



Australian Government

AusAID

Office of Development Effectiveness

From Seed to Scale-Up

LESSONS LEARNED FROM AUSTRALIA'S RURAL
DEVELOPMENT ASSISTANCE



ODE EVALUATIONS & REVIEWS

APRIL 2012





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John Fargher | David Kelly

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Cover image: Improving rural growth is critical for equitable development across Indonesia. The Australia Indonesia Partnership aims to contribute to rural growth and improved household incomes by increasing farmer productivity and supporting better and more equitable access to markets. Photo by Josh Estey.

Office of Development Effectiveness

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The rural development challenge

Sepia and Augustino have been growing maize on their steep 5.5 acres of land in Timor-Leste for the last 40 years. All seven children work on the plot in some way but they go hungry when the maize runs out in the dry season. They have less to eat when the rains are bad or when weevils or rats get into the supplies. They sell what they can at the local market for vegetables like mung-beans or rice, which is a rare treat. They sometimes try and get better prices at the bigger market in Liquica, which is a 30 kilometre walk away. But the prices still vary widely. Sepia and Augustino feel disheartened because no matter what they try or how hard they work nothing seems to make much of a difference. They don't have many options and aren't sure what to do next.

On 15 October 2007, Sepia joined a woman's farming group funded by Australia. The group built a communal plot to multiply new varieties of maize seed. They've been taught about new farming techniques, they make fertiliser to help the plants grow better, and have built a pit to collect rain. Together they've organised a vehicle to take their produce to the market and purchased a new 44 gallon drum to keep the weevils and rats out. Sepia uses the new seed and information on her own plot and already the family has much more maize to sell. Better still, Sepia and her group is now able to access a growing market for the high-yielding seed. Sepia and Augustino are now making more money than ever before. Sepia aspires to send some of her children to university.

The key challenge for rural development is how to develop a system that helps supply these benefits in an accessible and sustainable manner so they reach the other poor farmers in Timor Leste.

'Rural development is a key driver of poverty reduction and economic growth'

International Fund for Agricultural Development, 2011 Rural Poverty Report

'Three of every four people in developing countries live in rural areas... and most depend on agriculture for their livelihoods.'

World Bank, 2008 World Development Report



Acronyms and Abbreviations

ACIAR	Australian Centre for International Agricultural Research
ADB	Asian Development Bank
ALP	Agriculture Livelihoods Program
AQIP	Agriculture Quality Improvement Program
ARDSF	Australia Agriculture Research and Development Support Facility
AusAID	Australian Agency for International Development
CARDI	Cambodia Agriculture Research Development Institute
DAC	Development Assistance Committee
FFA	Forum Fisheries Agency
GAP	Good Agricultural Practices
GDP	Gross domestic product
HDI	Human Development Index
MDG	Millennium Development Goals
NARI	National Agricultural Research Institute (Papua New Guinea)
NBC	National Broadcasting Corporation (Papua New Guinea)
ODA	Official Development Assistance
ODE	Office of Development Effectiveness
OECD	Organisation for Economic Cooperation and Development
PARDI	Pacific Agribusiness Research for Development Initiative
RDP	Rural Development Program
SIFMP/SIFLP	Solomon Islands Forestry Management Program/Forest Livelihoods Program
SIISLAP II	Solomon Islands Institutional Strengthening of Land Administration
SIRD	Solomon Islands Rural Development Program
SIRIP	Solomon Islands Road Infrastructure Project
TSSP	Transport Sector Support Program



Cambodia 2009—hard work in the rice paddies.
Photo: Kevin Evans

Executive Summary

Context

Over the last 30 years, the number of the world's people living in poverty has fallen substantially. But in the Asia-Pacific alone, there are still 1.3 billion living in rural areas on less than US\$2 a day.

The face of rural poverty commonly takes the form of subsistence smallholder farmers, or landless women or men, providing labour for small cash or in-kind returns. In order to survive, and ultimately thrive, poor rural people face the daily challenge of finding something to trade (a surplus or labour) and an effective mechanism to facilitate that trade (a market). For women, ethnic minorities, the disabled, victims of abuse or bad health, and the uneducated, the challenge is of even greater proportion.

In its July 2011 aid policy statement, *An Effective Aid Program for Australia: Making a Real Difference—Delivering Real Results*, the Australian Government reconfirmed its commitment to increase Australia's aid to 0.5 per cent of gross national income by 2015–2016. It also confirmed that the Asia-Pacific will remain the strategic focus of Australia's aid and announced a new statement of purpose to guide its use:

'The fundamental purpose of Australian aid is to help people overcome poverty'.

This review of Australia's rural development assistance found that the lives of large numbers of poor rural people had been improved as a result of Australian interventions. Australian aid has helped poor rural women and men access more value from new markets, make more effective use of scarce natural resources, and accumulate assets so that they can afford to send children to school, pay for health care and gain access to other essential services. Some examples include:

Country	Key achievements
Papua New Guinea	<ul style="list-style-type: none">• Australian aid is facilitating the development of a sustainable road transportation system.• Australian assistance has been instrumental in facilitating the <i>coffee</i> industry, improving the quality of poor smallholders' produce, and increasing their profit margins. Over 50 per cent of rural households in PNG now obtain the majority of their cash income from coffee exports.• Australian aid has catalysed the development of the <i>canarium nut</i> industry, an important new export industry for PNG, potentially providing large numbers of smallholders with an alternative source of cash income.

Country	Key achievements
Indonesia	<ul style="list-style-type: none"> • Australian aid has revitalised Indonesia's <i>cocoa</i> export industry. More efficient supply chains have helped poor farmers access higher incomes and enabled the introduction of sustainable certification and traceability practices. • Over 7,500 poor <i>peanut</i> farmers (40 per cent of growers in Nusa Tenggara Barat Province) have higher household income through new varieties and planting techniques introduced with Australian support.
Vietnam	<ul style="list-style-type: none"> • Australian research and development activities were instrumental in: developing the <i>dragon fruit</i> export industry—contributing to a 10-fold increase in export revenues for small farmers in 4 years; enabling <i>clam</i> producers to expand production sustainably; and growing the Vietnamese <i>oyster</i> industry (which now has annual production equivalent to 75 per cent of the oysters produced by New South Wales). The majority of Vietnamese oyster farmers are women.
Cambodia	<ul style="list-style-type: none"> • Australia was the first donor to assist the Cambodian <i>rice</i> industry recover from the devastation of the Khmer Rouge era and to this day Australian aid continues to help improve agricultural markets so their development benefits the poor.
East Timor	<ul style="list-style-type: none"> • Over a dozen new varieties of high yielding <i>maize</i>, <i>rice</i>, <i>cassava</i> and <i>peanuts</i> have been developed as a result of Australian funding. Since 2001, these improved varieties have been distributed to 25,000 farming families, benefiting around 150,000 individuals. Seeds are now being distributed to farmers by strengthened East Timorese institutions.
Solomon Islands	<ul style="list-style-type: none"> • Australian aid has had significant success in boosting rural incomes through enhanced <i>cocoa</i> exports. Training in simple pruning techniques has helped <i>cocoa</i> smallholders improve yields up to 3-5 fold.

These factors, combined with Australia's acknowledged expertise in tropical and rain-fed agriculture, reinforce the Independent Review of Aid Effectiveness' finding that rural development is a highly appropriate sector in which to invest Australian aid.

In the past, much of Australia's rural development assistance has typically been delivered through a series of relatively small projects. It is now moving to larger, more dynamic, market-oriented programs designed to achieve substantial and sustainable poverty benefits at scale. Of the interventions reviewed, those that generated the deepest pro-poor impacts were focused on adjusting underlying constraints in the rural economy—changing the 'rules of the game'—to help the poor and disadvantaged achieve the surpluses and trading opportunities to provide a sustainable pathway out of poverty. Nevertheless, to help the poorest of the poor survive recent Australian investments have also recognised the need for effective social safety nets (social protection) in rural areas.

The review

This review was commissioned to identify ways of maximising the benefits of Australia's growing investment in rural development. It examined 23 recent Australian initiatives across six countries in the Asia-Pacific, by considering their rationale, implementation strategies and achievements.

Overall, the review found that the most effective activities—those most likely to deliver deep and long-lasting benefits to the rural poor—were guided by a shared strategic intent and strong focus on results, developed in consultation with implementing partners. In addition, program managers had, where necessary, chosen suitable settings or locations; determined an appropriate level of public and/or private participation; influenced public policy makers and other stakeholders; successfully determined the range of functions and players to be engaged; and understood the importance of being able to respond effectively to changes that emerge through implementation.

The review concluded that the use of 'systems analysis'—a wide-ranging analysis of the political, economic and social systems in which a proposed program would be situated—was likely to be the most effective way to arrive at, and coordinate, the above factors during program development and delivery. It also identified AusAID's recently released country development strategies and sector delivery strategies as key elements in informing and supporting analysis of this type.

The review's six recommendations are aimed at shaping future policy and practice. They propose: the use of systems analysis and a strong focus on development results in program planning; a transition to a smaller number of larger programs, with a focus on achieving sustainable and scalable results; a consistent set of performance measures to identify achievements and provide accountability; and the provision of professional development opportunities for rural development specialists. The report's findings are consistent with the Government's new aid policy, *An Effective Aid Program for Australia* and much of the work is already underway. The review's findings may help to further shape Australia's private sector development policy statement.

Findings

The review identified 12 related but distinct principles that characterise efficient and effective investment of ODA in rural development.

1. Clearly identify strategic intent to support more focused initiatives

The review found that the most effective activities—those most likely to deliver deep and long-lasting benefits to the rural poor—were guided by a shared strategic intent and a clear articulation of end-of-program outcomes. Importantly, the focus on results was developed in consultation with partner governments and relevant whole-of-Australian Government departments. Decisions about strategic intent were informed by 'systems analysis'—a wide-ranging analysis of the political, economic and social systems in which a proposed program would be situated. This analysis also guided decisions about implementation strategies that would lead to substantial and sustainable change. In addition, the most effective initiatives addressed causes rather than symptoms of poverty and had built-in flexibility mechanisms to chase opportunities as they emerged, with responses to change always guided by the strategic intent. Programs designed from the beginning to influence the drivers, institutions, rules and actors constraining poor people enabled early results to be scaled-up.

Although it can take significant time and resources to develop and negotiate strategies with partner governments, the findings from this review both support their use and justify the additional investment in their preparation. Such investment is likely to further strengthen strategic focus, improve program efficiency and reduce the risks of proliferation and fragmentation. Similarly, the findings suggest that time invested in working with whole-of-Australian-government partners can yield improved policy consistency to support an agreed strategic intent.

2. Start with a considered understanding of how the poor will benefit from the intervention

The challenge of identifying exactly who the poor are, where they are and how they will benefit is of constant concern in all rural development work. Across the range of sectors, poor men and women participate in agricultural production in quite different ways and it is inappropriate for program planners simply to make assumptions about the benefits that might be derived from an intervention.

Accordingly, the importance of applying poverty analysis and development logic in program planning cannot be understated. These activities will inform the strategic intent of the program as well as its design, implementation, and monitoring and evaluation strategies. They will also provide a basis for decisions about chasing opportunities that arise during an intervention.

3. Focus on development outcomes first, modality second and partnering organisations third

The review found that programs are likely to be more efficient and effective when designed with a strategic intent and specific development outcomes as their primary focus, and where choices about modality, size and partnerships are directly influenced by those outcomes. Such programs are also more likely to reach their desired scale.

4. Locate initiatives to maximise influence and minimise capture

One issue facing ODA initiatives in the rural development sector is the question of where they should be located—physically, institutionally and contractually—and the extent to which this positioning affects development outcomes. In particular, there are questions about whether locating initiatives within government agencies, having them as freestanding facilities or co-locating with non-government partners affects their overall performance.

The review found that, when deciding whether an initiative should be administered from within the public sector, the private sector or civil society, a critical factor is the extent to which such a choice will promote efficiency in the productive sector the intervention aims to influence. But what appears to matter most is whether the right kinds of relationships can be developed with different players, so that targeted actions can be implemented and desired outcomes achieved.

Wider development experience suggests that the most productive relationships at the activity level are those where the offer of specific aid support requires a reciprocal action from partners. Such business-like exchanges can provide a foundation for mutually beneficial working relationships at the operational level. Without them, there can sometimes be a lack of commitment and engagement.

5. Respond to context change with flexible implementation

If the benefits of change are to be realised and its threats constrained, it is necessary to take a flexible approach to implementation. But a 'flexible' approach can also set a project adrift. In these circumstances, the importance of a clear strategic direction cannot be overstated.

The review found that an agreed strategic direction and a flexible approach during implementation contributed to the success of a number of programs. Initiatives with these features were able to respond effectively to change by: (1) calling upon the knowledge and skills of a range of players in the operating environment; (2) involving partners in roles as development facilitators; and (3) building sustainable relationships relevant to the production system of which they were a part.

6. Balance public and private benefits to optimise results

Initiatives are more likely to maximise development returns if they are designed with an understanding of (1) the parties who will reap the benefits of intervention; and (2) the most appropriate future roles of state and non-state actors in the production system targeted by the intervention. Such understanding determines what aspects of a program ODA should pay for and who Australia should choose to partner with. Where the exit strategy of a particular intervention implies some form of increased public expenditure by the partner government, then the program should be designed and configured within the context of wider analysis of public expenditure across that government.

7. Engage in policy dialogue and influence public expenditure decisions

The review found positive examples of AusAID influencing the functions of the state, which in turn, helped benefit the poor in rural areas.

Support for change that is both pro-poor and well suited to rural enterprise can be encouraged by engaging partner governments in a dialogue about the impact of the policy and public expenditure choices those governments might be considering. Such dialogue must be founded on robust diagnostic and analytical work, including poverty analysis, at country level.

Successful programs also engage with government to explore what success will 'look like' at outcome level, what additional levels of rural development can be expected from additional donor support, and what requisite government action is expected for that support. Activities of this type, which focus systemically and systematically on 'transformational' improvements to the underlying policy, public expenditure and service-delivery determinants of rural development are likely to lead to more substantial and sustainable impacts than conventional transactional / project-based approaches of the past, which tended to focus on direct delivery to small cross-sections of the rural poor.

8. Confidently influence multilateral and co-financing partners

By supporting institutions with international and regional mandates (such as the World Bank and the Asian Development Bank) public goods are likely to be delivered, aid fragmentation and transaction costs can be reduced, and development outcomes can be enhanced by the sharing of resources around agreed objectives.

Where AusAID has successfully influenced its multilateral and co-financing partners, the review found that the agency (1) had a sense of the value (technical insight and influence) that it added; (2) had realistically assessed the technical and analytical capacity of its multilateral and co-financing partners; and (3) had considered partnership options other than outsourcing management to allow AusAID to exert more influence on the implementation of aid initiatives.

9. Undertake multiple functions and engage multiple players

The agriculture sector is inherently pluralistic, with a variety of factors, actors and rules required for markets to work efficiently and effectively. The review found the most successful initiatives were based in highly-structured production systems, which were assisted by the intervention to further strengthen, encouraging more trade. These groups typically engaged with multiple functions and actors one step removed from the ultimate beneficiaries. In this way, it was possible to strengthen the broader operating environment so that poor farmers would be better placed to benefit in the longer term. Experience suggests that interventions aimed at strengthening the enabling environment around the poor are more likely to lead to substantial and sustainable impacts.

Although more complex and difficult in fragile states, a similar move away from direct delivery of assistance to the rural poor is also valuable. When accompanied by policy dialogue with state actors and support for the activities of service providers who normally work with rural people, the operating environment around the poor can be strengthened, the potentially distorting effects of aid reduced and foundations laid to enable future growth.

10. Research is one possible part of change for rural development

The review identified a number of initiatives that used research activities to effectively deliver development results. These included activities executed by AusAID and ACIAR and occurred when research was part of the change process identified in a development strategy for the sector. But even excellent research will not translate into development outcomes if the context is unsupportive or there is an unmet need for other interventions. This has implications for both ACIAR and AusAID. To be effective, research work supported by ACIAR needs to engage with other players and functions in the rural economy and often requires a development input. At the same time AusAID rural development investments sometimes require research innovations as part of the change process. The work of the two agencies is complementary and there are opportunities for more genuine collaboration. In particular, the recently-developed AusAID country strategies for Australian ODA provide an opportunity for common analysis, collaboration and coherent decision making.

11. Understand that land systems are central to rural development but complex to reform

Successful initiatives recognise the need for a sound understanding of existing practices and incentives, capacity limitations, the different functions in the land system—including administration, coordination, information, and mediation—and the different players involved. The experiences highlighted by the review demonstrate the need to understand the system as a whole, as well as the need to address the system as a whole in any intervention, accepting the difficulties and lengthy timeframes involved.

12. Take new directions from learning and change

The Australian rural development program is moving from smaller project-based approaches to dynamic programs of targeted interventions, committed to strengthening the operating environment around poor people. In certain sectors, such as staple foods, this task will be more difficult than for others, such as roads. But these are differences in degree not kind. No matter how weak and complex the operating environment, a strong delivery strategy—based on a clear description of end-of-program outcomes—can gear a program to achieve substantial and sustainable change. As shown in Chapter 4, programs currently applying this principle have already recorded positive results.

Recommendations

The review makes six recommendations aimed at increasing the capacity of Australia and its development partners to deliver substantial, sustainable and scalable results in rural development.

Communicate the impact of Australia’s growing rural development program through a consistent set of performance measures

As the majority of poor people live in rural areas of the Asia-Pacific and Australia has comparative advantages in this sector, Australia’s continued focus on, and increasing investment in, rural development and food security is a practical and necessary contribution to the achievement of the millennium development goals, particularly MDG 1. The increased investment also strongly aligns with the Australian aid program’s five strategic goals. To help track and communicate future results in this key sector, a consistent set of performance measures is required.

Recommendation 1

It is recommended that the impact of Australia’s increased investment in rural development be tracked through a consistent set of performance measures.

Proposed actions

- a. Australia allocates ODA to rural development and food security to achieve a level that equals at least the medium-term historical proportion allocated to the sector.
- b. Australia collects a consistent set of performance data to track the efficiency and effectiveness of delivering rural development and food security.

Maximise impact by transforming the operating environment through coherent whole-of-government development strategies

Sustainable rural development is driven by wide-ranging policy and regulatory decisions, diverse economic incentives and disincentives, complex domestic and international markets, and contracts and dependencies between multiple actors. Where positive change from ODA is evident or likely to be so, this success can be traced directly to initiatives that (1) engage with multiple actors such as the private sector, government, representative organisations and civil society; and (2) seek to influence the functions carried out by these different actors in ways that are likely to lead to transformative change for the poor. To be effective, ODA activities need to be based on an awareness of how, within this ‘system’, change takes place, markets develop and mature, rural livelihoods adapt and the rural economy grows.

The review found that Australia’s attention to a greater number of systemic issues in rural development is resulting in positive impacts—transformative benefits in some cases. Australia’s work in Papua New Guinea’s oil palm and coffee sectors, Indonesia’s cocoa sector, and the roads sector in Papua New Guinea highlight the benefits of taking a more systemic approach to development activities. Other donors have taken similar steps¹.

This finding suggests that future rural development programs should take the same direction. Lifting the bar beyond conventional projects to transformational investments—those that change ‘the rules of the game’ to benefit the rural majority or accelerate positive change—will be more likely to achieve substantial, sustainable and scalable results.

Australia’s recently released country development strategy policy provides the opportunity for, and will be a source of key information in support of, these goals. However, it will be necessary for Australian government agencies responsible for aid interventions to work closely together on these tasks. In other words, a whole-of-government approach will be required.

Recommendation 2

It is recommended that Australia take a systemic approach to designing interventions, with the aim of stimulating transformational change in rural development.

Proposed actions

- a. Relevant AusAID country programs complete a development logic exercise with ACIAR colleagues, where appropriate, and use that analysis to inform country strategies, sector delivery strategies and future rural development design work as appropriate.
- b. AusAID and ACIAR sign a strategic partnership agreement that places Australia’s country development policy at its heart.

¹ See DFID, 2008, ‘Private Sector Development Strategy—Prosperity for all: making markets work’. Other donors following a more systemic approach include Swedish International Development Cooperation Agency (SIDA) and the Swiss Agency for Development and Cooperation (SDC).

Clearly define pro-poor end-of-initiative outcomes to strengthen accountability

The review found that initiatives are more likely to produce tangible benefits for the rural poor where (1) a considered analysis of how the poor will benefit from the intervention is undertaken; and (2) end-of-initiative outcomes are explicitly defined. Such outcomes guide a program in responding to opportunities and identifying appropriate partners, modalities and service providers. In addition, specific outcomes ensure that staff, partners and contractors are clearly informed of the elements of the program for which they are accountable.

Recommendation 3

It is recommended that all future rural development activities be designed around explicit end-of-initiative outcomes, informed by a poverty analysis and supported by a results chain.

Proposed actions

- a. In future, all reportable ACIAR and AusAID activities include a poverty analysis, and a results chain with clearly stated end-of-initiative outcomes in their design.
- b. The Australia Indonesia Partnership for Decentralisation - Rural Economic Development Program (AIPD-Rural), Pacific Regional Infrastructure Facility, the Pacific Horticultural and Agricultural Market Access Program as well as future leading-edge program designs are shared with rural development practitioners in AusAID and ACIAR as examples of good practice.

Move towards scalable rural development activities

Achieving scale requires that underlying constraints to development are addressed so as to generate impacts that reach beyond local and short term benefits. In activities large and small, those designed from the outset to be taken to scale were found to be more likely to result in deep and long-lasting change—one of the key elements of good practice in international development.

The review found that Australian ODA for rural development is likely to be more efficient and effective if: (1) it is invested in a smaller number of larger initiatives designed to be taken to scale; and (2) each program is seen as part of a cohesive portfolio of activities in a country or region.

Recommendation 4

It is recommended that future Australian aid contributions to rural development be delivered through a smaller number of larger initiatives designed to be taken to scale.

Proposed actions

- a. Consolidate rural development activities in line with rural development sector delivery strategies.
- b. Amend internal guidelines to require that approvals for new rural development activities be accompanied by a sector delivery strategy in which those activities are supported.

Give more emphasis to sustainability

Sustainability is a necessary condition for improving the value of Australia's ODA investments. It results from engaging with systemic change that can transform the way the private sector operates, improve policy, alter public expenditure patterns, and address the service-delivery drivers of rural development. For program planners, this means continually asking the question: What inputs will enable this system to be self-sustaining after the intervention? The answers may include decisions about who to partner with, how much to spend, where to spend, what activities might be launched and how the program might be concluded. In this way, the practical realities that drive sustainability can be kept at the forefront of program planning.

Recommendation 5

It is recommended that throughout the life of future rural development interventions, AusAID and ACIAR give greater weight to achieving sustainability.

Proposed actions

- a. An explicit exit strategy be articulated in the design of all reportable AusAID and ACIAR rural development activities. Where this implies some form of increased public expenditure by the partner government, then the program must be designed and configured within the context of wider analysis of public expenditure across that government. This analysis should be reflected in the sector delivery strategy.
- b. Internal guidelines be amended to require that approvals for new rural development activities be accompanied by a statement of commitment and a sector delivery strategy that demonstrates how the proposed intervention will achieve its desired level of sustainability.

Build rural development talent for more effective delivery

To strengthen the link between what Australia wants to do and how it might be done, Australian ODA agencies—especially AusAID and ACIAR, but also whole-of-government partners such as the Department of Climate Change and Department of Agriculture, Fisheries and Forestry—will require new skills and ways of working, which need to be developed and supported.

Recommendation 6

It is recommended that AusAID and ACIAR strengthen rural development expertise by developing career paths, professional development opportunities and performance accountability measures for rural development specialists in their workforces.

Proposed actions

- a. A rural development training program with a clear anti-poverty focus should be commissioned by AusAID's Learning and Development Branch, and undertaken by all AusAID and ACIAR personnel working in rural development.

Management response

The ODE review of Australia's Official Development Assistance (ODA) to rural development makes six recommendations and eleven related 'proposed actions'. The following management response to these recommendations was prepared jointly by AusAID and ACIAR and is detailed in boxes below. Key developments since ODE commenced the review include the release of the Government's new policy, *An Effective Aid Program for Australia: Making a Real Difference—Delivering Real Results (Effective Aid)*, and the development of the Comprehensive Aid Policy Framework (CAPF). These changes are reflected in the management response.

Response to the review recommendations

Recommendation 1

It is recommended that the impact of Australia's increased investment in rural development be tracked through a consistent set of performance measures.

Review proposed actions

- Australia allocates ODA to rural development and food security to achieve a level that equals at least the medium-term historical proportion allocated to the sector.
- Australia collects a consistent set of performance data to track the efficiency and effectiveness of delivering rural development and food security.

Management response to recommendation 1

Partly agree

- Management agrees with the thrust of recommendation 1 but does not agree with proposed action (a). Aid allocations will be decided in line with the Government's overarching policy for the aid program, *An Effective Aid Program for Australia: Making a Real Difference—Delivering Real Results (Effective Aid)* and the priorities of country programs. The Australian aid program will continue to support improving food security by investing in agricultural productivity, infrastructure, social protection and the opening of markets. However allocation will be determined based on country priorities and needs, not on an arbitrary pre-determined level.
- Under the Comprehensive Aid Policy Framework (CAPF)—to be released as part of the FY2012-13 aid budget—the headline results outlined in the four year budget strategy will guide aid investments and annual performance assessment against agreed indicators. In recognition that rural development results comprise an important component of overall development results, both AusAID and ACIAR will report against these agreed results and indicators.

Management response to recommendation 1 (continued)

- To ensure greater consistency of performance management, AusAID and ACIAR will collaborate on designing a sector performance framework that will provide the basis for annual reporting on sector performance. Both agencies continue to explore and develop program and project-level methodologies to better measure performance in the rural development sector.
- AusAID's Food Security and Rural Section (FSR) will seek to engage early in the formulation of country program strategies, particularly at the country situation analysis stage. FSR will provide inputs and data which highlight the merits and benefits of rural development programming. This assessment will use the sector performance framework under the CAPF as a guide and will be framed in terms of relative opportunities and capacity to make a lasting difference.

Recommendation 2:

It is recommended that Australia take a systemic approach to designing interventions, with the aim of stimulating transformational change in rural development.

Review proposed actions

- a. Relevant AusAID country programs complete a development logic exercise with ACIAR colleagues, where appropriate, and use that analysis to inform country strategies, sector delivery strategies and future rural development design work as appropriate.
- b. AusAID and ACIAR sign a strategic partnership agreement that places Australia's country development policy at its heart.

