

SMALLHOLDER AGRIBUSINESS DEVELOPMENT INITIATIVE

ICR Report

Prepared for

AusAID

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Indonesia

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Aid Activity Summary

Aid Activity Name	Smallholder Agribusiness Development Initiative (SADI)		
AidWorks initiative number	ING234 – AIPRD Smallholder Agribusiness (SADI) INJ202 – Smallholder Agribusiness Development Initiative		
Commencement date	September, 2006	Completion date	June, 2010
Total Australian \$	A\$34.8 million from AusAID and A\$1.5m from ACIAR		
Total other \$	Time and other in-kind inputs from Government of Indonesia staff in Jakarta and 4 provinces, as well as from participating lead firms, industry leaders and provincial government staff		
Delivery organisation(s)	SP1 – Ministry of Home Affairs (PMD) under World Bank supervision SP2 – International Finance Corporation SP3 – Australian Centre for International Agricultural Research		
Implementing Partner(s)	Indonesian agencies at national level (BAPPENAS, PMD, CoFTRA, BBP2TP) as well as in 4 provinces (Nusa Tenggara Barat, Nusa Tenggara Timur, Sulawesi Selatan, Sulawesi Tenggara)		
Country/Region	Indonesia – 4 eastern provinces (NTT, NTB, Sulsel, Sultra)		
Primary Sector	Rural Development		

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Author's Details

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Executive summary

This independent completion report (ICR) is a terminal evaluation for the Smallholder Agricultural Development Initiative (SADI), which commenced in September 2006 and ends in June 2010. SADI was implemented under the Australia Indonesia Partnership for Development, and AusAID provided A\$34.8m for SADI.

Working in South Sulawesi (Sulsel), South-East Sulawesi (Sultra), Nusa Tenggara Timur (NTT) and Nusa Tenggara Barat (NTB), SADI was designed as a 10 year initiative to address agricultural production and rural poverty issues in eastern Indonesia, but was ended after 4 years. 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 4 target provinces of Eastern Indonesia. The **purpose** of SADI was to demonstrate, across a limited number of pilot communities in the target provinces, a model of improved household-level production linking effectively with improved agribusiness/Small Medium Enterprise capacity, adequately serviced by decentralised and demand-driven adaptive research capacity.

SADI was designed with three sub-programs: **SP1**: Enhanced Smallholder Production and Marketing (PNPM-AP) (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).

SADI was evaluated as a whole-program against eight criteria: relevance, effectiveness, efficiency, impact and sustainability as well as monitoring and evaluation, gender equality and analysis and learning. Lessons learned were structured to inform design of future rural development activities in Indonesia. Given the scale of the SADI investment and the time and resources available for evaluation, the ICR was conducted as a rapid appraisal. Field work focused on collecting evidence against effectiveness, impact, sustainability and gender criteria. Document review and interviews covered all criteria. The scope and methods are set out in the Evaluation Plan presented on March 17, 2010 (see also Annex 6). Field work was conducted between April 5 and 19 in Jakarta, NTB and Sulsel.

The evaluation team conducted semi-structured interviews with public and private-sector stakeholders in Jakarta, NTB and Sulsel. National agencies including BAPPENAS, BBP2TP and CoFTRA were consulted as were Provincial, District and sub-District authorities and private sector actors. Documented outputs from SADI, activity reports and monitoring results from each sub-program were reviewed. The selection of field locations and stakeholders was informed by Activity Completion Reports prepared by each sub-program, and the PMO. Because of logistical and time constraints, a planned counter-factual analysis was not possible.

Relevance

SADI was designed to be relevant to national and provincial priorities in Indonesia and the bilateral partnership between Indonesia and Australia. SADI was relevant to the GoI medium term strategic plan 2004-2009, Ministry of Agriculture strategic plan 2010-2014, AIP Country Strategy 2009-2013 and MDGs. SADI was relevant to provincial governments. For example, the Provincial Government of NTB gives priority to increasing Bali cattle, maize and seaweed production as well as maintaining rice production. The Kepala BAPPEDA recognised the relevance and effectiveness of SADI cattle production activities – resulting in the Province launching its own program: one cow, one calf, one year.

The goal and purpose of SADI contributed to Pillar 1 of the Australia Indonesia Partnership Country Strategy 2008-2013: Sustainable Growth and Economic Management. In particular SADI supported efforts to increase the quality and productivity of agriculture in eastern Indonesia, as well as enhance the enabling environment for agribusiness.

Effectiveness

At the activity level, SADI demonstrated significant effectiveness, and contributed to the program purpose of demonstrating models of improved productivity. Examples in cocoa, cattle, cashew and peanut farming systems positively impacted farmer incomes and market access as well as provincial productivity. Evidence collected in the field by the ICR team is presented in case studies (see Annex 1 and main text) to highlight activity results.

