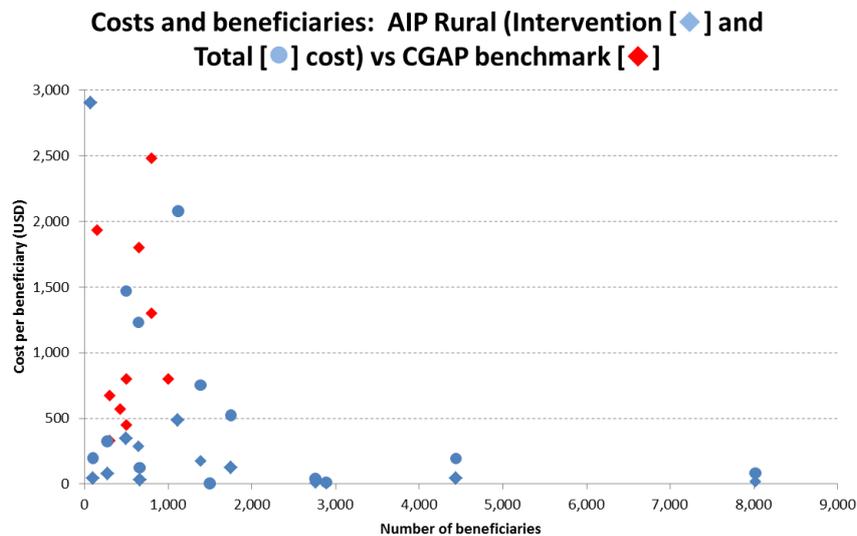
In 2017 and 2018 PRISMA will shift its focus to end-market functions, such as trading and contract farming, slaughter and butchery, and processing and catering, as well as expansion to other parts of NTT.

The allocation of resources between the component projects is appropriate (Chart 9, page 10). However, the disposition of intervention investments is currently skewed towards smaller interventions (*e.g.* half the current interventions cost less than AUD100,000 and they account for 10% of total portfolio value and 37% of current outreach). The high start-up costs of interventions mean that proliferation of interventions is an inefficient way to achieve AIP-Rural targets (Chart 18).

A central element of the market system development approach is use of donor investment to leverage investment by private sector partners. If an intervention opens up a commercial opportunity for a private sector partner, they have an incentive to co-finance it during adoption and then take it over during adaption and expansion, so ensuring sustainability. AIP-Rural

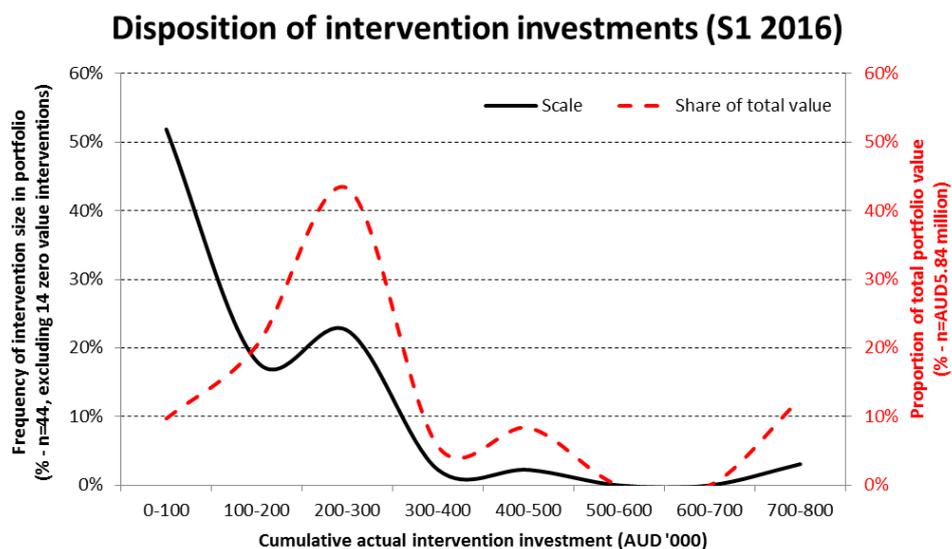
measures and reports leverage for each intervention, which shows adequate progress in investment leverage (Chart 19). For example, PRISMA has attracted private sector investment equivalent to leverage of 360% for an East Java shallot intervention; 242% for a crop call centre intervention; 60% for a NTT pig intervention and 30% for early flowering mango interventions in East Java. ARISA has performed particularly well in attracting investment and asset allocation from private sector and research institution partners. Current committed co-investment as a share of direct intervention costs are: Cassava – 171%; Sugar – 40%; Dairy – 75%; and Maize – 49%. Across all interventions this amounts to slightly higher leverage than the AIP-Rural average at mid-term (Chart 19).

**Chart 17 : Early signs show PRISMA delivers value for money**



Sources: CGAP (2014) Technical Guide to the Graduation Model, Consultative Group to Assist the Poor and Ford Foundation, Washington DC USA. [Table 1, pp27-29] and PRISMA Value for Money Analysis March 2016

**Chart 18 : Proliferation is an inefficient way to achieve targets**

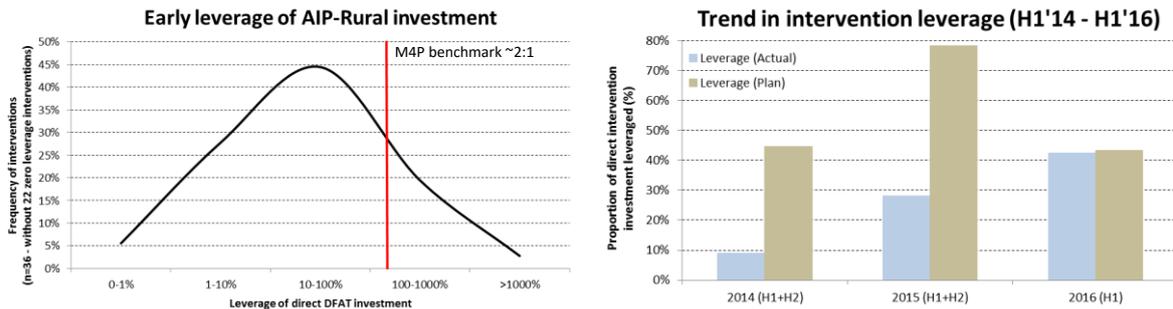


Source: AIP-Rural MIS, September 2016.

One administrative area of weakness is the treatment of intervention staff costs. These are budgeted and reported to DFAT as management rather than as an attributable intervention cost. Personnel and management costs are routinely monitored, and factored in to portfolio reviews of interventions, but should be reported to DFAT as an integral cost of each intervention. International experience suggests this is a mistake. In a market systems development program,

technical or intervention teams are the principal way in which value is added. Direct financial or material support is a less significant part of what the program offers private sector partners. Not reporting these costs accurately reduces the ability of management to allocate resources optimally and present the true co-investment by DFAT.

**Chart 19 : The private sector is leveraging DFAT investment**



Source: AIP-Rural MIS September 2016 and MTR analysis

### 3.7 Governance arrangements are complex and confusing

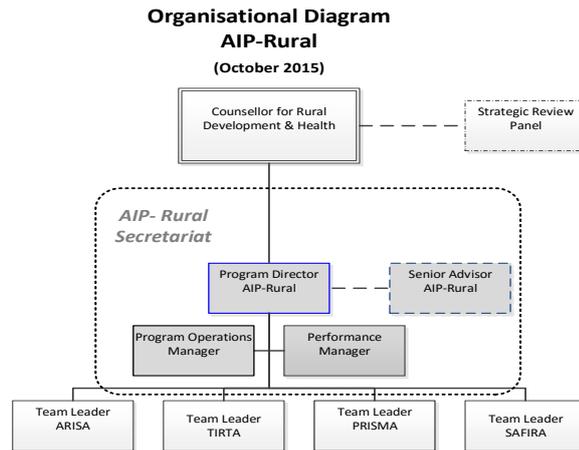
Each AIP-Rural project was outsourced to an implementing partner. After competitive procurement processes, The Palladium Group was contracted to manage PRISMA (2013), TIRTA (2015) and SAFIRA (2015); and CSIRO delivers ARISA (2014). In June 2014 a Secretariat was created by DFAT to design three projects and to provide strategic oversight of AIP-Rural for DFAT. The key staff – a Senior Advisor and Program Director – are consistently recognised by the AIP-Rural team as adding value to the effectiveness of implementation and quality of the portfolio. DFAT staff, project team leaders and other program staff identified many examples of positive contributions at all stages of intervention development, delivery and performance assessment during early implementation. These two advisers also provide coaching and mentoring support to Palladium and CSIRO staff as well as advice to DFAT. Their long-term inputs in Surabaya make a difference – co-location amplified by shared motivation.

Co-location of all component projects in Surabaya adds value. Synergies emerged between the projects as expected, particularly between the specialist sector projects and PRISMA. For example, ARISA is working with PRISMA on several interventions including IPM in shallots (1IZA), and new interventions for pig and coffee production in NTT. Similarly, SAFIRA developed a value chain financing intervention with Bank Sinarmas to complement an existing PRISMA beef intervention (1BFB) in East Java. ARISA worked closely with the Secretariat to ensure adoption of a consistent approach to monitoring and results measurement so that ARISA results can be aggregated into AIP-Rural reporting. Collegiate support is also evident: ARISA supported TIRTA to assess environmental risks associated with the scale of proposed irrigation investments, and provided broad impact forecasts of the El Niño weather pattern on crop interventions – outputs valued by private sector partners and the entire AIP-Rural program.

The Strategic Review Panel (SRP) provides independent advice to DFAT and the implementing partners with periodic inputs that stakeholders told the MTR were valued.

The original governance arrangements placed the Secretariat between DFAT and its implementing agencies (The Palladium Group and CSIRO) (Chart 20).<sup>22</sup> This is reflected in the current PRISMA contract Scope of Services. Given the changes since this arrangement was established (including integration of development cooperation into DFAT, finalisation of the portfolio development function, relocation of the Secretariat to Surabaya, contracting the Secretariat indirectly, and an emphasis on consolidating DFAT investments), there is now confusion about functions and accountability.

**Chart 20: Original AIP Rural organisation**



These historical legacies, which create an organisational barrier between DFAT and its implementing partners, confuse staff implementing AIP-Rural, reduced accountability for Palladium performance, and reduce efficiency. Now that the market systems development approach is demonstrated to be fit-for-purpose and value for money; now that the AIP-Rural portfolio is fully developed and under implementation; and as PRISMA is starting to mature and transition to scaling interventions while other projects start to gain confidence – there is an imperative to refine how advisory functions are organised and delivered.

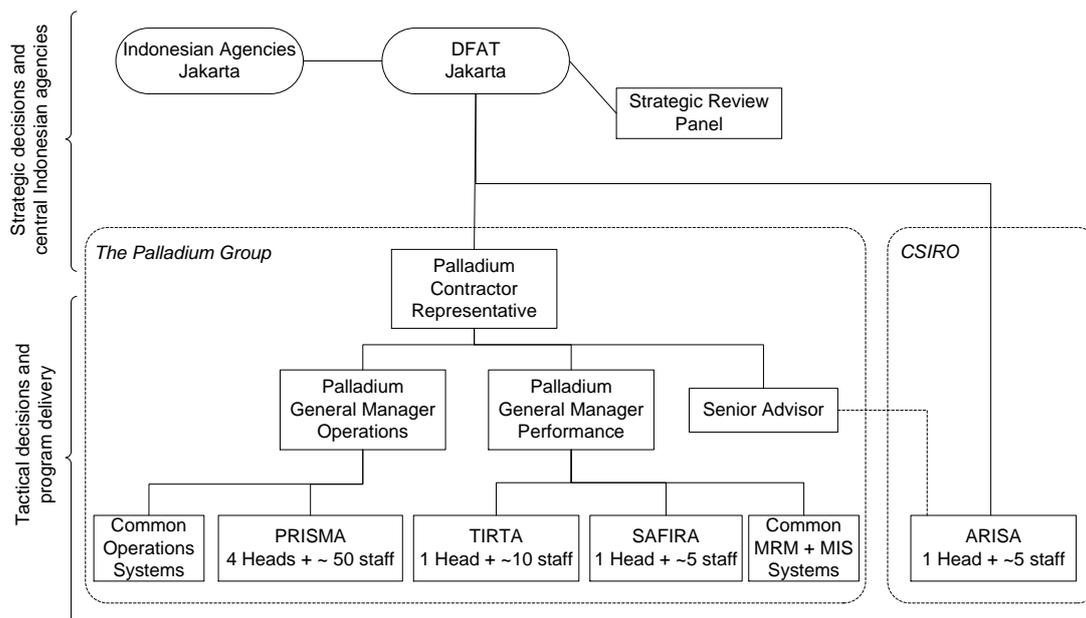
Good management practice suggests that functional assignment should align with contractual arrangements and that form should follow function. The proposed organisational refinement to reflect contractual arrangements and align advisory functions with program needs aligns with good practice (Chart 21). Changes required to implement this proposal include:

- Clear functional assignment and division of work between DFAT staff overseeing AIP-Rural, the Palladium teams and the CSIRO team – building on the recently negotiated collaboration and communication reports (Annex 3).
- DFAT taking the lead on strategic decisions related to AIP-Rural as a whole and leading engagement with the Indonesian Government.
- Palladium and CSIRO taking the lead on tactical decisions and program delivery.
- Confirmation of the Palladium Contractor Representative or his delegate as the focal point for DFAT engagement with the teams implementing PRISMA, TIRTA and SAFIRA.
- Appointment of a Palladium AIP-Rural General Manager to: oversee a Deputy General Manager and coordinate delivery by a number of Heads of Portfolio under PRISMA and SAFIRA; lead portfolio review and use of performance information to make management and tactical decisions;
- Appointment of a Palladium AIP-Rural Deputy General Manager Performance to: oversee and coordinate delivery by a number of Heads of Portfolio under TIRTA; liaison with CSIRO and ARISA; oversight of MRM quality and reporting to DFAT; and aggregation of performance information to support management decisions, supervise a common administrative system (*e.g.* finance, procurement, human resource management, health and safety) and support staff development and motivation.
- Appointment of a Senior Advisor reporting to the Palladium Contractor Representative to provide advisory functions to AIP-Rural and to coach and mentor Heads of Portfolio to support effective delivery of results; as well as, if requested by DFAT, support their strategic decision-making and their supervision of implementation.