Management response to recommendation 2

Partly agree

- AusAID and ACIAR agree that a systemic approach to development is vital, and recognise the importance of mapping a clear causal chain from Australian aid activities to development results on a broader scale. While the formal development of a 'strategic partnership agreement' is considered unnecessary in light of the Record of Understanding that already exists, both agencies will continue to develop a joint articulation of what this means in practice. In developing the CAPF sector performance framework, AusAID and ACIAR will refer to the ideas outlined in the ODE Review, noting that aid projects should address causes rather than symptoms, focus on means as much as ends and have deep and long-lasting poverty impacts.
- A key strategic mechanism to achieve this end is the development of outcome-specific aid delivery strategies. These will sit under country program strategies, where food security and rural development have been identified as a priority outcome area with partners. The design and implementation of specific initiatives to support these delivery strategies provide an opportunity to embed transformative change and 'development results at scale' into the Australian aid program's performance indicators.

Recommendation 3:

It is recommended that all future rural development activities be designed around explicit end-of-initiative outcomes, informed by a poverty analysis and supported by a results chain.

Review proposed actions

- a. In future, all reportable ACIAR and AusAID activities include a poverty analysis, and a results chain with clearly stated end-of-initiative outcomes in their design.
- b. The Australia Indonesia Partnership for Decentralisation—Rural Economic Development Program (AIPD-Rural), Pacific Regional Infrastructure Facility, the Pacific Horticultural and Agricultural Market Access Program as well as future leading-edge program designs are shared with rural development practitioners in AusAID and ACIAR as examples of good practice.

Management response to recommendation 3

Agree

- As articulated in *Effective Aid*, the fundamental purpose of Australian aid is to help people overcome poverty. AusAID and ACIAR will ensure aid activities benefit the poor by placing more emphasis on undertaking poverty analysis prior to activity design. A clear chain of causality between an aid activity and sustainable poverty reduction will be established at this stage. Both agencies note the importance of research in determining the drivers of poverty as well as the most promising pathways to sustainable exits from poverty.
- In line with the aid policy's strong focus on results, AusAID and ACIAR will improve further the way both agencies articulate what will be achieved and how those results can be measured.
- With such an approach and expanded evidence base, ACIAR and AusAID will share and promote both existing proven good practice as well as new leading edge program designs.

Recommendation 4:

It is recommended that future Australian aid contributions to rural development be delivered through a smaller number of larger initiatives designed to be taken to scale.

Review proposed actions

- a. Consolidate rural development activities in line with rural development sector delivery strategies.
- b. Amend internal guidelines to require that approvals for new rural development activities be accompanied by a sector delivery strategy in which those activities are supported.

Management response to recommendation 4

Agree

- ACIAR and AusAID recognise the importance of achieving results for the greatest numbers of poor people. Consistent with *Effective Aid* both agencies will work to reduce fragmentation of programming, acknowledging the need to reduce activity proliferation and fund fewer and larger activities. This is consistent with broader international trends, and such a process will intensify as we increase assistance to 2015-16.

Recommendation 5:

It is recommended that throughout the life of future rural development interventions, AusAID and ACIAR give greater weight to achieving sustainability.

Review proposed actions

- a. An explicit exit strategy be articulated in the design of all reportable AusAID and ACIAR rural development activities. Where this implies some form of increased public expenditure by the partner government, then the program must be designed and configured within the context of wider analysis of public expenditure across that government. This analysis should be reflected in the sector delivery strategy.
- b. Internal guidelines be amended to require that approvals for new rural development activities be accompanied by a statement of commitment and a sector delivery strategy that demonstrates how the proposed intervention will achieve its desired level of sustainability.

Management response to recommendation 5

Agree

- AusAID and ACIAR recognise the challenge of achieving results that last beyond the period of an aid activity. While management does not propose the adoption of any formalised 'statement of commitment', in AusAID rural development programs and in ACIAR capacity building efforts in particular, program managers will be expected to articulate how results will be sustained beyond the life of the aid activity. The issue of sustainability will be elevated to a 'hard gate' in program development. Program developers will be expected to make realistic assessments of the capacities and incentives of potential partners in rural development to continue delivering development results when our aid intervention expires. Such assessments must feature in program designs. Sustainability, including adoption of new practice, will be a key component of end-of-program assessments.

Recommendation 6:

It is recommended that AusAID and ACIAR strengthen rural development expertise by developing career paths, professional development opportunities and performance accountability measures for rural development specialists in their workforces.

Review proposed actions

- a. A rural development training program with a clear anti-poverty focus should be commissioned by AusAID's Learning and Development Branch, and undertaken by all AusAID and ACIAR personnel working in rural development.

Management response to recommendation 6

Agree

- ACIAR and AusAID are currently undertaking workforce planning exercises to identify the knowledge, skills and experience needed in the future workforce and determine what critical roles and staff numbers will be required. Such exercises will determine the format for any formal training program, as recommended in the ODE Review's proposed actions. Workforce plans will increasingly inform staff recruitment and performance reviews. AusAID is also developing a rural development specialist stream with defined career pathways, learning and development. Both agencies will actively seek opportunities to share expertise and professional development opportunities both in country and in Canberra.



Solomon Islands, Auki, July 2007. Leonard Fenowae (cutter) at a pineapple farm.
Photo: Rob Maccoll for AusAID.

CHAPTER 1: Introduction

The resolve to end poverty and hunger is foremost among the UN Millennium Development Goals. Rural development is central to this effort and Australia, with its expertise in rain-fed and tropical agriculture, is well placed to contribute. In recent times, the Government has increased its official development assistance (ODA) for rural development, and more funds have been earmarked for the future. To ensure the efficient and effective use of these funds, and continuous improvement in the impact of Australian ODA, the Office of Development Effectiveness (ODE) commissioned the review that is the subject of this report.

While seeking to be both rigorous and transparent in design, the review was not a rigid technical evaluation aiming to ‘prove’ conclusively the impact of a narrow range of activities. Instead, it took a broader, more strategic view with an emphasis on identifying principles and activities that, when applied to rural development, would yield sustainable results.

Investigations covered a wide range of rural development interventions, with particular attention given to: (1) the rationale for priorities and investments, both present and past—what choices and decisions have been made and why; and (2) the characteristics of individual ODA investments in rural development, and specifically, their approach and achievements—how projects have been undertaken and what changes they have produced.

The review’s findings are presented as 12 principles that are important to achieving sustainable rural development. Each principle closes with a summary intended to guide planning and decision-making by practitioners, both at the desk level and in the field (Chapter 4 and Appendix A). Six recommendations, aimed at shaping broader policy and practice, are provided in Chapter 5 along with suggested actions to translate their intent into sound development practice.

In addition to the projects considered by the review, this report draws on the review design paper and three working papers, along with informal reports provided to stakeholders in the countries where fieldwork took place. A list of the projects considered during the review is provided in Appendix A and a detailed account of the methodology, in Chapter 3 and Appendix B.

CHAPTER 2: The context

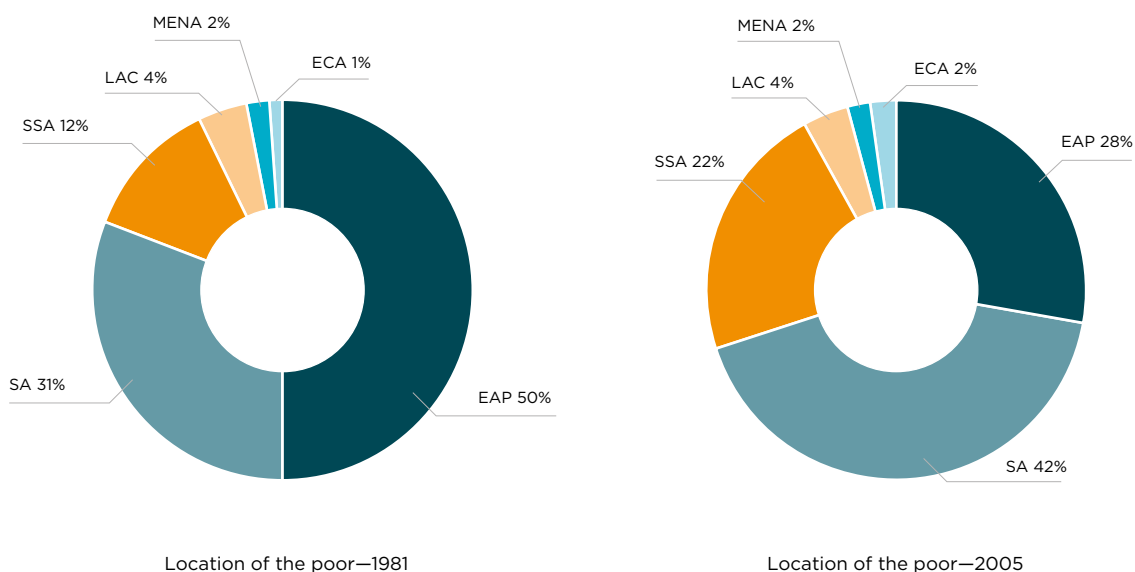
This chapter sets out the context for the review. It includes a discussion of trends in rural poverty during the past 30 years and highlights Australian ODA expenditure along with wider issues affecting its use.

2.1 Rural development trends globally

Most poor people live in rural areas

In the last 30 years, the proportion of people living on less than US\$2 a day has declined from 69 per cent to less than 33 per cent of global population. During that period, (as shown in Figure 1) the majority of the world’s poor were to be found in Asia and the Pacific, and most were from rural areas. This is still the case today. However, poor people in rural areas of the Asia-Pacific now number 1.3 billion—a disproportionate 74 per cent of the global tally. Africa accounts for a further 24 per cent.

Figure 1 Most of the world’s population living in poverty is in Asia and the Pacific



EAP East Asia and Pacific	MENA Middle East and North Africa
ECA Europe and Central Asia	SA South Asia
LAC Latin American and the Caribbean	SSA Sub-saharan Africa

Source: World Bank. Sourced 1 December 2010 from <http://iresearch.worldbank.org/PovcalNet/>

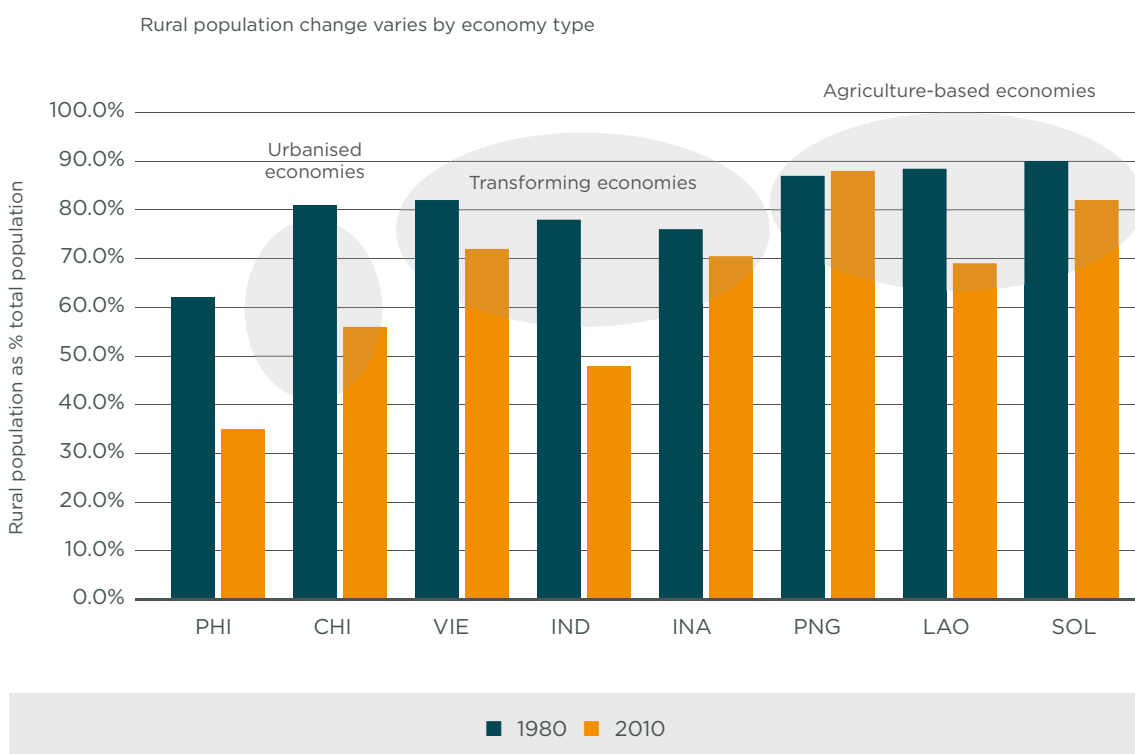
Most beneficiaries of Australian ODA live in rural areas

During the past 30 years the proportion of populations living in rural areas has changed, significantly in countries such as the Philippines and Indonesia, but only slightly in countries such as India and Papua New Guinea (Figure 2). The World Bank classifies developing economies in line with their main features, and these include:

- **Agriculture-based economies**—characterised by a majority rural population, low per capita GDP, agriculture accounting for more than 25 per cent of GDP and a rural poverty rate greater than 40 per cent
- **Transforming economies**—characterised by a majority rural population, middle-income GDP, agriculture accounting for less than 15 per cent GDP and a rural poverty rate less than 30 per cent
- **Urbanised economies**—characterised by a majority urban population, middle income GDP, agriculture accounting for less than 6 per cent GDP and a rural poverty rate less than 15 per cent.

The focus of Australia’s aid program is mostly on the agriculture-based and transforming economies, which have higher rural populations. Beneficiaries of Australian ODA are relatively more vulnerable to hunger, malnutrition and food insecurity.² Although challenging, significant opportunities exist to save lives, increase food security and achieve Millennium Development Goal 1 by directing assistance to the rural poor.

Figure 2 Most people in Asia and the Pacific still live in rural areas



Source: World Bank Data. Accessed 1 December 2010 at <http://data.worldbank.org/>

² IFAD (2010) *Rural Poverty Report 2011*. International Fund for Agricultural Development, Rome, Italy. Annex 1, p233.

Recent economic trends affecting the rural poor in the Asia-Pacific

In many developing countries, agriculture contributed a declining share of GDP during the 30 years from 1980 to 2010. For example, the agricultural share of Indonesia's GDP decreased from 24 per cent to 14 per cent over this period. At the same time, agricultural value added per worker increased and the proportion of the workforce in agriculture declined³. During this period, rural communities benefited from improved access to markets and finance, increased access to infrastructure and services, and some changes in governance. For example, between 1980 and 2010 the proportion of the rural population with access to improved water-sources increased from 56 per cent to 82 per cent in China, 62 per cent to 71 per cent in Indonesia, and from 30 per cent to 35 per cent in Papua New Guinea,⁴ although in most cases urban communities benefited more from recent improvements. People living in rural areas across the Asia-Pacific are not achieving development at the same rate.

2.2 Australia's contribution to ODA for rural development

Globally, the total value of ODA in agriculture and rural development has varied greatly in the past 30 years. For example, in 1980 more than 10 per cent of ODA allocated by OECD countries was directed to agricultural and rural initiatives, with this figure growing to 13.5 per cent in 1990 before declining to around 5 per cent in 2008.⁵ World Bank lending for rural development peaked at US\$3.5 billion in 1995 before dropping back to US\$800 million by 2002. Support for rural development in 1985 was around 18 per cent of all OECD ODA and less than half this figure in 2005.⁶ Reasons for the decline include: the success of the green revolution which led to increased food production; multilateral banks' focus on fewer, larger lending opportunities; and mixed results from integrated rural development (IRD) investments in the 1970s and 1980s.⁷

As shown by the line graph in Figure 3, Australia's contribution to rural development has followed a similar pattern. Australia's allocation of ODA to rural development peaked at 14 per cent in 2001–02 and reached a low of approximately 6 per cent in 2005–06, before rising again to more than 7 per cent in 2008–09, or a total of A\$265 million.⁸

3 World Bank (2008) *Agriculture in Development*. World Development Report 2008, World Bank, Washington.

4 World Bank data—<http://data.worldbank.org> accessed December 13, 2010.

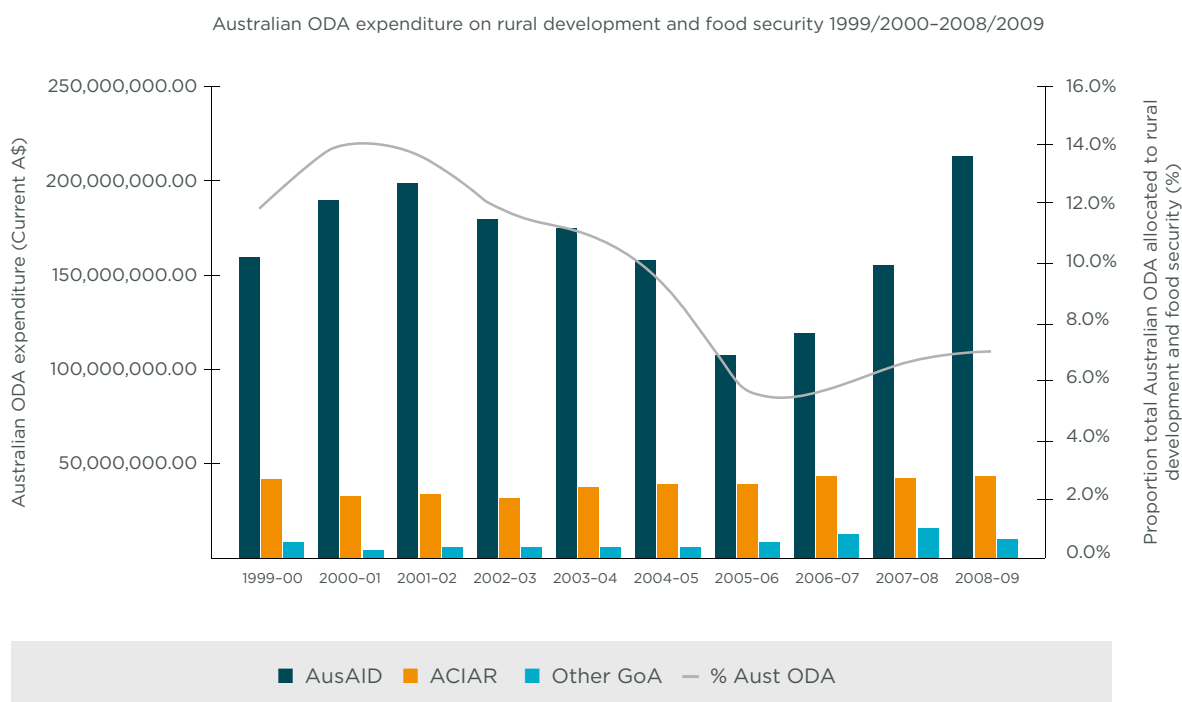
5 OECD DAC data—<http://stats.oecd.org/> accessed December 1, 2010.

6 World Bank (2008).

7 USAID (2005); *Integrated rural development. Lessons learned*; http://pdf.usaid.gov/pdf_docs/PNADF432.pdf.

8 AusAID data from OED and 2010–11 Budget Statement (ISBN 978 1742 711171 p68).

Figure 3 Australia is allocating more ODA to rural development and food security



Source: AusAID data from OED and 2010–11 Budget Statement, p68 (ISBN 978 1742 711171)

As also shown in Figure 3, AusAID delivers approximately 80 per cent of Australia’s rural development investments, with a further 16 per cent being delivered by the Australian Centre for International Agricultural Research (ACIAR) and the remainder by other government agencies such as the Department of Climate Change and Energy Efficiency, and Biosecurity Australia.

Responding to record world food prices in 2008 and global food security concerns, Australia’s 2009 *Food security through rural development* budget measure⁹ highlighted a major change in priorities, with a further A\$464 million allocated to rural development and food security over four years. Within the context of growing ODA budgets, and in line with the Government’s commitment to focus on the MDGs, the support for rural development is increasing. The findings of the recent Independent Review of Aid Effectiveness are in line with this recent positioning.

Australia has a number of comparative advantages in rural development. Amongst other factors, Australia is the only OECD country with advanced tropical agriculture supported by national research and development facilities; it has a market-oriented rural economy built on strong private—and public-sector relationships; and it has a long history of adapting agricultural and technological innovations. These are strategic advantages that can only enhance Australia’s efforts in providing ODA for rural development initiatives.

9 Smith MP, Stephen and McMullan MP, Bob (May 2010); Budget: Australia’s International Development Assistance Program—A Good International Citizen; <http://www.ausaid.gov.au/budget/budget10/default.cfm>.

CHAPTER 3: Methodology

This chapter summarises the approach adopted in carrying out the review, including a working definition of rural development. More detail about the methodology is provided in Appendix B.

3.1 What is meant by ‘rural development’?

In practice, there is no universally accepted definition of rural development.

AusAID definitions

Within AusAID, prevailing ideas on the nature of rural development have largely grown out of the agency’s existing organisational structures, their priorities and budget allocations. The rural development team focuses primarily on food security through agricultural productivity, livelihoods promotion, and social protection/community resilience. This is the definition used in the Australian Government’s *Food security through rural development* budget measure.

However, other country-level documents, including some recent country development strategies, refer to rural development as also incorporating forestry, fisheries, climate change, rural employment and physical infrastructure. Discussions with stakeholders suggest that this broader view of rural development is the most appropriate for conceptualising the sector.

Definition adopted by the review

For the purposes of the review, however, rural development has been defined to include those development activities that are immediately related to **economic development in a rural setting**, namely those concerned with agriculture; non-agriculture business; fishing and forestry; infrastructure (particularly road transport, but including energy and telecommunications); land; and financial services.

In this way, economic development becomes a common factor by which to observe patterns of behaviour, compare results, and draw conclusions. It also allows the assessment of Australia’s engagement with the private sector; is in line with stakeholder feedback (*Working paper No 1—stakeholder feedback report*); complements other recent work of ODE; and is consistent with mainstream views of rural development.

Figure 4 Defining rural development: the scope of the review

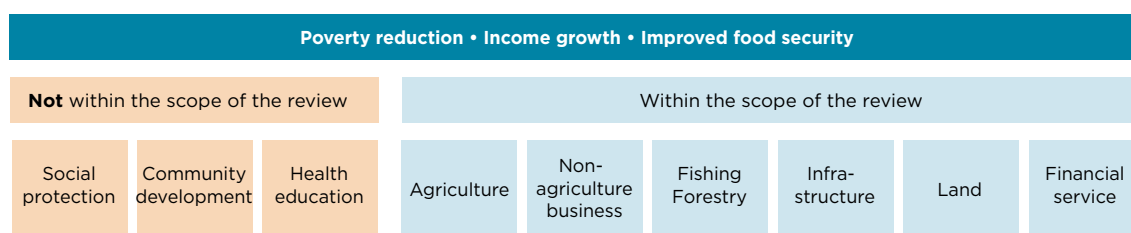


Figure 4 shows how the elements of the definition belong within a broader description of rural development, and how the decision to confine the definition to its economic dimensions enabled the scope of the investigations to be determined.

But the use of this definition by the review is not to suggest it should be adopted by Australia, or that social sectors such as education and health are unimportant. On the contrary, there is widespread research indicating that they are integral enablers of lasting development.¹⁰ For these and other sub-sectors, (including social protection, an area of growing emphasis for Australia) it is likely that the findings of the review may have some relevance. It is also hoped this report may have some relevance for the Australian Government’s policy statement on private sector development.

3.2 Analytical framework

The analytical framework was based on good practice in international development, which suggests that development should: address *causes* rather than *symptoms*; focus on *means* as much as *ends*; and have *deep and long-lasting poverty impacts* central to its design, implementation and management. Appendix C provides more detail about the nature of the analysis supported by the framework.

Table 1 shows how these principles were distilled into three categories, each of which is then elucidated by a set of questions that were developed in line with stakeholder feedback and expectations.

In this way, it was possible to assess individual projects from a common perspective and identify those features most often associated with sustainable results. The framework also formed the basis for discussions with beneficiaries of Australian aid and other stakeholders. Appendix A contains a summary note about each initiative covered under the review and the observations made.

¹⁰ World Bank (2004); Making services work for poor people—World Development Report; World Bank, Washington.

Table 1 The analytical framework for the review key questions

Overall strategic rationale for intervention	Key questions
Relevance to poor people	Are there reasonable prospects of affecting (positively) significant numbers of poor and other disadvantaged people?
Growth and access enhancement	Are there sufficiently strong prospects for improving the performance of the sector in terms of: Growth—competitiveness, production, value-adding, employment and income, for example. Access—are a greater number and proportion of poor people receiving services?
Intervention feasibility	Are constraints and challenges identified as impinging on future development addressable through external ODA intervention?
Specific intervention approach	Key questions
Setting the specific strategic framework	Is the overall causal logic of the initiative focused on developing means as much as ends. (Is the causal logic geared to changing the operating environment?)
Understanding of existing sector	Is there a sufficiently detailed understanding of the current operating environment?
Defining sustainable outcomes	Is there a realistic, detailed and valid view of how the operating environment should function successfully in the future?
Facilitating change	Are activities consistent with this view of the future?
Assessing change	Does the approach to monitoring and evaluation provide a realistic link to higher impact levels? (Are monitoring and evaluation activities providing sufficiently reliable data to enable valid assessment of progress?)
Performance	Key questions
	What change has taken place at each level of the initiative's causal logic? Are changes consistent with the achievement of substantial and sustainable impact?

3.3 Countries and initiatives selected for review

Consistent with the participatory nature of the review, a number of stakeholders were engaged to assist in the selection of countries and initiatives for the review. The process had five steps (see Appendix C), was conducted iteratively, and resulted in the selection of the initiatives set out in Table 2 below.

Table 2 Countries and Initiatives selected for more detailed analysis

Country	Initiative
Cambodia	Cambodia Agricultural Research Development Institute (CARDI) Agricultural Extension Project, Phase II Agriculture Quality Improvement Project (AQIP) Rural Electrification Transmission Project
East Timor	Seeds of Life II
Indonesia	Terminal evaluation of Smallholder Agriculture Development Initiative (SADI) Terminal evaluation of Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA)
Papua New Guinea	Commercial sector/smallholder partnerships for improving incomes in: oil palm and cocoa industries domestication and commercialisation of <i>Canarium indicum</i> processing of <i>Canarium indicum nuts</i> Transport Sector Support Program Media Development Initiative Mid-term evaluation of Agricultural Research and Development Support Facility (ARDSF)
Solomon Islands	Solomon Islands Rural Development Program (RDP) Solomon Islands Road Improvement Project (SIRIP) Improving silvicultural and economic outcomes for community timber plantations Integrated crop management package for sustainable gardens in Solomon Islands Support to the Forum Fisheries Agency (regional agency)

Country	Initiative
Vietnam	<p>Optimising silvicultural management and productivity of high-quality acacia plantations</p> <p>Building bivalve hatchery production capacity</p> <p>Improving feed sustainability for marine aquaculture</p> <p>Policy, institutional and economic constraints to aquaculture in Vietnam</p> <p>Terminal evaluation of Collaboration for Agriculture and Rural Development Program (CARD)</p>

3.4 Methods used

Data was collected by using the questions from the analytical framework in the following settings.