Consistent with its purpose to demonstrate productive models supported by an enabling agribusiness environment and adaptive research, SADI provided a space for GoI and lead firms to take risks and test new ideas. For example, GoI used SADI to pilot a rural development/agribusiness component to the national PNPM program (SP1). Similarly, with leadership from Ministry of Trade SADI supported the government to institutionalise warehouse receipts as a mechanism for improving farmer access to finance (SP2). By developing capacity of

BBP2TP and BPTP in SADI provinces to better plan and execute adaptive research (SP3), a cultural change process was started that will be sustained by BBP2TP institutionalising the use of collaborative competitive research grants throughout its program from 2011. These changes provide a foundation for effective leadership of adaptive, market-led research by BBP2TP and its stakeholder organisations, allowing greater dependence on Indonesian research capacity in future AusAID programs.

SADI activity outputs demonstrated the capacity of the program to be effective, but the potential of the program to achieve its end-of-program outcomes was undermined by significant structural, phasing and fragmentation constraints that emerged at design and were not addressed by management even though they were identified early on and highlighted in the mid-term review conducted in late 2008. In addition, the rigid application of some methodologies, especially the lead firm model, reduced the responsiveness of the program to local needs. As a result the return on the SADI investment was significantly less than its potential.

The phasing of SADI activities was not implemented effectively. Weak PMO direction and limited AusAID supervision allowed ACIAR to drive the research priority-setting process before market analysis and farmer engagement could inform it. The processes had little input from the private sector and other business enabling actors, and District governments were not represented. Thus more than half of the disbursed SADI budget was allocated to a research agenda that had limited relevance to the 5 priorities identified by the SADI value chain analysis for eastern Indonesia (cocoa, maize, cassava, coffee and peanuts) or to District priorities. Some of the resulting research activities clearly supported value chains adopted by SADI – examples include cocoa, cattle and peanuts – however, SP3 allocated less than 25% of its resources to priority value chains and this reduced the effectiveness of SP1 and SP2.

SADI activities were fragmented. The open menu approach used for SP1 resulted in an unmanageably diverse range of activities. The 408 activities delivered with SADI support covered 27 types of activities ranging from infrastructure (26% of SP1 activity funds) and cattle (13%) to passion fruit production (<1%). Fragmentation reduced opportunities for collaboration between groups with similar or complementary activities; constrained concentration of financial and non-financial resources; and further reduced capacity for sub-program integration – all of which constrained ability to scale up supply to meet market demand, support operation and maintenance or consolidate input purchases. ACIAR managed a portfolio of 22 research activities under SADI of which 17 (76% by value) were not related to priority value chains identified by SP2.

Efficiency

Many of the SADI outputs adopted by farmers effectively leveraged existing activities. This allowed effective demonstrations at the activity level to be delivered within 3 years. SADI leveraged experience from lead firms (for example Garuda Food had already developed an improved peanut model in NTB), from sub-program managers (for example IFC introduced its long-standing client ECOM to SADI and ACIAR brought existing research experience (eg cattle and cocoa) and from Government of Indonesia (for example KDP and PNPM Mandiri institutional arrangements and delivery capacity).

However, the three sub-programs were not efficiently coordinated and integrated. The structure of SADI, with three separate sub-programs managed by three strongly independent organisations meant many opportunities for efficiency through synergy were missed. Program governance was not implemented as designed, resulting in poor coordination between subprograms, weak response to emerging management issues and delivery that was less than the potential designed in SADI. Contractual arrangements between AusAID and the 3 sub-program managers as well as the Program Director were inconsistent and often contradictory whilst also poorly reflecting the overall SADI design. Contracted reporting arrangements for ACIAR, IFC and World Bank were all different, and inconsistent with the overall SADI design. The Program Advisory Board was not established to provide whole-of-program focus as planned. This was designed to complement the PCC and provide operational advice focused at the whole-of-program level. Without a Program Advisory Board to provide a whole-of-program focus there was limited collaboration between sub-programs.

SADI was designed with a separate PMO, three sub-program implementation service providers and an outsourcing model for research activities that resulted in very high overheads. The cost of the four designed layers of administration was more than 26% of SADI activity costs.

Impact

SADI was designed as a 10 year program but ended after less than 4 years, so impact evaluation is complex. During this period, the provincial and national context in which SADI activities were implemented was one of improving GDP and reducing poverty. These contextual changes are not attributable to SADI and there remains much work to be done to address the wide range of poverty reduction needs across provinces where SADI worked. However, as shown in the field case studies presented in Annex 1, several activities implemented under SADI demonstrated that a positive impact on farmer incomes and entrepreneurial capacity was possible. For

example, with SADI support 700 farmers in more than 25 villages adopted Bali cattle models that increased productivity by up to 50%. By reducing the calving interval from 18 to 12 months, increasing calving rates and reducing calf mortality household income gains from this model lifted adopters out of poverty: average annual enterprise income increased from 84% of the NTB rural poverty line to 199% in 12 months.

Several small enterprise models demonstrated by SADI were successful. Emerging entrepreneurs implementing these models were encouraged to increase supply by buyers but lacked the support structures to grow the businesses. Neither the SP1 design nor government field facilitator expectations and attitudes were geared for success, resulting in a lack of responsiveness. What was missing was a mechanism to integrate mid-size local entrepreneurs to effectively engage with successful entrepreneurs and farmers' groups to further develop the supply chain linkage between growing agribusinesses and medium-to-large scale buyers/traders. A more enterprise-led approach foresees success and provides the support to encourage entrepreneurs.