<sup>22</sup> DFAT (2015) AIP-Rural Secretariat Work Plan (March 2015 – December 2016). AIP-Rural Secretariat, Surabaya, Indonesia.



**Chart 21 : Simplified organisation for greater accountability**



### 3.8 Analysis, monitoring and learning is good practice

The results measurement standard of the Donor Committee for Enterprise Development (DCED)<sup>23</sup> is applied in all AIP-Rural projects. This enables consistent use of a common set of performance and management indicators (Box 7).

#### Box 7 : Good practice – a common set of key performance indicators

A common set of key performance indicators are used across the four component projects:

- KPI-1 – Number of farm households that increase their income due to AIP RURAL Interventions (Outreach)
- KPI1a – Number of farm households under USD2 PPP poverty line with increased net-incomes
- KPI2 – Net Additional attributable income for targeted all farm households (NAI)
- KPI2a – Net attributable additional incomes of farm households under USD2 PPP poverty line
- KPI3 – Number of Intermediary Service Provider with increased turnover
- KPI4 – Value of additional turnover of Intermediary Service Providers
- KPI5 – Number of innovations introduced by private sector
- KPI6 – Number of initiatives taken by government to improve business enabling environment
- KPI7 – Number of intervention partners (private sector and public sector)
- KPI8 – Value of investment by private sector partners in IDR

In addition, AIP-Rural monitors three value-for-money indicators: investment leverage; social return on investment; and investment per farmer. Management indicators such as disaggregated disbursement (direct intervention, personnel and management costs); variance from planned disbursement, outputs and human resource deployment; and time to recruitment and implementation of interventions are also consistently monitored across the program.

PRISMA led the practical design, documentation and use of a monitoring and results measurement (MRM) system with support from the Secretariat. This experience provided a foundation for ARISA, TIRTA and SAFIRA to adapt and document their MRM systems. The Secretariat leads on-going development of a management information system (MIS) to consolidate project MRM data for reporting and benchmarking. The AIP-Rural team now has an evidence-based management culture. This alignment allows whole-of-program reporting against common key performance indicators and aggregation of data in a management

<sup>23</sup> Donor Committee for Enterprise Development – see: [www.enterprise-development.org/measuring-results-the-dced-standard/](http://www.enterprise-development.org/measuring-results-the-dced-standard/) Over 120 projects in more than 50 countries currently apply the DCED Standard for results measurement.

information system which the Secretariat developed and is close to completion at mid-term. This is an example of the value added by co-location.

In early 2016 PRISMA engaged DCED auditors to conduct a third-party, independent, audit of its results measurement system. The auditors found that PRISMA “*has a strong results measurement system*”. The audit independently verified that PRISMA results measurement documentation and processes generate credible results: the system was found to be compliant with 89% of the mandatory control points and with 69% of recommended control points in the DCED Standard. This means PRISMA generates accurate and timely information that is used to guide day-to-day management as well as portfolio review functions. This good practice performance builds on lessons from other enterprise development programs and is a faster pace of system development and quality than the norm. For example, the Katalyst program took 8 years to deliver a similar result. Globally only 13 audits have scored higher than 85% on mandatory control points; and only 5 programs higher than PRISMA – most of which had been under implementation for much longer periods.

Areas of improvement identified in the audit of the PRISMA MRM system included: measuring systemic change, attribution and research methodologies. PRISMA is responding to these areas over the next six months: training was completed in August and a results measurement team retreat was conducted in August 2016 for additional capacity building. In addition, the mid-term review identified opportunities to: strengthen reporting of sex-disaggregated data; report a leading indicator from the range of such measures already collected (*e.g.* number of households with access to or using innovations); and measuring qualitative measures relating to innovation systems (in ARISA).

PRISMA is unusual because it invested heavily in the early establishment of a MRM system aligned to an international standard. This investment paid off in many positive ways, not only providing timely, quality and robust management information to guide decision-making, but also informing DFAT reporting systems and increasing confidence in the approach. In 2016 the DFAT Rural Unit was recognised through an internal awards process for the quality of their information, which was in part attributable to the way the unit used data from the PRISMA MRM system.

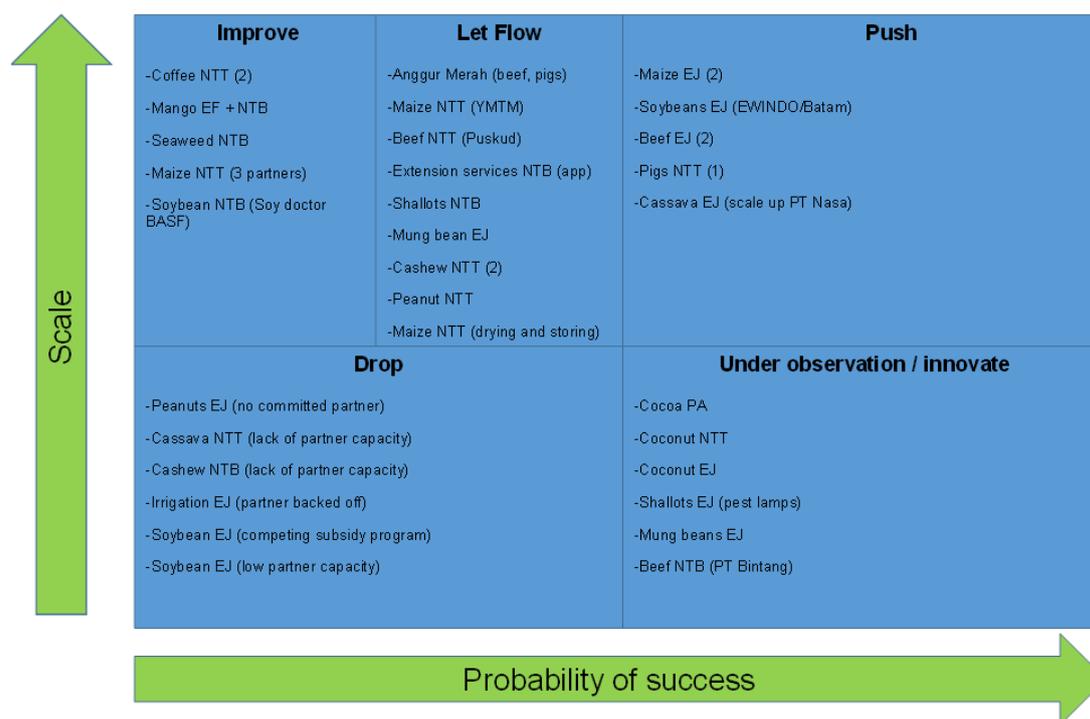
Importantly, data from the MRM system are actively used to inform management and portfolio review. The periodic quality management process adopted by PRISMA (Chart 22) is good practice and sets a reliable foundation for regular refinement of the portfolio and adjustment of resource allocation to achieve agreed targets efficiently. Portfolio review uses a practical range of quantitative and qualitative indicators to rank intervention quality and performance: outreach, benefit, rationale, value for money, quality of deal, quality of collaboration, systemic change potential, poverty, gender, environment.

The mid-term review identified an opportunity to include some qualitative indicators in the MRM system. For example, time savings for farmers (identified as an unexpected benefit from pig [3PTA] and beef [1BFB and 2 BFA] intervention site visits) is an additional benefit especially for women. More reporting of leading indicators already measured (*e.g.* access and use) and sex-disaggregated data (*e.g.* use and income change) would also add value. There is a trade-off between the costs and benefits of additional indicators – a judgement for PRISMA to make on this occasion.

There are several lessons learned from the evolution of the PRISMA MRM system that are useful to DFAT more broadly: a lack of staff capacity in the early days, and changes in measurement data requirements from DFAT (*e.g.* new AIP Performance Assessment Framework indicators and revised Aggregated Development Results measures) made the design of systems difficult. At mid-term, the quality of the system and the teams implementing it and using the resulting information suggest that portfolio teams will increasingly engage with

the MRM team to assess performance and refine design of interventions. This should include: more interaction between the portfolios and MRM at all stages of the intervention design process; inviting each other to team meetings; and increased team interaction.

**Chart 22 : The portfolio review process and tools are good practice**



Source: PRISMA (2016) PRIP Semester 1, 2016. Annex 2, p83.

PRISMA has completed more than 30 intervention baseline studies and 15 impact assessments. In the next 6 months 5 more impact assessments are planned – which will give robust and verifiable outreach data for reporting in early January 2017. Agricultural seasons mean measured outreach and income change is higher in the second semester of the year. In addition, a longitudinal income study, designed to track income allocation of farmers in three subsectors, has started with the baseline measurement completed. The next data collection phase will take place in October 2016 and final reports of the second year results will be available in the first semester of 2017.

## 4 Conclusions, lessons and recommendations

### 4.1 Conclusions

Broad conclusions are summarised in a SWOT analysis presented in Annex 2. Looking back, the review concludes that the program is largely on track with some slower components. Looking forward, the review concludes that operational simplification and focus will enhance delivery of agreed targets.

The analysis in Section 2 and Section 3 lead us to conclude that key achievements and constraints of AIP-Rural include:

- market systems development is working in eastern Indonesia with measureable benefits for farming households (of which almost half are poor) and the businesses that serve them
- measured results at mid-term provide confidence – PRISMA outreach is close to the projected trajectory – and new impact studies planned for S2 2016 will increase confidence
- measured value for money exceeds benchmarks
- private sector leverage enhances value for money and confidence for sustainable change

- there is a growing body of evidence to support DFAT policy dialogue
- monitoring is independently audited as meeting global good practice standards
- historical governance arrangements are no longer fit-for-purpose – they can be simplified and more focused on delivery of results.

These conclusions give sufficient confidence for DFAT to consider preparations for a second phase of AIP-Rural from late 2018. Any second phase design should maintain momentum from the current investment and retain as many staff as possible for the sake of efficiency as well as effectiveness. The second phase should maintain the current market systems development approach and use of the DCED standard for monitoring and results measurement. Because radical change is not suggested by the evidence at mid-term, it is concluded that the existing design should be refined to maintain the focus on agriculture and related sectors; consider an expanded geography; and also to retain flexibility to respond to lessons from delivery in the 2017 and 2018 agricultural seasons.

A refined design also provides an opportunity to simplify and consolidate the investment. We conclude that DFAT interests would be best served with one initiative and design document, one Indonesian partner; and one tender and managing contractor.

## 4.2 Lessons learned

Key lessons learned from mid-term review of the AIP-Rural portfolio include:

- **Market systems development works** – the early evidence from AIP-Rural confirms that private sector actors such as farmers, input suppliers and market intermediaries are active in eastern Indonesia and behave in ways that are consistent with other market actors in other parts of Indonesia and other countries. The causal model is relevant and working.
- **Market systems development is a distinctive program capacity requirement** – the program design called for a common approach, market systems development. PRISMA invested heavily in the capacity to pursue this approach, by recruiting and developing a cadre of staff for market facilitation. The smaller projects initially defined themselves in terms of their technical specialities (*i.e.* research, irrigation and finance), and recruited accordingly. As a consequence, during their start-up they struggled to identify and shape interventions with private sector involvement. All have required the addition of market systems development capacity, either through external support, inputs from the PRISMA team or new recruitment. These corrective inputs have proved fruitful. This reflects international experience. The distinctiveness of a market systems development program is a skill set that combines rigorous analysis and measurement with entrepreneurial market facilitation. These skills are required throughout a program, irrespective of the technical nature of that sector. Within that sector, specialised expertise is needed, but this can be acquired in a variety of ways (*e.g.* short-term consulting inputs, sub-contracting, as well as staffing). Other market systems development programs learned it to be a mistake when sector teams have been defined purely by their specific sector leadership and expertise, and structured into technical ‘silos’.
- **Start-up costs are justified by leverage and sustainability** – start-up analysis, private sector negotiations and intervention design take time – meaning measureable income benefits to farmers flow 12-18 months after initial concept review. At mid-term, there is emerging evidence from lagging indicators (*e.g.* outreach) and growing evidence from leading indicators (*e.g.* access, use and leverage) to suggest PRISMA, at least, is on track to achieve systemic change in some interventions. This is despite some constraining Indonesian policy settings (Annex 1) and the impact of an El Niño weather event in 2015.
- **Rigorous portfolio management is essential to maintain a results focus** – PRISMA did well to establish a portfolio of interventions across a wide geographical and market range. Analysis-based trial and error is essential for portfolio development in a market systems

development approach, to identify opportunities, test options and spread risk. Equally, however, simply proliferating interventions is not efficient or effective way of achieving large scale results. PRISMA's QMT process for portfolio management, which rigorously assesses quality of partnership and prospects for scale and sustainability, is vital for maintaining a focus on outreach and impact targets. It has helped identify sufficient star interventions, which can be a primary focus for which resources can be prioritised, and also interventions that require remedial action or culling. ARISA, TIRTA and SAFIRA can learn from this. As AIP-Rural enters the second half of implementation, a pipeline of new interventions will still be needed, to maintain momentum and identify new opportunities, but a key lesson is that a focus on scale through rigorous portfolio management is the route to achieving outreach and impact targets, not simply adding lots more interventions that only add incrementally. This will be particularly important to avoid resources being spread too thinly. Portfolio review should result in interventions being dropped as well as added.