- **Desk reviews**—conducted by examining a range of documents including country strategies; thematic Concept Notes; initiative design documents; Quality at Entry, Implementation, and Completion Reports; and recent independent reviews and evaluations.
- **Interviews**—conducted with relevant agency staff, program and activity implementation personnel, partner government agencies, participants—including from the private sector and civil society—and program beneficiaries. Other key informants (primarily in AusAID and ACIAR) were also contacted for a wider perspective on strategy development and initiative selection. For completed initiatives, key informants from the past were contacted.
- **Focus groups**—conducted with groups of partners or target group representatives.
- **Mini-case studies**—in-depth examinations, conducted for initiatives where a particular type of situation or change had been experienced, in order to identify potential learning points. Case studies from recent rural development evaluations were also included towards the end of the review because of their relevance to some of the emerging lessons.

To ensure a representative spread of views and an indication of the degree of support or otherwise for an initiative, a triangulated approach was used when gathering information. For each project, this involved seeking responses from several sources to the questions from the analytical framework. Sources are listed in the paragraphs above.

A detailed account of the methodology is provided in Appendix C and a summary of results in Appendix A.



AusAID is working to improve rural livelihoods and food security through the Seeds of Life program, with support from Australian Centre for International Agricultural Research.
Photo: Philippa Venning, AusAID.

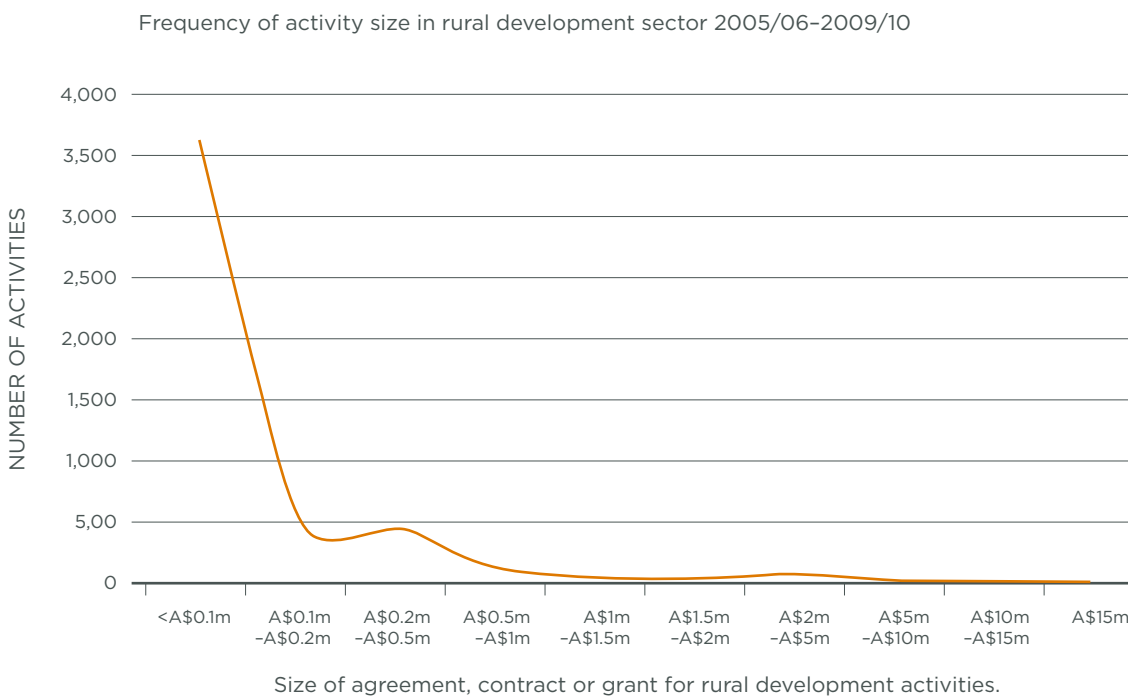
CHAPTER 4: Findings

In this chapter, the findings of the review are presented as 12 related but distinct principles that characterise effective and efficient investment of ODA in rural development initiatives.

4.1 Clearly identify strategic intent

In recent years, the number of Australian ODA-funded rural development activities has increased, with particular growth in the number of relatively small-scale activities (see Figure 5). At the time of the review, country programs tended to be managing a diverse spread of activities rather than a cohesive portfolio of initiatives.

Figure 5 Large number of Australian ODA activities



Source: Aidworks

Effective development requires a clear strategic intent. Strategic intent is the reason AusAID is investing in an initiative, which is usually described in the purpose or goal. These are derived from a thorough analysis of the possible pathways of change and the contribution that Australian ODA can make. Such analysis allows the donor to assess the feasibility of intervention and identify the most appropriate ways to address existing need. Through this type of analysis, it is possible for the donor to develop a vision of the strategic contribution it is seeking to provide. When developed jointly with development partners, shared strategic objectives increase ownership and facilitate

mutual accountability. This, in turn, gives direction to management for development results. Australia's recent country development strategy policy and guidance materials focus squarely on strengthening this analysis and being clear about purpose.

In contrast, and at the time of review, one reason cited for the large number of relatively small activities was a lack of guidance then offered by available strategies. ODE's experiences during the review supported this observation. In some cases strategies were a rationalisation of decisions that had already been made, and were therefore of limited assistance in program planning. In other cases, political factors required some change to stated objectives after priority areas had been agreed.

Box 1 Enhancing effectiveness by chasing change

Transformational development is about contributing to *change*, but sustainable change needs to be driven from within the institutions that shape development. Donor projects can strengthen, deepen, accelerate or improve the quality of existing change efforts, but they rarely instigate sustainable change themselves. Targeting efforts on existing change that is moving in the right direction is an important contributor to aid effectiveness.

The effectiveness of the AusAID-supported Vietnam Collaboration for Agriculture and Rural Development Program (CARD) was tangibly enhanced when it pursued change in this way. For example, work on accelerating and improving the scope and value of agricultural quality assurance schemes in Vietnamese agriculture, such as VietGAP and GlobalGAP (www.globalgap.org) in the fruit and vegetable sector, not only led to greater access to higher-value markets, but also provided a basis for sustainable certification capacity and processes. This cluster of projects built on a number of existing changes taking place within an agricultural system, such as: an explicit policy directive on enhancing quality, competitiveness and access to markets; a clear demand-side pull for certification as a means of securing higher-value export contracts; the global roll-out of appropriate standards and certification schemes (notably GlobalGAP); the vision and strategic intent of forward-looking Vietnamese institutions; and the Australian aid program seeking to engage in the quality assurance agenda.

The most successful initiatives reviewed had conscious strategic direction. Moreover, where analysis identified emerging change in country context and chased opportunities in line with the initiative's strategic purpose, the results were usually sustainable and positive (Box 1).

While the review's findings suggest that having an overarching strategy can improve coherence, this alone is not enough to ensure program success. For example, AusAID currently has several thematic strategies but their usefulness is open to question as they are not aligned with the strategies of country programs and are not always drawn upon in planning program activities. Further, ACIAR was engaged in developing some country strategies, but not others. This suggests that it is not enough to simply have a strategy; what matters is its content and the degree to which it is used in program planning.

Rural development initiatives are most effective where they have a clear strategic intent informed by an understanding of the means by which an intervention can make a substantial and sustainable contribution to development. Such initiatives address causes rather than symptoms of poverty, and have built-in flexibility mechanisms to chase change as it emerges.

Australia's recently developed country strategies and development partnerships are supported by in-depth internal country analysis and sector-specific country delivery strategies. These resources will provide a sound basis for greater consistency and efficiency in developing the strategic intent required for new activities.

Although it can take significant time and resources to develop and negotiate strategies with partner governments, the findings from this review both support their use and justify the additional investment in their preparation. Such investment is likely to further strengthen strategic focus, improve program efficiency and reduce the risks of proliferation and fragmentation. Similarly, the findings suggest that time invested in working with whole-of-government partners can yield improved policy consistency to support an agreed strategic intent.

4.2 Start with a considered understanding of how the poor will benefit from the intervention

Development interventions, no matter the context, should respond to an accurate picture of how the poor will benefit from change. The review found that poor people have benefited in a variety of ways from Australian interventions, but that program managers had different levels of understanding of these impacts. The following examples highlight some of the achievements and the means by which they were attained:

- Where poor smallholder farmers are connected to markets through sustainable enterprise development, they can lift themselves out of poverty relatively quickly. For example, in Indonesia the Smallholder Agriculture Development Initiative integrated livelihood, enterprise and adaptive research activities to effectively deliver economic benefits. Leveraging existing work by a local enterprise—Garuda Foods—and peanut farmers in Nusa Tenggara Barat, the Australian initiative has supported the sustainable adoption of an enhanced peanut productivity model. Through new varieties for improved quality, new farming practices to increase productivity, and staggered plantings to increase farm-gate prices, farmers have increased their household incomes by more than 36 per cent. By 2009 more than 7,500 farmers (more than 40% of all peanut growers in Nusa Tenggara Barat) had tangibly increased their cash income through implementing this model, including over 5,500 repeat farmers.
- AusAID experience in Vietnam suggests that if the strategic intent is to reduce rural poverty then the development intervention should identify and target the specific opportunities to deliver these benefits at scale. Successful pro-poor activities in Vietnam designed with this intent include the National Target Program for rural water supply and sanitation, and Program 135, a national poverty reduction program which aimed to improve access to services for the country's ethnic minorities, who represent a disproportionate number of the poor. The National Target Program is being rolled out to all of Vietnam's 60 provinces.
- Other Vietnamese initiatives were designed with a different strategic purpose and delivered activities, outputs and outcomes that ultimately contributed to other identified development needs. For example, many of the research projects implemented by the Vietnam Contribution to Agriculture and Rural Development program identified, at an early stage, relatively high risks and barriers to entry (e.g. the cost of Good Agricultural Practices [GAP] certification, the capital costs of fish raceways, and the economies of scale needed to benefit from improved piggery practices), which meant that medium-sized enterprises and larger producers (who were more likely to be willing and successful adopters) were the direct beneficiaries of research outputs Australian ODA was targeting.

- In an economy that is moving towards middle-income status and a commercialised, competitive and efficient agricultural sector, it is appropriate (and potentially preferable) that investments in innovation and a future agriculture systems should focus on such middle-level enterprises rather than the poorest of the poor—who will be the ultimate beneficiaries of the increased economic opportunities, including increased demand for their labour, arising from that type of intervention. Such interventions have a different strategic intent and this should be clearly articulated in the program concept and design stage.
- In commodity sectors such as oil palm, smallholders are often not from the ranks of the very poor. In this context, poor people are likely to benefit from employment gains, but not before labour market changes governing the relations between smallholders and labourers are achieved. With this understanding, pro-poor reform of this type is being developed in Papua New Guinea with support from an ACIAR project.
- In road infrastructure, the relationship between access to transport services and aggregate growth is relatively clear, but the extent to which the poor will benefit is less easily assessed. In Papua New Guinea, the Transport Sector Support Program has commissioned research to investigate this question—an important first step in understanding how proposed activities might bring about change in poor communities.
- Infrastructure work supported by AusAID, such as the My Thuan Bridge in Vietnam, continues to provide widespread benefits to local communities through increased trading opportunities.¹¹

The challenge of identifying exactly who the poor are, where they are and how they will benefit is of constant concern in all rural development work. Across the range of sectors, poor men and women participate in agricultural production in quite different ways and it is inappropriate for program planners simply to make assumptions about the benefits that might be derived from an intervention. Accordingly, the importance of applying poverty analysis and development logic in program planning cannot be overstated. These activities will inform the strategic intent of the program as well as its design, implementation, and monitoring and evaluation strategies. They will also provide a basis for decisions about chasing opportunities that arise during an intervention.

The impact of this challenge can perhaps be seen most clearly in Australian investments in research projects, where the poverty dimension can be at risk of becoming secondary to the technical task. In recent years, this concern has spawned more international interest in Agriculture Research for Development (AR4D)—a set of principles and practices aimed at ensuring that research outputs are aligned with the development needs of the resource-poor. AR4D requires that research is better embedded within the wider production system around it, and takes account of the potential for knowledge and technology take-up.¹²

¹¹ GRIPS Development Forum (2003) Linking Economic Growth and Poverty Reduction. GRIPS at National Graduate Institute for Policy Studies, Tokyo, Japan.

¹² Global Conference on Agricultural Research for Development; <http://www.egfar.org/egfar/website/gcard/aboutGCARD>.

Box 2 Private sector development is central to the rural development challenge

Just as economic growth is the largest single contributor to poverty reduction, so the private sector is the main driver of that growth. As described in Box 5, Box 6 and Box 9, the private sector is the main provider of inputs, the primary producer, and the principal buyer of outputs. While smallholders operate businesses, it is the value-adding of the private sector that drives rural development.

However, other actors have a role to play in agriculture, including those from the public and private sectors and civil society. Governments in particular have a clear role in research, standard setting, market regulation and other types of policy development. But the core task of making productive sectors work more effectively is often led by private sector agents.

Nurturing fledgling productive sectors is particularly important but can be challenging in the weakest economies. In countries such as East Timor and Papua New Guinea, where the private sector is nascent and often distorted by signals from government and donors, meaningful rural development can be undermined by bad development decisions.

For agencies such as AusAID and ACIAR the implications of this are clear: effective development must seek to facilitate the development of the private sector.

4.3 Focus on development outcomes first, modality second and partnering organisations third

One conventional way to conceive, design and implement development activities is to select a modality, link with a partner organisation, work through that organisation and, in doing so, build its capacity to play a future role more effectively. This mechanistic approach sees development as a series of tasks and transactions, but it is often an inadequate way to bring about long-term change. Although it is important to have a clear modality for delivering ODA and to build capacity in partner organisations, focusing on these elements often puts the means—organisations and modality—ahead of the real end—development outcomes.

The modality of aid

The structures and processes through which aid resources are delivered are, naturally, a means to an end. Given that the goal is to achieve development outcomes, the modalities of aid should be driven by consideration of what is required to achieve these outcomes. However, the review found a number of examples of modalities driving development rather than the other way round. The review encountered three different explanations of why this may be the case.

First, putting modalities before development outcomes is a natural inclination of time-poor ODA officials. This is because attending to the administrative detail of partners and contracts is an operational necessity which can sometimes take priority over other concerns.

Second, international agreements on aid alignment and harmonisation, in particular the Paris Declaration and Accra Agenda for Action, have not been actively translated into sustainable operational arrangements for donors at country and initiative levels. One particular problem is an assumption—encouraged by the Paris Declaration and Accra Agenda for Action—that partnerships should be between governments alone, rather than involving all those who could help achieve development outcomes. From a programming perspective, it is important that there is enough

flexibility to allow initiatives to work with the most appropriate partners to achieve desired outcomes (see Box 3). This includes state and non-state actors such as the private sector and civil society.

Third, while AusAID has considerable experience in different aid modalities, knowledge of the potential advantages and risks of alternative approaches is not always assessed or weighed. For example, sector-wide approaches are often recommended as a useful means of promoting more effective development, but in the rural development sector there is mixed evidence of their efficacy. Sector-wide approaches appear to offer advantages of ownership, alignment and coordination, and good results are emerging in public-led sectors such as health and education. But experience shows that their performance in agriculture is often poor, with high transaction costs, public spending bias and a preoccupation with process all being common problems.¹³ Their suitability for a multi-player sector such as agriculture is therefore open to question, where the challenge is to develop an operating environment which includes government, civil society and private sector actors playing appropriate, mutually reinforcing roles to allow trade and development to occur.

In response to the uncertainty surrounding different aid modalities, recent AusAID guidance has sought to assess the strengths and weaknesses of different approaches. Key criteria include the extent to which modalities promote alignment, manage fiduciary risk, reduce transaction costs and support national change. If applied and used with discipline, this guidance will be useful in supporting the new, country development strategies that can link analysis to the design and delivery of end-of-initiative outcomes. Program officers should use this guidance to ask two important questions: will this modality support delivery of the expected end-of-initiative outcome? And if so, how can this approach be fine-tuned to suit its context?

Partner organisations

In addition, the review also found that in some cases, partner organisations had been selected before the strategic intent of the ODA investment was finalised. This is problematic for a number of reasons. First, analyses that begin with an organisation and focus on what it can do, rather than on the desired development outcome, can arrive at a skewed or narrow view of the intervention's potential. Rural development experience in Cambodia and Papua New Guinea illustrates the limiting effect such an approach can have on overall development outcomes (see Box 3).

Second, in working only or chiefly with one organisation, there is a danger that the overall institutional landscape—the wider system of functions and players delivering development outcomes—will be neglected. In focusing on a particular organisation, it is likely to be supported to play a more prominent role, in the process changing it and potentially undermining the system of which it is but a single part. As shown in Box 3, by focusing on research organisations alone, the Papua New Guinean taro initiative missed an opportunity to catalyse faster development outcomes because it did not engage with a wider range of institutions and actors at an early stage.

Programs are likely to be more efficient and effective when designed with specific development outcomes as their primary focus, and where choices about modality, size and partnerships are directly influenced by those outcomes. Such programs are also more likely to reach their desired scale.

¹³ Cabral, L (2010); Sector-based approaches in agriculture; ODI Briefing Paper No. 58, London.

Box 3 Delivering outputs but missing outcomes by limiting relationships to target organisations

Colocasia taro is grown by 95 per cent of rural villagers in Papua New Guinea, with 25 per cent growing it as an important food crop. Despite the cultural significance attached to taro, its production declined due to pests such as taro beetle and diseases such as taro leaf blight, as well as declining soil fertility. Between 1965 and 2000 the annual availability of starchy roots in Papua New Guinea declined from 326 to 219 kilograms per person, per year. Such roots used to be the most important source of energy for rural people but now supply only 26 per cent of energy nutrition needs and are being replaced by cereals such as rice.

With support from AusAID and ACIAR, the Papua New Guinea National Agricultural Research Institute (NARI) led research to screen taro varieties to find those that were resistant to leaf blight and taro beetle. Outputs included a collection of 859 Pacific taro varieties and development of four improved taro varieties with good eating quality, resistance to leaf blight, and almost double the normal yield across a range of agricultural domains. The Institute introduced farmers to the new taro varieties through farmer open days, agricultural shows and partnerships with civil society groups and provincial agricultural agencies. Although this led to the adoption of the scientific outputs by some, the opportunity for scaling these benefits in agricultural productivity and nutrition was diminished by the lack of a system for reproducing and distributing the new taro material, and actors to involve in these processes.

By initially focusing only on the National Agricultural Research Institute as the means to achieving a solution to the taro problem, other actors needed for achieving sustainable food security outcomes were excluded from the program's design. In the end, demand for the high quality planting material was so strong that some innovative women's groups established plant propagation businesses to sell young taro corms. These groups could have been identified and involved in the program at an earlier stage to bring more widespread earlier benefits.

4.4 Locate initiatives to maximise influence and minimise capture

Location affects influence

One issue facing ODA initiatives in the rural development sector is the question of where they should be located—physically, institutionally and contractually—and the extent to which this positioning affects development outcomes. In particular, there are questions about whether locating initiatives within government agencies, having them as freestanding facilities or co-locating with non-government partners affects their overall performance.

Many of the initiatives studied in this review were based within government agencies. It has been argued that positioning initiatives within such agencies may enable them to influence the government's wider strategic direction, access operational support for the pursuit of strategic goals and strengthen sometimes fragile institutions in the process. It might also be argued that where public sector reform is the main goal, the task itself and the political economy of government dictate that there is no realistic alternative to being located within government agencies.

The successful experience of the government-based roads programs in Papua New Guinea supports this position (Box 4 and Box 12). Road infrastructure is primarily a public resource and although the private sector is an important contractual partner, government players generally dominate the sector. In working to change the road system, influencing government is critical. These factors strengthen the argument for positioning a particular intervention within government.

In other cases, the advantages of locating within government are less obvious. The East Timor Seeds of Life program (Phases I and II) have successfully built an ‘engine room’ for research, testing and approving seeds—something which is generally a public role—and the program operates with considerable autonomy within government, particularly in its financial and administrative systems. But at the time of review, the program had not substantially investigated the broader issue of seed distribution. This issue is now being addressed in the program’s third phase.

Further, the experience from Cambodian agriculture initiatives suggests that locating programs within government can lead to a view of development which is government-centric, and may run counter to good development practice in sectors such as agriculture which are driven by the private sector and are therefore pluralistic in nature. In these contexts, the relevant intervention may be better placed outside a government agency so that multiple players can be influenced to play appropriate roles and the government does not crowd-out potential investment and economic growth.

Box 4 Why roads are important for rural development

‘Gavman ol i tok gamin tasol—emi no givim ol sevis wea emi promisim long komuniti. Rausim olgeta samting nuting sevis long gavman. Ol i mus givim rod tasol. Pipel emi wantim rod tasol. Rod emi numba won samting long manmeri long komuniti. Supos komuniti I gat rod komuniti i gat development. Supos komuniti i gat rod komuniti I gat pawa long bringim developmin long ples’.

Translation:

“The Government just talks rubbish—it doesn’t deliver on its promises. Get rid of all the Government’s promised services. Just give us roads. The people just want roads. Roads are the highest priority for the people/community. If the community has roads we have development. If we get roads then we have the power to bring development to the area.”

A Village Elder from a remote village in Enga Province, PNG.

The village had not been visited by a representative of the national government in PNG for over 20 years.

Box 5 Different approaches to coffee extension in Papua New Guinea

Australia's support for smallholder coffee production in Papua New Guinea provides a useful case study of the different approaches to extension and the trend toward more innovative approaches involving multiple actors. Coffee is the major source of cash income for the country's rural people, supporting around half of rural households, generating more income than any other commodity, and providing 33 per cent of all income from agricultural activities. With global demand for coffee at an all time high, prices received by coffee growers in Papua New Guinea are now higher than ever before, at approximately 60 to 70 per cent of the export price, according to the Coffee Industry Corporation.

Civil society and the private sector are responding to the opportunity for increased smallholder income from coffee productivity gains in different ways:

- Civil society is forming co-operative groups to produce and market their coffee more efficiently. For example, Bauka Blue Kofi was founded in 2000 by a group of producers in the Eastern Highlands. The group has demonstrated that growers can double productivity and income with existing techniques such as pruning, fertiliser and shade management, as well as coffee bush regeneration. The group is using its own resources to provide extension services to growers in several provinces who join their supply chain.
- Private sector firms engage growers directly to increase productivity, introduce certification to target opportunities in niche markets and secure access to quality coffee for export. For example, the international coffee trader ECOM has established Monpi Sustainable Services with 12 field officers and one manager in Papua New Guinea, and is working with around 2000 smallholders growing more than 2500 hectares of certified sustainable coffee. The cost of this operation is less than A\$220 000 a year and the benefit to growers is a 10 per cent price premium as well as productivity gains that can double production in 18 months. In total, income gains have exceeded 100 per cent. Monpi says the greatest returns have come from using existing research results to improve management.

Australian innovation has also helped poor women smallholders and people living with HIV-AIDS access the benefits of the emerging coffee export industry. Many of these groups now have access to cash income for the first times in their lives. Awareness of the role civil society and the private sector play within a production system and, particularly, extension activities can help take transformative benefits to the rural poor to scale.

Extension services are likely to be best placed outside the public sector

The case of agricultural extension is particularly relevant to the question of where to position ODA initiatives. In three out of the six countries reviewed (Cambodia, East Timor and the Solomon Islands) ODA supports government-led services for agriculture technology transfer and farmer information, usually called 'extension'. In other countries (Indonesia, Papua New Guinea and Vietnam) there is considerable direct ODA investment in extension. Experience suggests that it can be problematic for ODA to support government agencies to deliver extension services when, in most cases, this work is more efficiently undertaken by non-state actors, who can be provided with incentives to innovate and deliver access, growth and scale. While there are strong conceptual arguments for state-sponsored extension services because of the information asymmetries in agriculture markets in developing countries, such arguments should be balanced against the wider global experience which suggests public sector-led extension services do not work well in practice¹⁴. A more strategic approach may be to encourage private sector or civil society groups (see Box 5) to support technology transfer and innovation. Examples from Indonesia (such as the Smallholder Agriculture Development Initiative and the Australia Nusa Tenggara Assistance for Regional Autonomy program), Papua New Guinea (such as the Agricultural Innovations Grants Scheme) and Vietnam (such as the Collaboration in Agriculture and Rural Development Program) demonstrate the benefits of partnerships with civil society and the private sector to link the rural poor to the wider functions and actors that drive change.

Of course, there are no easy answers to the information problem in agriculture, as both Australian and wider ODA experience illustrates. However, Box 5 demonstrates what is possible when civil society and private sector groups employ entrepreneurial approaches.

The experiences outlined above suggest that locating initiatives within government does not necessarily increase the willingness of government agencies to address challenging strategic policy questions about their role, the services they provide or the regulations they create and enforce. Indeed, the wider challenge of reforming policy and regulatory environments is increasingly being viewed less as a technical issue and more as an outcome of interaction between different actors, including government, the private sector and civil society groups.

To bring about effective change, initiatives must therefore understand and engage with different actors and this can be more difficult when those actors are entrenched within government departments.

When deciding where an initiative should be located, a critical factor is the extent to which such a choice will promote efficiency in the productive sector that the intervention aims to influence. But what appears to matter most is whether the right kinds of relationships can be developed with different players, so that targeted actions can be implemented and desired outcomes achieved. This means, for example, that the private sector and civil society, as well as state agencies, may be engaged as agents of change.

Wider development experience suggests that the most productive relationships at the activity level are those where the offer of specific aid support requires a reciprocal action from partners. Such business-like exchanges can provide a foundation for mutually beneficial working relationships at the operational level. Without them, there can sometimes be a lack of commitment and engagement.

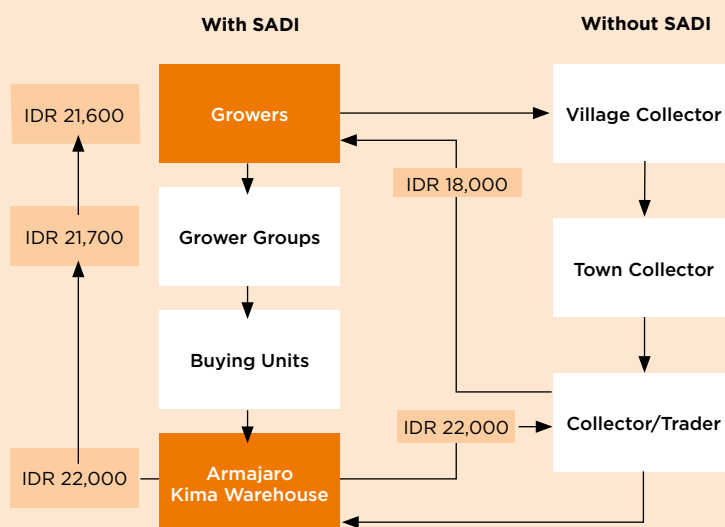
¹⁴ World Bank (2008); pp178.