Sustainability

Despite a short period of implementation there is evidence that successful agribusinesses will be sustained by their owners and operators. Those activities led by strong, entrepreneurial leaders – such as cocoa nurseries or small-scale value adding agribusinesses – and those linked to a lead firm – such as peanut and cocoa production systems – seem likely to be sustained.

Evidence of support for the pilot roll out approach (PRO) introduced in SP3 is demonstrated by BBP2TP issuing a memorandum to adopt PRO as a mainstream approach for technology assessment and to expand the model to 18 provincial BPTPs through the Farmer Empowerment through Agricultural Technology and Information (FEATI) project. BBP2TP has also indicated willingness to provide GoI funds in 2010 and 2011 to complete testing and development of the PRO approach. Institutional arrangements to use Collaborative Competitive Research Grants (CCRG) have also been put in place by BBP2TP so that from 2011 all of APBN funds for adaptive research should be allocated to BPTPs through a competitive process such as CCRG.

The use of a value-chain and commodity focus was an appropriate mechanism for focusing initial implementation of SADI. However, farmers manage integrated farming systems and expressed strong desire for farming systems and integrated value chain support. They said in field interviews that an integrated farming model responds more effectively to their poverty and livelihood concerns by diversifying risk to ensure sustainability.

Gender equality

The SADI design did not identify gender issues and gender was not well addressed in SP2 and SP3 activities or at a whole-of-program level. However, SP1 explicitly addressed equality of access, decision making and capacity development for women and men and achieved some positive results. Men and women were well represented in planning processes and activity implementation. Facilitation teams engaged for SP1 deliberately included equal numbers of women and men. Several successful SP1 enterprise models, adopted by women's groups, resulted in empowerment of women as well as increased incomes. Women reported that their positive contribution to the cash income of the household positively changed their standing in the family and community.

Monitoring and evaluation

SADI lacked an overall theory of change and program logic. The absence of a single goal and purpose shared by all sub-programs created a challenge that needed proactive management and regular supervision informed by performance monitoring data if planned integration between sub-programs was to be achieved. There was no evidence of a coordinated approach to whole-of-program performance monitoring, management or work planning. The result was limited coherence of delivery and increased development risks.

All sub-programs monitored quantitative inputs, activities and outputs, mostly with gender disaggregation where appropriate. Consistent with the contractual and management structure, management monitoring was implemented by each sub-program management team - tracking inputs, activities and outputs relevant to sub-program goals and purposes. Resulting monitoring data were used to support management within the sub-program and the summary data collated in each separate ACR is evidence of the coverage of this.

There was no evidence of regular performance monitoring or analysis of management data at whole-of-program level. There was monitoring at activity and sub-program levels in SP2 and SP3 but better analysis of these data and semi-annual output-to-purpose monitoring at whole-of-program level would have supported strategic management at the whole-of-program level. For example activity monitoring evidence from SP1 and SP3 highlighted the fragmentation of delivery that could have triggered concerns for development effectiveness and a whole-of-program management response to focus activities where there was a market linkage and alignment with GoI priorities.

Analysis and learning

Each sub-program conducted effective learning events. No baseline was conducted for SP1 and resources allocated for research were not used by GoI under World Bank oversight – to the cost of the overall program. The MTR was a timely analysis and learning activity that highlighted the issues undermining efficient and effective implementation of SADI. Without addressing the causes of constraints identified in the MTR, such as transformational structural and methodological change the learnings from the MTR did not lead to significant changes in whole-of-program delivery.

Evaluation ratings

Implementation of SADI was managed at four levels: (1) AusAID had oversight responsibility at the whole-of-program level; (2) the Program Director had overall responsibility at the whole-of-program level; (3) three contracted implementation service providers had responsibility at the sub-program level; and (4) contracted sub-contractors and participating stakeholders had responsibility at the activity level. Formal ratings¹ against the evaluation criteria at the whole-of-program level are presented in the following Chart.

Evaluation Criteria	Rating (1-6)	Comments
Relevance	4	SADI aligns with Indonesian national plans, the country strategy and MDGs. A score of 5 would have been achieved with better alignment to provincial plans and more flexibility to address the needs of industries and sectors not suited to the Lead Firm model.
Effectiveness	3	SADI had mixed effectiveness, with strong performance demonstrated by some activities off-set by structural, phasing and fragmentation issues at sub-program and whole-of-program levels. A score of 4 would have been achieved with better coordination and linkages between subprograms and more demonstrable whole-of-program results.
Efficiency	2	The structure and governance arrangements resulted in very high overheads. A score of 3 would have been achieved with a single management structure and a score of 4 with demonstrated efficiencies arising from that single management structure in practice.
Sustainability	3	After just over 3 years some enterprise models demonstrate sustainability and some institutional changes under SP3 will be sustained by BBP2TP but there is little evidence that institutional or capacity changes under SP1 or SP2 are sustainable. A score of 4 would have been achieved with evidence of financial and social sustainability in SP1 activities and evidence of sustainable institutional or capacity changes under SP1 or SP2 as well as at whole-of-program levels.
Gender Equality	3	Gender was not addressed in the SADI design and poorly addressed by SP2 and SP3. SP1 however used processes and supported activities that ensured access to women, empowered them and built their capacity. A score of 4 would have been achieved with systematic inclusion of gender considerations in research design and implementation as well as at whole-of-program level.
Monitoring & Evaluation	3	Management monitoring of inputs, activities and outputs was adequate at the activity and sub-program levels but there was no performance monitoring of outcomes or purpose at any level and no output-to-purpose monitoring at the whole-of-program level. A score of 4 would have been achieved with systematic performance monitoring of outcomes and purpose at sub-program and whole-of-program levels.
Analysis & Learning	3	No baseline was conducted for SP1 and resources allocated for research were not used. Lessons learned from early implementation of SP1 did not result in changes. A score of 4 would have been achieved with demonstrated changes (eg more flexibility in SP1 procedures, use of different modalities in SP2, stronger leadership from BBP2TP in SP3) as a response to lessons learned from activities implemented early on.