- **Entrepreneurial people and advisers drive results** – market systems development requires entrepreneurial and market analytical skills that are rarely found in development or public sector institutions. AIP-Rural effectively used a senior adviser and a program director to support DFAT during inception and component design, and to guide implementation partners during the foundation years. Finding the right people and maintaining the team balance required for scale is a global challenge that takes time. People are the key resource for scale-up, so maintaining sufficient numbers and managing for staff retention are critical to success. Human resources are the key value added by AIP-Rural, and they should be managed accordingly.
- **Quality results measurement supports confidence** – when a new or challenging approach is used for an investment, quality data collection and results measurement is essential to build confidence and demonstrate progress towards agreed targets. The DCED Standard is useful and relevant. Qualitative measures are also needed (*e.g.* for ARISA to assess innovation systems understanding) and flexibility to measure unexpected benefits (*e.g.* farmer time savings in pig and beef interventions) adds extra value.
- **The growing body of evidence supports DFAT policy dialogue** – the quality information generated by the MRM system and AIP-Rural communications team (*e.g.* the “*Stories from the field*” series of case studies) provide rich information to inform policy dialogue. AIP-Rural staff should not liaise directly with Indonesian central government agencies unless directed by, and in the presence of, staff from the Australian Embassy in Jakarta. This is not to suggest that there is no role for senior AIP-Rural staff in engaging with local Indonesian Government officials at the sub-district, district and provincial levels during their day-to-day operations at a transactional level. Liaising directly with central government interlocutors is a distraction from AIP-Rural's core business and risks cutting across ongoing government-to-government policy advocacy between Embassy staff and their Indonesian Government counterparts.
- **A focus on quantitative targets drives performance** – DFAT and the SRP, supported by the Secretariat, emphasised quantitative targets from inception. Despite early resistance, implementation partners and project teams are now all committed to, and confident of achieving, designed targets. This increased DFAT willingness to invest in AIP-Rural.
- **Governance matters** – the governance arrangements for a market development program need to enable entrepreneurial behaviour while keeping them focused on results and accountability. The historical governance arrangements were appropriate at inception but now constrain performance and effective partnership between the key stakeholders: DFAT, Indonesia and the contracted implementing agencies and their private sector partners. Governance arrangements need to follow contracts, establish functions needed for delivery and have an organisation that reflects those functions.

## 4.3 Recommendations

Based on the conclusions and lessons learned from this MTR, it is recommended that:

1. **DFAT and Palladium refine governance arrangements.** Because of the need to design component projects, support DFAT in the management of a new approach to rural development in Indonesia and provide confidence at a time when some in DFAT were unsure of the approach, governance arrangements were designed to manage upwards, rather than to facilitate delivery. Such arrangements were appropriate at inception. However, the changing context (*e.g.* integration of the aid program into DFAT) and performance during the first half of implementation require refined governance arrangements for the second half of implementation. DFAT should negotiate with Palladium new arrangements that reflect the head contract as well as opportunities for simplification, such as evolving towards one administrative system, one integrated progress report for all AIP-Rural components managed by Palladium, and one whole-of-program portfolio review process. Organisational changes that DFAT could negotiate with Palladium are anticipated to include:
  - ❖ closure of the Secretariat after a job well done during inception
  - ❖ clear functional assignment and division of work between DFAT staff overseeing AIP-Rural and the Palladium teams
  - ❖ confirmation of the Palladium Contractor Representative or his delegate as the focal point for DFAT engagement with the teams implementing PRISMA, TIRTA and SAFIRA and the key driver of horizontal coordination across the AIP-Rural portfolio
  - ❖ appointment of a Palladium AIP-Rural General Manager, a Palladium AIP-Rural Deputy General Manager, and a Senior Advisor reporting to the Palladium Contractor Representative.
2. **DFAT ensure Palladium maintains focus on delivering results through PRISMA** – With 92% of the targeted outreach and 80% of the resources it is PRISMA that will deliver the key results for AIP-Rural. The PRISMA portfolio has sufficient “star” interventions to allow a focused allocation of resources to pursue scale and results. The pipeline of new interventions for the second half of implementation appears promising, but will continue to need careful review and management. To achieve this, DFAT should encourage Palladium and the PRISMA team to maintain momentum and avoid distractions, by simplifying reporting requirements, maintaining rigorous PPA and other accountability mechanisms, and allowing Palladium to make tactical decisions (*e.g.* for activities related to delivering successful interventions) in response to DFAT strategic decisions. Palladium and the PRISMA team should strengthen focus on “star” interventions, to achieve scale and results and build DFAT’s confidence in the approach. The QMT process should continue to be applied rigorously to the portfolio to ensure that resources are not spread too thinly.
3. **DFAT ensure Palladium and CSIRO manage smaller projects to prove concepts and deliver targets**– the teams implementing ARISA, TIRTA and SAFIRA should focus their efforts on a smaller portfolio of interventions focused on demonstrating proof of concept in the relevant sectors as well as achieving outreach targets. Their distinctive concept is working with private agri-businesses in sectors as key drivers of change. Therefore it is vital that smaller projects are led by market development specialists (equivalent to a Head of Portfolio for each project), with specialist sector skills engaged where needed. To increase momentum, the portfolio and pipeline of interventions for each project should be periodically reviewed, along the lines of PRISMA’s QMT, particularly to ensure sufficient agri-business engagement, and to maintain a manageable spread of interventions, that balances diversity and risk. Given their scale of resources, this should be no more than 7-10 interventions per project. Where possible, the teams should also build on PRISMA private sector partnerships, rather than establishing partnerships from scratch, and negotiate a fit-for-purpose application of the DCED Standard (*e.g.* by cancelling full DCED audits of each MRM system planned for 2017 and instead either negotiating a partial audit with DCED or simply adopting the relevant elements and practices of the audited PRISMA MRM system).

- 4. DFAT consider a simplified second phase to capture momentum** – the mid-term review recommends that DFAT consider a second phase of AIP-Rural. The approach is cost-effective and efficiently facilitates private sector firms to deliver innovations that increase the income and resilience of farming households in eastern Indonesia. Evidence at mid-term suggests refinement of the current design will provide fit-for-purpose direction for a second 5-year phase (2019-2023). DFAT should engage with Indonesia to consider simplification (*e.g.* one initiative, one implementation partner, and one contractual arrangement focussed on private sector investment and agricultural productivity) and increased reach and coverage (*e.g.* maintain momentum to target an additional 700,000 beneficiary households and consider an expanded geography).

## **Annex 1**

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# **Contextual analysis for AIP Rural mid-term review**

## Annex 1: Contextual analysis for AIP Rural mid-term review

### Why Australia provides assistance to the Agricultural Sector

Development partnerships in the agricultural sector remain an important contributor to the Australian aid program's objective to promote Australia's national interests by contributing to sustainable economic growth and reducing poverty.

Across our region, the agricultural sector is a key source of jobs, incomes, exports and food security. Australian aid helps catalyse investment and efforts to drive inclusive growth. It provides benefits to our partner countries and Australia in terms of market growth, increased trade and greater regional stability.<sup>24</sup>

Historically in Indonesia, agriculture has formed a major part of the economy and remains very important today. According to Indonesia's Ministry of Agriculture, it accounts for approximately 35 per cent of overall employment and nearly 15 per cent of GDP, down from 45% of GDP in 1971.<sup>25</sup>

Nationally, 83% of Indonesia's poor live in rural areas. 64% of poor households in rural areas work in agriculture and more than 60% of household income in rural areas derives from agriculture. Agricultural productivity rates are generally well below regional averages. While most of Indonesia's poor live in Java, the proportion of people living in poverty is far higher in eastern Indonesia.<sup>26</sup>

The importance of agriculture to the people and economy of eastern Indonesia and East Java, where AIP-Rural is focussed, could scarcely be overstated. These provinces have by far the highest proportion of the workforce employed in agriculture. Between 2002-2012, eastern Indonesia was still absorbing more workers into agriculture, unlike more developed provinces (especially in Java, Sumatra, Bali and parts of Sulawesi) where the agricultural workforce had begun to decline.<sup>27</sup>

Given the agriculture sector's continued dominance in eastern Indonesia, targeted Australian support to stimulate growth in this sector and raise rural income through investments such as AIP-Rural remains appropriate and represents good value for money. This is particularly the case since studies by the World Bank in developing countries have indicated that GDP growth originating in agriculture is at least twice as effective in reducing poverty as GDP growth originating outside agriculture.<sup>28</sup>

### Indonesian Agriculture Policy and Promoting Food Security

This MTR took into account adjustments to Indonesian Government policy settings since AIP Rural commenced in 2013. These included the effects on the agricultural sector in eastern Indonesia arising from the implementation of the 2012 Food Law; the Ministry of Agriculture's Strategic Plans for Agriculture (2009-14 and 2015-19), which together form part of the government's National Medium-Term Development Plan; and the policy priorities of President Widodo, elected in 2014, who has repeatedly underlined the importance of agriculture as a key strategic economic sector.

In summary, Indonesia's main agricultural policy priorities include achieving self-sufficiency in key commodities such as rice, maize, soybean, sugar and beef; achieving national food security; balancing the needs of producers and consumers; increasing farmer welfare through higher incomes; diversifying food sources away from cereals; increasing the competitiveness of agricultural production, value-added processing and exports; and managing the effects of climate change.

Indonesia has sought over the long term to achieve 100 percent self-sufficiency in rice, and over the short term to ensure that the domestic price and available quantity of rice do not deviate greatly from their trend values. The 2012 Food Law broadened the coverage to other key foods and expanded the means by which the government could influence domestic food markets. The Law's objectives were to promote more equitable, stable and sustainable outcomes which would lead to less poverty and more food security, as well as food sovereignty and food safety in Indonesia.<sup>29</sup>

The Food Law called for greater public investment in agricultural research and development (R&D), which could make a larger contribution to agriculture because of the generally high social rate of return from spending in this

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<sup>24</sup> DFAT (2015) Submission to the Australian Parliament's Joint Standing Committee on Foreign Affairs, Defence 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, Canberra, Australia.

<sup>25</sup> Tahlil Sudaryanto (2014) Ministry of Agriculture, Jakarta, Indonesia.

<sup>26</sup> Priasto Aji (2015) *Summary of Indonesia's Poverty Analysis*, Asian Development Bank.

<sup>27</sup> Manning/ Purnagunawan (2014) In Hal Hill (ed.) *Regional Dynamics in a Decentralized Indonesia*, ANU, Canberra, Australia. [p.353]

<sup>28</sup> World Bank (2008) *World Development Report 2008*. World Bank, Washington DC, USA. [p.6]

<sup>29</sup> Kym Anderson (2013) *Indonesia's Food Law of 2012*. Report for USAID, Jakarta, Indonesia.

area in developing countries. The Law also allowed for more public funds to be spent on R&D; these did not need to be directed solely towards government research providers.

The Food Law also introduced trade policy measures designed to restrict the importation of key commodities. These were proposed to address at least five of the Law's objectives: food self-sufficiency; higher incomes for producers; lower food costs for consumers; more diversity, higher quality and greater nutrition in the foods available to the consumer; and less volatility in the prices and available quantities of staple foods.

Critics, however, have suggested that these trade policies are likely to create market uncertainty, leading to price fluctuations. They also restrict competition, leading to higher prices for staple foods and reduced incentives for efficiency reforms and productivity gains.

The consequences could be that the poorest buyers will be those who are hurt most, since they spend the highest proportion of their income on food. Import restrictions also work against the goal of providing a greater diversity of foods for consumers, as there is vastly more diversity in international food markets compared with the domestic market. Hence reducing food trade barriers would offer the greatest prospect for consumers to diversify their diet and at the lowest cost. It would also offer the greatest prospect for food and feed processors to satisfy domestic demand.

The government's determination to guarantee food security has at times led to policies that have emphasised agricultural self-sufficiency, which sometimes serves to undermine long term competitiveness and comparative advantage. This results in inefficiencies and distortions to market mechanisms. Critics have also claimed that self-sufficiency is unachievable owing to the limited availability of arable land. Import controls in some sectors relevant to AIP-Rural have led to higher domestic prices, with little evidence of them leading to sustained increased rural incomes or productivity.