4.5 Respond to context change with flexible implementation

If the benefits resulting from change are to be realised and its threats constrained, a flexible approach to implementation is required. But, a 'flexible' approach can also set a project adrift. In these circumstances, the importance of having a clear strategic direction cannot be overestimated. The following examples demonstrate the benefits of a shared strategic vision coupled with flexible implementation. Such benefits include the avoidance of 'mission creep' and the achievement of long-lasting end-of-initiative outcomes (see also Box 1).

Box 6 The benefits of having a shared vision

Before joining the AusAID-supported Smallholder Agriculture Development Initiative program, the global cocoa exporter Armajaro sourced Indonesian cocoa from a divergent network of local collectors/traders and had no direct contact with growers. The need to remedy this was viewed as critical, particularly given growing concerns about traceability, and market pressure to adopt more sustainable production methods. Through a vision for a transformative change in cocoa supply introduced by the initiative, growers established groups to supply Armajaro, buying units to: increase the efficiency of supply; share improved margins; and strengthen linkages between growers and consumers. This resulted in an increase in income for growers from IDR18,000 to IDR21,600 per kilogram of dry cocoa beans.



- Improving cocoa systems for the poor in Indonesia.** For some years cocoa supplied from Sulawesi lagged behind international standards for quality and consistency. However, as Indonesia became a more attractive source of supply for global agribusiness, firms such as Armajaro¹⁵ and Mars started to invest in cocoa quality improvement. AusAID recognised this opportunity and set about supporting smallholder cocoa producers to benefit from emerging opportunities in this sector through the Smallholder Agriculture Development Initiative. AusAID particularly engaged with Armajaro, which joined the program as a lead firm in 2007.

¹⁵ Armajaro is one of the world's largest suppliers of cocoa to the chocolate manufacturing industry: <http://www.armajaro.com/default.aspx>.

With the program's support, cocoa farmers were organised into farmer groups and extension services were delivered to farmers with Armajaro's direct participation (see Box 6). Armajaro now works directly with over 1,000 cocoa producers in Indonesia through farmer groups which provide technical assistance, product consolidation and access to transport and logistics.

This has resulted in a streamlined, multi-layered supply chain and a 20 per cent increase in farmer income, while at the same time enabling Armajaro to introduce certification and traceability practices to its farmers through the farmer groups. Further, Armajaro now maintains these farmer networks with its own resources, ensuring sustainability. This achievement, alongside the successful nursery enterprise model, has helped service the needs of over 3,000 farmers and has been integral to the revitalisation of the Indonesian cocoa industry.

- **Helping smallholders access high-value European markets.** Vietnam has a comparative advantage in the production of dragon fruit. With AusAID's support through the Collaboration in Agriculture and Rural Development Program, growers and packers were supported by the Southern Fruit Research Institute and Plant and Food Limited of New Zealand in the adoption of certified agricultural practices so that they could gain access to higher value markets (see Box 1). Because of the high costs of adopting the new quality standards, the program initially targeted a few large producers linked to a progressive packing house.

This resulted in high individual impact for a small number of direct beneficiaries. For example, between 2006 and 2010 one packing house grew its exports to the European Union from 10 per cent to 50 per cent of total throughput because the margin is three times greater in that market. More recently, the model was expanded by the Collaboration in Agriculture and Rural Development Program through its engagement with Cluster GlobalGAP certification. As a result of engaging with this partner, many smallholders (indirect beneficiaries) now have access to higher priced, stable markets in Europe and supermarkets in Vietnam. Further, smallholders adopting Cluster GlobalGAP and supplying exports generate a 10 to 15 per cent premium above the domestic market.

This activity contributed to the growth of the dragon fruit industry in Vietnam, which provided US\$70 million worth of exports in 2010—a ten-fold increase in just four years. The program also chased further success by supporting the Southern Fruit Research Institute to establish a GAP template for certified production of horticultural produce. This approach is now used as a model by other fruit and vegetable projects in Vietnam, including in the mango and pomelo industries.

- **Institutionalising change in government service providers.** AusAID's contribution to agriculture and rural development in Vietnam through the Collaboration in Agriculture and Rural Development Program coincided with a time of change in the Government of Vietnam's approach to organising and managing research. These institutional changes created opportunities in the Ministry of Agriculture and Rural Development, and the program responded by adding two institutional strengthening outputs and reallocating resources accordingly.

These changes were consistent with the program's overall goals and purpose, and focused on three areas: (1) development of a research and development priority framework for the Ministry of Agriculture and Rural Development as a point of reference for Government of Vietnam and external agency research funding; (2) reform of research governance, and management policies and strategies within the ministry; and (3) awareness of international models for the governance and management of research, and the development of more commercial models of research delivery. The Collaboration in Agriculture and Rural Development Program demonstrated the use of new research management processes such as competitive grant allocation and output-based contracting, and the ministry developed capacity by participating in project selection, contracting, performance management and strategic objective-setting processes.

Three factors appear to have contributed to the success of the activities described above: (1) the initiatives worked with a wide range of actors and supported them to build sustainable relationships relevant to the production system of which they were a part. (2) Australian contributions fitted into a strategic vision of how the systems could function so that initiatives were not isolated or imposed, but were, rather, placed within a wider context of owned industry development. (3) support was sufficiently flexible to allow engagement with different players as necessary, provide partners with experience as development facilitators, and allow the program to respond to opportunities and threats as these emerged.

Box 7 Support to a regional agency—the Forum Fisheries Agency

Australia plays a dual role in the Pacific's regional agencies—both as a country member and a donor. Regional agencies potentially provide efficiencies by enabling collective action, facilitating regional cohesion and enhancing bargaining power. They can also provide an effective means of addressing trans-boundary challenges and can act as a temporary catalyst for regional change.

Previous analyses have raised questions over the effectiveness of regional organisations; however, the Forum Fisheries Agency (FFA) is generally regarded to be one of the more successful. Although some members have questioned the effectiveness of FFA in supporting fisheries development outcomes, there is widespread agreement that the FFA has made a significant contribution towards assisting members with meeting their commitments under global and regional fisheries conventions. The FFA provides fisheries expertise and technical assistance to its members through the support and management of monitoring, control and surveillance programs for tuna fisheries.

Regional agencies add value by promoting regional partnerships and providing a means for distinguishing regional interests from public goods. Australia's strategically targeted approach is helping protect important fishery resources and maximise public and regional benefits.

4.6 Balance public and private benefits to optimise results

The above discussion of the way ODA is, and should be, positioned also highlights a wider issue: What responsibilities should governments adopt in relation to agriculture and other private-sector-led segments of the rural economy? Depending on the answer to this, there is also the linked question of the role ODA should play in helping governments operate more effectively in this environment.

These are neither straightforward questions, nor ones to which the international development community has responded with a single voice to date (see Box 8). However, as a starting point there is some recognition that governments should pursue roles which have a discernible public dimension, and for which there exist no realistic alternative actors. Public good theory is a useful principle to help guide the allocation of ODA.

Initiatives considered by the review resulted in a number of outputs and outcomes with a mix of public and private benefits. To maximise the impact of investment in this environment, ODA should be directed to: (1) collective action to generate goods and services that result in benefits; and (2) action that private investment would not normally support. In rural development this might include actions to enable regional trade, manage a river basin, improve regional food security, adapt to climate change or manage pandemic livestock diseases.

In rural development, the role of individual farmers and their emergence from poverty through small and medium enterprises creates complex design challenges for efficient allocation of ODA if an appropriate balance is to be achieved between public and private benefits.¹⁶ Many of the goods and services necessary for rural people to survive and thrive require some form of collective action at the regional and international level. On the supply side, this can be addressed by engaging with international organisations such as the Food and Agriculture Organization, the Association of South-east Asian Nations and the World Trade Organization. As shown in Box 7, it can also be addressed on the demand side by partnering with, and providing budget support to, organisations whose mandate includes the delivery of specific goods or services necessary for development in poor rural areas. Decisions about which organisations to engage with, and when, are best made after identifying the anticipated benefits and considering the design features that would generate sustainable results.

The balance between public and private goods was not always clear in some of the ACIAR initiatives considered by the review. On the one hand, support for capacity building in public sector research clearly has national and even regional public benefits, but the sustainability of these benefits depends on recurrent budget support from government, which is not always guaranteed. The example of the Cambodia Agriculture Research Development Institute (CARDI) demonstrates this point. Despite a good technical reputation—CARDI has produced a wide range of rice varieties—few farmers grow them and the institute has limited impact on productivity, and has been unable to attract official Cambodian Government support. On the other hand, support for private sector research typically provides private benefits only—for example increased productivity and crop quality for farmers—and so may be more efficiently financed with cost sharing and private sector approaches to maximise the value of these particular ODA investments.

Several AusAID initiatives have struck a balance between public and private goods to maximise value for money and optimise broader development impacts. For example, the Vietnam Collaboration in Agriculture and Rural Development Program uses cost sharing between public institutions and private enterprises. In the good practice case highlighted in Box 1, the medium-sized enterprises covered the cost of certification for packing operations while the program shared the cost of supporting smallholders to become certifiable. Similarly, through the Papua New Guinea Agricultural Research and Development Support Facility program, (Box 5) smallholder coffee growers were supported initially with ODA funds, but subsequently engaged processors and exporters on commercial terms with their own funds.

Initiatives are more likely to maximise development returns if they are designed with an understanding of (1) the parties who will reap the public and private benefits of the intervention; and (2) the most appropriate future roles of state and non-state actors in the production system targeted for intervention. Such understanding determines which aspects of the program ODA should pay for and who Australia should choose to partner with. It may be entirely appropriate for ODA to be used to produce public and other goods that would otherwise be under-consumed and/or under-produced. Where the exit strategy of a particular intervention implies some form of increased public expenditure by the partner government, then the program should be designed and configured within the context of wider analysis of public expenditure across that government.

¹⁶ For further information, see: <http://www.theidlg.com/documents/Publicgoods.pdf>.

4.7 Engage in policy dialogue and influence public expenditure decisions

Rural livelihoods are at risk of being uneconomic, inefficient, fragile, distant and disconnected, and for these reasons, they are vulnerable to shocks. So the state has a pivotal role, using its powers of collective action and finance, to adjust the ‘rules of the game’ (policies, regulations and investments) in favour of more efficient and sustainable rural livelihoods and the generation of other public goods associated with rural development. At the forefront of the current debate is the positioning of the state in rural development alongside other players (see Box 8) and how to effectively contribute to difficult cross-sectoral (including market) reforms.

No country has turned its rural fortunes around—at scale at least—through donor interventions alone. All the major shifts (positive and negative) in rural development and rural poverty at a national scale have arisen from substantive policy and expenditure choices by the state. Such decisions relate largely to investment levels in, and the regulation of, infrastructure and communications, service delivery and research, and (positively or negatively) the use of subsidies.¹⁷ However, the sequencing of support and management of complex cross-sectoral reforms can also affect developing rural sectors in profound ways.

Box 8 Current policy narratives on the role of the state in agriculture. **

- Free-market narrative: reliance on private sector development; little role for ministries of agriculture, more important functions located at other line ministries such as ministries of trade and finance.
- Coordinated-market narrative: targeted and sequenced state intervention justified to kick-start markets; ministries of agriculture have potentially strong coordination role and provision of input and financial services.
- An embedded-market narrative: NGOs, CSOs and farmer associations provide an alternative to market and state failures; ministries of agriculture should support the development of these institutions.

The ‘most appropriate’ role(s) for the state vary over time and between sectors. Markets mature during the process of development and require different ‘rules of the game’ to become stronger and more efficient. Early state-led interventionist models lack the incentives to promote ongoing improvements in efficiency and are not preferable. On the other hand, effectively influencing the state in its policy, public finance and service delivery decisions, can bring transformative benefits to large numbers of poor rural people. Efforts must be based on robust diagnostic analysis to be effective.

** These narratives were drawn from ‘Future Agricultures’ Policy Brief 016—*Donor Policy Narratives: What Role for Agriculture?*

¹⁷ For example, Bangladesh rural telecommunications, Malawi input supplies, the Green Revolution and Operation Flood in India, and dairying in Kenya, in developing countries; and Europe’s CAP.

The review found positive examples of AusAID influencing the functions of the state and this influence has helped benefit rural poor people. For example:

- The high-profile activity in the Solomon Islands (discussed in Box 13) was successful in boosting rural incomes through enhanced cocoa exports. Its principal tool was financial (budget) support for input subsidies. These inputs may be quite appropriate (they certainly worked in the short term), but they nonetheless represent a policy and public expenditure choice of Government. The initial success of this program lay in its policy and public finance dimensions rather than its technical dimensions.
- AusAID incentivised rapid roll-out of mobile phone coverage to almost the entire rural population of Vanuatu. This may have done more for rural development in a few years than had been achieved through the sum total of agricultural projects since independence.

Rural development is largely about improving rural people's ability to produce, trade, connect, communicate and be mobile in often inefficient, disconnected and fragile environments that lack any economies of scale. The ability to survive and thrive in rural areas is determined by multiple and far-reaching factors, principally:

- **Government policies** that recognise and encourage appropriate roles and juxtapositions for the state, the private sector and civil society; encourage private-sector development; make input and output markets efficient; and act to mitigate unfairness such as discrimination, abuse of market power, uncompetitive practices and consumer exploitation.
- **Public expenditure choices**, including the allocation of ODA, that recognise what capital investment is required (especially appropriately-configured transport, communications, banking and credit); what recurrent expenditure is necessary in the short, medium and long terms; what kinds of services are required and where; what subsidies are required or appropriate; and what form they should take.
- **Efficient and effective service delivery** and market-facilitation mechanisms and approaches (within or outside the public sector).

Of crucial importance is the extent to which public agencies implement their policies and efficiently and effectively carry out their functions. Also important are the unwritten 'rules of the game' that govern business and societal relationships and the extent to which prevailing business models promote inclusive growth. These factors can all promote or constrain transformative development, including in particular the level of activity and investment provided by the private sector.

When engaging with partner governments, a donor's primary concern should be to establish a dialogue, first and foremost about the impact on rural people of the policy and public expenditure choices those governments might be considering. In this way, it is possible to encourage support for change that is both pro-poor and well suited to rural enterprise. Such dialogue must be founded on robust diagnostic and analytical work, including poverty analysis, and a deep understanding of the systems and actors that are important to poor people at country level.

Successful programs will also engage with partner governments to explore what success will 'look like' at the outcome level. These discussions will be based on a robust theory of change—that is realistic about current and likely future government capacities—and will also include any benefits likely to arise from additional donor support, along with the means for establishing mutual accountability for that support.

Activities of this type, which focus systemically and systematically on 'transformational' improvements to the underlying policy, public expenditure and service-delivery determinants of rural development are likely to lead to more substantial impacts than the conventional transactional/project-based approaches of the past, which tended to focus on direct delivery to small cross-sections of the rural poor.

4.8 Confidently influence multilateral and co-financing partners

The review examined Australian support to programs managed by the Asian Development Bank and the World Bank.

In the case of the Asian Development Bank's work in the roads sector in Solomon Islands, development initiatives have a relatively narrow focus and AusAID has been able to exert tangible influence over both program design and the next stage of programming. This is allowing work to move towards a more sector-based approach, in line with Australia's strategic development priorities.

However, in the case of the World Bank's programs in electrification and broader rural development, AusAID has had mixed success in influencing strategic shape and programming direction. This is despite being a key funder of these activities and providing significant additional investments of human capital. But more recent experience with the Asian Development Bank, NZAID and the World Bank in the Pacific Regional Infrastructure Facility demonstrates how a clear strategic intent, a significant Australian contribution and allocation of senior AusAID staff to strategic management roles can lead to harmonised sector contributions with significant Australian influence.

Three factors appear to contribute to Australia's relative influence over its co-financing partners.

- First, and in relation to the specific 'how to' mechanisms of World Bank program design, it is necessary to understand the Bank's schedule of preparation and board approval processes.
- Second, and more fundamentally, influence comes from having a specific strategic intent for each initiative; a clear vision for scaling up impacts in the future; and well founded views on the key issues programs should engage with.
- Third, that influence is a function of the level of expertise Australia brings to the negotiation table.

The extent to which multilateral organisations are open to influence will undoubtedly vary from one situation to another.

There appears to be a clear rationale for investing ODA resources in initiatives developed and managed by multilateral partners. By supporting institutions with regional and international mandates, public goods are likely to be delivered, aid fragmentation and transaction costs can be reduced, and development outcomes can be enhanced by the sharing of resources around agreed objectives

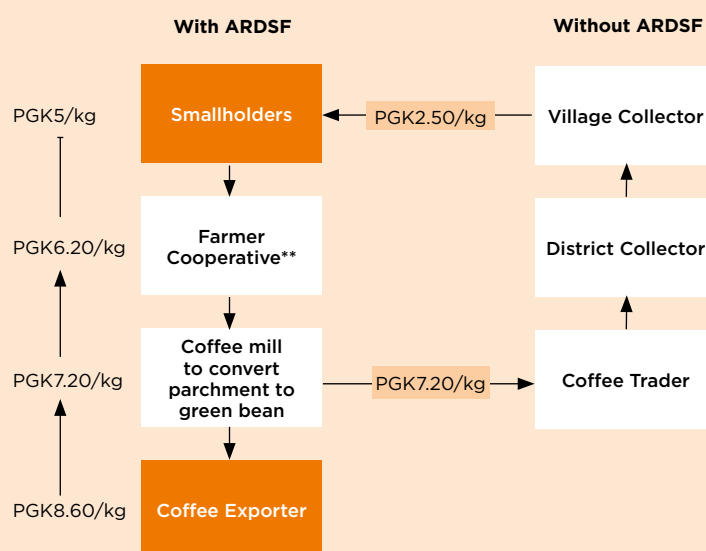
Where AusAID has successfully influenced its multilateral and co-financing partners, the review found that the agency (1) had a sense of the value (technical insight and influence) that it added; (2) had realistically assessed the technical and analytical capacity of the partners; and (3) had considered partnership options rather than outsourcing management to allow AusAID to exert more influence on the implementation of aid initiatives. The long list of recently negotiated strategic partnership agreements as well as the finalisation of Australia's multilateral engagement strategy and the Australian Multilateral Assessment will all help Australia derive greater value from its multilateral and co-financing partners.

4.9 Undertake multiple functions and engage multiple players

When markets do not function effectively it is often the poor who suffer most, such as smallholders who may be unable to sell or trade any surplus goods they have managed to produce. The agriculture sector is inherently pluralistic, with a variety of factors, actors and rules required for markets to work effectively. Initiatives in this sector should acknowledge and respond to these factors so they can actively target the constraints that are holding poor people back. Important insights about successful operation in the sector can be gained by comparing a range of experiences encountered during the review.

Box 9 Positioning change in an effective system

With support from AusAID, coffee growers in Morobe Province have developed relationships with key actors in the coffee production system, including transport companies, processors, financiers, exporters and traders. This has enabled them to participate in the entire value chain, rather than selling only to village collectors, resulting in higher income for producers and a direct connection with market signals for coffee quality.



- Smallholder cashew production in Indonesia.** A women's group started a cashew business with processing equipment and technical training support from the AusAID-financed Smallholder Agriculture Development Initiative. With the initiative's support, product quality and vacuum packaging improved dramatically, resulting in regular but small-scale orders. The immediate, and direct, benefit of this was allowing the women to earn an income, which ranged from 11 to 36 per cent of average male head of household income depending on the type of work they undertook within the group. The quality of the product led to requests for larger volumes from commercial agri-businesses in Java, and this required operations to be scaled up from production of less than 100 kilograms a month to 1,000 kilograms a month. But the expansion of this successful enterprise was constrained by four issues: a lack of access to finance to support growth and expansion; a mismatch between the scale of

equipment provided by the Smallholder Agriculture Development Initiative and the increased demand; poor understanding of market price signals and product pricing; and a weak sense of ownership. Because of these constraints, the women's group was unable to maximise the benefits from the market opportunity that arose.

- **The oyster sector in Vietnam.** A major constraint in this new sector is the availability and quality of spat, the seeds that farmers grow into commercial oysters. ACIAR has successfully transferred equipment, knowledge and skills to its partner, a government research centre, and in a short period of time production has significantly increased. The research centre acts as a hatchery, and currently delivers 40 per cent of the spat needed by approximately 5,000 small-scale oyster farmers. To put this achievement in context, production levels represent around 75 per cent of the oysters grown annually in New South Wales. However, the hatchery cannot significantly increase production, and involvement with this role may also be a distraction from its core research purpose. For the industry to grow (enabling more poor farmers access and increased income opportunities), private hatcheries need to be developed, using the inputs from the research centre. Future interventions targeting the constraints hindering the growth of private hatcheries will need to follow so the positive impacts associated with these interventions can be taken to maximum scale.
- **The Papua New Guinea coffee sector.** With support from the AusAID financed Agricultural Research and Development Support Facility, ADRA—a local civil society group in Morobe Province, PNG—works with coffee producers to link them to the coffee industry they supply. ADRA helps producers form cooperatives, which then consolidate production, contract process their product and market it to exporters in Lae. As shown in Box 9, by doing this work themselves through the cooperative, smallholders can double the price received and improve cash flow, reducing the need for expensive loans from collectors and traders. Higher prices paid to smallholders are complemented by productivity increases of up to 100 per cent as a result of improved management practices. Income is paid to cooperative members in relation to their production, effort and inputs, and women receive cash income along with men. For many of the women participating in the activity, this is the first time they have received a formal cash income from their agricultural enterprises. People living with HIV/AIDs have also been successfully encouraged to participate in the Australian intervention, allowing them access to income opportunities they would otherwise have been denied. Because of these demand-led interventions, there is also an emerging shift in focus amongst smallholders from subsistence to commercial farming—an early stage transformational change.
- **The oil palm sector in Papua New Guinea.** Socio-economic research has provided a basis for a more gender equitable payment system among oil palm smallholders, resulting in 20 per cent higher incomes for more than 12,000 women as well as higher productivity.¹⁸ Compounding these benefits is an innovative mobile payment card, which has been developed to align incentives with productive behaviour, and match the more energetic and motivated with the task of improving underperforming smallholdings. This allows the labour market to work more effectively and provides a sound basis for higher output, as well as higher and better-distributed incomes. These initiatives have led to transformational benefits for this large sector—which accounts for 43 per cent of Papua New Guinea's agriculture exports—and the 250,000 people who are dependent on it.

¹⁸ Koczberski, G (2007); *Loose fruit mamas: creating incentives for smallholder women in oil palm production in Papua New Guinea*; World Development, Vol. 35, No 7.

Why are some of these initiatives more successful than others? All have targeted a particular binding constraint with an appropriate intervention of high quality. The difference between these initiatives lies in the wider production system and the degree to which the intervention effectively strengthened that system and encouraged more trade. The coffee and oil palm sectors are highly structured and dominated by a small number of buyers who collaborate on global certification and standards, and make use of mechanisms for lesson-learning and performance improvement. The advent of a more gender equitable payment system and mobile payment card has helped align incentives and encouraged greater efficiencies from which poor people can benefit.

By contrast, the cashew and oyster initiatives are not part of established production systems and need more planning and support to scale-up successfully. In the case of the cashew sector, better market linkages, group ownership and sharing of risk, accessible finance and scalable processing equipment are all needed to enable the transition from small enterprise to agribusiness. In the oyster sector, development of the wider system around research—especially technology transfer from research institutions to private sector enterprises—is needed to maximise the potential for scale.

Box 10 Are fragile states different or just more difficult?

Three out of the six countries covered by the review are defined as fragile, and fragile states feature prominently in Australian ODA. What difference does this make to rural development approaches? Four points are worth highlighting.

1. Fragility is a continuum rather than a particular 'place'. AusAID's Guidance Note defines this difference in terms of low interest in reform, low capacity to use aid and implement decisions and a poor enabling environment. Yet these are problems that are evident to some degree in all developing countries. Fragility is, therefore, about difference in degree, not kind.
2. Being fragile does not relegate countries to a 'non-development' framework. Indeed, relief agencies are increasingly recognising the dangers of too much giving, and are seeking to link their work to wider development outcomes.
3. The constraints are many and complex, and the development task is consequently harder. The same questions apply in weak environments as elsewhere but the interventions may be different. In particular they may be more activist, leading, and aware that results will take longer to achieve.
4. In fragile states, it is still valid to focus on end-of-initiative outcomes. A 'there's nothing here' response to fragility can lead agencies to abandon good practice principles—for example, building governments into unsustainable roles to fill a perceived vacuum

Apply principles of good development in fragile states

Many of the countries in which Australian ODA is invested are not simply economically weak but are defined as 'fragile states', often having been through the turmoil of conflict. In these states, endeavours generally follow a period of relief-oriented activity, which is usually focused on direct delivery of aid to poor people.

In this context, the absence of the principles of good development can undermine the efforts of local public and private actors who are working to re-establish systems and processes to bring services and economic opportunities to the poor.¹⁹ High levels of donor engagement directly with poor people in weak economic environments may serve to undermine local actors' vision of more self-reliant, less-dependent growth. AusAID's fragility unit has produced guidance to facilitate the application of the principles of good development in these difficult contexts.

More generally, caution should be shown in assuming that wider development lessons are inapplicable in fragile or very poor states, rather than simply being more challenging to implement. Although welfare and relief efforts may be necessary and valid, they often do not provide a platform for lasting development. This is an issue that aid agencies around the world, including AusAID, are addressing²⁰ (see Box 10).

In all four cases above, support was focused directly on constraints limiting a productive activity, but the most successful enterprises engaged multiple functions and actors to strengthen the broader operating environment for the benefit of poor farmers. Ultimately, however, the level of success is determined by the vibrancy of the overall production system, of which the initiative is just one small, but potentially catalytic, part.

Two related points can be made from past rural development efforts in fragile states. First, working with partners who are one step removed from the final beneficiaries can reduce the risk of dependency. This means that aid agencies should pursue relationships with traders, retailers or buyers, who are better placed to provide a more functional, exchange-based involvement with those in need of assistance. Second, by favouring these relationships, aid agencies can turn their attention to influencing government policy and supporting the activities of service providers and others who normally work with rural people. Experience suggests that interventions aimed at strengthening the operating environment around the poor are more likely to lead to substantial and sustainable impacts.

4.10 Research is one possible part of change for rural development

As shown in Figure 3 above, Australian ODA for rural development is normally executed by AusAID or ACIAR. The review examined nine projects supported by ACIAR and found that it is a strong research institution with a number of distinctive characteristics when viewed from a development perspective.

- Rationale and origins—mutual benefit for developing countries and Australia
- Method of operation—network-based relationships with a view to brokering partnerships
- Culture and expertise—technical /science-based to deliver research outputs primarily
- Impact assessment technique—based around the causal links along an adoption pathway
- Visibility and prominence—high, and arguably outperforming the scale of its resources.

¹⁹ Fukuyama, F (2008); *State building in the Solomon Islands*; Pacific Economic Bulletin, No 3.

²⁰ Albu, M (2009); *Emergency market mapping and assessment toolkit*; Practical Action Publishing.