Lessons learned

Key lessons learned from the terminal evaluation of SADI include:

- Have a single management structure
- Enable flexible delivery to achieve a clear purpose and goal
- Use reviews to make adjustments to ensure results
- Actively supervise implementation
- Address farming systems for sustainability

¹ 6 = Very High Quality; 5 = High Quality; 4 = Adequate Quality; 3 = Less than Adequate Quality; 2 = Poor Quality; 1 = Very Poor Quality

- Phase delivery of market and enterprise led activities
- Focus to avoid fragmentation
- Plan for success
- Support GoI to lead
- Use output-to-purpose monitoring to track performance
- Have sustainability and an exit strategy as prime concerns at entry

Recommendations

The lessons learned presented in Section 4.2 lead to general recommendations for effective program design and delivery arising from experience with SADI. To address immediate needs for effective exit from SADI and maintenance of relationships during the next 6-9 months that are likely to provide a foundation for effective implementation of any new program it is recommended that AusAID provide modest support through PNPM to maintain successful activities and relationships in those provinces and districts that are relevant to any new program. These transition arrangements could be managed by the existing SADI provincial coordinators, reporting directly to AusAID, for the duration of the transition. Given the late start of SP1, there is an opportunity to use some transitional resources to ensure that activities recently authorised and implemented continue to receive the required support during the transition period to help minimise reputational risks in districts where a new program may operate.

Acronyms

ACIAR	Australian Center for Agricultural Research
ANTARA	Australia Nusa Tenggara Assistance for Regional Autonomy
APBN	Anggaran Pendapatan dan Belanja Negara (National Budget and Expenditure)
ASKINDO	Asosiasi Kakao Indonesia (Indonesian Cocoa Industry Association)
A2F	Access to Finance
A2M	Access to Markets
AUD	Australian dollar
AusAID	Australian Agency for International Development
AWPB	Annual Workplan and Budget
Balitbangda	Balai Penelitian dan Pengembangan Daerah (Provincial R&D Institution)
Balitkabi	Balai Penelitian Kacang-kacangan dan Umbi-umbian (Research Center for legumes and Tubers)
Balitnak	Balai Penelitian Ternak (Research Center for Cattle)
BAPPEDA	Badan Perencanaan dan Pembangunan Daerah (Regional Planning Body)
BAPPENAS	Badan Perencanaan dan Pembangunan Nasional (National Planning Board)
BBP2TP	Balai Besar Pengkajian dan Pengembangan Teknologi Pertanian (see IAARD)
BDSP	Business Development Service Provider
BEE	Business Enabling Environment
BI	Bank Indonesia (Central Bank of Indonesia)
BLM	Bantuan Langsung Masyarakat (Block Grants under PNPM)
BoB	Bank of Banks
BPTP	Balai Pengkajian Teknologi Pertanian (Research Center for Agricultural Technology)
CA	Cooperation Agreement
CAA	Cocoa Association of Asia
CCRG	Collaborative Competitive Research Grants
CO	Communication Officer
CoFTRA	Commodity Future Trading Regulatory Agency
CSP	Cocoa Sustainability Partnership
CV	Commanditaire Vennootschap
DIPA	Daftar Isian Proyek dan Anggaran (National Government Project and Budget List)
DOK	Dana Operasional Kecamatan (Sub-district Operational Fund)
ECF	Enterprise Challenge Fund
ETR	End Term Review
FAO	Food and Agriculture Organisation
FEATI	Farmer Empowerment Through Agriculture Technology and Information
FGD	Focus Groups Discussion
FI	Financial Institution
Fkab	Fasilitator Kabupaten (District Facilitator for PNPM)
FK-AP	Fasilitator Kecamatan-Agribisnis Perdesaan (Subdistrict Facilitator for PNPM-AP)
FORDA	Forest Research Development Agency
FTC	Farmer Training Center
FY	Fiscal Year (Tahun Anggaran)
GF	GarudaFood
GFI	General Food International
Gol	Government of Indonesia (Pemerintah Indonesia)
HRD	Human Resource Development
IAARD	Indonesian Agency for Agricultural Research and Development
ICASEPS	Indonesian Centre for Agriculture and Socio Economic and Policy Studies
ICCRI	Indonesia Coffee and Cocoa Research Institute
ICT	Information and Communication Technology
IDR	Indonesia Rupiah
IFC	International Finance Corporation
IIRR	International Institute for Rural Reconstruction
ILETRI	Research Institute for Legume and Root Crops
Kab.	Kabupaten (district or regency)
KAD	Kader Agribisnis Desa (Village Agribusiness Cadre)
Kec.	Kecamatan (sub-district)
KMKab	Konsultan Manajemen Kabupaten (District Management Consultant)
KPPN	Kantor Pelayanan Perbendaharaan Negara (Service Office of the National Treasury)
LF	Lead Firm