This is also the case with domestic subsidies. It is estimated that expenditure on fertilizer subsidies accounted for approximately 37% of total budgetary support to agriculture between 2006 and 2010, with only a 1.5% increase in rice yields.<sup>30</sup> In 2013, this subsidy amounted to USD1.4 billion. Subsidies on seeds (rice, maize and soybean) amounted to USD150 million with the level of subsidy ranging from 55% for hybrid maize to 91% for hybrid rice.

The subsidy programs have also been criticised for supplying poor quality seed and fertiliser to farmers (leading to minimal productivity increases), distributing them at the wrong times of the year, and failing to target the poorest farmers. Subsidies also have had the effect of undermining competitive markets in the seed and fertiliser sectors.

### **Impact of Agricultural Policies on AIP Rural**

Many interlocutors we engaged with during the course of this MTR underlined to us that the government's specific agriculture policy settings clearly had the potential to help, hinder or distort business activities. The extent, however, to which recent policy adjustments have actually had an impact in East Java and in eastern Indonesian rural areas since the program commenced has to a large extent been tempered by implementation delays, uncertainties and other logistical inefficiencies.

In the case of AIP Rural, this is particularly relevant to government policies pertaining to free seed distribution and free equipment; fertiliser subsidies; irrigation; access to subsidised credit by small, micro and medium enterprises (UMKM); taxation concessions; operations of state-owned enterprises; and the effects of the often ineffectual and easily circumvented requirements that banks lend a proportion of their loan books to UMKM.

While the government has recognised it will not reach its ambitious development targets without increasing private sector participation, this has so far not been matched by improved business conditions in outlying regions, especially in eastern Indonesia.

Some interlocutors also underlined to us that there needed to be greater recognition by the central government of the vastly different prevailing ecological conditions in provinces east of Java, where Java-centric agricultural policies are less likely to be effective. Moreover, in poorer and less-developed eastern Indonesia, state penetration is also less apparent when compared with better developed provinces.

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<sup>30</sup> OECD (2012) *Review of Agricultural Policy in Indonesia*. Organisation for Economic Cooperation and Development, Paris, France.

## Macroeconomic Factors

This MTR also considered macroeconomic factors that had the potential to influence AIP-Rural's implementation since commencement.

Given that the global commodity boom is now over and the rupiah has declined approximately 40 percent since 2012, the effect on national revenues has meant the government has had to review its spending priorities.

Spending on agriculture has not, however, been affected. Budgetary agriculture allocations in 2015 (IDR 32.8 trillion) and 2016 (IDR 31.5 trillion) were similar and the Department of Agriculture remains in the top ten ministries in terms of the size of its annual budget. Since the commencement of PRISMA in 2013, the budget for agriculture has doubled.

The economic slowdown has, however, affected investor sentiment. While confidence in the government's ability to manage the economy has improved slightly over the last 12 months and there currently appears to be little perception of an impending crisis, the mood is not upbeat.

President Widodo's administration has repeatedly emphasised the need for Indonesia to maintain existing, and invest in new, infrastructure. Decent infrastructure remains critical to the success of AIP-Rural since markets work best with efficient access to good infrastructure. A positive contribution to income growth and equality could be expected from investing more public funds in rural infrastructure such as roads, telecommunications and agricultural support infrastructure like irrigation systems and water catchments.

The lower the private cost to domestic farmers of supplying urban food markets, the less the likelihood of those markets being supplied from abroad. Better infrastructure also makes it less costly for members of farm households to take part-time off-farm jobs, and it becomes more profitable for non-farm businesses to be located in provincial towns and cities, thereby improving the efficiency of the country's food value chains.

More broadly, a number of key officials have recognised that some government policies, and their implementation, have hampered the performance of the economy. In 2016, Indonesia improved 11 positions (to 109) in the World Bank's annual Doing Business rankings.<sup>31</sup> The key factors contributing to the improvement were reforms in three areas: simplifying processes for obtaining credit, starting a business and paying tax. Nonetheless, in October 2015, the Investment Coordinating Board's (BKPM's) investment planning deputy Tamba Hutapea frankly acknowledged that further reform was required. Indonesia still ranks below regional peers Malaysia (18), Thailand (49), Vietnam (90) and the Philippines (103).

## Indonesian Government Policies Relevant to AIP-Rural

### PRISMA

Observations and findings arising from the implementation of maize and soybean interventions indicate that the establishment of well-functioning commercial seed markets is being hampered by policies in relation to seed subsidies and the government's Upsus (*Upaya Khusus*) agenda on food security. Upsus supports the government's commitment to achieve self-sufficiency in a number of agricultural sectors, as discussed above.

To address these constraints, PRISMA needs to remain flexible enough to accommodate and work around them while, where possible, building the evidence-base for policies that are more supportive of domestic competitiveness and less market-distorting.

### ARISA

R&D in agriculture is critical to improving agricultural productivity. Public spending in Indonesia on agricultural R&D has, however, been relatively low compared with other Asian countries. Agricultural research intensity (the ratio of R&D expenditure to total agricultural output) was 0.2% in 2005.<sup>30</sup> Even after adding private agricultural R&D spending, the ratio stood at only 0.27% in 2009.

Agricultural R&D also suffers from a highly fragmented effort, limited involvement by universities and weak private sector linkages. The 2012 Food Law (see above) made allowances for additional expenditure in these areas but little has filtered through to where it is needed. Agricultural R&D falls principally under the auspices of the Ministry of Agriculture, which has not so far placed a premium on innovation.

The low level of spending has been exacerbated by an ineffective spending structure. Spending on non-research staff salaries and operations and maintenance at the Agency for Agricultural Research and Development, Indonesia's central agricultural R&D agency, has increased significantly in recent years. In 2008, only 19% of its staff were classified as researchers; this has since declined.<sup>32</sup>

<sup>31</sup> See: [www.doingbusiness.org/rankings](http://www.doingbusiness.org/rankings) Accessed October 2, 2016.

<sup>32</sup> World Bank (2010) Indonesia Agriculture - Public Expenditure Review. World Bank, Jakarta, Indonesia. [ p.11]

Increasing the value of agricultural R&D is closely tied to the government's broader Science and Technology National Development Goals (2015-2019), which have been used to guide strategies within the Ministry of Research, Technology and Higher Education (which focus, however, more on industry – as opposed to agricultural – R&D and innovation). The Ministry has recognised there is an urgent need to strengthen research institution-private sector linkages to achieve these goals, a point candidly acknowledged in October 2015 during a presentation to Indonesia's Eleventh National Science Congress by Dr Jumain Appe, the Director General for Innovation Enhancement at the Ministry.

ARISA will need to continue to underline that private sector engagement is crucial both to create demand for R&D, and to commercialise it to ensure farmers continually have access to new products and tools, which in turn contribute to greater efficiencies and productivity.

## **SAFIRA**

On agricultural finance, the major policy change in recent years has been an increase in target lending by the banks under the *Kredit Usaha Rakyat* (KUR) program. The program provides subsidies for loans to small enterprises and has been increased from IDR41 trillion in 2014 to IDR 103 trillion in 2016, and from four participating banks to 19 partners. KUR lending for agriculture has been, however, very low (19.1% of budget allocation) and has been mostly related to non-food crops.

Previous government support programs for agricultural finance have been suspended. This includes *Kredit Usaha Pembibitan Sapi* (KUPS/Cattle Breeding Credit). Since there is no specific target for agri-finance as part of the KUR program, the result could be that agri-finance (in particular lending to smallholder farmers) may decline as a result of this change, as the KUR products are not tailored to seasonal cash-flow based occupations such as those in agriculture.

## **TIRTA**

On irrigation, the government's priority areas are to increase irrigation coverage by building new irrigation schemes (especially in eastern Indonesia, Kalimantan and Sulawesi), building new water catchments for farmers, and rehabilitating and expanding existing irrigation schemes.

In 2015, the Constitutional Court annulled the 2004 Water Resources Law, which affected policies concerning water use rights. The principle underlying the Water Resources Law was that "water users should cover the costs of water management," but according to the Court, users should instead confirm that water itself cannot be "monetised."

Critics of the law argued it encouraged the privatisation and commercialisation of water resources to the detriment of the community. Its repeal means that private companies can no longer be granted exclusive rights to water resources, such as rivers, springs, lakes and swamps. Instead, they may apply for licenses that give them access to specific quantities of water as determined by the government.

The Ministry of National Development Planning (Bappenas) and the Ministry of Public Works are developing a new water law, but in the meantime two government regulations on the use of water for domestic purposes, and by private companies, have been implemented.

The key one was issued in December 2015 (*Peraturan Pemerintah* no. 121; issued as the implementing regulation of Article 11 of Law No. 11 of 1974). This states that the exploitation of water resources for the purpose of developing its benefit for public welfare is to be conducted by the government, be it central or local. Therefore legal entities and individuals must obtain permission from the related government to conduct water exploitation. Article 11 further states that the commercial use of water resources in a river basin carried out by building or using canals can only be done when there is still enough water in excess of the needs of the community in that basin.

In essence, the Article seeks to prioritise the needs of the community over commercial rights in relation to water resource exploitation. The law prioritises first basic water needs, followed by irrigation for agricultural purposes, then commercial water use for other reasons.

The Article provides clarity following the cancellation of the 2004 Water Resources Law, but the changes will not noticeably affect TIRTA's operations and interventions. TIRTA will, however, need to articulate clearly the message that the program is concerned with the provision of services to convey water to unirrigated lands, and not about selling water.

## **Environmental and Weather Impacts**

Eastern Indonesia is susceptible to the El Niño and La Niña weather events. These occur when changes in weather patterns result from the warming and cooling of the surface temperature of the Southern Pacific Ocean, which influence where and when rain falls.

El Niño occurs when changes in atmospheric circulation patterns and ocean currents result in sea surface temperatures in the eastern equatorial Pacific becoming much warmer than normal, usually resulting in lower than normal rainfall in eastern Indonesia. La Niña, on the other hand, usually results in higher than normal rainfall in eastern Indonesia.

In 2016, CSIRO undertook a study of the effects of these events on the areas targeted by AIP Rural and underlined that in eastern Indonesia, the most pronounced effect of El Niño and La Niña would be on early wet season rainfall, particularly in the months of October and November. CSIRO concluded that the effects of El Niño had diminished during 2015-16, although some still lingered, such as higher than average temperatures. Of note, however, was that most international weather monitoring models have predicted a transition of El Niño to La Niña during 2016-17.

The report noted that any transition to La Niña would afford both opportunities and risks to agricultural workers in AIP Rural's target areas. Above average rainfall in the early wet season would provide an opportunity for crops to be planted earlier in rainfed agricultural regions, with some increased potential to achieve a second crop in an extended wet season – a condition highly relevant in eastern Indonesia which relies more heavily on rainfed production than irrigation.

El Niño and drought events impact yields but costs are borne locally. The most recent El Niño event in Indonesia led to economic impacts and increased malnutrition rates in both East and West Nusa Tenggara provinces, and elsewhere. Where there are significantly wetter than average conditions, such as may prevail under a La Niña event, there is a risk of crop failure, damage to infrastructure and household impacts including disease and damage to physical capital. El Niño and La Niña conditions have impacted, or will impact, on AIP-Rural results, as does drought. Several PRISMA interventions struggled as a result of the 2015 drought.

## **Sustaining the Gains**

This MTR took into account that, in some interventions, increases in rural smallholder profitability as a consequence of innovations and efficiencies may not always be sustained in the long-term. This is because innovation may induce higher production and widespread adoption of more efficient practices by small producers, which may push farm-gate prices down in the long term, with the consequent risk that the principal beneficiaries could be consumers, through lower prices, rather than smallholder farmers, through higher long-term incomes. The program will therefore need to consider the implications of wholesale adoptions of improved agricultural techniques and whether gains can be sustained in all of its interventions.

We assess that on balance, however, as long as the interventions continue to address systemic market constraints, the market should respond in a constructive way to future constraints and the risks outlined above can be minimised. By focusing on market actors and their capacity to innovate continuously, the program remains well-placed to bolster their ability to ensure the innovation process is continuous, sustainable and embedded, and lasts well beyond the life of the interventions.

## **Australia's Strategic Aid Objectives and Priorities in the Agriculture Sector**

AIP Rural remains relevant to Australia's support for agricultural development in our region. Australia's strategic approach to aid investments in agriculture in Indonesia and elsewhere should be viewed through the lens of the Australian Government's 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. 'Agriculture, fisheries and water' is identified as one of six priority areas. Aid for trade – which by definition<sup>33</sup> includes agricultural development programs such as AIP-Rural – is a strong overarching theme and has a target of 20% resource allocation, which in Indonesia is significantly contributed to by AIP-Rural.

The Government's Strategy for Australia's aid investments in agriculture, fisheries and water (the AFW Strategy), released in February 2015, supports the new aid approach. In particular, it states that Australia's aid investments in these sectors should contribute to the aid program's purpose and outcomes by pursuing three overarching (and inter-linked) objectives to: (1) increase contributions to national economic output; (2) increase incomes of poor people; and (3) enhance food, nutrition and water security.