Perhaps most importantly, compared with other development approaches such as direct capacity-building, ACIAR pursues its objectives through ‘agriculture research partnerships for the benefit of developing countries and Australia’. It brokers mutually beneficial relationships, which aim both to meet development and research aims. Because of this, there is an inherent duality in ACIAR’s mission²¹ and the Centre undertakes two related but distinct roles: as a research broker/funder and as a research-led development facilitator. These factors affect the way the Centre delivers development outcomes. For example, as already highlighted, when research is appropriate and the wider environment is largely effective, projects supported by ACIAR can bring large-scale benefits.

Box 11 Addressing the challenge of scale-up from a narrow technical base

Two different programs visited during the review confront the same challenge: how to progress from a relatively narrow technical and scientific base to generate scaled-up and sustainable change.

The priority of the Seeds of Life program in East Timor has been to develop the so-called ‘engine room’ of seed research and testing within the Ministry of Agriculture. This produced nine approved varieties and, through leakage from trials and action-research pilots with community groups as well as the natural spread from these activities, new seeds for some staple crops are now with a large proportion of farmers in the country. Productivity, income and poverty reduction benefits will flow from the use of these new seeds.

However, for the program to have a more sustainable impact, the channels connecting initial seed research to the farmer—the production, multiplication and distribution of seed—need to be developed. Building on previous experience, the design of the third phase of Seeds of Life has attempted to address this systemic requirement by including activities to strengthen informal and market channels for seed production and distribution.

In Papua New Guinea the series of projects in the *Canarium* nut sector initially focused on the development of the production system for the product. However, the process of development involved working with other players, including farmers, traders, researchers, investors and associations, so that from an early stage the program began to go beyond the narrowness of its scientific origins. Buy-in from the private sector, investment in seedlings, product testing and processing investment followed. By considering scale and sustainability from an early stage, and recognising other functions beyond research, the projects have established a good foundation for growth.

However, when research is not part of the change process identified in a development strategy, or constraints to development are more severe and lie beyond the Centre’s research remit, development impacts are likely to be relatively small. Even excellent research will not translate into development outcomes if the context is unsupportive or there is an un-met need for other development interventions. This has implications for ACIAR’s ability to successfully contribute to development, particularly in weak economies. But it also highlights opportunities for ACIAR and AusAID to work closely together.

21 Nairn et al. (1998); *Staying ahead. Report of a review of ACIAR*; ACIAR.

In some cases the Centre's focus on mutually beneficial outcomes risk, within a single project, the creation of parallel activities that have no immediately obvious connection to each other. Examples of this include a community timber project in Solomon Islands, which added a mini-project with a community in Queensland; work on bivalves in Vietnam, which also supported work on razor clams in New South Wales; and research on sweet potatoes in Papua New Guinea, which also supported analysis of the potato value chain in Australia. From a development perspective, efforts should be sustained to ensure these projects are not a distraction from the underlying development task.

The above points raise a number of issues for ACIAR:

- Research in support of a particular development goal is inherently a medium to high-risk activity, with potentially significant returns if it is complemented by development interventions. Research of the kind supported by the Centre, which is pre-commercial in most instances and often of considerable length, can only be expected to lead to significant impacts in a small proportion of cases. In around one-quarter of the projects reviewed, major impacts can be seen or are considered likely. Others had a more limited potential for success, and for others still, the likelihood of any substantial impact was a more distant possibility. These observations might be considered typical for this type of investment. While the aim is always to increase the success of agriculture research projects, the exploratory nature of much of the research and the nature of the environments in which it takes place mean that chance will always play a role in determining final outcomes. Future approaches should, therefore, be sufficiently flexible to chase change and take early results to scale.
- In recent years, ACIAR has increasingly played a role as a development facilitator. In taking on this role, the Centre faces the challenge of focusing its contributions where research is a logical part of the change process, while also building development skills both within its own teams, and among its partners. Further, it is important to remember that the achievement of wider development objectives does not always involve research—it is inherently multi-disciplinary, often involves major engagement with public and private sector players and requires an ability to understand and develop a range of functions in an operating environment. Given its current mandate, the focus for ACIAR should be on deepening its partnerships with development organisations, including aligning monitoring and evaluation activities (see Box 11).

There are many potential synergies between ACIAR and AusAID in the interface between research and development. The research work supported by the Centre is naturally connected with other players and functions in the rural economy, and sometimes requires a development input. Equally, AusAID's development mandate often requires research to provide a knowledge base for interventions. As the work of the two agencies is complementary, additional opportunities for deeper collaboration and partnership exist and are likely to further arise in the future. In particular, country development strategies for Australian ODA provide a common platform for analysis, collaboration and coherent decision-making.

4.11 Land systems are central to rural development but complex to reform

In rural development, discussions about land are coloured by two facts. First, land is a key component of the context for change. Effective land systems that offer appropriate access, security, and clarity of ownership are central to the development of economies, as they provide incentives for investment, and support the evolution of related markets. Second, systems of land ownership and usage are complex and divisive, especially where: customary ownership is still the prevalent mode; the main land systems are informal; and the use of land is intertwined with social issues. When established land systems are challenged by growth, change or hardship, and land becomes a contested resource, conflict and social dislocation can often result. Supporting positive reform in these contexts is therefore a challenging task, especially in the fragile states where Australia is frequently operating.

To its credit, Australia has not shied away from this complex issue. Rather, it has a long history of involvement in land issues. Australia has undertaken research in the Pacific region in particular and developed a number of initiatives aimed at improving land systems. While the review was not able to examine current or recent initiatives in depth, it was able to hold informal discussions. Also, in some of the projects examined by the review, such as ACIAR's oil palm project, land questions were relevant. On the basis of these discussions, a number of observations can be made:

- Where initiatives aim to change land systems directly, (in Solomon Islands and Papua New Guinea for example) there has been limited impact overall. The Institutional Strengthening of Land Administration initiative in Solomon Islands was able to make progress on formalising titles for unauthorised settlements and consolidating land administration functions, but acknowledged that there were concerns over the sustainability of these changes. In other cases, such as road development initiatives, unresolved land questions hang over the development process.
- On the other hand, AusAID and its partners have pursued a number of interesting small-scale pilot programs that are based on a strong knowledge of existing practices and engage with a wide variety of actors. For example, in Papua New Guinea's oil palm sector, a clan land usage agreement for long-term land leasing was trialled and then institutionalised. Some of these developments show promise and have stimulated investment.
- More widely, AusAID's investments in understanding land in the Pacific have resulted in useful and informative publications²² that may form the basis of future interventions to strengthen local systems and remove the dysfunctional elements constraining development.

Clearly, no single approach can address difficult land questions. The experiences outlined above illustrate the need not only to understand the land system as a whole, but also to address the land system as a whole in any intervention, accepting the difficulties and lengthy timeframe for doing so.²³ As AusAID itself has highlighted, future approaches must recognise the need for a sound understanding of existing practices and incentives; limitations on capacity; the different functions in the land system, including administration, coordination, information, and mediation; and the different players involved.²⁴

²² AusAID (2008); *Making land work—volumes 1 and 2: reconciling customary land and development in the Pacific*, Canberra.

²³ AusAID (2008) pp 105–108.

²⁴ AusAID (2008) pp 105–108.

4.12 Take new directions from learning and change

Significant change is currently being implemented in response to lessons learned from Australia's experience in rural development. The most noticeable can be seen in the approach to road infrastructure, (Box 12) where there has been a conscious effort to avoid the weaknesses of previous small-scale, conventional projects. The approach is now more systemic in nature, and focuses on different objectives, a central concern with sustainability and more flexible implementation arrangements. While it is too early to analyse final impacts, this new focus on managing for end-of-initiative outcomes has changed activities and work practices, and these changes are expected to bring greater household benefits in the future.

Box 12 A different approach to roads in AusAID

AusAID's approach to road investment has changed markedly in recent years. Weak transport infrastructure is recognised as a key constraint to poverty reduction and growth. Road investment has traditionally formed a major part of AusAID support and the approach followed emphasised a direct role by AusAID in contracting the design and construction of road assets.

While this approach brought short-term benefits, in recent years there has been increased understanding of its limited longer-term impact. For example, following initial construction, road maintenance is usually inadequate and so road conditions deteriorate quickly. Moreover, the wider capacities and functions around roads have not always been considered, leaving planning, design, contracting and management mechanisms undeveloped and the capacity of local contractors weak. In many situations, road conditions have not improved until a further follow-up project by AusAID was undertaken, thus serving to entrench dependency on external support.

In contrast, recent AusAID interventions in the road sector have pursued a more systemic approach. This has placed more priority on 'rightsizing' local capacities—in both public and private sectors—to maintain and manage the existing road system rather than constructing new roads. With an emphasis on '*public sector reform and governance*', AusAID's explicit aim is to allow governments to '*shed external support for transport infrastructure*' (TSSP program document).

AusAID's own learning has taken the agency from a previous emphasis on road construction to one that seeks to develop the functions and capacities supporting a sustainable road system, which in turn helps grow the private sector. The Pacific Regional Infrastructure Facility is another case in point and an example of international best practice in donor harmonisation.

The review also encountered signs of positive change in other parts of ODA rural development work. Most of this was not seen in the initiatives directly covered by the review, but in recent activities that are related to, or have emerged from these activities. For example:

- In Cambodia, the Cambodia Agriculture Value Chain Program is the successor to three large-scale initiatives that were supported from 2000 to 2009. After a prolonged design process, the program commenced operation in 2010 so it is still too early to assess its efficacy. However, its final design allows for a more flexible program that performs detailed poverty analysis, crafts interventions on the basis of that analysis, chooses appropriate partnerships and responds to changing circumstances.

- In Solomon Islands, the final years of the Community Services Program have witnessed a marked shift in work on agriculture, particularly through the Agriculture Livelihood Program. The program has carried out a number of pilot initiatives aimed at strengthening systems around value chains, usually working with small business partners, and sometimes picking up research supported by ACIAR. This is an exciting development and an innovative approach in the Solomon Islands, a fragile state.
- In East Timor (and Pacific Islands) the Market Development Facility aims to be a flexible resource that can adopt a more systemic approach in different sectors.
- In the Pacific, ACIAR plans to design flexible development programs through the Pacific Agribusiness Research for Development Initiative, which will permit intervention beyond the boundaries of traditional technical research.

These examples show that learning and change are taking place in rural development. More programs are asking the right questions (see Box 13) and heading in the right direction.

Box 13 The right questions to get beyond symptoms

Relatively simple changes can bring dramatic improvements to poor people's lives.

In Solomon Islands, Peter, a young cocoa farmer on the island of Malaita, would diligently maintain his smallholding, hoping in vain that this, in itself, would bring higher output. After applying simple pruning techniques learned in a training program, however, production has increased three to five-fold per tree: the policy and public expenditure choices made by the government of Solomon Islands with Australian support is starting to pay transformational development returns for the majority of Solomon Island cocoa farmers.

In East Timor, Pedro grows staple food crops on his small piece of land. He now has access to new varieties of sweet potato cuttings, helping him to grow more and better quality sweet potato, and allowing him to sell surplus in the local market.

In each case, the natural, instinctive response is to urge more of this activity—more training, more seeds. However, while these are positive stories, there is no mystery over agriculture productivity: it is well understood that better inputs and practices will produce better yields.

The key question is how to develop a system that provides these in an accessible and sustainable manner—this is the essence of the development challenge.

However, more change has taken place in some settings than others. The reasons for these differences are illustrated by the following examples.

Roads—because these are tangible and have a recognised public role, and the intervention approach has changed significantly towards stronger engagement with all actors involved in delivering road infrastructure outcomes, more sustainable change is anticipated.

Commodity sectors—(such as oil palm, cocoa or coffee) because these are organised and shaped by commercial actors, and where research-focused interventions have contributed to changing the operating environment for the benefit of the rural poor, some significant benefits are being achieved.

Staple foods (subsistence crops)—because these sub-sectors are dominated by smallholders and governed by rules that tend to be informal, the role of government is unclear and often ineffectual, these operating environments are more complex to reform but substantial recent progress has been made.



Solomon Islands, Honiara. Seventh-Day Adventist markets July 2007
Photo: Rob Maccoll for AusAID

CHAPTER 5: Recommendations

Chapter 5 presents six recommendations identifying opportunities for greater contributions to rural development and the strengthening of Australia's role in the sector.

While these recommendations arise from analysis of rural development, some have a wider relevance because they revolve around principles of good development practice that are equally applicable to initiatives in other sectors.

Communicate the impact of Australia's growing rural development program, through a consistent set of performance measures

Over the last 30 years the number of people living in poverty has fallen substantially. But the majority of the world's poor live in rural areas. And the majority of those people live in the Asia-Pacific. Australia's continued focus on, and increasing investment in rural development and food security is a practical and focused contribution towards saving lives and the achievement of MDG 1.

Australia is acknowledged for its comparative advantage in agriculture, innovation, decentralised service delivery and engagement with multiple actors influencing change in rural environments. It is also recognised for its understanding of market systems and the role of enterprise as a pathway out of poverty for rural people. The findings of this review support those views and also identify areas for further improvement.

Overall, Australia's aid program is moving from small projects with limited impact to more dynamic programs at the scale and scope necessary to deliver transformative improvements to the lives of the rural majority. Accordingly, the review finds that overall performance was mixed but substantial recent progress has been made. To help track and institutionalise future improvements in this key sector, a consistent set of performance measures is required. These measures will also help program managers in AusAID and ACIAR manage for, and communicate, their significant achievements.

Recommendation 1

It is recommended that the impact of Australia's increased investment in rural development be tracked through a consistent set of performance measures.

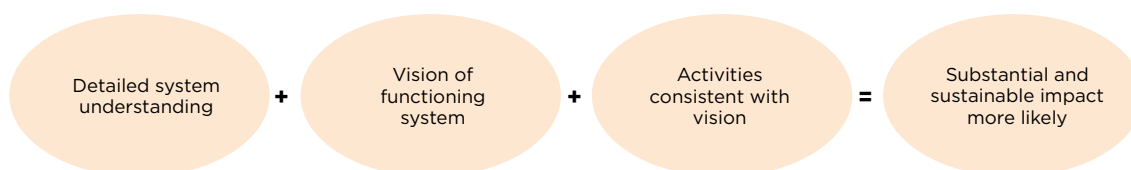
Proposed actions

- a. Australia allocates ODA to rural development and food security to achieve a level that equals at least the medium-term historical proportion allocated to the sector.
- b. Australia collects a consistent set of performance data to track the efficiency and effectiveness of delivering rural development and food security.

Maximise impact by transforming the operating environment through coherent whole-of-government development strategies

Where positive change from ODA is evident or likely to be so, this success can be traced directly to initiatives that (1) engage with multiple actors such as the private sector, government, representative organisations and civil society; and (2) seek to influence the functions carried out by these different actors in ways that are likely to lead to transformative change for the poor. Sustainable rural development is driven by wide-ranging policy and regulatory decisions, diverse economic incentives and disincentives, complex domestic and international markets, and contracts and dependencies between multiple actors. To be effective, ODA activities need to be based on an awareness of how, in this context, change takes place, markets develop and mature, rural livelihoods adapt and the rural economy grows.

In political economy terms, these actors, functions and relationships are collectively described as a 'system'. Taking a systemic approach in aid intervention involves consideration of all the elements of the system and their relationships; development of a vision for the way the system needs to change if transformational benefits are to be achieved; and identification of what needs to be done to make it happen. This logic is a useful problem solving lens through which to view both conventionally defined markets and basic services supporting rural development. The components of a successful systems approach are outlined below. Materials to help staff incorporate this perspective into day-to-day decision-making and future program design are provided in Appendix B.



The review found that Australia's attention to a greater number of systemic issues in rural development is resulting in positive impacts—transformative benefits in some cases. Australia's work in Papua New Guinea's oil palm and coffee sectors, Indonesia's cocoa sector, and the roads sector in Papua New Guinea highlight the benefits of taking a more systemic approach to development activities. Other donors have taken similar steps.²⁵

This finding suggests that future rural development programs should take the same direction. Lifting the bar beyond conventional projects to transformational investments—those that change the rules of the game to benefit the rural majority or accelerate positive change—will be more likely to achieve substantial, sustainable and scalable results.

So how can these outcomes be achieved?

In technical terms, effective rural development initiatives were shown by the review to have a clear strategic intent²⁶ that links entry points for ODA in a systemic theory of change.²⁷

25 See DFID, 2008, 'Private Sector Development Strategy—Prosperity for all: making markets work'. Other donors following a more systemic approach include Swedish International Development Cooperation Agency (SIDA) and the Swiss Agency for Development and Cooperation (SDC).

26 In the country development policy and guidance the strategic intent is defined in a sector delivery strategy as the higher level purpose or goal of Australian intervention. In the causal result chain it is one level higher than end-of-initiative outcomes (see footnote 11 below).

27 An analysis of how rural development change takes place in a country context and the cause and effect relationships which underpin that change. For guidance, see Appendix B.

In practical terms this means there should be a detailed analysis of the underlying determinants of efficiency in the rural economy. In particular, there needs to be a thorough understanding of the way change takes place in the operating environment²⁸ through its multiple functions, actors and relationships. There also needs to be a clear identification of the points at which Australian ODA can make the most substantial contribution.

This knowledge will form the basis of the analysis behind country development strategies, and from these, sector delivery strategies can be devised. In turn, sector delivery strategies will inform the program logic and therefore the design of coherent rural development initiatives (see schematic in Appendix B). Fundamentally, basing Australian rural development programs on an understanding of the systemic issues constraining poor people will improve the prospects for their ultimate success. However, it will also be necessary for Australian government agencies responsible for aid interventions to work closely together on these tasks. In other words, a whole-of-Australian Government approach will be required.

Recommendation 2

It is recommended that Australia take a systemic approach to designing interventions, with the aim of stimulating transformational change in rural development.

Proposed actions

- a. Relevant AusAID country programs complete a development logic exercise with ACIAR colleagues, where appropriate, and use that analysis to inform country strategies, sector delivery strategies and future rural development design work as appropriate.
- b. AusAID and ACIAR sign a strategic partnership agreement that places Australia's country development policy at its heart.

Clearly define pro-poor end-of-initiative outcomes to strengthen accountability

The review found that initiatives with clearly defined end-of-initiative outcomes²⁹ are more likely to produce transformational benefits for the rural poor. Articulation of end-of-initiative outcomes helps build programs that properly capture the full range of actors and determinants of change. The process also encourages planning for achieving impacts at scale. In addition, with clearly articulated outcomes, staff, partners and contractors are made aware of the results for which they will be accountable.

End-of-initiative outcomes should take account of the underlying drivers of change so that impact will extend beyond local and short-term benefits. Such drivers include policy and related functions performed by the public and private sectors and by civil society. They also include issues of public expenditure (including allocation of ODA that recognises what capital investment is required for sustainable growth and what recurrent expenditure is needed for delivery of public services and social protection).

²⁸ Synonymous with 'enabling environment', business enabling environment' and 'system'. See schematic representation of a rural development operating environment in Appendix C, Figure C1.

²⁹ The outcomes a specific initiative is expected to deliver at the end of its implementation. In rural development, AusAID strives for end-of-initiative outcomes that can be credibly sustained and will reach large numbers of the rural poor.

In addition to having specific end-of-initiative outcomes, effective rural programs will be managed by people with a detailed understanding of the program's underlying purpose, design, and monitoring and evaluation framework. These managers will have conducted a poverty analysis to identify opportunities for the effective use of Australian ODA and will be able to provide evidence to show why their chosen interventions were preferred over others. The most successful managers will also use a results chain and a performance framework to ensure accountability during implementation, appropriate management of foreseeable risk, improve implementation and flexibility to chase opportunities when they arise.

Recommendation 3

It is recommended that all future rural development activities be designed around explicit end-of-initiative outcomes, informed by a poverty analysis and supported by a results chain.

Proposed actions

- a. In future, all reportable ACIAR and AusAID activities include a poverty analysis, and a results chain with clearly stated end-of-initiative outcomes in their design.
- b. The Australia Indonesia Partnership for Decentralisation—Rural Economic Development Program (AIPD-Rural), Pacific Regional Infrastructure Facility, the Pacific Horticultural and Agricultural Market Access Program as well as future leading-edge program designs are shared with rural development practitioners in AusAID and ACIAR as examples of good practice.

Move towards scalable rural development activities

The review found that Australian ODA for rural development is likely to be more efficient and effective if: (1) it is invested in a smaller number of larger initiatives designed to be taken to scale; and (2) each program is seen as part of a cohesive portfolio of activities in a country or region.

Achieving scale requires that underlying constraints to development are addressed so as to generate impacts that reach beyond local and short term benefits. This approach applies as much to the larger, more systemic programs Australia is now favouring, as it does to small, successful, and often innovative pilot projects. Tackling constraints is the subject of this review's second recommendation.

In activities large and small, the review found that those designed from the outset to be taken to scale are more likely to realise their potential. It is therefore important to define, up front, the ultimate scale to which an intervention could or should be taken, given the needs of the target population and the strategic intent of the program. Larger rural development activities should be based on tested models, or on implementation strategies that are known to be effective.

Future sector delivery strategies should have the notion of scale at their core. The possible dimensions of scale should be defined—horizontal (other regions), vertical (from local to regional) or functional (other areas of engagement). In addition, the monitoring and evaluation framework should be designed so that important indicators of success can be readily observed. For the evaluation of pilot activities, indicators would include a statement of desired intermediate results.

Country development strategies play an important role in this process by providing guidance that will improve coherence, reduce the number of small rural development activities, improve the selection of development approaches and partners, and identify opportunities for risk management.

Recommendation 4

It is recommended that future Australian aid contributions to rural development be delivered through a smaller number of larger initiatives designed to be taken to scale.

Proposed actions

- a. Consolidate rural development activities in line with rural development sector delivery strategies.
- b. Amend internal guidelines to require that approvals for new rural development activities be accompanied by a sector delivery strategy in which those activities are supported.

Give more emphasis to sustainability

Successful initiatives generate sustainable change, and sustainable change increases the value of Australia's ODA investment.

At a theoretical level, and as indicated in Recommendation 2, sustainability is fashioned by engaging with systemic change. This is primarily achieved by supporting change that can transform policy, alter public expenditure patterns and address the service-delivery drivers of rural development.

From a practical perspective, program managers should work towards sustainable results by identifying suitable entry points for ODA amongst the different functions and actors through which change takes place. They also need to ask: *What inputs will enable this system to be self-sustaining after the intervention?* The answers may include decisions about partners, how much to spend, where to spend, what activities might be launched and how the program might be concluded. Once again, the Australian country development strategy provides the opportunity to strengthen the sustainability of Australian results.

Recommendation 5

It is recommended that throughout the life of future rural development interventions, AusAID and ACIAR give greater weight to achieving sustainability.

Proposed actions

- a. An explicit exit strategy be articulated in the design of all reportable AusAID and ACIAR rural development activities. Where this implies some form of increased public expenditure by the partner government, then the program must be designed and configured within the context of wider analysis of public expenditure across that government. This analysis should be reflected in the sector delivery strategy.
- b. Internal guidelines be amended to require that approvals for new rural development activities be accompanied by a statement of commitment and a sector delivery strategy that demonstrates how the proposed intervention will achieve its desired level of sustainability.

Build rural development talent for more effective delivery

To enable scalable and sustainable implementation of rural development initiatives, Australian ODA agencies—especially AusAID and ACIAR, but also whole-of-Australian Government partners such as the Department of Climate Change and the Department of Agriculture, Fisheries and Forestry—will require new skills and ways of working.

ODA agencies must establish a suitable mix of generalist and specialist staff and this issue is acknowledged in AusAID's recently developed workforce plan and learning and development strategy. Efforts to establish specialist rural development and infrastructure career streams are also positive developments.

Related to the need to strengthen the knowledge and skills of Australian staff is the role of specialist advisers in AusAID. The findings from the review have implications for thematic groups—including their advisers—and what they offer to the development program as a whole. With the introduction of performance and quality reporting measures, advisers (who should be actively involved in program design and management) will become part of the accountability framework. For this reason, advisers should ensure that recommended approaches are consistent with Government policy and commitments. On a broader scale, the inclusion of advisers in the framework will help ensure that thematic groups and programs are mutually accountable for the delivery of results.

There will also be implications for ODA contractors, who will be required to implement a different approach. It is incumbent upon contractors to respond effectively to the direction set by Australian aid by taking steps to ensure they have sufficient capacity to meet agreed performance criteria.

Recommendation 6

It is recommended that AusAID and ACIAR strengthen rural development expertise by developing career paths, professional development opportunities and performance accountability measures for rural development specialists in their workforces.

Proposed actions

- a. A rural development training program with a clear anti-poverty focus should be commissioned by AusAID's Learning and Development Branch, and undertaken by all AusAID and ACIAR personnel working in rural development.

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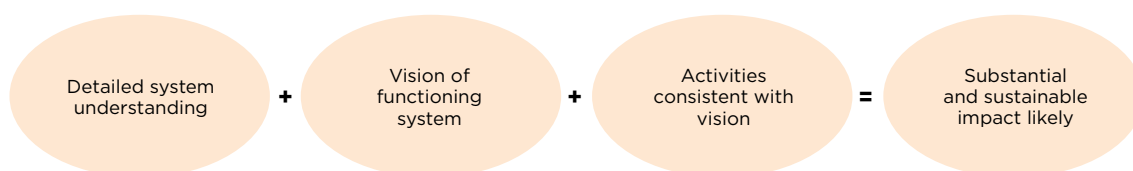
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Appendix A: Initiatives included in the review

This report constitutes the main output from the review. More detailed, specific feedback has been relayed to each of the countries and initiatives covered in the review process. The report draws on particular examples throughout the text and does not attempt to present all the detailed information analysed to arrive at the findings. Given this, the tables on the following pages provide a summary assessment of performance for each of the initiatives addressed by the review, against each of the questions in the analytical framework (Chapter 3). This leads to a general conclusion that:



Following the tables is a set of summaries providing (1) basic information on each initiative—size and duration, background and context, and approach to facilitation and sustainability; and (2) the assessment made by the review team in relation to the critical question: *Is the performance of the initiative consistent with substantial and sustainable impact?* (In other words, is lasting, large-scale change already happening or likely to occur?)