M&E	Monitoring & Evaluation
MAD	Musyawah Antar Desa (Inter-Village Consultation in PNPM)
MFI	Micro-Finance Institution (Lembaga Keuangan Mikro)
MIS	Management Information System
MM	million
MTR	Mid Term Review
Musdes	Musyawah Desa (Village Consultation in PNPM)
NBFI	Non-Bank Financial Institution
NGO	Non-Governmental Organisation
NMC	National Management Consultant
NTB	Nusa Tenggara Barat
NTT	Nusa Tenggara Timur
PC	Provincial Consultant
PC	Provincial Coordinator
PCC	Program Coordinating Committee
PENSA	Program for Eastern Indonesia SME Assistance
PMD	Pemberdayaan Masyarakat Desa, Direktorat Jendral (Directorate General for Peoples Empowerment of the Ministry of Home Affairs)
PMO	Program Management
PNPM-AP	Program Nasional Pemberdayaan Masyarakat - Agribusiness Perdesaan (National Program for Community Empowerment - Rural Agribusiness)
PNPM-MP	Program Nasional Pemberdayaan Masyarakat - Mandiri Perdesaan (National Program for Community Empowerment - Rural)
PPD	Public Private Dialogue
PPP	Public-Private Partnership (Kemitraan Pemerintah - Swasta)
PRO	Pilot Roll Out
PTC	Provincial Technology Committee
PTO	Petunjuk Teknis Operasional (Operational Technical Guidelines)
Pusbangluh	Pusat Pengembangan Penyuluhan (Center for Extension Development)
R&D	Research & Development (Penelitian dan Pengembangan)
REDC	Regional Enterprise Development Coordinator, IFC
SADI	Smallholder Agribusiness Development Initiative
SDM	Sumberdaya manusia (Human Resources)
SMARTD	Sustainable Management of Agricultural Research and Technology Dissemination
SME	Small and Medium Enterprise (Usaha Kecil dan Menengah)
SOP	Standard Operational Procedure
SP	Subprogram
SPO	Subprogram management office
SSC	Sustainable Supply Chain
Sulsel	Sulawesi Selatan
Sultra	Sulawesi Tenggara
TA	Technical Assistance
TAKE	Technology Assessment and Knowledge Exchange
TOT	Training of Trainers
TPK	Tim Pelaksana Kegiatan (Management Implementation Team)
TPU	Tim Penulis Usulan (Proposal Writing Team)
TV	Tim Verifikasi (Proposal Verification Team)
UPK	Unit Pelaksana Kegiatan (Activity Implementation Unit)
USD	United States Dollar
UU	Undang-undang (National law)
VSD	Vascular Streak Dieback
WB	World Bank
WHR	Warehouse Receipt
WII	Weather Index Insurance
YMTM	Yayasan Mitra Tani Mandiri

1 Introduction

1.1 Activity background

The Smallholder Agricultural Development Initiative (SADI) commenced in September 2006 and ends in June 2010. SADI was implemented under the Australia Indonesia Partnership for Development. AusAID provided A\$34.8m for SADI.

SADI was designed as a 10 year initiative to address long-standing issues and constraints relating to agricultural production and rural poverty in eastern Indonesia but was ended after 4 years of implementation. 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 4 target provinces of Eastern Indonesia. The **purpose** of SADI was to demonstrate, across a limited number of pilot communities in the target provinces, a model of improved household-level production linking effectively with improved agribusiness/Small Medium Enterprise capacity, adequately serviced by decentralised and demand-driven adaptive research capacity.

SADI covered 24 sub-districts in eight districts in four provinces of Eastern Indonesia: South Sulawesi (Sulsel), South-East Sulawesi (Sultra), Nusa Tenggara Timur (NTT) and Nusa Tenggara Barat (NTB).

The essential feature of the SADI design was to forge strong linkages between rural smallholders and the wider Indonesian and global economy that could be sustained by commercial incentives. It was intended that successful implementation of pilot activities in the first 3 years would provide a foundation for continuation and expansion beyond 2010. One aim of the first three years was to test an integrated approach to smallholder development, coordinating the incorporation of a livelihood component into a recently launched national program for poverty alleviation (PNPM-Rural) and improved agribusiness and agricultural research practices.