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<sup>33</sup> OECD (2016) *Aid-for-trade data: Creditor Reporting System*. [www.oecd.org/trade/aft/43234667.pdf](http://www.oecd.org/trade/aft/43234667.pdf) Accessed October 4, 2016.

In order to fulfil these objectives, the Australian Government has prioritised efforts in three areas:

1. **Strengthening markets:** To help increase small-scale farmers' participation in markets and address constraints to agri-food businesses, 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.
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.

Besides AIP-Rural, the Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector is an example of Australia's support to the agricultural sector in Indonesia, and is particularly relevant to priority three above. It brings together key government and industry decision makers to benefit both countries through strengthening people-to-people, government-to-government and industry-to-industry relationships. It has a commercial focus and aims to raise awareness, attract investment and maximise opportunities for development and collaboration in both countries' red meat and cattle sectors.

The work of AIP-Rural, in particular ARISA, also complements the work being done by the Australian Centre for International Agricultural Research (ACIAR), which has for over 30 years supported agricultural research in Indonesia. ACIAR's current or planned work includes improving policies to underpin agribusiness development; strengthening livestock production and biosecurity systems; underpinning the development of competitive horticultural and field cropping systems; supporting profitable smallholder aquaculture systems; enhancing capture fisheries management; enhancing forestry products and services; and developing profitable agribusiness systems in eastern Indonesia.

### **DFAT's Approach to Private Sector Engagement and Private Sector Development**

DFAT's development program places an explicit focus on private sector engagement, as outlined in the 2015 *Ministerial Statement on Engaging the Private Sector in Aid and Development*. Investments such as AIP-Rural play a critical role in exploring innovative ways to promote private sector growth and engage the private sector in achieving development outcomes.

The term 'private sector development' refers to DFAT's aid investments that support the private sector in developing countries to contribute to economic growth and poverty reduction. Such investments focus on building better business and investment environments, supporting growth in specific markets, and maximising the development impact of individual businesses. Private sector engagement and development remain central components of AIP Rural.

### **Making Markets Work for the Poor and Australian Aid**

DFAT works 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. AIP Rural is the biggest such aid investment in the Australian aid program.

The Australian aid M4P portfolio is relatively small – initially CAVAC in 2010 and now less than 10 initiatives, recognising that a range of local buyers, processors, finance providers and input suppliers are already servicing the 'bottom of the pyramid.' Not only does this approach 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, poorer people benefit indirectly, owing to 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.

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

AIP Rural is an example of an aid investment in which DFAT implements a range of innovative agricultural development partnerships to boost productivity, strengthen agri-food markets and improve policy settings. Achieving systemic change and impact at scale will, however, continue to pose challenges in Indonesia, and formed an important focus of this mid-term review, since what works at a small scale in one location will not always lend itself to expansion or replication.

## **Annex 2**

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### **Summary SWOT analysis**

## Annex 2 – Summary SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• PRISMA is “on-track” and its measured results buy credibility</li> <li>• Market development approach demonstrated to deliver</li> <li>• Aligns well with Australian and Indonesian priorities</li> <li>• Private sector partners engaged: co-financing, supportive</li> <li>• Delivering measureable results in all targeted geographies</li> <li>• Despite difficult geography delivering benchmarked VfM</li> <li>• Solid evidence of adopt-adapt, some extend and respond</li> <li>• Analysis-driven solutions - effective for business and farmers</li> <li>• AIP-Rural design + portfolio more coherent now than 2012 design</li> <li>• Delivery is coherent – not through multi-lateral agencies</li> <li>• Partners identify focus on sustainability as “point of difference”</li> <li>• Established partnerships with large private sector businesses</li> <li>• Wide range of early interventions provided good learning</li> <li>• Diverse portfolio gives good idea of what can and can't work</li> <li>• Early signs of expansion and systemic change emerging</li> <li>• Interventions based on strong demand fundamentals - relevant</li> <li>• Inclusion of finance, irrigation and research capability within single program starting to enable these constraints to be addressed</li> <li>• 'Micro'/local level business models working</li> <li>• Effective screening process for new interventions has evolved</li> <li>• After slow start have now adapted “deals” to CPG</li> <li>• Exploited “quick wins” (e.g. NTT pigs, Swiss Contact interventions)</li> <li>• ~35% outreach at mid-term from co-facilitated interventions</li> <li>• Some co-facilitators supported useful local/geographic start up</li> <li>• TIRTA stocktake of Solo River pumps and irrigable areas</li> <li>• PRISMA interventions include applied research as required</li> <li>• Partners appreciate ARISA linking research &amp; private sector</li> <li>• Increasingly capable team with improving retention</li> <li>• Adaptability of intervention teams</li> <li>• Useful to have in-team finance and agricultural science capability</li> <li>• Robust monitoring &amp; results measurement system</li> <li>• Won DFAT prize for quality of information</li> <li>• Routine intervention impact assessments – robust methods</li> <li>• Early emphasis on quantitative targets supported results-focus</li> <li>• Application of DCED standard – good practice</li> <li>• Successful conduct of PRISMA DCED audit – good practice</li> <li>• Management and strategy informed by evidence</li> <li>• Culture of evidence-based decision-making embedded in teams</li> <li>• Robust value-for-money analysis - good practice</li> <li>• Monitoring early results led to portfolio changes</li> <li>• QMT portfolio review process well done by PRISMA</li> <li>• Progress reporting is now useful and used</li> <li>• Secretariat enabled DFAT to design + contract 3 new projects</li> <li>• Senior Advisor has experience and authority to influence for DFAT</li> <li>• Secretariat and Swiss Contact have been a vital resource</li> <li>• Secretariat provided mentoring + early guidance (filled gap)</li> <li>• PRISMA value added recognised by private sector</li> <li>• Effective mainstreaming of poverty focus and measurements</li> <li>• Strong commitment from Palladium and Swiss Contact staff</li> <li>• New contractor representative “enabling” and effective</li> <li>• Despite recruitment + HR challenges, good HRM and willingness to act quickly to resolve issues</li> <li>• Palladium recruited and managed &gt;120 staff</li> <li>• ARISA analysis of El Niño and La Niña impact on AIP-Rural</li> <li>• ARISA WEE cross-visits for Lombok maize interventions</li> </ul>	<ul style="list-style-type: none"> <li>• Governance arrangements are inefficient – reflect concerns that no longer hold true and evolution during DFAT integration</li> <li>• “Too many bosses” – unclear/overlapping functions and authorities</li> <li>• Value-added by Secretariat not used optimally – bury history</li> <li>• Palladium still relies on Secretariat to fulfil key MC functions</li> <li>• Palladium administration is fragmented and mixed across 2 contracts</li> <li>• Weak communication and administration arrangements, and complex approvals processes, reduce efficiency</li> <li>• Commonwealth Procurement/Grant rules not easily adapted to M4P</li> <li>• Failure to exploit synergies within and across 4 projects (sectors, cross-cutting, key partners) – need for a General Manager or similar</li> <li>• Overarching coordination mechanism between 4 projects is missing</li> <li>• Culture of collaboration and cross-learning not yet evident</li> <li>• Program management costs too high – allocate real costs to interventions to support better management &amp; resource allocation</li> <li>• Portfolio spread thin – diverse sectors and diverse geography</li> <li>• Lack of strategic coherence in portfolio – time now to rationalise on input side and include more on output side and BEE</li> <li>• Need scale agents, still some way to go</li> <li>• Some private sector partners not committing resources if sector/product is not a high priority for them (e.g. Syngenta NTB, GroMore @ rice EJ)</li> <li>• Over-reliance on input entry point in PRISMA interventions</li> <li>• Limited understanding of key private sector partners by AIP-Rural</li> <li>• Scatter of interventions, incoherence across sectors/cross-cutting areas</li> <li>• Need for more critical interrogation of some interventions/partners</li> <li>• BEE more important as a constraint than originally thought</li> <li>• Little AIP-R can do about national policy settings or BEE constraints</li> <li>• Some design assumptions (e.g. TIRTA, SAFIRA) naive in context</li> <li>• Slow delivery of ARISA, SAFIRA, TIRTA reduces efficiency</li> <li>• High transaction costs in muddled governance arrangements</li> <li>• Efficiencies from one MC for 3 projects not yet fully realised – some siloes, duplication of systems and inconsistencies (e.g. badging/logos)</li> <li>• Complex approach – needs high-level inputs but builds sustainability</li> <li>• 3 smaller projects - expensive way to add technical focus into program</li> <li>• Co-facilitators (~35% current outreach) are relatively expensive</li> <li>• Some co-facilitators are not right – too much direct delivery</li> <li>• Big “splash” events without rationale or stakeholder strategy</li> <li>• Investigation and supervision costs inevitably high especially for NTT/NTB given geography</li> <li>• ARISA has not delivered as planned on innovation systems outputs</li> <li>• ARISA value add not always clear – (e.g. disconnected from PRISMA)</li> <li>• Mixed staff capacity and competency – need time for mentoring + HRD</li> <li>• PRISMA struggles with coaching capacity</li> <li>• Need more staff capacity/experience to deal with crowding in phase</li> <li>• TIRTA team still unfamiliar with market development approach</li> <li>• ARISA culture and approach too focused on research institute partners</li> <li>• Limited ARISA in-office presence reduces collaboration/synergies</li> <li>• Little learning from international experience (structure, team/HR)</li> <li>• MRM system and DCED support/audit duplicated across 3 Palladium projects – not driven by practical needs</li> <li>• DCED audit process complex &amp; management intensive for smaller projects (ARISA, SAFIRA, TIRTA)</li> <li>• Little sex-disaggregated MRM data or gendered sectoral analysis</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Refine governance arrangements now that model is delivering to increase efficiency and coherence</li> <li>• Clarify roles of DFAT, Secretariat, SRP, MC, 4 project teams</li> <li>• Clarify functional assignment for engaging central agencies</li> <li>• Increase coordination/co-investment across 4 projects</li> <li>• Build on early examples (e.g. PRISMA-SAFIRA) for more collaboration in key sectors where an impact can be made</li> <li>• Consolidate all administrative overheads for Palladium projects into one system: finances, procurement, HRM, MRM and thus simplify reporting also – to a portfolio level</li> <li>• Consolidated Palladium PRIP – support efficiency + collaboration</li> <li>• The allocation of costs should more accurately reflect the effort and functions needed to plan, negotiate and initiate “deals”</li> <li>• Strengthen timeliness of communications outputs for DFAT</li> <li>• Consolidate/coordinate sector and partner strategies, facilitate learning across the program (4 projects)</li> <li>• Focus on star interventions – (e.g. maize, beef, mango) and look for synergies across 4 projects in these sectors and locations</li> <li>• Leverage successful partnerships to capture scaling opportunities</li> <li>• Use Secretariat &amp; other resources for staff mentoring + coaching</li> <li>• Strengthen partnership between “entrepreneurs” and “operators” in the project teams – both are needed: “deals and doing”</li> <li>• Promote learning and scale via cross-visits to other interventions</li> <li>• Use “speed dating” and other innovations to network amongst 4 projects and sector interventions to support scale-up</li> <li>• Progress beyond inputs to Expand and Respond for scale</li> <li>• Simplify MRM system to one portfolio system for PRISMA, TIRTA and SAFIRA (one DCED process, one management system, one audit process and more portfolio analysis)</li> <li>• Maintain existing AIP-R indicators – relevant and robust</li> <li>• Align TIRTA targets (HH) and reporting (ha)</li> <li>• Growing profile of AIP-R nationally and internationally: impact, approach, good practice systems build credibility</li> <li>• Share key results with Indonesian Government</li> <li>• Engage local government where it adds value to interventions (e.g. TIRTA, PRISMA)</li> <li>• Pursue PISAgr link – inform and influence the influencers</li> <li>• <i>Dana Desa</i> can be used for approved irrigation development</li> <li>• Light touch revision for Phase 2 Design</li> <li>• Design revision with consideration of geography (e.g. Sulawesi), sectors, delivery arrangements etc. with same market approach</li> <li>• Simplify Phase II with one, combined initiative</li> </ul>	<ul style="list-style-type: none"> <li>• Outreach is growing but remains a promise of projections that are yet to be proven reliable – threat to program credibility by mid-2017</li> <li>• Complex governance structure results in high transaction costs and inefficiencies – threatens staff motivation and efficiency</li> <li>• Staff recruitment and coaching challenges</li> <li>• Retention of key staff to maintain momentum and avoid reputational risks during second half of implementation</li> <li>• Reduced momentum and motivation (esp. PRISMA) post DCED Audit and MTR</li> <li>• Vulnerability to “key person” loss (SMT/HOP)</li> <li>• Key staff exodus if Phase II signals are wrong</li> <li>• Distraction from introduction of new Palladium resource planning and financial management system</li> <li>• Despite 2015 Ministerial Statement DFAT poorly equipped to support private sector engagement and partnership</li> <li>• Major partners engaged for CSR rather than core business reasons (e.g. Holcim beef, Syngenta irrigated rice)</li> <li>• Indonesian policy settings influence private sector behaviour changes (e.g. input subsidies, <i>Dana Desa</i> funds flows, <i>Kur</i>, pump allocation)</li> <li>• Distraction from other sectors, policy dialogue, other modalities – do not drift from outreach, agriculture, quality private sector partners</li> <li>• Spreading too thinly: geographic and sector expansion</li> <li>• Risk of tackling too many “little things” in attempt to reach targets</li> <li>• Risk of doing harm or environmental damage (e.g. TIRTA) – do not underestimate the need for quality technical inputs</li> <li>• Zoonotic disease risk in some interventions needs to be assessed at scale (e.g. NTT pigs)</li> </ul>