Summary assessment for performance of each initiative covered in the Review against each of the questions set out in the approach

	Large number of beneficiaries	Improve growth and access	Address future constraints	Develop means as well as ends	Detailed system understanding	Vision of functioning system	Activities consistent with vision	Results link to system change	Change at each level of causal logic	Substantial and sustainable impact likely
Papua New Guinea										
Agricultural Research and Development Support Facility (ARDSF)	1	1	2	2	1	1	2	1	1	1
Transport Sector Support Program	3	3	3	3	3	3	2	3	2	3
Commercial sector/smallholder partnerships for improving incomes in Palm oil and cocoa industries	2	3	2	2	1	1	2	2	2	3
Canarium domestication and commercialisation	2	3	3	3	3	3	3	2	2	3
Processing of Canarium nuts	2	3	3	3	3	3	3	2	2	3
Media Development Initiative	1	1	1	1	2	2	1	1	1	1

	Large number of beneficiaries	Improve growth and access	Address future constraints	Develop means as well as ends	Detailed system understanding	Vision of functioning system	Activities consistent with vision	Results link to system change	Change at each level of causal logic	Substantial and sustainable impact likely
Solomon Islands										
Solomon Islands Rural Development Program (RDP)	2	1	1	1	1	1	1	1	1	1
Solomon Islands Road Improvement Project (SIRIP)	2	3	1	2	2	3	3	2	2	2
Improving outcomes for community timber plantations	2	1	2	2	1	1	1	1	1	1
Integrated crop management package for sustainable gardens in Solomon Islands	1	2	2	1	1	1	1	1	1	1
Forum Fisheries Agency support	1	1	2	2	1	1	1	1	1	1

	Large number of beneficiaries	Improve growth and access	Address future constraints	Develop means as well as ends	Detailed system understanding	Vision of functioning system	Activities consistent with vision	Results link to system change	Change at each level of causal logic	Substantial and sustainable impact likely
Vietnam										
Collaboration for Agriculture and Rural Development Program (CARD)	1	2	2	2	2	3	3	2	2	2
Optimising silvicultural management and productivity of acacia plantations	2	2	2	1	1	1	1	2	1	2
Building bivalve hatchery production capacity	2	2	2	2	2	2	2	1	1	2
Improving feed sustainability for marine aquaculture	1	2	2	2	2	1	1	1	1	1
Policy, institutional and economic constraints to aquaculture in Vietnam	1	2	2	2	2	1	1	1	1	1
Cambodia										
Cambodia Agricultural Research Development Institute (CARDI)	1	2	2	2	2	2	1	1	1	1
Ag. Extension Project, Phase II	2	1	1	1	1	1	1	1	1	1

	Large number of beneficiaries	Improve growth and access	Address future constraints	Develop means as well as ends	Detailed system understanding	Vision of functioning system	Activities consistent with vision	Results link to system change	Change at each level of causal logic	Substantial and sustainable impact likely
Ag. Quality Improvement (AQIP)	2	1	1	1	1	1	1	1	1	1
Rural Electrification Transmission	2	2	1	1	1	1	1	1	1	1
East Timor										
Seeds of Life II	2	2	1	2	2	2	1	1	2	2
Indonesia										
Smallholder Agriculture Development Initiative (SADI)	2	2	3	2	3	2	2	2	2	2
Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA)	2	2	3	3	3	3	2	2	2	2

Source: Questions—from Analytical Framework (Table 1, Chapter 3); Initiatives—from Table 2, Chapter 3. Summary schematic: 3 = High likelihood of criteria being met; 2 = Mixed finding—some criteria likely to be met, others not; 1 = Low likelihood of criteria being met

Papua New Guinea		
Agricultural Research and Development Support Facility (ARDSF)		
AusAID	Size (approx): \$38m	Duration: 2006–2012
<p>Background and context. The overall goal of ARDSF is to increase opportunities for rural smallholders in PNG to generate income and maintain food security. The purpose of the facility is to enable selected national agricultural research and development organisations to deliver improved services to their rural stakeholders. The facility is designed to achieve the objective through three components: (1) providing budget support to the National Agricultural Research Institute (NARI); (2) developing institutional governance and service delivery capacity in NARS organisations; and (3) providing access to additional resources through a competitive grants scheme for delivery of innovations. The context is one of ineffective public sector agricultural research institutions and very weak public extension systems largely replaced by effective and responsive civil society and private sector activities to develop and transfer innovation for improved agricultural productivity, rural incomes and food security.</p> <p>Approach. The design set out clear end-of-initiative outcomes but focused on supporting the supply side of rural innovation rather than the demand side. The implementing team including an AusAID adviser, and institutional reform focused on strategic planning in six research organisations as the key focus of activities for the period to the end of 2010—a largely internal process that did not engage with the wider system and is yet to deliver any outcomes. Resources designed for allocation through a competitive Agricultural Innovation Grants Scheme have been disbursed too slowly, but early results from AIGS activities implemented by civil society and the private sector show promise.</p> <p>Performance: There are early signs of increased use of partnerships in some research institutions but the focus on institutional development, planning and supporting the supply side of rural innovation meant other parts of rural production systems in PNG did not receive attention. Large amounts of resources were used for planning, with little contribution yet to the agreed end-of-initiative outcomes.</p> <p>Consistency with substantial and sustainable change? Sustainable change from the facility is unlikely at this stage.</p>		
Commercial sector/smallholder partnerships for improving incomes in palm oil and cocoa industries		
ACIAR	Size (approx): \$750k	Duration: 2008–2011
<p>Background and context: This is socio-economic research—led by an experienced Australian team—aimed at the oil palm and cocoa sectors. In relation to oil palm, the partner is the industry’s own research organisation in PNG that, while having an entomology focus, has a (weaker) socio-economic wing. The work has focused on the issues of: (1) incentivised payment systems for smallholders and labourers; (2) land usage agreements; and (3) extension services for smallholders. All are very important for future output and productivity growth and for better and more socially cohesive distribution of benefits. In relation to cocoa, the partner is the industry research organisation and the focus of the work has been on understanding extension services with a view to proposing revisions/new models—an especially important subject given the prevalence of, and damage caused by, cocoa borer infestation.</p> <p>Approach. In both cases the initiative is working with partners who are positioned within highly concentrated and organised sectors, well placed to translate ideas into practice and spread benefits throughout the system. With just a few large-scale companies operating in each sector, there is a strong chance that good ideas will be adopted. In working with staff within each research partner, the initiative is seeking to build capacity as well as change practices and improve behaviour.</p> <p>Performance. The work is feeding into the oil palm sector with varying degrees of success. In relation to incentive payment systems (building on previous and recognised successful work) there is strong potential for large-scale impact. A new land usage agreement has been developed—and is likely to be taken up by a new World Bank-funded program. There has been limited work on extension systems. The commercial sector for cocoa underwent a period of innovation some years ago and is now scaling-up, with the prevailing business model now based on ‘outsourcing’ to small holders—so the research from the project is concerned with measuring and disseminating the experience rather than driving change.</p> <p>Consistency with substantial and sustainable change? Yes, in relation to incentive payment systems where previous experience suggests major change is possible and likely and could be felt throughout an industry that impacts on 250,000 people.</p> <p>In relation to cocoa, the key for the future is how findings feed into improved practice. Large-scale commercial players are a receptive audience but have preceded research not been driven by it. As a result, there are more opportunities to improve efficacy of research here.</p>		

Transport sector support program		
AusAID	Size (approx): \$66m	Duration: The sector program started in 2007 and is a 5-10 year commitment.
<p>Background and context. TSSP has emerged in response to AusAID’s own experiences, especially the past preponderance of directly-delivered road projects and their limited sustainability. TSSP is concerned with transport overall, whereas the focus of the review was only on roads. Transport (and roads) is recognised as a major priority in PNG and essential for the achievement of other development outcomes.</p> <p>Approach. Although most funds (80 per cent) are for maintenance, most effort is focused on the ‘soft’ areas of mechanisms, skills, practices, knowledge, attitudes etc within the road ‘system’ relating to sixteen national roads. Bringing change is a challenge when confronting the decades of ingrained practice among government officials, private sector contractors, implementing staff and donors—all of whom, initially at least, expect ‘more of the same’. Monitoring and evaluation is a priority and considerable effort has gone into developing a system that can throw light on capacity-building impacts (and benefits at a community level) in the future and may be used to support the necessary long-term investment that systemic change requires. The initiative’s concern with the road system in general, is taking it into connected areas such as vocational training and education for contractor staff.</p> <p>Performance. There are some signs of change—but this is anecdotal until the monitoring and evaluation system starts to deliver more formal and tangible reports (expected soon). Change is often most pronounced with newer/younger partner staff ‘untainted’ by the ways of the past.</p> <p>Consistency with substantial and sustainable change? Yes, tangible signs are growing. But there are risks to progress involved including—resisting attempts to return to direct spend; ensuring that advisers understand their facilitating (rather than doing) role; and influencing other donors. The approach (conceptually and in practice) is consistent with major, lasting change.</p>		
<p>(1) Domestication and commercialisation of canarium indicum in PNG and</p> <p>(2) Processing of canarium indicum nuts</p>		
ACIAR	Size (approx): \$650k and \$630k	Duration: 2006–2010
<p>Background and context. The two current projects (and a previous one supported by ACIAR and other donors) are aimed at establishing the basis for a new commodity sector to supplement and/or replace the cocoa sector, which is a major source of income in PNG as a whole and especially in the islands of New Britain and Bougainville. The initial focus was on the scientific and technical ‘basics’ such as cultivars, crop development etc. The current projects build on these and focus on the development of processing technologies and wider industry organisation, marketing, branding, and coordination.</p> <p>Approach. From the outset, the project partners in PNG have driven the process, especially the key researcher at the PNG partner research organisation, whose vision has been the key driving force. ACIAR has supported rather than instigated change. Key stakeholders, who have participated in, and been informed of the change processes, are primarily associated with the cocoa sector. The value of external support from the ACIAR project, which draws on Australian experience in macadamia, is likely to be especially instructive as the initiative moves from a public research focus to the institutional and economic constraints of the wider market. Technical research in canarium, therefore, has always been seen to be one part of the wider challenge of sector development.</p> <p>Performance. There is now significant crowding-in of credible private sector players (including the largest cocoa company), a large-scaling-up in investment (one million saplings to be planted in four years) and a vision of the future, which is practical and aims for major development. A pilot processing plant is being built with project funds, but the private sector is also showing interest in investing in it. Key stakeholders have organised associations and other coordination mechanisms to oversee the next stage in industry development, which will have to deal with the issues of, for example, standards, branding, protection, and trial marketing.</p> <p>Consistency with substantial and sustainable change? Yes. Although the final income and growth benefits from the series of projects have not yet been felt, the beginnings of a large-industry—owned and driven by PNG-based players who have the capacity and incentives to continue—are being laid. Since canarium can also be used as a shade tree for cocoa, the potential for enhancing cocoa incomes is significant.</p>		

Media Development Initiative		
AusAID	Size (approx): \$10m	Duration: 2005–2011 (initially, but continuing from other sources for the Media Council)
<p>Background and context. This initiative is split into two parts: the first with the Media Council (MC) and concerned with developing the media widely, and the second with the national broadcaster (NBC). Information is recognised to be a critical constraint to development in the rural environment—these are classically information-poor areas—and developing the media as a sustainable source of interesting and relevant information is likely to have a range of positive economic and social outcomes.</p> <p>Approach. The first component started as a grant scheme for community projects and the media but, following organisational problems, has now transitioned to direct support to MC. This takes a variety of forms including direct capacity building, organising conferences to provide content for the media, media training etc. The second is provided directly by the Australian Broadcasting Corporation (ABC), whose team of advisers is housed within NBC. Support from the ABC has concentrated on a range of major organisational challenges relating to strategy, technology, programming, staff development etc.</p> <p>Performance. Following AusAID support, MC has grown considerably in terms of staff and range of activities. But it is not clear what—as yet—the impact on wider development has been. Significant improvements, supported by detailed research, have occurred at NBC: flow programming has taken over from standard block programming; technology changes have allowed sharing of content between stations; a new layer of staff are committed to operating in a different way; and a new youth station is about to be launched. However, (as confirmed by external evaluations) wider organisational changes in NBC have not been as dramatic. Strategic leadership has been weak, operational management of limited capacity, and the culture of the organisation remains influenced by a public-sector lethargy.</p> <p>Consistency with substantial and sustainable change? Yes, benefits associated with NBC are substantial. In relation to MC, progress has been hampered by a confused view of MC’s role (provider or facilitator) and the absence of a view of how the media should operate in the future. There is a risk that the strategy may slide into support for MC rather than support for a more functional media market system. For NBC, the danger is that the positive and tangible changes to this point will be undermined by a relationship that demands no commitment/ownership from NBC.</p>		
Solomon Islands		
Support to the Forum Fisheries Agency (FFA)		
AusAID	Size (approx): \$486k Australia provides other support to FFA as a member—as well as a donor	Duration: 2006–2009
<p>Background and context. As a regional secretariat charged with providing support to governments in managing the tuna fisheries resources, Australian support (as a member and a donor) is substantial and strategic.</p> <p>Approach. The focus of the review was on two specific projects—the development of the Pacific Fisheries Framework and Pipeline and the Commonwealth Fisheries Management Project—but in practice it is the performance of the FFA as a whole that matters. Projects are implemented within the context of FFA’s own management structures and processes.</p> <p>Performance. At one level, FFA has been successful in helping to develop and implement effective management regimes for tuna—still a relatively abundant resource. However, it has been less successful in guiding members on how to enhance the economic returns (manifested in the tuna price) from tuna fisheries. This has resulted in some disquiet among members and is a major challenge for the future.</p> <p>Consistency with substantial and sustainable change? FFA represents a different type of engagement; there appears to be no expectation that Australian support will/should end and, therefore, no view that the role FFA plays should continue without it.</p>		

Solomon Islands Rural Development Program (RDP)		
AusAID	Size (approx): \$8.5m (out of total of \$16.1m)	Duration: 2008–2012
<p>Background and context. This a World Bank initiative into which AusAID contributes approximately 30 per cent of the resources for Component 2 of the programme focused on agriculture systems, and Component 3, equity financing. (Component 1, community infrastructure, was not reviewed). Underpinning the objectives of the program is recognition of: (1) the importance of agriculture to the livelihoods of many people; (2) the problem of low productivity; and (3) the significance of knowledge / information in improving performance. Government extension services, which have been in existence for many years, are seen to be the main vehicle for improved information services to smallholders. In recognition of the mixed record of extension services, the RDP had a particular interest in learning lessons from wider experience, especially in relation to sustainability.</p> <p>Approach. The work aims to improve government’s role in agriculture and has several notable features: Although not paying for salaries, the program is supporting a range of activities/costs around extension, including infrastructure, vehicles, equipment, and recurrent costs of service delivery. The program (at least in concept) sought to learn lessons from previous experiences—foremost among these being the importance of sustainability and the need, therefore, to establish mechanisms for sustainable funding. The program has also sought to be more ‘bottom-up’ and ‘demand-led’, primarily by adopting a Participatory Rural Appraisal (PRA)-type of process, where work programs are based around the expressed needs of farmers/rural people. A new province-based information service is being set up to accompany standard extension services.</p> <p>Performance. Component 2 was judged as ‘satisfactory’ by the program’s Mid-Term Review (MTR) however some ongoing challenges /opportunities were identified including the perceptions that RDP is just another project by government staff; and prevailing conventional attitudes and project dependency. These challenges are limiting the prospects ‘demand-led’ approach which this activity seeks to facilitate.</p> <p>Consistency with substantial and sustainable change? Australian aid has had significant success in boosting rural incomes through enhanced cocoa exports. Training in simple pruning techniques has helped cocoa smallholders improve yields 3–5 fold. But there are threats to the sustainability of these impacts. The real issue is the validity of its strategic objectives, especially with regard to the appropriate role of the state, and the challenge of developing competitive agriculture systems.</p>		

Solomon Islands Road Improvement Project (SIRIP)		
AusAID	Size (approx): \$8m (out of total of \$19.4m with other partners)	Duration: 2007-2011
<p>Background and context. The rationale for SIRIP is based on two key factors: (1), road infrastructure is seen to be important in the development process in the Solomon Islands; and (2) SIRIP has been influenced by wider learning on interventions to develop more effective and sustainable road ‘systems’. The project’s structure, in three components, reflects both a more conventional ‘direct delivery’ approach and the desire to move to a sustainable, functional road system. Component 1 is primarily concerned with road and bridge rehabilitation; Component 2 focuses on road maintenance and spills into Component 3 on capacity-building (primarily with the Ministry of Infrastructure Development [MID]).</p> <p>Approach. Component 1 is largely direct delivery of substantial infrastructure, mainly by non-local contractors. A key part of Component 2 has been the development of a pool of local contractors who have been trained in labour-based equipment- supported (LBES) methods of road maintenance, which is seen to be more appropriate and sustainable. Performance-based contracts have now been awarded and are being implemented.</p> <p>To enhance the development of private sector contractors, the project is also seeking to develop a local consultancy that can manage outsourced design and technical work. MID capacity-building in those functions for which it still has responsibility—such as contract tendering, management and enforcement, feasibility analysis—is also taking place.</p> <p>Performance. The project is generally seen to be on track with respect to its key deliverables. Around 20 different contractors have been trained and several hundred people have employment with them. Some contractors have also chosen to invest in equipment using the up-front 10 per cent payment awarded in contracts. The performance-based nature of the tasks has helped to improve contractor performance—but only after firm enforcement from the project itself.</p> <p>The government, however, has often not fulfilled its obligations in relation to funding the up-front 10 per cent, leaving some contractors unpaid. In practice, there are two parallel systems of finance/payment—one from the project and the other from government. Lack of transparency means that all contracts over \$0.5m are vetted by the Asian Development Bank.</p> <p>In practice, some of the tasks that are supposed to be undertaken by government are done by the project, either because this is the most practical solution or because there is no counterpart to work with (such as for contracting and procurement).</p> <p>Consistency with substantial and sustainable change? Yes—in part. Progress is broadly consistent with the vision of the future road system—with distinctive roles for the private and public sectors—that is emerging among donors. However, there are potential conflicts between the project’s provider and facilitator roles with, in practice, the project ‘doing’ when its partners (especially MID) do not. For the future, developing a functioning road system will require a strong commitment to an explicitly facilitative role for interventions.</p>		

Improving silvicultural and economic outcomes for community timber plantations		
ACIAR	Size (approx): \$860k	Duration: 2008–2012
<p>Background and context. The project aims to improve the economic contribution from smallholder timber and is in its early stages. The wider context is the almost complete destruction of the natural forest by logging companies and a recognition that this resource is rapidly running out—and therefore the need to encourage a different approach to timber management. The project is concerned with investigating and improving cultivation practices and, given this scientific/technical basis for growth to examine and build the market for products emerging as a result. It is implemented through one individual on a part-time basis supported by an Australian University.</p> <p>Approach. The approach adopted has been to concentrate on the ‘cultivation side’ of the project with trials of different silviculture regimes for teak and fast-growing species conducted with different partners in different sites. The aim here is not only to have tests undertaken, but to raise, as much as possible, the awareness of and interest in this new approach to growing timber.</p> <p>Work on the second dimension of the project—assessing the market potential of the new timber crop—is at a much lower level. The key activity here seems to be a trial with a carpenter who is using thinnings to make a relatively limited range of furniture pieces. There is a natural sequence/timing to this kind of intervention and more effort on testing and developing the market for timber products can be expected at later stages. In practice, most of the budget is consumed in Australia—in timber and soil tests and a new (parallel) activity in Queensland.</p> <p>Performance. After two years, the project is still at a very early stage. A range of trials have been set up. Some, which were set up before the commencement of the project (going back to 2001), are at a more mature stage than those set up by the project itself. There has been limited work to develop extension services and assessment of the market potential of products emerging from these new growing regimes has also seen relatively little activity. Concerns about the lack of effectiveness of government extension personnel (especially their lack of budget for extension visits) has prompted a change in the project budget to support fuel costs.</p> <p>Consistency with substantial and sustainable change? The project is still at an early stage. The challenge will be for the project to demonstrate how a functioning and inclusive system for timber would work in the Solomon Islands and how its findings (and possible future work) might contribute to this. In doing so, the project is likely to have to engage with more commercial players.</p>		

Integrated Crop Management Package for Sustainable Gardens in Solomon Islands		
ACIAR	Size (approx): \$700k	Duration: 2007–2011
<p>Background and context. The project is based on the premise that improving vegetable garden practices and performance can increase smallholders' status and incomes. It seeks to throw light on a range of constraints that undermine vegetable output, productivity and incomes, for example, information, seeds, practices etc. The project, however, excludes work on marketing or infrastructure constraints. Its specific objectives relate to initial analysis of the smallholder garden sector, including existing practices, supply and demand trends and size, introducing and testing new vegetable varieties, evaluating new low-input crop management technologies and building the capacity of various partners. The project is implemented by AVRDC (the World Vegetable Centre) supported by an Australian partner.</p> <p>Approach. The approach adopted by the project has been to work through a number of separate partners—on seed networks, drip technology, information and communication, and trials and extension. Although some trials are conducted by the project, the most are done through other organisations.</p> <p>Performance. Implementation has suffered from changes in personnel throughout the life of the project, with the current manager being the third person to hold this position. These operational issues have made it difficult for the project to gain significant momentum. However, activities to date include the introduction and successful testing of two new vegetable varieties; trialling of new growing and management methods; trialling of commercial seed production with a commercial company; and trialling of drip technology. Relationships have also been developed with other aid programs with a view to promoting uptake of relevant findings.</p> <p>Consistency with substantial and sustainable change? Although still at an early stage there are some positive signs emerging. The broad-based, exploratory nature of the design and the management problems that have beset the project have limited the achievements of the project. In its remaining period of operation the challenge will be to ensure that its findings produce an effective platform for further development that has the potential for large-scale change.</p>		
Vietnam		
Optimising silvicultural management and productivity of high-quality acacia plantations		
ACIAR	Size (approx): \$1.13m	Duration: 2008–2012
<p>Background and context. ACIAR started working on acacia in Vietnam in the early 1990s. A series of initiatives followed a conventional research path from the development of better genetic stock for acacia and eucalypts to silvicultural practices to optimise tree growth. This particular project is using trial sites across the country to establish which silvicultural practices yield trees suitable for commercial sawlogs. This includes fertiliser application, pruning, and thinning among other procedures. In Vietnam the project is being implemented by a partner (government) research institute.</p> <p>Approach. The project's focus has been to investigate new breeds and silviculture practices with a view to these being extended to growers and other commercial players. In practice the project has established links with a large state paper company, providing an avenue for the research to enter the market; it has also created nucleus nurseries, which in turn supply satellite nurseries.</p> <p>Performance. The quality of the research is high and the relationship with the Vietnamese partner research institute is close and fruitful. ACIAR has successfully transferred the knowledge and practical skills to the partner. The technical aspect of the project appears to be working well. As with other research projects that focus on the development of new varieties and approaches, final efficacy is dependent on how this transfers more widely to other players. More specifically, how will the potential benefits reach poorer people? The government extension services—on which the project now places its hopes—are unlikely to be able to reach significant numbers of poor farmers with regular and updated information. Therefore other routes have to be found to reach scale.</p> <p>Consistency with substantial and sustainable impact? Partially. There will be some pick-up from the original research. However, the distribution and sustainability of any gains are unclear at this stage. Nor are the benefits of good quality technical research likely to be effective or sustainable if other constraints—access to fertiliser and other inputs, land rights, contractual relationships between producers and processors and so on—are not addressed. The challenge is to develop an explicit vision of the nature of the sector, where the poor fit into this and how ACIAR—working with partners—can achieve this vision.</p>		

Building bivalve hatchery production capacity in Vietnam and Australia		
ACIAR	Size (approx): \$400k	Duration: 2007–2012
<p>Background and context. Working with a government research organisation, and drawing directly on the Australian experience, the project has focused on raising capacity in relation to how to produce quality spat (seed) for the oyster and clam sectors. ACIAR has a longstanding and close relationship with the aquaculture research institutes.</p> <p>Approach. The focus of the project has been on directly transferring the skills of hatchery management and spat production to the research institute and supporting it to develop production.</p> <p>Performance. The key achievements of the project are as follows:</p> <p>The rate of spat production has increased tenfold.</p> <p>Spat have been distributed and sold to local farmers such that over 5,000 households now grow these bivalves commercially.</p> <p>A high level of knowledge and practical skills has been transferred to the partner.</p> <p>The government research institute cannot produce any more spat—and its main role is research. An unintended consequence of the project is that one private hatchery has been set up by a former member of staff but supply is still very limited and needs to expand to support the sector’s further growth.</p> <p>Consistency with substantial and sustainable impact? Partially—the development of the technical capacity to produce spat has produced considerable benefits already. But for these to develop further, the private sector will have to be encouraged to develop commercial spat production rather than having it contained within a public research organisation. Future sector growth and benefits to smaller producers will depend on how well the research institute can facilitate this development building on its key information and research strengths.</p>		
Collaboration for Agriculture and Rural Development (CARD)		
AusAID	Size (approx): \$20m from AusAID	Duration: 2004–2010
<p>Background and context. The goal of CARD was to increase the productivity and competitiveness of Vietnamese smallholder agriculture and related rural enterprises. The purpose of CARD was to develop and apply agricultural knowledge and technologies that address constraints to productivity and competitiveness. CARD was implemented via two components—implementation of collaborative projects, and program management and governance.</p> <p>Approach. CARD used competitive grants to support research activities in a wide range of rural sub-sectors and contexts. Experience from managing these research grants was used to inform and influence institutional change in the Ministry of Agriculture and Rural Development (MARD).</p> <p>Performance. Research activities supported by CARD were mostly effective and some will lead to sustainable rural development outcomes. Although CARD contributed to the supply side of rural research, there remained a significant gap on the demand side—more could have been done to support the users of research, especially the private sector. Despite the considerable attention given to outputs or research activities, the real program result from CARD was institutional. MARD saw research management in practice through CARD processes for project selection, management and evaluation. This was complemented after 2007 with processes introduced by CARD for corporate planning and visioning. Participating in the use of new processes and seeing the results in practice—under the auspices of an ODA project where risks could be taken outside Government of Vietnam norms—gave MARD the confidence to start the change process.</p> <p>Consistency with substantial and sustainable impact? Mixed. Some individual activities have successfully addressed constraints within a functioning system but systemic change in the management of public sector investment for rural research is yet to be achieved.</p>		