SADI was designed to build directly on established government and donor initiatives and to utilise existing systems to the maximum extent possible. It emerged from the three main initiatives: the Kecamatan Development Program (KDP), IFC's Program for Eastern Indonesia SME Assistance (PENSA) and ACIAR's 23 year involvement in agricultural research in the region, and more specifically, initiatives in peanuts, cattle, fisheries and horticulture.

Reflecting these origins, SADI was designed with three sub-programs:

- SP1: Enhanced Smallholder Production and Marketing (PNPM-AP) (implemented by the Ministry of Home Affairs and overseen by the World Bank), which seeks to pilot the incorporation of block grant support for smallholder agribusiness/livelihood activities into PNPM-Rural.
- SP2: Strengthened Private Sector Agribusiness and SME Development (implemented by IFC), which seeks to promote smallholders' access to markets and finance and address problems in the business environment affecting smallholder agribusiness.
- SP3: Support to Market-Driven Adaptive Research (implemented by ACIAR), which seeks to change the way in which the agricultural research system works, so that it is more broad based in nature and responsive to the requirement of smallholder agribusiness.

1.2 Evaluation objectives and questions

SADI was evaluated as a whole-program against eight criteria: relevance, effectiveness, efficiency, impact and sustainability as well as monitoring and evaluation, gender equality and analysis and learning. Lessons learned were structured to inform design of future rural development activities in Indonesia.

To ensure independence this evaluation was led by an independent evaluator with one technical specialist team member and one AusAID team member. This was not a Joint Evaluation, but participatory and formative approaches were used to ensure engagement with SADI stakeholders. Given the resources and time available, a formal counter-factual approach to evaluation was not used for this evaluation. Although participants with and without SADI were consulted during field work logistical and time constraints meant that a planned counter-factual analysis was not possible.

Performance questions were prepared using an evaluation logical framework (presented in the Evaluation Plan) and the 5 OECD DAC evaluation criteria. Questions were used in semi-structured interviews and individual interviews. Resulting data provide evidence for evaluating SADI against all criteria. Overarching performance questions were:

- To what extent has SADI achieved its end-of-program outcomes?
- What lessons could be applied to the design of AIPD-AVA? In particular are there lessons relating to management arrangements?
- Is SADI's exit strategy adequate?

1.3 Evaluation scope and methods

Given the scale of the SADI investment and the time and resources available for evaluation, the ICR was conducted as a rapid appraisal. Field work focused on collecting evidence against effectiveness, impact, sustainability and gender criteria. Document review and interviews covered all criteria. The scope and methods are set out in the Evaluation Plan presented on March 17, 2010 and summarised in Annex 6. Field work was conducted between April 5 and 19 in Jakarta, NTB and Sulawesi Selatan.

1.4 Evaluation team

The evaluation was led by John Fargher (Agricultural Scientist, Independent Evaluator) with Yasuo Konishi (Agribusiness Specialist) and Erinch Sahan (AusAID Policy Officer Indonesia Strategy and Sectoral Analysis Branch).



2 Evaluation findings

2.1 Relevance

SADI was designed to be relevant to national and provincial priorities in Indonesia and the bilateral partnership between Indonesia and Australia as well as to Millennium Development Goals (MDG) 1 (reduce poverty and hunger), 3 (empower women) and 7 (environmental sustainability). Program activities and outputs were generally relevant to these priorities and the evolving context of Indonesia and its bilateral relationship with Australia.

The Indonesia Medium Term Development Plan (*Rencana Pembangunan Jangka Menengah*) 2004-2009 includes 3 agendas that address a number of key challenges. SADI contributed to achieving the third agenda: creating a prosperous Indonesia. Within that agenda, SADI was designed to be relevant to several key economic challenges: underdeveloped non-bank financial sector (SP1 and SP2); under-investment in infrastructure (SP1) and low-level of technology adaptability of the business sector (SP2 and SP3). SADI was also relevant to several of the goals set by the BAPPENAS medium term development strategy 2004-2009:

- **Reduce unemployment rate** – for example some SP2 activities supported enterprise growth, which included new employment as well as new agribusiness entrepreneurs. These activities were directly relevant to MDGs 1 and 3.
- **Cut poverty rate** – for example some SP3 activities scaled up adoption of new technologies that increased poor farmer productivity and incomes. These activities directly support MDG 1.
- **Creating a healthy business climate** – for example some SP2 activities have resulted in new regulations to support innovative financing approaches for farmers. SADI was designed to address four of the eight key areas identified by BAPPENAS under this goal: improving the environment for SMEs, increasing technological capacity of industry, revitalising agriculture and regional development.
- **Revitalise agriculture and village development** – for example some SADI activities supported businesses, farmers and government agencies to adopt new approaches to engaging smallholders with medium and larger scale agribusinesses. SADI was designed to be consistent with BAPPENAS policy by focusing on farmers' empowerment, household agriculture activities and development of agri-business. These activities were relevant to MDGs 1 and 3 as well as 7.
- **Regional development** – for example some SP3 activities supported provincial programs for development of priority commodities such as Bali Cattle in NTB.

SADI design and selected outputs were relevant to the Ministry of Agriculture 5 year strategic plan 2010-2014 targets for self sufficiency and sustainability, food diversification, increased value adding as well as improved farmer welfare. Relating to these targets, the overall development objectives of the strategic plan include increased competitiveness and sound industrial agriculture.