**Annex 3**  
**Documents reviewed**

## Annex 3: Documents reviewed

### AIP-Rural Secretariat:

#### Overall Program Documentation:

- AIP-Rural (2015) April. Revised Job Descriptions for AIP-Rural Secretariat Personnel
- AIP-Rural (2015) October. Guideline on Assessment the Performance of AIP-Rural Managing Contractors
- AIP-Rural (2016) January. Coordinating the Interaction Between AIP-Rural Projects and Provincial and District Governments
- AIP-Rural (2016) March. Secretariat Work Plan
- AIP-Rural (2016) May. AIP-Rural Collaboration Arrangement
- AIP-Rural (2016) June. Protocol for Reporting on DFAT Indicators
- AIP-Rural (2016) August. Secretariat Self-Assessment
- AIP-Rural (2016) September. AIP-Rural ADR Indicators
- AIP-Rural (2016) Dashboard MIS Indicator graphics
- AIP-Rural (2016) What can Silicon Valley teach us about scale: Blitzscaling AIP-Rural
- AIP-Rural (2014) Secretariat Delivery Strategy
- DFAT (2013) Subsidiary Arrangement between the Government of Australia and the Government of Indonesian relating to the Australian-Indonesia Partnership for Promoting Rural Income Through Support to Markets in Agriculture
- DFAT (2014) Subsidiary Arrangement between the Government of Australia and the Government of Indonesian relating to the Tertiary Irrigation Technical Assistance

#### DFAT Aid Quality Checks (AQC)

- AQC Aip-Rural\_2012
- AQC Aip-Rural\_2013
- AQC Aip-Rural\_2014
- AQC Aip-Rural\_2015
- AQC Aip-Rural\_2016

#### DFAT Policies and Strategies

- DFAT (2013) Child Protection Policy
- DFAT (2014) Australian Aid: promoting prosperity, reducing work, enhancing stability
- DFAT (2014) Making Performance Count: enhancing the accountability and effectiveness of Australian Aid
- DFAT (2014) Environment Protection Policy
- DFAT (2015) Strategy for Australia's aid investments in agriculture, fisheries and water
- DFAT (2015) Strategy for Australia's Aid for Trade Investments: Supporting developing countries trade and prosper
- DFAT (2015) Strategy for Australia's aid investment in private sector development
- DFAT (2015) Australian Aid Investment Plan for Indonesia
- DFAT (2015) Development for All 2015-2020. Strategy for Strengthening Disability Inclusive Development in Australia's Aid Program
- DFAT (2015) Strategy for Australia's Aid Investments in Economic Infrastructure
- DFAT (2016) Gender Equality and Women's Empowerment Strategy
- DFAT (2016) Guidance Notes: Establishing Child Protection Risk Context – DFAT Child Protection Policy

#### PISAgro

- AIP-Rural (2015) Points for PISAgro CEO Meeting
- AIP-Rural (2015) Note to File on Board Meeting of PISAgro April 14, 2015
- AIP-Rural (2015) Note to File on PISAgro/MoAg Meeting
- AIP-Rural (2015) Scaling up using systemic change (presentation)
- PISAgro (2016) Summary Statistics of PISAgro Survey
- PRISMA (2016) PISAgro Corn Working Group National Strategy Document
- Springfield Centre (2015) March. PISAgro Rapid Assessment (pretention)

#### SRP Aides Memoire

- AIP-Rural Strategic Review Panel September 2014
- AIP-Rural Strategic Review Panel March 2015
- AIP-Rural Strategic Review Panel September 2015
- AIP-Rural Strategic Review Panel March 2016

## **PRISMA**

- DCED (2016) June: Auditor's Report. DCED Standard for Results Management
- DFAT (2013) June. AIP-PRISMA Summary Design Document
- Oxford Consulting Partners (2015) January. "Environmental Assessment of PRISMA: Final Report"
- PRISMA (2014) April. Gender and Social Inclusion Strategy Report
- PRISMA (2015) August. Rapid Institutional Assessment Tool for use in Engaging Private Sector Partners
- PRISMA (2015) October. Co-Facilitator Handbook
- PRISMA (2016) January. Gender Mainstreaming Guide for AIP-PRISMA: A step-by-step approach to gender mainstreaming in agricultural interventions
- PRISMA (2016) February. Co-Facilitator Collaboration Guideline
- PRISMA (2016) February. PRISMA Deal Making Guidelines
- PRISMA (2016) March. Results Management Manual
- PRISMA (2016) May. PRISMA Communication Strategy
- PRISMA (2016) June. Progress Report and Implementation Plan: Semester 1 2016
- PRISMA (2016) September. PRISMA Self-assessment report
- PRISMA (2016) PRISMA Gender Inclusion Strategy
- Intervention Documents
  - ❖ Beef East Java
  - ❖ Beef Sector Growth Strategy Document
  - ❖ Memorandum of Understanding for Supplementary Feed
  - ❖ Intervention Concept Note: Supplementary Feed
  - ❖ Intervention Plan: Supplementary Feed
  - ❖ Intervention Steering Document: Supplementary Feed
  - ❖ Environmental Review Beef East Java
  - ❖ Stories from the Field

### **Beef NTB**

- ❖ Beef Sector Growth Strategy Document
- ❖ Memorandum of Understanding for Commercial Feed
- ❖ Intervention Concept Note: Commercial Feed
- ❖ Intervention Plan: Commercial Feed
- ❖ Intervention Steering Document: Commercial Feed
- ❖ Environmental Review Beef NTB

### **Coconut NTB**

- ❖ Sector Report Coconuts
- ❖ Growth Strategy Document Coconuts
- ❖ Calculation Report - Pre Impact Assessment
- ❖ Field Investigation Report – Pre Impact Assessment
- ❖ Memorandum of Understanding for Coconut (ASN and PT Kai Sun)
- ❖ Intervention Concept Note: Coconut
- ❖ Intervention Plan: Coconut
- ❖ Intervention Steering Document: Coconut
- ❖ Environmental Analysis Coconut
- ❖ Focus Group Discussion Report – Coconut EJ and NTB
- ❖ Stories from the Field

### **Coffee NTT**

- ❖ Sector Report Coffee (VECO)
- ❖ Growth Strategy Document Coffee NTT
- ❖ Intervention Concept Note: Coffee INV 1
- ❖ Intervention Plan: Coffee INV1
- ❖ Intervention Steering Document: Coffee INV1
- ❖ Intervention Concept Note: Coffee INV 2
- ❖ Intervention Plan: Coffee INV2
- ❖ Intervention Steering Document: Coffee INV2
- ❖ PPI Coffee NTT
- ❖ Focus Group Discussion Report – Coffee Manggarai
- ❖ Focus Group Discussion Report – Coffee Bajawa
- ❖ Memorandum of Understanding for Coffee (Bank NTT)
- ❖ Partnership Agreement PT Indokom
- ❖ Contract with Cooperatives and ICCRI
- ❖ Stories from the Field

### **Maize East Java**

- ❖ Growth Strategy Document Maize EJ
- ❖ Intervention Concept Note: Maize Hybrid Seeds
- ❖ Intervention Plan: Maize Hybrid Seeds
- ❖ Intervention Steering Document: Maize Hybrid Seeds
- ❖ Focus Group Discussion Gender Maize
- ❖ Partnership Agreement Maize EJ
- ❖ Stories from the Field

### **Maize NTT**

- ❖ Growth Strategy Document Maize NTT
- ❖ Intervention Concept Note: Composite Maize
- ❖ Intervention Plan: Composite Maize
- ❖ Intervention Steering Document: Composite Maize
- ❖ Partnership Agreement Composite Maize
- ❖ Intervention Concept Note: Composite Seed
- ❖ Intervention Plan: Composite Seed
- ❖ Intervention Steering Document: Composite Seed
- ❖ Memorandum of Understanding Composite seed
- ❖ Intervention Concept Note: Drying and Storage
- ❖ Intervention Plan: Drying and Storage
- ❖ Intervention Steering Document: Drying and Storage
- ❖ Memorandum of Understanding Drying and Storage
- ❖ Stories from the Field

### **Mango East Java and NTB**

- ❖ Growth Strategy Document Mango EJ
- ❖ Growth Strategy Document Mango NTB
- ❖ Environmental Review Mango
- ❖ Intervention Concept Note: Mango
- ❖ Intervention Plan: Mango
- ❖ Intervention Steering Document: Mango
- ❖ Partnership Agreement Mango
- ❖ Stories from the Field: A Budding New Business
- ❖ Stories from the Field

### **Pigs NTT**

- ❖ Growth Strategy Document Pigs NTT
- ❖ Environmental Review Pigs NTT
- ❖ Intervention Concept Note: Pigs
- ❖ Intervention Plan: Pigs
- ❖ Intervention Steering Document: Pigs
- ❖ Partnership Agreement Pigs (x7 pig breeders)
- ❖ Impact Assessment Report Demonstration plots
- ❖ Impact Assessment Report Good Rearing
- ❖ Impact Assessment Report NAIC and Outreach
- ❖ Focus Group Discussion Gender
- ❖ Stories from the Field

### **Other interventions (not visited) – available on-line at [<http://aip-rural.or.id/prisma/index.php/publication> ]**

- ❖ Stories from the Field: From Yams to Hams (March 2016)
- ❖ Stories from the Field: A New Way of Thinking (December 2015)
- ❖ Stories from the Field: You're Never Too Old to Learn (March 2016)

## **ARISA**

- DFAT (2013) September. AIPD-Rural: Scoping Mission on Innovation to Enhance Smallholder Agricultural Competitiveness
- DFAT (2014) July. ARISA Draft Design Document
- HPC (2016) January. Document Scan of the Results Measurement System according to the DCED Results Measurement Standard Version VII
- CSIRO (2016) Innovation systems research status and options
- ARISA (2016) May. ARISA Grants Operations Manual
- ARISA (2016) July. ARISA Gender Inclusion Strategy
- ARISA (2016) July. ARISA Gender Mainstreaming Guideline
- ARISA (2016) August. Results Measurement and Learning Manual for ARISA
- ARISA (2016) August. Summary of changes to ARISA RML System
- ARISA (2016) September. Progress and Implementation Plan: Semester 1 2016.
- ARISA (2016) September. ARISA Self-Assessment Report for the MTR
- ARISA (2016) Indonesian AIS Dynamics: An overview
- ARISA (2016) Building cases
- Palladium (2016) March. ARISA Mission Report

## **Intervention Documents**

- Beef NTB
- Grant Proposal Beef NTB
- Partnership Agreement Beef NTB
- ARISA Value Chain Assessment for Beef and MOCAF
- Beef Progress and Review document
- Focus Group Discussion Gender Beef
- Program Factsheet: Better feeding and animal management practices to increase incomes of beef cattle farmers in Sumbawa (undated)

## **Cassava East Java**

- ❖ Grant Proposal Cassava
- ❖ Partnership Agreement Cassava
- ❖ ARISA Value Chain Assessment for Cassava
- ❖ Cassava Progress and Review document
- ❖ Focus Group Discussion Gender Cassava
- ❖ ARISA Cassava Cluster Profit Margin Calculations
- ❖ Stories from the Field/ Program Factsheet: [x2]

## **Maize NTB**

- ❖ Grant Proposal Maize
- ❖ Partnership Agreement Maize
- ❖ Focus Group Discussion Gender Maize
- ❖ Maize Progress and Review report
- ❖ Innovation practice log: University of Mataram and Syngenta Partnership to support best practice for dual cropping maize with pulses in NTB drylands
- ❖ Program Factsheet: Improving production practices and creating access to finance and markets to increase incomes of maize farmers in West Nusa Tenggara (NTB) (undated)

## **SAFIRA**

- DFAT (2014) December. SAFIRA Design Document
- SAFIRA (2015) December Updated Mobilisation Plan
- SAFIRA (2016) SAFIRA Strategy Document
- SAFIRA (2015) Progress and Implementation Plan: Semester 2, 2015.
- SAFIRA (2016) August. SAFIRA Communications Strategy
- SAFIRA (2016) September. Progress and Implementation Plan Semester 1, 2016.
- SAFIRA (2016) September. SAFIRA Self-Assessment Report for the MTR

## **Intervention Documents**

- Beef East Java
- Intervention Plan Beef East Java
- Intervention Steering Document Beef East Java

### **Maize NTB**

- ❖ Intervention Plan Bank Andara Maize NTB
- ❖ Intervention Steering Document Bank Andara Maize NTB
- ❖ Memorandum of Understanding Bank Andara

### **Goats East Java**

- ❖ Intervention Plan BRI Goat Rearing

### **TIRTA**

- DFAT (2014) June. TIRTA Program Design Document
- TIRTA (2015) March. Progress Report, Implementation Plan and 4 Year Strategy
- TIRTA (2016) February. Survey Report 1: existing Pump-lift Irrigation Services and Potential for Expansion
- TIRTA (2016) March. Tertiary irrigation Expansion Plan work Book: A Guide
- TIRTA (2016) May. Monitoring and Results Measurement Manual
- TIRTA (2016) July. Progress Report and Implementation Plan
- TIRTA (2016) September. TIRTA Self-Assessment Report for MTR
- TIRTA (2016) Progress and Strategy Paper
- TIRTA (2016) Draft Strategy Paper
- TIRTA (2016) Gender Strategy