Policy, institutional and economic constraints to aquaculture research adoption in Vietnam and Improving feed sustainability for marine aquaculture in Vietnam and Australia		
ACIAR	Size (approx): (1) \$150k and (2) \$1.5m	Duration: 2008–2009 and 2009–2014
<p>Background and context. These two projects are a further part of a package of aquaculture initiatives in Vietnam. The first is a study aimed at identifying why households do not follow recommended low cost diets and better management practices for aquaculture species. The second is aimed at the development of low-cost feed for various species is an attempt to help poor farmers raise better fish and reduce environmental pressures (and is at an early stage of implementation).</p> <p>Approach. The first project employed value-chain analysis and household economic modelling techniques and focused on the problem of information pertaining to diets and management practices. Recommendations were concerned with changes to government extension services. The second project has developed recommendations for low cost diets for different aquaculture species and for addressing the challenges of how to encourage (1) feed manufacturers to produce the feeds; (2) distributors to stock them; and (3) poor farmers to buy and use them.</p> <p>Performance. Neither project has yet resulted in tangible change to the sector but rather identified key areas where action is required. How information can flow effectively and sustainably is the challenge and, as ever, the capacity and incentives of key players is central in considering this. In this context, the extent to which government extension services can develop is a moot point.</p> <p>Consistency with substantial and sustainable impact? Not as yet. The projects have not really considered how information fits into a functioning aquaculture system nor taken action to establish this.</p>		
Cambodia		
Cambodian Agricultural Research Development Institute (CARDI)—Assistance Project		
AusAID	Size (approx): \$5.6m	Duration: 2002–2006
<p>Background and context. CARDI was established with considerable donor (especially Australian) support in the 1990s. CARDI was a high-profile organisation, with a positive reputation, seen to be central to the important research role in Cambodian agriculture. The initiative focused on addressing issues to support CARDI's long-term development and sustainability.</p> <p>Approach. The initiative was concerned with technical and financial support for CARDI and took place in the context of previous support that had created staffing and assets that were regarded as being of a quality that would not have been out of place in a high-income country. Throughout the period of implementation it was envisaged that Cambodian government support would increase.</p> <p>Performance. Beyond broader capacity-building achievements, two especially tangible indicators of performance stand out. First, 38 varieties of rice were produced at CARDI. Second, in relation to sustainability, CARDI was estimated to be 50 per cent under-resourced and openly struggling to maintain facilities and staff and meet its operational costs. (At the time AusAID support ended, electricity costs alone accounted for 13 per cent of the budget.)</p> <p>Consistency with substantial and sustainable impact? No—there are major questions around performance and sustainability of the Institute. Although 38 varieties of rice were introduced, comparatively few farmers are growing CARDI-researched varieties, with many farmers choosing Vietnamese alternatives. CARDI is somewhat disconnected from the realities of Cambodian agriculture, neither responding to demand nor influencing supply and, consequently, is having a limited impact on productivity (relative to the resources devoted to it).</p> <p>Despite regular public pronouncements of support, the Cambodian Government has never provided sufficient financial backing for the initiative and senior levels of government and other stakeholders appear to have had limited engagement with it. As a result, efforts to raise awareness of the real costs of research and secure genuine commitment in relation to the initiative have been minimal. This lack of support is undermining CARDI's model of operation, the premise of which is that, if research is a valuable 'public good', then it requires adequate public funds; if not then its 'model' of operation and cost-base would have to change.</p>		

Cambodia-Australia Agricultural Extension Project, Phase II		
AusAID	Size (approx): \$17.1m	Duration: 2000–2007
<p>Background and context. This initiative grew from recognition of the importance of improving farmers' access to knowledge and information and followed on from a previous five years of support to Cambodia's extension service.</p> <p>Approach. In contrast with the earlier initiative (Phase 1), which had provided direct support to extension workers (and was seen to have failed), the focus here was more on developing national and district level capacity in the expectation that this would support field extension officers. Support focused on developing an information database (FSMIS); socio-economic assessment tools (AEA); and information materials (TIPs).</p> <p>Performance. The different instruments have had a mixed experience since the program ended TIPs seem to have had potential to be useful but most have not been printed or distributed widely. The AEA is well-regarded and used in other parts of government. But these instruments have had limited impact on the government extension service, which—after a second 5-year period of support—is widely seen to have had negligible outreach and efficacy.</p> <p>Consistency with substantial and sustainable impact? Due to its close connection to the Government-led extension model the initiative had little impact on the information environment around farmers and little impact on the performance of the extension service—which remained largely irrelevant to most farmers.</p>		
Agriculture Quality Improvement Project (AQIP)		
AusAID	Size (approx): \$17m	Duration: 2000–2006
<p>Background and context. A functioning seed market was seen to be a key pillar in an effective agriculture system and an important focus for Australian aid. The aim of the initiative was to develop a private seed market in Cambodia.</p> <p>Approach. The initiative started with four companies but low profits meant they were consolidated into one company, ASC, which has a shareholder structure giving government 49 per cent ownership. Support was technical and financial and, after AQIP finished, follow-up business support to the company was provided through a separate initiative.</p> <p>Performance. ASC is now a commercially functioning business selling about 1400 tonnes of improved rice seed to small farmers per annum. Farmers report significantly increased yields from these seeds and seed growers report extra income and lower labour requirements through working with ASC. Although it probably does not have a large share of the private seed market and no other companies have been encouraged to enter the market, contrary to the expectations of many, the initiative has demonstrated that seed production and distribution can work commercially: farmers are buying improved seeds on a regular basis at unsubsidised prices. It seems a significant amount of seed is sold by Vietnamese traders circumventing regulations.</p> <p>ASC has not been able to raise private investment, largely because (a) the ownership structure is seen to undermine its credibility as a lend-able entity; and (b) the land on which its facilities are positioned was given to the seed growers association (and not ASC) by government; therefore ASC has no collateral. Its ability to expand operations to meet demand has, in consequence, been hampered.</p> <p>Consistency with substantial and sustainable impact? An innovative approach which has resulted in positive impacts. The non-commercial nature of the structure and shareholders, the 'public-sector' orientation and bureaucratic nature of engagement from shareholders and from AQIP, and lack of collateral are limiting future prospects. For example, lack of funds is forcing ASC to cut costs and to seek large contracts to supply donors such as the ADB and FAO to raise 'easy' revenue. This has squeezed ASC's supply to commercial dealers who sell directly to farmers, but do not have enough seed to meet this demand. Dealers are vital to ASC's long term viability, but currently only 15 per cent of its income is from this channel.</p>		

Rural Electrification and Transmission Project (RETP)		
AusAID	Size (approx): \$12.3m	Duration: 2008–2011
<p>Background and context. This initiative is supplementing an existing World Bank project and seeking to extend the benefits of electrification to the rural poor. The rationale for rural electrification and the potential for wider benefits are clear. Moreover, in principle at least, this is complementary to other rural development objectives and the development of other markets.</p> <p>Approach. This initiative was largely inherited by the AusAID Country Post, having been transferred from the regional office. In reality, however, the World Bank’s centralised management and limited in-country presence has placed an (unexpected) management burden on Post to deal with in-country partners. The Bank’s bureaucratic processes have necessitated constant prompting by AusAID to maintain momentum. In effect AusAID has had to run this program as if it were its own bilateral program, despite not having managerial or specialist resources to do so, or having been able to influence the design significantly.</p> <p>Performance. The management and operational difficulties of the initiative have meant that Post has been confined to simply getting this initiative up-and-running, rather than shaping it to ensure it serves AusAID’s objectives. Post has not been in a position to scrutinise the Bank’s plans nor consider how RETP might leverage other programmes to increase its impact or vice versa.</p> <p>Consistency with substantial and sustainable impact? Although efforts have been significant, Post has had limited success in influencing program design with respect to sustainability, particularly in terms of plans to support rural electrification. This would entail strengthening ‘bottom of the pyramid’ business models and establishing wider systems for maintenance, finance and bill payment.</p>		
East Timor		
Seeds of Life 2		
ACIAR (but funded directly by AusAID)	Size: \$7.5m	Duration: 2005–2010 (but SoL started in 2000)
<p>Background and context. The overall objective of the initiative has been to develop a functional seed system in East Timor so that agricultural output and productivity can increase and with them, food security and poverty reduction. In practice, the key focus has been on the development of the government ‘Engine Room’, which introduces and tests seeds to ensure that they are appropriate for the East Timor context.</p> <p>Approach. Housed within the Ministry (MAFF) but with largely separate operational and administrative systems, the initiative works primarily through government but has considerable autonomy in working with other partners (NGOs) where appropriate. While the focus has been on the Engine Room, it has long-recognised that the wider seed system, especially the means through which seeds go from public testing to use by farmers, is also a concern.</p> <p>SoL 2 has increased its knowledge of other parts of the wider seed system in the country—for example farmer perceptions and practices. It has begun to ‘map’ the wider seed system in relation to farmers’ main sources of seeds (formal and informal). Several pilot schemes have been initiated to explore community-driven voluntary mechanisms of seed propagation, including one with CARE that shows promising results. The third phase of SoL, which commenced in 2011, has been designed to strengthen informal and market channels for seed production and distribution.</p> <p>Performance. In terms of new seeds, the initiative has tested and introduced nine approved varieties. The effectiveness of capacity-building efforts is more difficult to assess. In a wider sense, through a variety of means—pilot schemes, informal ‘leakage’ from tests etc—new seeds have entered farming systems. Coverage from these is not known but, through ‘natural’ dissemination mechanisms, many thousands of farmers have gained access to the improved seeds. Again, although not yet surveyed, the large productivity increases measured through on-farm trials are likely to be replicated by other farmers.</p> <p>Consistency with substantial and sustainable change? Yes, there is no doubt that the benefits of new seeds are being felt on a widespread basis throughout the country on a substantial scale. The extent to which this is more than a one-off hit will depend on two sustainability challenges: (1) the capacity of the public sector Engine Room—this is being developed (but how effectively is not clear); and (2) the development of seed channels—despite awareness of this issue for many years there has been comparatively little progress in its development (although seed channels will be a significant component of SoL 3). And there are major questions on capacity, incentives institutional form and sustainability that are largely unanswered. These are all questions the design of Seeds of Life 3 has attempted to address.</p>		

Indonesia		
Smallholder Agricultural Development Initiative (SADI)		
AusAID with inputs from ACIAR	Size (approx): \$34.8m from AusAID and \$1.5m from ACIAR	Duration: 2006–2010
<p>Background and context. The overall goal of SADI was to achieve a sustained increase in rural growth and household incomes through productivity gains, better access to markets, and on and off-farm value-added activities in four target provinces of Eastern Indonesia. The purpose of SADI was to demonstrate a model of improved household-level production linking effectively with improved agribusiness/Small-to-Medium Enterprise capacity, adequately serviced by decentralised and demand-driven adaptive research capacity. The modelling was piloted across a limited number of communities in the target provinces.</p> <p>Approach. SADI was designed as three sub-programs: SP1: Enhanced Smallholder Production and Marketing (implemented by the Ministry of Home Affairs and overseen by the World Bank); SP2: Strengthened Private Sector Agribusiness and SME Development (implemented by IFC); and SP3: Support to Market-Driven Adaptive Research (implemented by ACIAR). The initiative attempted to address several elements of the rural development system in eastern Indonesia.</p> <p>Performance. At the activity level, SADI demonstrated significant effectiveness, and contributed to the program purpose of demonstrating models of improved productivity. Partnerships with private sector firms and enabling expansion of existing business opportunities were positive but the absence of a scaling up strategy constrained the achievement of sustainable change. Consistent with its purpose to demonstrate productive models supported by an enabling agribusiness environment and adaptive research, SADI provided a space for Government of Indonesia (GoI) and lead firms to take risks and test new ideas. However, the three sub-programs were not efficiently coordinated or integrated and many activities were fragmented, leading to inefficiency.</p> <p>Consistency with substantial and sustainable change? At the activity level some sustainable change is evident and more is likely to be achieved as outcomes lead to impact. But these are isolated and generally linked to strong existing systems such as cocoa production and beef cattle production.</p>		
Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA)		
AusAID	Size (approx): \$30.8m	Duration: 2005–2010
<p>Background and context. The overarching goal of ANTARA was to reduce poverty in Nusa Tenggara through sustainable and equitable socio-economic development and improved governance systems. Activities were organised under 3 objectives: (1) to improve provincial and district governance; (2) to improve incomes; and (3) to improve access to and quality of basic services. Three agendas were planned for implementation: (1) promote synergies between Government of Australia (GOA) activities; (2) pioneer initiatives to test ‘what works’ in the region; and (3) strategically invest in other existing or emerging GoI or donor programs.</p> <p>Approach. ANTARA was implemented as a Facility through partnerships with donors and other development agencies, and with selected provincial and district government agencies. The delivery partners in ANTARA implemented activities, either through sub-contracts or joint funding. ANTARA allocated A\$18 million for activities, A\$9 million for program support and A\$3 million for AusAID inputs.</p> <p>Performance. The first two years of ANTARA implementation focused on service delivery. AusAID requested ANTARA to invest in six health and education service delivery activities. These resulted in immediate outputs consistent with the program concept, but did not result in sustainable or systemic change. Lessons learned resulted in a significant overhaul in mid-2007. Problems experienced during the first two years of implementation highlight the risks of rapid scale-up. After 2007, ANTARA effectively leveraged successes from elsewhere to do three things simultaneously; (1) prioritise relationships; (2) better understand government constraints and opportunities to improve governance systems; and (3) deliver activity level outcomes that have an impact on the lives of the people of NTT. Few governance focused activities have achievements in all three areas, but ANTARA seems to have made progress in all of them. Many ANTARA income generating activities were effective. By leveraging existing experience ANTARA effectively used resources to scale-up proven livelihoods, food security and governance activities delivered by local partners.</p> <p>Consistency with substantial and sustainable change? At the activity level some sustainable change is evident where ANTARA leveraged existing civil society relationships and approaches to rural development. However, these are isolated from the wider system of local governance and dependent on external resources for sustainability.</p>		

Appendix B: Guidance on approaches to rural development

The recommendations made in this review are underpinned by an approach to rural development that ensures engagement with the multiple functions, actors and relationships through which change takes place and activities develop, adapt and grow. This appendix first looks at why some rural people are poor and then sets out principles, frameworks and good practice points to guide both analysis for and implementation of rural development activities supported by Australian ODA.

Why are some rural people poor?

The 2011 Rural Poverty Report³⁰ provides the most recent analysis of rural poverty at a global scale. The IFAD Report found that:

..... rural poverty results from lack of assets, limited economic opportunities and poor education and capabilities, as well as disadvantages rooted in social and political inequalities. Yet large numbers of households move in and out of poverty repeatedly, sometimes within a matter of years. So while there are rural households that find themselves in chronic, or persistent, poverty, relatively large proportions of people are poor only at specific points in time. Households fall into poverty primarily as a result of shocks such as ill health, poor harvests, social expenses, or conflict and disasters. Mobility out of poverty is associated with personal initiative and enterprise. It is highly correlated with household characteristics such as education and ownership of physical assets, and it is also dependent on good health. Beyond household-level factors, economic growth, and local availability of opportunities, markets, infrastructure and enabling institutions – including good governance – are all important. All these factors tend to be unequally distributed within each country. Certain groups – particularly rural women, youth, indigenous peoples and ethnic minorities – are often disproportionately held back by disadvantages rooted in inequalities. Addressing these disadvantages requires building people’s assets and strengthening their capabilities – both individual and collective, while creating locally available opportunities and mitigating or helping them to better manage risks they face. Until recently, rural people’s capabilities have often been treated separately from investment in creating opportunities for rural development. However, these issues need to be tackled together in order to facilitate broad-based mobility out of poverty and to achieve inclusive, pro-poor rural growth.....³¹

These findings highlight enterprise and the operating environment in which rural livelihoods take place as means of assisting rural people to work out of poverty. The 2011 Rural Poverty Report identified four opportunities for future oriented rural development: improving the overall operating environment in rural areas; improving the risk capacity of poor rural people; strengthening individual capacities; and strengthening collective capabilities of rural people³⁷. The principles, framework and good practice points presented here are designed to support the Australian contribution in realising those opportunities.

³⁰ IFAD (2010) *Rural Poverty Report 2011*. International Fund for Agricultural Development, Rome, Italy.

³¹ IFAD (2010) *Rural Poverty Report 2011*. International Fund for Agricultural Development, Rome, Italy (pp16–17).

Principles

The need for harmonisation between donors to enhance contributions to achieving the Millennium Development Goals is now well understood. The consensus approach to this is set out in the Paris Declaration (2005) and the Accra Agenda for Action (2008). These instruments provide a common framework for harmonisation that allows OECD donors and multilateral agencies to work effectively towards a consensus purpose and goal. Agreed indicators are measured regularly to report progress and support management decisions to reach agreed targets.

Such consensus and shared purpose is more complex in a sector such as rural development because it includes multiple functions, actors and relationships. Indicators of success are difficult to measure and change is rarely attributable to ODA contributions alone. For example, there is limited availability of reliable data on changes to household income and capacity attributable to ODA interventions. This makes it difficult to compare initiatives at the purpose or goal level and so evaluate their effectiveness.

Agreed and clearly communicated principles will support analysis for and implementation of rural development activities supported by Australian ODA as well as engagement with development partners and multilateral agencies. This need was recognised by the Global Donor Platform for Rural Development (formed in 2003) and set out in a joint donor concept on rural development published in 2006.³² Other donors with significant rural development portfolios have also proposed common principles for analysis and implementation of rural development initiatives.^{33, 34}

Overarching principles

Building on this experience, overarching principles to guide analysis for and implementation of rural development activities supported by Australian ODA include:³⁵

- **Favour activities that are people-centred and support pro-poor change.** The strategic intent of Australian ODA allocated to rural development should lead to tangible benefits for rural poor people and include activities that disproportionately benefit the poor over other segments of society.
- **Consider the entire operating environment.** Each delivery strategy for the rural development sector should be based on a theory of change, which considers the multiple functions (core, rules and support); sectors (especially health, education and agriculture); actors (private sector, government, representative organisations and civil society); and relationships that form the environment in which poor rural people make their livelihoods. This especially includes governance, institutional aspects and financial management in decentralised service delivery and market systems.
- **Work in partnership with multiple sectors and actors.** Entry points for ODA identified in the theory of change and the specific interventions in a program logic should be developed with partners selected from the multiple sectors and actors in the operating environment. These should include more than one sector and more than one institution from government (at different levels), civil society and the private sector.
- **Use demand-driven planning and implementation.** Rural development interventions should be shaped by the development context and livelihood strategies of the people involved.

³² GDPRD (2006) On Common Ground: A Joint Donor Concept on Rural Development. Global Donor Platform for Rural Development, Bonn Germany.

³³ World Bank (2008); Agriculture for Development—World Development Report; World Bank, Washington.

³⁴ IFAD (2010) Rural Poverty Report 2011. International Fund for Agricultural Development, Rome, Italy.

³⁵ Adapted from: GDPRD (2006) On Common Ground: A Joint Donor Concept on Rural Development. Global Donor Platform for Rural Development, Bonn Germany.

Identifying opportunities and constraints, designing responses where it is appropriate for ODA to contribute, and determining the results that will define success should all be led by the demands of the beneficiaries.

- **Support equality and equal opportunity.** Consistent with existing AusAID policies on gender equality and disability, rural development interventions should recognise the different needs, priorities and opportunities of men, women, boys and girls as well as the different constraints they face. Interventions must also recognise variation in the amount of access to and control of productive resources available to rural women and men from different socio-economic groups. This affects their ability to access and use resources, such as land, water, livestock, and agricultural inputs and services.

Ensure sustainable use of natural resources. Consistent with existing AusAID policies on environmental sustainability, rural development interventions should ensure that land, water, biodiversity and ecosystem services are managed within their sustainable limits to ensure that future generations can enjoy the same, or improved, quantity and quality of natural resources.

Operational principles

The experiences explored in the review, and considered by other donors and multilateral agencies investing in rural development, suggest a number of operational principles. These are consistent with AusAID policies and include:

- **Ownership.** Engage multiple functions, actors and relationships in the program logic³⁶ and support capacity development of key stakeholders and their institutions to participate more effectively in the design, delivery and monitoring of rural development.
- **Alignment.** Consistent with AusAID operational policies on working in partner systems, contribute to strengthening (1) national and decentralised rural development strategies and processes; and (2) the coherence of sectoral policies (internal alignment) to support rural development and recognise the roles of government, civil society and the private sector.
- **Harmonisation.** Partner with other donors and multilateral institutions to deliver predictable ODA with a clear strategic intent as part of a contribution to implementing national development strategies. Depending on the agreed purpose, this might include common funding mechanisms via sector-wide and program-based approaches, to bring about harmonisation. Partnerships also recognise the need for intra- and inter-sectoral harmonisation to achieve sustainable rural development.
- **Managing for results.** Support the monitoring and reporting of measurable outcome and results indicators for rural development, consistent with the national strategies such as the Poverty Reduction Strategy, and sectoral Agriculture Research and Development strategies, which highlight the role of smallholder agriculture contributions to pro-poor development.
- **Mutual accountability.** Develop and promote sector-level mutual accountability frameworks that include roles for rural stakeholders (farmers, farmer organisations, CSOs and local governments) and consider cross-cutting issues (particularly the roles of women in agriculture, and environmental or natural resource management issues).

³⁶ A program logic is defined on page B-4.

Frameworks

A common framework to guide analysis and implementation of rural development helps put the principles into practice.

What is a framework?

A framework supports the effective planning of an intervention. It also informs a set of good practices—against which rural development activities can be appraised. Critically, it should allow for assessment at any point in the implementation cycle, since it inherently deals with process as well as performance indicators.

An effective framework includes the following elements.

- **Rationale and objectives**—where a development intervention fits within an agreed sector delivery strategy and why it is justified; its goal and purpose as well as the outputs and outcomes it seeks to deliver at completion.
- **Theory of change**—the different cause-and-effect steps linking multiple functions, actors and relationships in different sectors that drive change in the operating environment for the rural poor and their livelihoods.
- **Program logic**— the relationships and assumptions linking inputs, activities, outputs and outcomes at different entry points identified in the theory of change, where ODA can make a contribution to rural development.
- **Approach and role of institutions**—the process that institutions follow in pursuit of their objective—who they work with, how they work and what activities they undertake.

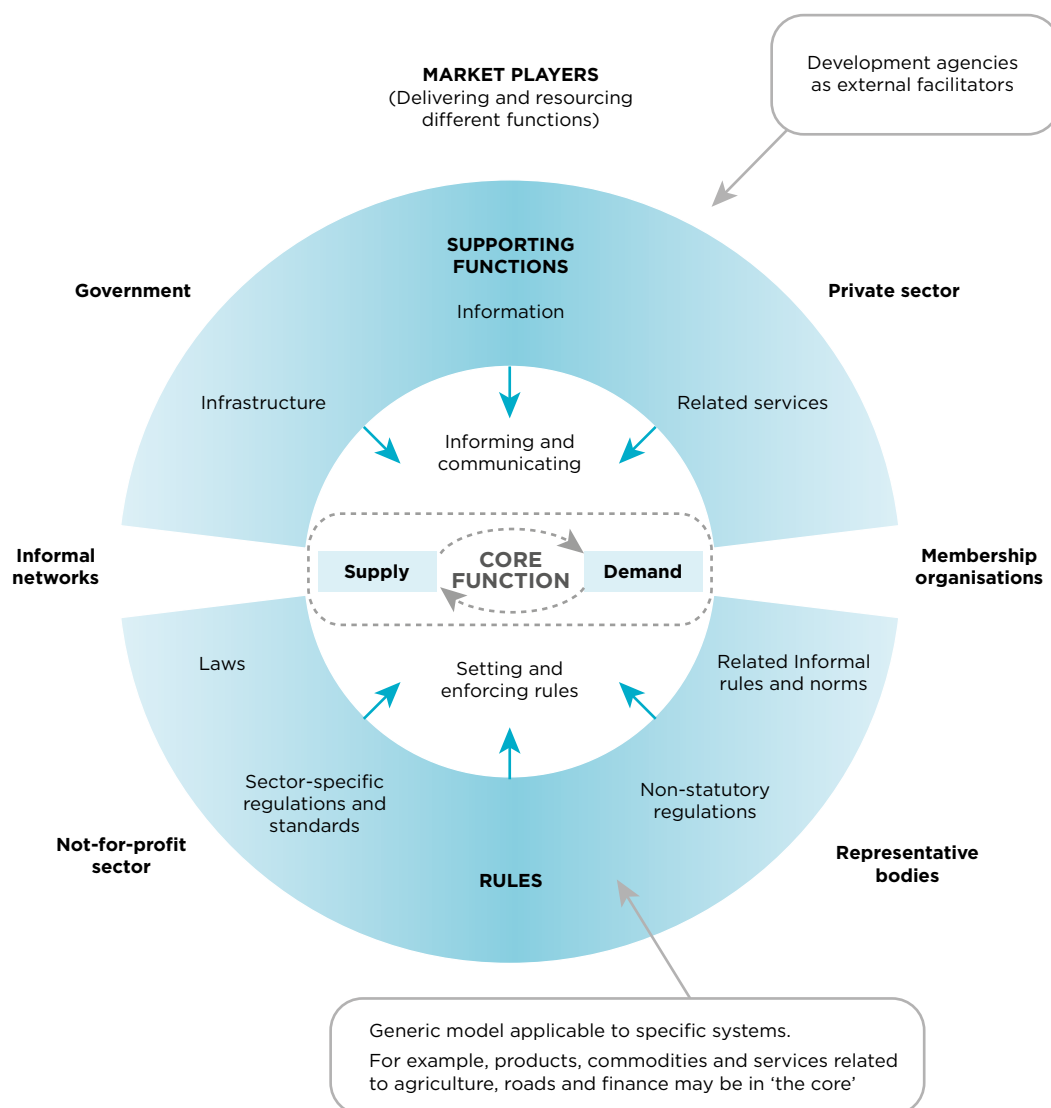
A framework for analysing and implementing sustainable rural development is based on some basic understandings:

- Poor people live within an operating environment and take on one or more role as consumer, producer and labourer. For example a poor rural woman may consume health services in the village health centre; sell surplus root crops and red coffee cherries at a weekly market or for periodic cash; and also provide labour to neighbours and the local government for maintenance of local infrastructure.
- The quality and scale of the livelihoods of poor people is determined within this operating environment, which may not function effectively or inclusively. The poor are often the ones who suffer most.
- By addressing the underlying constraints preventing an operating system from functioning effectively and equitably, institutions can achieve much greater and more lasting pro-poor change than if they focused on direct delivery, which is more likely to have limited, transient impacts.

Operating environment

The operating environment for rural development can be understood with respect to the multiple functions, actors and relationships in the different sectors. Figure B1 sets out a schematic representation of an operating environment.

Figure B1 Schematic representation of a rural development operating environment



There are three main sets of *functions* in an operating environment for rural development:

- **The core exchange between provider and consumer**—for example, a product or commodity or service is exchanged with a consumer. In rural development this includes agricultural products and commodities such as coffee, cocoa or oil palm but also services such as those from the health, education, justice and agricultural sectors.
- **The formal and informal rules shaping behaviour**—for example, standards and regulations and, often more important, the usual practices and norms associated with a particular operating environment. This can include, for example, norms for traders providing expensive, unsecured credit to poor farmers in exchange for purchasing produce at a price determined by the trader rather than the open market.

- **The supporting functions that enable exchange**—for example agricultural extension services, material inputs including credit, research and development, information on technologies, coordination among key players and training and learning services.

A number of different *actors* are normally active in a rural development operating environment. These include:

- **The private sector**—producers, traders, service providers in formal and informal businesses (small and large) providing services, credit and market access for rural people.
- **Government organisations**—including central ministries, local authorities, and specialised institutions such as research organisations. The livelihoods of most rural people are affected by decentralised government systems so it is important to engage with local-level government, district and provincial agencies as well as national agencies.
- **Civil society organisations**—including community-based organisations, non-government organisations, faith-based organisations and membership associations that are formed to advocate for and offer services to their constituents.
- **Academic/educational entities**—such as universities or training organisations.

Good practice points

The operating environment described above informs a set of good practices against which rural development activities can be assessed. The task of understanding and acting to change an operating environment needs to be based on a detailed understanding of how the combination of functions, actors and relationships interact and, in particular, why they do or do not function effectively (which may include why they are absent in some circumstances).