SADI was relevant to provincial governments also. For example, the Provincial Government of NTB listed peanuts as a policy priority following SADI success in this sector. The NTB Government also gives priority in rural development to increasing Bali cattle production. The Kepala BAPPEDA recognised the relevance and effectiveness of SADI cattle production activities – resulting in the Province launching its own program: one cow, one calf, one year.

The goal and purpose of SADI contributed to Pillar 1 of the Australia Indonesia Partnership Country Strategy 2008-2013: Sustainable Growth and Economic Management. In particular SADI supported efforts to increase the quality and productivity of agriculture in eastern Indonesia, as well as enhance the enabling environment for agribusiness.

2.2 Effectiveness

SADI resulted in outputs that demonstrate its capacity to be effective but the potential of the program to achieve its end-of-program outcomes was undermined by significant structural, phasing and fragmentation constraints that emerged at design and were never addressed by management even though they were identified early on and highlighted in the mid-term review (MTR) conducted in late 2008. As a result the return on the SADI investment was significantly less than its potential.

SADI successfully demonstrated increased productivity and market linkages

Some SADI outputs achieved the program purpose of demonstrating models of improved productivity. These provide a catalyst for scaling up under other programs to have a livelihoods and market impact at a regional scale. For example, 46 activities in 4 provinces under SP1 (14% of sub-program activities by value) with support from an SP3 research program in NTB (SMAR/2006/096) supported around 1,700 farmers in more than 25 villages to adopt Bali cattle models that increased productivity by up to 50%. As shown in Chart 1, by reducing the calving interval from 18 to 12 months, increasing calving rates and reducing calf mortality household income gains from this model lifted adopters out of poverty – average annual enterprise income increased from 84% of the NTB rural poverty line to 199% in 12 months. Enterprise models such as this contribute to Indonesia achieving MDG 1 (reduce poverty and hunger). The success of this model led to 10 villages adopting it under FEATI and the NTB government launching its own program: one cow, one calf, one year to complement the national Ministry of Agriculture “world of one million cattle” program.

Chart 1 : SADI cattle activities provide a foundation for sustainable growth

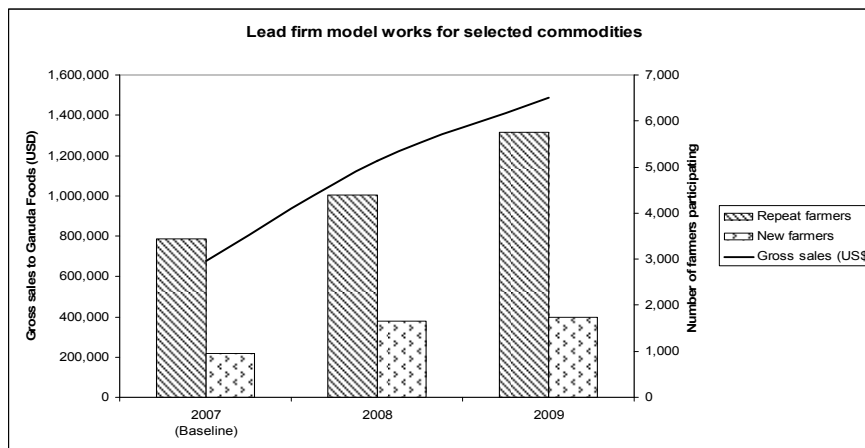
Indicator	Baseline (2006)	NTB Provincial Program target	SADI Achievement (2009)
Adoption (# farmer groups)	36		778
Calving rate (%)	52-66	85	87
Calf mortality (%)	15-20	10	<8
Birth weight(Kg)	13	None given	16
Weaning weight (Kg)	70	None given	90
Estimated enterprise income as % NTB rural poverty line (%)	84	None given	199

Source: Dr Dahlanuddin, SADI Cattle Research Team, University of Mataram, NTB

Some successful enterprise-led models were implemented with support from the private sector. The improved cocoa production model adopted by the national government and promoted effectively in Sulsel with support from SP3 (SMAR/2005/074) was developed by Mars and strongly supported through their effective Mars Cocoa Clinics and the Cocoa Sustainability Partnership. SADI leveraged this success to support BPTP Sulsel and farmer groups with participatory cocoa clone selection trials and disease management trials. Additional activities under SP2 were conducted with three lead firms – Armajaro, ECOM and General Foods Industries – that supply Mars and other processors. The impact of SADI cocoa activities on household income was not assessed by the program, but field interviews and adoption rates suggest a clear benefit to farmers. For example, almost 200 cloned cocoa nursery enterprises have been established, with annual aggregate sales of more than 5 million grafted seedlings.

SP2 leveraged existing work by Garuda Foods with peanut farmers in NTB to scale up adoption of a model for enhanced peanut productivity that included improved varieties for product quality; improved farming systems practices to increase productivity and sustainability; and staggered plantings to regulate production and increase farm-gate prices all of which represents a significant departure from traditional farming practices that undermined the productive potential of rural farmers in Indonesia. Research support from SP3 (SMAR/2007/068) contributed to yield increases of 25-67% – resulting in widespread and repeated adoption by farmers. As shown in Chart 2, by 2009 more than 7,500 farmers were implementing this model, more than 5,500 of whom were repeat farmers. Case study 1 illustrates the potential of the SADI model when 3 sub-programs integrate.