### **Intervention Documents**

- Kliteh- Malo Intervention
- Intervention Plan GHIPPA/HIPPA Malo
- Intervention Plan Scheme GHIPPA
- Projection Sheet GHIPPA

### **Leran-Kalitidul Intervention**

- ❖ Intervention Plan Leran
- ❖ Intervention Plan Scheme Leran
- ❖ Projection Sheet Business Calculations Leran

### **Pilanggede Intervention**

- ❖ Baseline Study Plan
- ❖ Base line Survey Report Pilanggede
- ❖ Intervention Concept Note Pilanggede
- ❖ Intervention Plan Pilanggede
- ❖ Intervention Steering Document Pilanggede
- ❖ Projection Sheet Business Calculations Pilanggede
- ❖ Annex1 Quick Facts and Recommendations
- ❖ Partnership Agreement Pilanggede

## **Annex 4**

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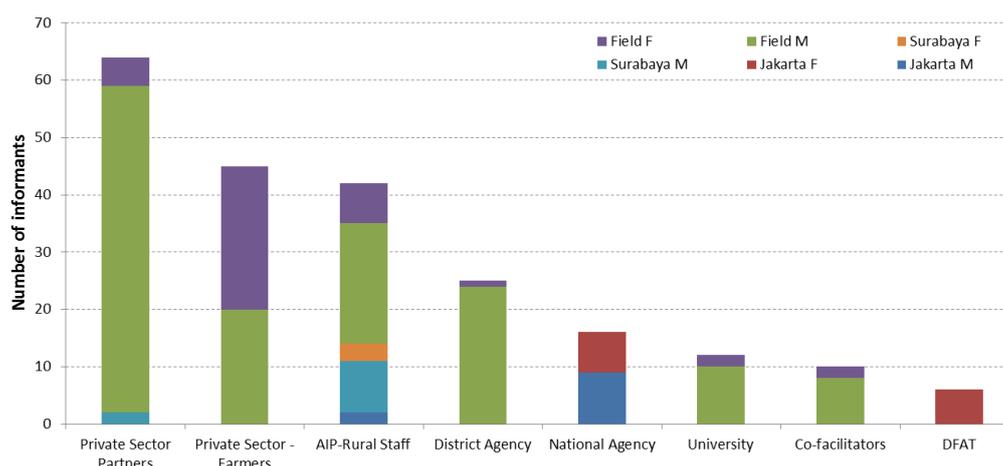
### **Evaluation schedule and key informants**

## Annex 4: Evaluation schedule and key informants

Schedule for MTR Team (Team A)		Schedule for MTR Team (Team B)	
TIMING	ACTIVITY	TIMING	ACTIVITY
<b>Day 1 (Monday 12 September)</b>			
TBA	Arrive in Jakarta. Travel to hotel		
<b>Day 2 (Tuesday 13 September)</b>			
Briefing with DFAT/COUNTERPARTS		Briefing with DFAT/COUNTERPARTS	
8.00-9.00	Meeting with DFAT	8.00-9.00	Meeting with DFAT
9.00-9.30	Meeting with Sekretariat	9.00-9.30	Meeting with Sekretariat
9.30-10.30	Travel from Embassy to Ministry of Public Works		
10.30-12.00	Meeting with Ministry of Public Works	12.30-13.00	Travel to Bappenas
12.30-13.15	Travel to Menristek	13.00-14.30	Meeting with Bappenas
13.30-14.30	Meeting with Menristek	14.30-15.00	Travel to Bank Andara
14.30-16.30	Travel to airport	15.00-16.00	Meeting with Bank Andara
18.10-19.45	Flight from Jakarta to Surabaya (GA324)	16.00-16.30	Travel to Social House (near BCA HQ)
		16.30-17.30	Meeting with PISAgro
		18.00-19.00	Meeting with Ibu Vivi (at Social House)
<b>Day 3 (Wednesday 14 September)</b>			
PROGRAM PRESENTATIONS AND BRIEFING		PROGRAM PRESENTATIONS AND BRIEFING	
8.00-8.30	Travel to AIP-Rural Office	05.30-07.05	GA302 Flight to Surabaya
8.30-9.30	Presentation from AIP-Rural	8.30-9.30	Presentation from AIP-Rural
9.30-10.45	Presentation from PRISMA	9.30-10.45	Presentation from PRISMA
10.45-12.00	Presentation from TIRTA	10.45-12.00	Presentation from TIRTA
13.00-14.15	Presentation from ARISA	13.00-14.15	Presentation from ARISA
14.15-15.30	Presentation from SAFIRA	14.15-15.30	Presentation from SAFIRA
15.30-16.30	Outstanding and housekeeping issues	15.30-16.30	Outstanding and housekeeping issues
16.30-19.00	Travel to Tuban	18.10-21.15	GA448 travel to Kupang
<b>Day 4 (Thursday 15 September)</b>			
PRISMA BEEF INTERVENTION (Tuban, East Java)		PRISMA PIG INTERVENTION, FLORES	
8.00-9.00	Travel to Wahyu Utama Office, Bancar	6.15-7.05	Travel to Ende (IW1831)
9.00-10.00	Meeting with Wahyu Utama, PSP for intervention in supplementary feed	7.30-8.30	Meet with HIVOS
10.00-10.30	Travel to Kayen Village to visit demo plot	8.30-10.00	Meet with breeders, butcher, warung owners in Ende
10.30-11.30	Meet with lead farmer	10.00-12.00	Travel to Sarasedu
11.30-12.00	Travel to Restoran Wahyu Utama	13.00-15.00	Meet with farmers in Sarasedu
13.30 - 14.15	Travel to PKM production site	15.15-16.00	Visit abattoir partners in Malanusa
14.15-15.15	Meet with PKM, PSP for intervention in concentrate feed, and Holcim	16.00-17.00	Travel to Bajawa
15.15-15.40	Travel to Tasikharjo Village		
15.40-17.00	Visit demo plot and meet with Farmer's Group and ISP (feed agent)		
17.00-18.00	Travel back to Tuban		
<b>Day 5 (Friday 16 September)</b>			
TIRTA INTERVENTIONS		PRISMA COFFEE INTERVENTION	
8:00-9:30	Travel from Tuban to Pilanggede	09.00-10.00	Meeting with Agriculture and Plantation Department, Bajawa
9.30-12.00	Meet with the head of village, investor and 1 farmer	10.30-11.30	Discussion with Bank NTT
13.00-14.30	Travel to Kalitidu (Leran)	12.30-12.45	Travel to Papa Taki Cooperative
14.30-16.30	Meet with head of village, the investor and the operator of the	12.45-13.45	Discussion with Papa Taki Coop
16.30-17.00	Travel to Bojonegoro	13.45-14.00	Travel to Cooperative Central Processing Unit/UPH Papa taki 1 (or 5)
		14.00-15.00	Discussion with central processing unit coordinator
		15.00-16.00	Coffee Plantation Visit
		16.00-17.00	Travel back to hotel
<b>Day 6 ( Saturday 17 September)</b>			
TIRTA INTERVENTIONS		TRAVEL TO LOMBOK	
8.30-9.15	Travel from Bojonegoro to Kliteh (Malo)	8.00-11.30	Travel from Bajwa to Ende
9.30-11.30	Meet with Grouped HIPPA head (Pak Majono) , the manager of the water	14.40-17.30	Ende to Denpasar (GA7027)
11.30-13.15	Travel to Bojonegoro	19.30-20.15	Denpasar to Lombok (GA7048)
13.30-16.00	Travel to Surabaya	20.30-21.30	Travel to Senggigi

Schedule for MTR Team (Team A)		Schedule for MTR Team (Team B)	
TIMING	ACTIVITY	TIMING	ACTIVITY
<b>Day 7 (Sunday 18 September)</b>		<b>Day 7 (Sunday 18 September)</b>	
PRISMA MANGO INTERVENTION EJ		PRISMA MANGO INTERVENTION NTB	
8.30-10.30	Check out and travel from Surabaya to Pasuruan	8.00-10.00	Travel to Sukadana village, Bayan, North Lombok
10.30-13.00	Meet with farmer group, Syngenta Agronomist, and Syngenta Demand	10.00-12.00	Visit demo plot and discussions with stakeholders (some discussions)
14.30-16.00	Travel to Surabaya	12.00-13.00	Travel to Gondang, Gangga, North Lombok
		15.00-15.30	Travel to Tanjung, North Lombok
		15.30-16.30	Meet with government
		16.30-17.30	Travel to hotel Senggigi
<b>Day 8 (Monday 19 September)</b>		<b>Day 8 (Monday 19 September)</b>	
ARISA CASSAVA INTERVENTION		PRISMA BEEF NTB INTERVENTION	
7.15-8.00	Travel from hotel to airport	8.00-8.30	Travel to Mataram
8.55-9.50	Travel to Jember (GA7306)	8.30-9.30	Meet with LP2DER
10.00-11.30	Travel to cluster (cassava processing plant)	9.30-11.30	Travel to Suralaga
11.30-12.30	Meet with head of production, farmers	11.30-12.30	Meet with PT. Bintang Pribumi Tulen, PSP for intervention on
13.30-17.30	Travel back to Jember and meet with partners in Jember	13.30-15.00	Travel to Narmada
		15.00-16.00	Meet with UD. Imama, PSP for intervention on commercial feed
		16.00-16.15	Travel to Segerongan Lingsar
		16.15-17.15	Meet with Feed Distributor and farmer
		17.15-17.45	Travel to Mataram
<b>Day 9 (Tuesday 20 September)</b>		<b>Day 9 (Tuesday 20 September)</b>	
RURAL OFFICE		ARISA MAIZE and BEEF INTERVENTION - NTB	
10.00-11.00	Fly to Surabaya	9.00-12.00	Meeting with Syngenta, Unram, BRI
11.00-11.45	Travel to Surabaya Office	13.00-15.00	Meet with partners in the ARISA Beef intervention
13.00-17.00	Discussions with AIP-R teams		
<b>Day 10 (Wednesday 21 September)</b>		<b>Day 10 (Wednesday 21 September)</b>	
RURAL OFFICE/ DOCUMENT REVIEW		TRAVEL TO SURABAYA/ RURAL OFFICE	
8.30-12.30	Document review and engage program team	6.15-7.00	Travel GA7049 to Dps
13.00 - 17.00	Detailed review of MRM data with PRISMA team	10.10-10.20	GA341 to Surabaya
		10.30-11.15	Travel to AIP-Rural office
		13.00-16.00	Meeting with Maize (Sumenap) partners in Rural office
<b>Day 11 (Thursday 22 September)</b>		<b>Day 11 (Thursday 22 September)</b>	
RURAL OFFICE/ DISCUSSIONS WITH PROGRAM TEAM		RURAL OFFICE/ DISCUSSIONS WITH PROGRAM TEAM	
8.30-17.00	Team SWOT reflection and key points	8.30-17.00	Team SWOT reflection and key points
<b>Day 12 (Friday 23 September)</b>		<b>Day 12 (Friday 23 September)</b>	
RURAL OFFICE/ DISCUSSIONS WITH PROGRAM TEAM		RURAL OFFICE/ DISCUSSIONS WITH PROGRAM TEAM	
8.30-10.30	Meeting with Palladium Contractor Rep	8.30-10.30	Meeting with Palladium Contractor Rep
10.30-17.00	Document review and engage program team	10.30-17.00	Document review and engage program team
<b>Day 13 (Saturday 24 September)</b>		<b>Day 13 (Saturday 24 September)</b>	
RURAL OFFICE/ SWOT ANALYSIS/ AIDE MEMOIR		RURAL OFFICE/ SWOT ANALYSIS/ AIDE MEMOIR	
8.30-17.00	Team Reflection/ SWOT Analysis/Prepare Aide Memoire	8.30-17.00	Team Reflection/ SWOT Analysis/Prepare Aide Memoire
<b>Day 14 (Sunday 25 September)</b>		<b>Day 14 (Sunday 25 September)</b>	
RURAL OFFICE/ PRESENT TO TEAM		RURAL OFFICE/ PRESENT TO TEAM	
8.30-16.00	Present Aide Memoire and brief Team Leaders and the Secretariat	8.30-16.00	Present Aide Memoire and brief Team Leaders and the Secretariat
18.00-19.35	Travel to Jakarta (GA3230)	18.00-19.35	Travel to Jakarta (GA3230)
<b>Day 15 (Monday 26 September)</b>		<b>Day 15 (Monday 26 September)</b>	
PRESENT TO DFAT		PRESENT TO DFAT	
9.00-11.30	Debrief with rural team and Secretariat plus GOI & others	9.00-11.30	Debrief with rural team and Secretariat plus GOI & others
11.30-12.00	Tentative briefing with DHOM	11.30-12.00	Tentative briefing with DHOM
13.00-17.00	Design discussions with DFAT	13.00-17.00	Design discussions with DFAT
<b>Day 16 (Tuesday 27 September)</b>		<b>Day 16 (Tuesday 27 September)</b>	
DESIGN DISCUSSIONS		DESIGN DISCUSSIONS	
9.00-13.00	Design discussions with DFAT	9.00-13.00	Design discussions with DFAT
14.00-16.00	Design discussions with DFAT	14.00-16.00	Design discussions with DFAT
<b>Day 17 (Wednesday 28 September)</b>		<b>Day 17 (Wednesday 28 September)</b>	
TRAVEL		TRAVEL	
TBD	Return Travel	TBD	Return Travel

### AIP-Rural MTR Key Informants (n=220, 26% women)



## **Annex 5**

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### **Terms of reference**

## Annex 5: Terms of reference

### Background and Orientation

Steady economic growth over the past 15 years has significantly contributed to improving the quality of life for millions of Indonesians. Many of the country's MDG goals have been met and the official poverty incidence has declined from 24% in 1998 to 11% in 2014. And yet, this growth has been uneven: 120m Indonesians still live in poverty on less than USD2 a day. Today, 63% of Indonesia's poor live in rural areas<sup>34</sup> where access to productive assets is constrained, education is poor, health services rudimentary, information scarce, commercial credit limited and physical infrastructure is so embryonic that it only increases the cost of delivering all of the pathways out of poverty; a large portion of these poor live in eastern Indonesia.