The following good practice points are to guide both analysis for and implementation of rural development activities supported by Australian ODA.

From theory of change to effective initiative

Consistent with the AusAID policy on country strategies and as set out schematically in Figure B2 good rural development starts with analysis leading to a delivery strategy for the rural development sector. This should include rationale and objectives, a theory of change, an agreed sector delivery strategy, and program logic for each initiative.

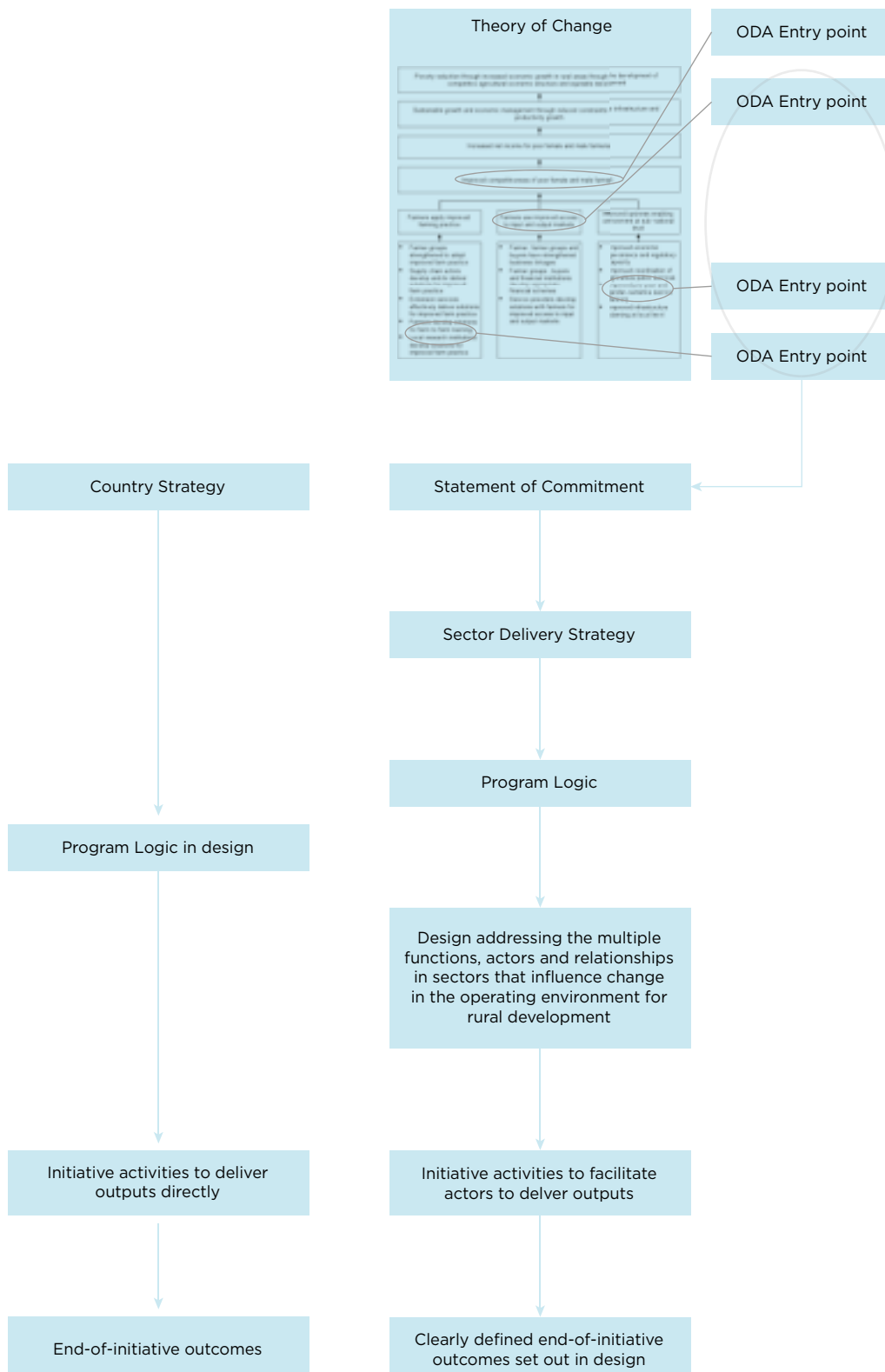
The theory of change should analyse and set out the different cause and effect steps linking multiple functions, actors and relationships in different sectors that drive change in the operating environment for the rural poor and their livelihoods. This should analyse the entire operating environment and identify the possible entry points where ODA could make a sustainable contribution. Among those entry points, there may be places where Australian ODA has a comparative advantage that links with the strategic intent of a proposed Australian rural development initiative. These form the focus for a Sector Delivery Strategy.

Entry points that link with the strategic intent and comparative advantage of Australian ODA provide a starting point for engagement with partners. That engagement should focus on refining the Sector Delivery Strategy and developing the program logic for each proposed initiative. Both these elements of good practice are then reviewed at least annually through national performance systems and Australian agency review processes—such as the AusAID Quality at Implementation process. The program logic sets out the relationships and assumptions linking inputs, activities, outputs and outcomes at the entry points identified from the theory of change as places where ODA can make a contribution to rural development.

Figure B2 From Theory of Change to Initiative

Previous approach to ODA investment

Proposed approach to ODA investment



The contribution ODA can make

Change in rural development operating environments comes from communities, government agencies, civil society and the private sector and international partners making a contribution through ODA. However, ODA can only make a contribution and is not the most important or only source of change. This should be reflected in the goal, purpose and expected end-of-initiative outcomes set out in the program logic and design.

The purpose of ODA is to stimulate more and better activity in the core and therefore more pro-poor benefits. However, performance here is a consequence of the functions and capacity of actors around it. By contributing to strengthening functions and actors around the core of the operating environment—and addressing the systemic constraints inhibiting development—it is possible to move closer to the underlying causes of poverty and to leverage much greater change than by delivering directly. This approach is highlighted in the 2011 Rural Poverty Report, which found the need to take a more comprehensive approach to promoting pro-poor, future oriented rural growth through increasing investment around four issues: improving the overall operating environment in rural areas; improving the risk capacity of poor rural people; strengthening individual capacities; and strengthening collective capabilities of rural people.³⁷

This approach requires that ODA agencies play a facilitating role. As external players they seek to catalyse others in the market system while not becoming part of it themselves. The role of intervention is temporary and catalytic. Interventions therefore need to be sensitive to local market conditions and seek to stimulate deeper and larger change by ‘crowding in’ other players and functions to improve the system. Successful facilitation is not driven by a fixed formula, and may involve a range of activities—including direct roles initially—guided by an understanding of constraints in the operating environment, a vision of how it will function effectively in the future and by a range of good practice principles related to partners, relationships and resource use.

Focus on rules and supporting functions

Typically, the problems in the core of an operating environment (see Figure B1) have their root causes in the rules or supporting functions around it. Two simple examples from the review illustrate this point:

- The low output and productivity of cocoa farmers (*the core*) in the Solomon Islands can be attributed to a number of factors—in particular, a lack of information related to farming practices and low access to and usage of inputs (*the supporting functions*). Successful interventions need to focus on addressing these constraints on a sustainable basis.
- The output and quality of oyster spats is a critical factor in determining the future size of and benefits from the industry (*the core*). In order to achieve further growth, more private investment in spats needs to be ‘crowded in’, but for this to happen key constraints related to innovation and information (*supporting functions*) and government–private sector roles and relationships (*rules*) need to be addressed.

Pathways out of rural poverty

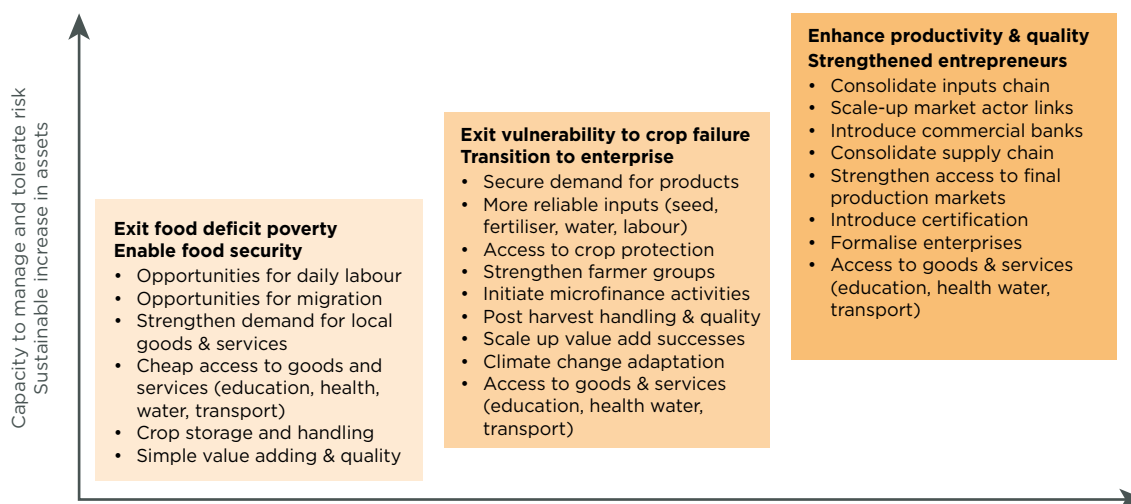
More than anyone else, it is poor people who suffer most from dysfunctional markets and operating environments. Effective rural development means an increased demand for goods, services and labour, which the poor are able to access. Sustainable rural development must always focus on the operating environment, recognising that the functions, actors and relationships of

³⁷ IFAD (2010) *Rural Poverty Report 2011*. International Fund for Agricultural Development, Rome, Italy pp.223–225.

importance to different groups—for example the food-insecure poor and the land-owning poor—may be different. As one example, labour markets and access to information about migration opportunities are often key operating environment issues needing to be fixed for the food-insecure poor—something the ANTARA Program in Indonesia contributed to as part of its rural development activities.

As shown schematically in Figure B3, different contributions may be needed from ODA depending on the needs of beneficiaries as they progress along pathways out of poverty through gaining food security, transitioning to enterprise, and becoming sustainable entrepreneurs.

Figure B3 Pathways out of poverty



From this schematic it can be seen that pathways out of poverty include use of sustainable surpluses (of subsistence production or cash from labour exceeding living needs) to build up assets. People gradually build up assets that can be used as productive means (land, equipment), working capital or a safeguard against disasters such as disease or crop failure. Building up assets is the bridge to the path out of poverty. A one-time asset boost (e.g. handouts from ODA) is unlikely to last very long. The next shock will consume it.

The difference between this approach to rural development and others

Using an approach based on the operating environment is different in practice from more conventional approaches in a number of respects (see Table B1). In strengthening an operating environment, interventions are driven by a related, but different, agenda from the norm. Typical approaches include addressing systemic constraints and not just delivery; facilitating actors in the operating environment to do rather than having the intervention deliver directly and consider from the outset how an operating environment will work sustainably at the end of an intervention.

Table B1 Summary comparison of two development frameworks

Characteristic	Conventional approach	Operating environment (systemic) approach
Focus	Focus on addressing firm/household-level problems rather than their causes	Focus on changing the operating environment, guided by detailed understanding of constraints and their causes
Agency role	Often a direct provider role that achieves short-term results but distorts systems and increases reliance on aid	Facilitate others to be more effective, recognising that a facilitator cannot be part of the system in the longer term
Key questions	What problems do businesses/individuals have? How can the intervention solve them?	Why is the operating environment not providing solutions? How can the intervention address the constraints that prevent it from effectively doing so?
Scale	Limited scale of impact because of reliance on direct support. More impact needs continual infusion of more aid resources	Priority is to identify and address constraints in the operating environment so that wider change can be leveraged through relationships with other actors and functions
Sustainability	Limited view—sustainability a secondary concern	Explicit consideration of the alignment of roles and actors (and incentives and capacities) in markets—now and in the future
Role of the state	Often unquestioning view of what government can/should do	Work with government only in valid roles that are within capacity and competence

It is also important to distinguish between an operating environment approach and individual analytical tools, such as a theory of change, value chain analysis, scenario planning, impact logic, and others. The approach is not competing with these tools—rather it provides a framework for analysis and action within which the tools can be used more effectively.

Including gender and environmental concerns

By understanding the way poor men and women participate in an operating environment, it is possible to develop insights into the gender issues that stop them participating effectively—and plan for appropriate action. Initiatives set out in the Sector Delivery Strategy and the Program Logic are examples of this principle in action.

Environmental issues can manifest themselves in operating environments in a number of ways—for example, in regulations and standards (formal rules), or in practices and attitudes (informal rules). Environmental solutions can also be seen as markets for products and services although the markets for these often do not work effectively.

By using an ‘operating environment’ perspective, agencies can design initiatives more likely to deliver long-term benefit to the rural poor.

Tangible experiences of the approach in practice

The ‘operating environment’ approach has been implemented in a number of places. Two better known examples are summarised in Table B2.³⁸ One is an independent trust, and the other, a contractor-implemented project structure. Both are supported by donor agencies and therefore fit within donor structures and procedures. In each case, donor funders have been able to find an appropriate balance between accountability and flexibility, seeking to change the emphasis from activities undertaken to changes achieved.

Table B2 Examples of the approach in practice

Financial services, South Africa, FinMark	Horticulture information services, Bangladesh, Katalyst
<p>The <i>problem</i>: Low access to financial services, reducing economic opportunity and undermining social cohesion.</p> <p><i>Conventional approach</i>: Intervene to set up/support a specialist microfinance provider. The wider global experience of this has been limited success in raising access and promoting sustainability.</p> <p><i>Systems approach</i>: First, understand key system constraints—information, regulation and coordination; second, implement a range of interventions to address these, including vision-building with stakeholders; a new (syndicated) information service for providers; events to promote better networks around innovation; and engagement with government/industry on regulation.</p> <p><i>Results</i>: Substantial change in information, regulatory and innovation environment around providers, resulting in a change in business models, and contributing to an increase in access to 60 per cent (2009) from 36 per cent (2002)—an increase of 8m people.</p> <p>The deep-rooted nature of change throughout the financial systems suggests that the incentives and capacities have been developed to ensure processes of change are sustained.</p>	<p>The <i>problem</i>: Low output and productivity in small-scale vegetable farmers the result of, among other issues, poor information/advice on growing practices and input use.</p> <p><i>Conventional approach</i>: Support government extension officers to deliver information as a ‘public good’. However, approaches globally have achieved neither sustainability nor scale. Extension officers in Bangladesh are used by small proportion of farmers.</p> <p><i>Systems approach</i>: Identify key constraints around existing suppliers of information (input retailers) related to incentives and capacities. Work with input suppliers to develop new training program for agriculture retailers on how to provide advice and information in their interaction with farmers.</p> <p><i>Results</i>: 4,000 to 5,000 retailers have been trained and around 1 million farmers have received better information, increasing yields by up to one-third.</p> <p>Initial supported programs have been ‘copied’ by other input suppliers with new investment in training staff and facilities. Information through the supply chain to farmers is a recognised part of business model.</p>

³⁸ See www.finmarktrust.org and www.katalyst.com.bd.

Appendix C: Methodology

This appendix sets out the methodology taken to defining the scope of the review, developing an analytical framework and identifying sources of data. It also discusses the methods used for data collection and analysis.

Scope

From the outset, the review's scope was shaped by its strategic purpose—to understand and evaluate a range of initiatives in order to identify sound planning and delivery principles that could be applied to future programs.

The range of initiatives was largely determined by adopting a definition of rural development that encompasses those development activities immediately related to **economic development in a rural setting**, namely those concerned with agriculture; non-agriculture business; fishing and forestry; infrastructure (particularly road transport, but including energy and telecommunications); land; and financial services.

In this way, economic development becomes a common factor by which to observe patterns of behaviour, compare results, and draw conclusions. It also allows the assessment of Australia's engagement with the private sector; is in line with stakeholder feedback (*Working paper No 1 stakeholder feedback report*); complements other recent work of ODE; and is consistent with mainstream views of rural development.³⁹

In the selection of countries and initiatives, the goal was to balance breadth with depth. The review sought to (1) select a sufficiently broad span of initiatives (covering a range of countries, fields and modalities); and (2) conduct credible, detailed analysis of specific processes, viewing them from a range of different sources and/or perspectives so that an overall picture of strategic effectiveness emerged. The purpose in selecting countries and initiatives to view, therefore, was not to seek exact statistical accuracy—this was neither possible nor necessary given the strategic intent of the review.

Analytical framework

An analytical framework provides a set of criteria against which development activities can be assessed. Critically, a framework should allow for assessment to occur at any point in the implementation cycle, looking at process as well as achievement.

In this case, the analytical framework also needed to support the analysis of the underlying features of program design: the rationale and objectives; the theory of change and the logic model used as a foundation for investment; and the approach and role of the agencies involved in the intervention.

Given the limited available data on the ultimate impact of a number of the initiatives under consideration, the framework played a vital role in yielding intermediate indicators of process and achievement, which enabled comparison between programs, and acted as leading indicators of likely final impact on household income.

³⁹ World Bank (2008); Agriculture for Development—World Development Report; World Bank, Washington.

The framework was based on good practice in international development, which suggests that development should: address *causes* rather than *symptoms*; focus on *means* as much as *ends*; and have *deep and long-lasting poverty impacts* central to its design, implementation and management.

Table C1 shows how these principles were distilled into three categories, each of which is then elucidated by a set of questions that were developed in line with stakeholder feedback and expectations.

Table C1 The analytical framework for the review—key questions

Overall strategic rationale for intervention	Key questions
<i>Relevance to poor people</i>	Are there reasonable prospects of affecting (positively) significant numbers of poor and other disadvantaged people?
<i>Growth and access enhancement</i>	Are there sufficiently strong prospects for improving the performance of the sector in terms of: Growth—competitiveness, production, value-adding, employment and income, for example. Access—are a greater number and proportion of poor people receiving services?
<i>Intervention feasibility</i>	Are constraints and challenges identified as impinging on future development addressable through external ODA intervention?
Specific intervention approach	Key questions
<i>Setting the specific strategic framework</i>	Is the overall causal logic of the initiative focused on developing means as much as ends (Is the causal logic geared to changing the operating environment?)
<i>Understanding existing systems</i>	Is there a sufficiently detailed understanding of the current operating environment?
<i>Defining sustainable outcomes</i>	Is there a realistic, detailed and valid view of how the operating environment should function successfully in the future?
<i>Facilitating change</i>	Are activities consistent with this view of the future?
<i>Assessing change</i>	Does the approach to monitoring and evaluation provide a realistic link to higher impact levels? (Are monitoring and evaluation providing sufficiently reliable data to enable valid assessment of progress?)
Performance	Key questions
	What change has taken place at each level of the initiative's causal logic? Are changes consistent with the achievement of substantial and sustainable impact?

Selection of countries and initiatives

The selection of countries and initiatives had five steps:

1. **Identifying relevant countries.** Not all countries receiving ODA were included—some, for example, have very little rural development work.
2. **Identifying relevant initiatives.** This involved a trawl of AusAID’s database containing details of all ODA-funded activities, categorised by sector code, for the period 2001–2009. This produced a list of hundreds of initiatives, which was then narrowed down to a ‘long list’ of around 50 (on the basis of the criteria below) where initiative documentation was examined. In addition, rural development initiatives that had recently been evaluated by AusAID were included in the long list.
3. **Country selection.** This was based on four main criteria:
 - geographic location (Asia, Pacific Islands)
 - level of development (GDP, HDI, growth trends)
 - level of fragility or weakness (OECD–DAC classification)
 - the nature of ODA involvement—overall aid dependency and the importance of Australian ODA.
4. **Analysis of initiatives.** This time-consuming stage involved analysis of documentation and, where relevant, speaking with stakeholders (mainly within ACIAR and AusAID). The key criteria were:
 - representativeness—in relation to focus, size, duration and modality
 - perception of performance—a review of documented ratings, completed evaluations, Quality Reporting System data and more qualitative views
 - ‘evaluability’—the extent to which a productive visit was likely to be feasible given physical location and the availability of key informants (especially important for completed initiatives)
 - existing meta-data—the availability of recently completed mid-term or terminal evaluations that could provide case studies or other evidence to support the review
 - lesson-learning potential—the most subjective of the criteria, this involved considering from the outset what potential issues of wider interest might emerge from the more detailed analysis.
5. **Initiative selection.** Final selection emerged from these steps but was also influenced by logistical, budget and organisational constraints. In practice, the process was iterative rather than linear.

The final list emerging from the process and shown in Table C2, comprises 13 initiatives implemented/funded by AusAID and nine implemented by ACIAR with one ‘shared’ (Seeds of Life in East Timor is funded by AusAID directly but implemented by ACIAR). AusAID initiatives are much larger than ACIAR projects but the two agencies dominate execution of Australian ODA allocated to rural development.

In addition, less formal discussions were held with a number of other current or recently completed initiatives. These included:

- Solomon Islands—the Forestry Management Program and Forest-Livelihoods Program (SIFMP/SIFLP); Institutional Strengthening of Land Administration (SIISLAP II); the Community Services Project (CSP); and the Agriculture Livelihoods Project (ALP)
- PNG—Improving Marketing Efficiency, Post-harvest Management and Value Addition of Sweet Potato.

Table C2 Countries and Initiatives selected for more detailed analysis

Country	Initiative
<i>Cambodia</i>	Cambodia Agricultural Research Development Institute (CARDI) Agricultural Extension Project, Phase II Agriculture Quality Improvement Project (AQIP) Rural Electrification Transmission Project
<i>East Timor</i>	Seeds of Life II
<i>Indonesia</i>	Terminal evaluation of Smallholder Agriculture Development Initiative (SADI) Terminal evaluation of Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA)
<i>Papua New Guinea</i>	Commercial sector/smallholder partnerships for improving incomes in: palm oil and cocoa industries Transport Sector Support Program Domestication and commercialisation of <i>Canarium indicum</i> Processing of <i>Canarium indicum</i> nuts Media Development Initiative Mid-term evaluation of Agricultural Research and Development Support Facility (ARDSF)
<i>Solomon Islands</i>	Solomon Islands Rural Development Program (RDP) Solomon Islands Road Improvement Project (SIRIP) Improving silvicultural and economic outcomes for community timber plantations Integrated crop management package for sustainable gardens in Solomon Islands Support to the Forum Fisheries Agency (regional agency)
<i>Vietnam</i>	Optimising silvicultural management and productivity of high-quality acacia plantations Building bivalve hatchery production capacity Improving feed sustainability for marine aquaculture Policy, institutional and economic constraints to aquaculture in Vietnam Terminal evaluation of Collaboration for Agriculture and Rural Development Program (CARD)

Methods used

Each of the selected initiatives or projects was assessed using the key questions from the analytical framework. In identifying appropriate methods for conducting this task, it was necessary to assess the extent to which various methods could:

- offer findings that were valid and believable, with a strong causal link between observed changes and interventions;
- offer findings that could be generalised, where it is reasonable to draw wider conclusions on the basis of analysis of an observed change; and
- be practical either in terms of cost, resources or time.

Clearly, the ideal for any evaluation/review would be to use experimental or quasi-experimental approaches, where comparison is made between an affected group and a control group, and the results are open to statistical analysis. However, these kinds of studies are often difficult and expensive to undertake, especially in a limited time period. Moreover, they are best undertaken where accurate baseline data has been established. In practice, the conditions of the review meant that these techniques were impractical here.

Accordingly, the review chose to conduct analysis of case studies and meta-analysis of recently completed evaluations—a technique that has been found to offer detailed insights into cause-and-effect change processes, albeit in very specific circumstances. When considered in sum, however, these results offer evidence to inform wider conclusions. The collection of participants' views in conjunction with this approach is relatively resource-light and offers a chance to have greater coverage. However, it can lack depth and, sometimes, credibility.

To ensure a representative spread of views and an indication of the degree of support or otherwise for an initiative, a 'triangulated' approach was used when gathering information. For each project, this involved seeking responses from several sources, to the questions in the analytical framework. Sources of information are listed in the paragraphs below.

- **Desk reviews**—conducted by examining a range of documents including country strategies; thematic Concept Notes; initiative design documents; Quality at Entry, Implementation, and Completion Reports; and recent independent reviews and evaluations.
- **Interviews**—conducted with relevant agency staff, program and activity implementation personnel, partner government agencies, participants—including those from the private sector and civil society—and program beneficiaries. Other key informants (primarily in AusAID and ACIAR) were also contacted, for a wider perspective on strategy development and initiative selection. For completed initiatives, key informants from the past were contacted.
- **Focus groups**—conducted with groups of partners or target-group representatives.
- **Mini-case studies**—in-depth examinations, conducted for initiatives where a particular type of situation or change has been experienced, in order to identify potential learning points. Towards the end of the review, case studies from some recent evaluations of rural development initiatives were included to illustrate some of the emerging lessons.

In drawing on this complementary combination of approaches it was hoped that mixed qualitative and quantitative information would contribute to an overall view of the effectiveness of ODA investment in rural development.

Nature of the review

First, the review is not a direct assessment of final household or poverty impacts. The data for this are not readily available—either in on-going or finished initiatives; nor is it feasible to measure these quickly. However, by assessing rationale and approach, it is possible to predict the nature of final impacts. More important, the review concentrates on the underlying reasons for performance—and therefore on opportunities for improvement—rather than pursuing exact figures for final impact.

Second, the review does not attempt to delve into the detail of operational structures and processes in individual initiatives. However, it is sufficiently detailed to draw out key lessons from rural development in practice.

Third, concurrent with the review, AusAID is undergoing strategic reform to ensure that it is structured and operationally equipped to deliver a scaled-up program. Where relevant and practicable, the review seeks to take account of these emerging reforms but only to the extent that they complement the review's brief. The review has not for example, sought to examine AusAID decision-making or management structures or the wider institutional incentives within AusAID.

Fourth, the review's emphasis is on lesson-learning for the future rather than accountability for past performance. Individual initiatives highlighted here need to be seen in that context.

Fifth, while the review is relevant for all whole-of-government ODA partners engaged in rural development work, its main focus is on AusAID—by far the largest Australian ODA player—and ACIAR, an agency with prominence and a complementary mandate in rural development assistance. The analysis and recommendations have particular resonance for ACIAR.

Sixth, in relation to ACIAR, the review has not sought to explore one fundamental strategic question—the rationale for a dedicated public organisation devoted to promoting agriculture research partnerships in pursuit of development goals, when in other countries such roles are contracted out. This is considered to be outside the review's mandate.

Finally, this is a strategic review of a broad area of development. As such, it is concerned with rationale, approach, achievements and future direction. It is about gaining sufficient insight to stand back, look at the big picture afresh and draw conclusions for the way ahead for rural development as whole. While the review has sought to be rigorous and transparent in its approach, it is not a rigid technical evaluation seeking to 'prove' conclusively the impact of a narrow field of activities. It has a broader strategic purpose. Given this there is, of course, room for interpretation and debate in relation to its findings.