AIPD-R's focus is on creating sustainable rural income earning opportunities, primarily through agriculture. By raising rural incomes, a large portion of which is generated by women, the poor's patterns of consumption and expenditure can change, leading to better nutrition, education and sanitation.

### Rationale for the MTR and Expected Outcomes

The program officially started in December 2013, and has a 5-year duration up to December 2018, so September 2016 is just over half way through its planned cycle. Not all of the 4 projects (PRISMA, TIRTA, ARISA and SAFIRA) will be half way through their implementation but the MTR will help assess adequacy of progress against planned progress at that point in time.. Given that the length of time it takes to create a possible new budget allocation in DFAT beyond 2018, this MTR is not too early to consider the failures and achievements of the program so far and to formulate the orientation and budget of a possible Phase 2 of AIP-Rural, starting in January 2019.

The aim of the MTR is essentially "evaluative" and should provide independent and informed advice to senior DFAT management on: the continued relevance of the program to DFAT and the GoI; the adequacy of progress against agreed plans; its adopted methodology; and on any changes needed to improve its effectiveness and efficiency. As such, it is a point at which "stop-go" decisions can be made, revisions or modifications suggested, and a time when any concepts pertinent for the continuation in this phase or for a new phase can be proposed and discussed.

### Key Evaluation Questions and Scope:

Based on the nature of the design of AIP-Rural the majority of evaluation questions will be clustered around the following 5 headings.

- **Relevance of the investment:**
  - Are the political and policy contexts in Australia and Indonesia still conducive to support a project of this nature?
  - Is there still a need to address poverty in eastern Indonesia through agriculture?
  - Does this investment fit well into the DFAT Indonesian portfolio in terms of its focus and relative resource allocation?
- **Program Strategy and Governance**
  - Is the basic Theory of Change for the program still appropriate to describe what AIP-Rural is doing and what it hopes to accomplish?
  - Is the program coherent? Are the components valuable? Do they address the key issues in agriculture and poverty?
  - Are the resources cost-effectively divided between finance, research, irrigation and value chains (where is the greatest Value for Money)?
  - Is the Secretariat model appropriate for program steering? How has its role evolved? As the program moves forward to a more "steady state" will it need to be adjusted?
- **Review of the adequacy of progress of each of the 4 AIP-Rural Investments**
  - Is the core logic of each investment working, or are revisions required?
  - Is adequate progress being made towards end-of-program targets?
  - What are the most successful interventions?
    - Why are they delivering results better than other interventions?
    - What is their outreach and impact?
    - Is the income change clearly attributable to the intervention?

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<sup>34</sup> DFAT Country Situation Analysis-Indonesia, AusAID January 2013.

- Is there early evidence of systemic change happening?
  - How is value for money being assessed on these interventions?
  - Do the investments represent VfM in the portfolio of AIP-Rural?
  - Based on the MTR mission's estimation of the investment's self-assessment what are the key achievements and constraints of each investment?
  - What are the suggestions for follow up action?
  - What are the overall recommendations for any significant adjustments?
- **Is the Common Approach Effective?**
    - Does market systems development as a common approach work in irrigation, value chains, research and finance? Is the program's basic causal model working in a highly heterogeneous eastern Indonesia?
    - Are program's public and private partners contributing significantly to resources and is there sufficient evidence to show that attributable systemic change is occurring?
    - Has the common DCED results measurement standard worked in all 4 projects and has it contributed to a common set of indicators for impact and outreach?
    - Has the co-location of all 4 projects added value and are there "sensible" synergies emerging between the projects?
  - **Consideration of Phase Two (2019 – 2023)**
    - Should DFAT implement a second five year phase of AIP-Rural (2019 – 2023)?
    - Should Phase 2 continue with the same four programs, approach, management model and objective as Phase 1 or adopt substantive modifications (with a consideration of scale, value and location)?

## Key Deliverables

The MTR team will deliver:

- **An evaluation plan:** (meeting DFAT M&E Standard 5) presented to DFAT at least 4 weeks prior to field work commencing. It will clarify: the priority evaluation questions and issues, task allocation and field program, what the evaluators can or cannot accomplish within the time frame; and an outline of the eventual report.
- **A MTR report:** (meeting DFAT M&E Standard 6)
  - Compiling the findings with respect to the above mentioned headings
  - An answer to the question of whether or not the program is value for money in the context of DFAT Indonesia's portfolio (aside from the program's costs to impact ratio)?
  - A set of major and minor recommendations.
- **A summary presentation:** to senior DFAT management, the AIP-Rural Secretariat and key personnel of the 4 projects (from the implementing agencies and their counterparts) that addresses two critical decisions-
  - Continuation or phasing out of the program up to December 2018, with significant modifications, targeted modifications, or no modifications;
  - Continuation of the program for Phase 2, including a consideration of scale, value, and locations.
- **A Brief Concept Note and ToR:** for a Phase 2 design mission, if appropriate.

## Information Available to the Assessors Prior to their Field Work

To reduce the transaction costs that many MTRs experience with data collection a relevant and critical data will be "on-hand". This data will include, for example data on costs, outreach, impact, sustainability, etc. (though spot checks may be anticipated). This data will be prepared at least 3 week prior to the start of the MTR and information will be clustered the following:

- Based on progress reports ending on the 30<sup>th</sup> of June 2016, a credible but brief plan from the four projects for the achievement or shortfall of their headline targets up to the end of this phase (Dec. 2018) on outreach, impact, partner investment and all other program level KPIs; this plan should be backed up with evidence; the plan should answer the question "how likely will all of these headline targets (incomes, outreach, sustainability and systemic change) be met?"
- The results of DCED audits/mock audits on the data systems of at least PRISMA and ARISA should have been completed to provide credibility to the data being presented by the projects, and plans should be advanced for how this is being implemented in TIRTA and SAFIRA. But even for these last two projects, preliminary data on interim indicators should be ready and prepared.
- A self-assessment (in a form to be decided) will be prepared by each project (a supplement to the latest progress report), and this should include:
  - Progress against headline targets (on outreach and impact) as of September 2016,
  - Key achievements (for example, partner buy-in, any signs of systemic change, etc.),
  - Major constraints to further progress,
  - Suggestions on any structural, or conceptual changes.
- Some preliminary data and conclusions from the two NADL students from Switzerland on changes in agricultural household incomes and who PRISMA's core target groups are, will also be available.

- Contextual analysis of agricultural and investment policies affecting the agriculture sector, irrigation sub-sector and eastern Indonesia.
- Five SRP reports.

To assist the assessors with the compilation and interpretation of all of this information the Performance Manager of the AIP-Rural Secretariat will be available on a full time basis for this mission.

## Evaluation Process

**Team composition and allocation of tasks:** The MTR mission will be composed of 4 members, whose tasks and time inputs are summarised below:

- An independent team leader and member of the SRP responsible for assessing: the relevance of AIP Rural; the overall design architecture of the program; adequacy of progress; the program's approach to gender, and coordination with DFAT, as well as task allocation within the MTR team; final report preparation; synthesis of recommendations; and presentation of findings.
- One member of the SRP to assess: program strategy and governance; adequacy of progress and to comment on the viability of the M4P model for the whole program
- A DFAT officer from the Agricultural Productivity & Food Security Branch who will assess: the effectiveness of the common approach; and adequacy of progress and efficiency of selected investments.
- A DFAT officer from the Indonesia Desk (Canberra) to provide policy advice and administrative support for the mission.

In addition, the team will be accompanied by:

- The Performance Manager of the AIP-Rural Secretariat who is familiar with the program's MIS so that she can support the team by making any additional data searches needed for the MRT to complete its analysis.
- DFAT officers from Jakarta Post
- Bappenas representatives.

Task	Team Leader (John Fargher)	SRP Member (Rob Hitchins)	DFAT APFS (Julie Delforce)	DFAT Desk (Daniel Rantzen)
Document review	3	3	4	3
Telephone briefing with DFAT	0.5	0.5	0.5	0.5
Evaluation plan	3	1	1	1
Travel to Indonesia	1	2	1	1
DFAT briefings – Jakarta	0.5	0.5	0.5	0.5
Gol meetings – Jakarta	0.5	0.5	0.5	0.5
Travel to field sites	1	1	1	1
Assess relevance of AIP Rural	3	0	0	3
Assess program strategy & governance	1	1	1	1
Review adequacy of progress – PRISMA	3	3	3	3
Review adequacy of progress – TIRTA	3	1	1	1
Review adequacy of progress – ARISA	0	2	2	0
Review adequacy of progress – SAFIRA	0	2	2	0
Assess effectiveness of the common approach	0	1	1	0
Travel from field sites	1	1	1	1
Prepare & present aide memoire	1	1	1	1
Prepare draft report	5	3	4	2
Prepare final report	2.5	0	1	0
Return travel	1	1	1	1
<b>Total days</b>	<b>30</b>	<b>24.5</b>	<b>26.5</b>	<b>20.5</b>
<b>(of which in Indonesia)</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>14</b>

**Compiling of important documents, including self-assessments:** The core program documents that will need to be reviewed include:

- The Delivery Strategy for AIP-Rural as of 2013
- Design documents and budgets for PRISMA, ARISA, TIRTA and SAFIRA
- The latest progress reports of the 4 projects, complete with planned, actual, and forecasted targets on outreach and impact
- Self-assessments of each of the 4 projects which include results against the headings mentioned in Section 5 under “the need for data”
- Various documents pertaining to the formation and operation of the Secretariat
- The five Aide Memoires of the SRP
- The most recent Aid Quality Checks and Partner Performance Assessments for the projects
- Two samples of sector-based Growth Strategy Documents of PRISMA, two-three samples of Intervention Steering Documents, the Results Measurement Manual, a copy of the DCED audits for PRISMA and ARISA, sample of the capacity building materials for staff and for co-facilitators.

**Initial briefing in-country and the preparation of an Evaluation Plan:** While there is likely to be substantial correspondence between the Secretariat, DFAT and the MTR team prior to the start of the mission, a face to face meeting with all parties will be held on the first day of the mission to ensure that key priorities, communication strategies and administrative processes are well understood.

Field work plan with allocation of projects, interventions, partners, regions etc.: The evaluation plan submitted by the Team Leader will include a matrix of proposed site visits and field travel to optimise the time and travel of all team members. DFAT and the Secretariat will finalise this, based on logistic and other considerations, and circulate it to the team members before their arrival in country. This will be presented and discussed in the initial in-country briefing. It is clear that the team will need to have some joint meetings but it will also divide into 2 in order to investigate a representative sample of interventions and sites across the program. This matrix will take into consideration: the 4 team members, the four investments and the meeting of their managers; briefings with the Secretariat; meetings with DFAT and GoI representatives, visiting representative interventions and their partners; seeing a variety of geographic locations, bearing in mind the logistics of travel time; observing a variety of sectors and cross sectors. The mission is planned for 14 days in Indonesia.

**Compilation, presentation of preliminary findings and report preparation:** Upon completion of the fieldwork and the return of the mission to Surabaya the mission will compile its preliminary findings into an aide memoire for presentation to DFAT and its GoI partners. A series of additional presentations may be requested: one on the overall findings of the mission and then 4 separate presentations to each of the 4 projects. The Secretariat and the project Team Leaders will have the opportunity to discuss the findings on their own projects and clarify any misunderstandings that may have occurred. After this briefing in Surabaya the mission will travel to Jakarta for one final but shorter presentation to key DFAT managers and GoI stakeholders. Based on feedback from these two sets of meetings the mission members will have their last half day to polish their findings and recommendations before physically breaking up. It will be the task of the mission leader to ensure that all components of report are assembled and edited for submission to DFAT by the prescribed date.

**Feedback on the report and final report prepared:** On receipt of the draft report by DFAT, it will then be reviewed by DFAT and feedback provided to the Team Leader within 7 days. These comments will be compiled by the Rural Unit and the Secretariat and forwarded to the mission team leader for consideration. After a maximum of 10 days a final report will be completed and returned to DFAT for uploading into its system.