Chart 2 : SADI peanut activities met farmer and industry needs



Source: SP2 management monitoring data presented in draft ACR SP2 pp12, 49-50. 65-66

SADI provided a space for GoI and lead firms to take risks and test new ideas

Consistent with its purpose to demonstrate productive models supported by an enabling agribusiness environment and adaptive research, SADI provided a space for GoI and lead firms to take risks and test new ideas. This is an important contribution available from bilateral grant programs. For example, GoI used SADI to pilot a rural development/agribusiness component to the national PNPM program (SP1). Similarly, with leadership from Ministry of Trade (CoFTRA) SADI supported the government to institutionalise warehouse receipts as a mechanism for improving farmer access to finance (SP2) – an output of nationwide benefit and potentially a significant avenue for linking rural farm production to a national commodities exchange.

BBP2TP used SADI to trial collaborative competitive research grants to increase the efficiency of research investment in Indonesia. By developing capacity of BBP2TP and BPTP in SADI provinces to better plan and execute adaptive research (SP3), a cultural change process was started that will be sustained by BBP2TP institutionalising the use of collaborative competitive research grants throughout its program from 2011. These changes provide a foundation for effective leadership of adaptive, market-led research by BBP2TP and its stakeholder organisations, allowing greater dependence on Indonesian research capacity in future AusAID programs.

SADI started to target causes of constraints to agribusiness enterprises

As summarised in Chart 3, SP2 was designed to address constraints caused by poor access to markets (A2M), limited access to finance (A2F) and a complex business enabling environment (BEE). A2M activities demonstrated the opportunities available from reducing the complexity of the supply chain by supporting farmers and traders or processors to engage. For example linking cocoa growers in Sulsel with Armajaro reduced the need for local collectors, which increased farm-gate prices by 20% and gave Armajaro access to traceable supply at no extra cost. Similarly, by supporting farmers to stagger planting of peanuts in NTB, Garuda Foods secured its supply chain and farmers stabilised higher prices, with farm-gate prices on average 25% higher than market norms during peak harvest season.

Because of poor linkages between SP2 and SP1, adequate A2M and A2F capacity building was not delivered at the district level and below under SP1. For example, the capacity and experience of the proposal screening/selection committee was limited. This was evident in the cashew example where there was a mismatch between the output capacity of the cashew cutters and the roasting oven because market analysis had not been done. As case study 1 shows, where sub-program interaction was effectively implemented, outcomes linked to the purpose of SADI were delivered. Interaction between sub-programs seems to have worked for

peanuts because of a strong lead firm, an existing model and close proximity of the 3 sub-programs in Lombok.

Case study 1 : Sub-program interaction delivered effective outcomes

Location: Mataram City, Lombok NTB

Name of Group: Garuda Foods

Program Component: SP(1), SP(2), SP(3)

Activity Description: Under SP2, Garuda Foods (GF) joined the SADI program in August 2007, and began implementing its support program in May 2008. SADI was instrumental in supporting expansion of the farmers' group supplier network from 23 before the SADI program to a current network of 80 groups. Through the farmers' group network, the SADI program introduced a number of new initiatives including:

- New seed varieties suitable for both dry and wet lands peanut farming (SP3);
- Best practices including row spacing, soil conservation methods, proper fertilization and chemical applications;
- Development and application of adaptive farming technology;
- Staggered planting to reduce supply-demand imbalance during peak harvest season;
- Demand-based extension services; and
- Post-harvest quality control for handling and delivering fresh peanuts.

According to GF, compliance rate with new farming practices introduced under the SADI program is well over 75% with less than 3% of the participating farmers defaulting on their contractual obligations.

This activity demonstrates the benefits available from integration of adaptive field research for the identification and introduction of new seed varieties (SP3); the organization and the development of supply chains and market linkage under the lead-firm model (SP2); and the development and application of new technologies and equipment suitable for peanut farming through support for entrepreneurial initiatives (SP1). This is a prime example where the SADI program acted as a catalyst to help accelerate the scaling up of an existing enterprise-led growth model which addresses rural poverty and economic development, and market linkage and adaptive research and technology issues.

Direct and Indirect Benefits: As a result of the SADI program, farmers have enjoyed a 25% - 67% increase in yield productivity, and quality improvements (reflected in the increase of peanuts per pod from 2 – 3 before the SADI program to 4 after), all of which have contributed to a 30% increase in household income.

Changes Directly Attributable to SADI: Garuda Foods (Peanut Processing)

	SADI	
	Before	After
Sourcing from farmer groups	23	80
Yield rates (tons/ha)		
Wetland	2.0 - 3.0	4.0 - 5.0
Dryland	1.5 - 2.0	2.0 - 2.5
Quality improvement (peanuts/pod)	2 - 3	3 - 4
Change in farming practice: compliance rate		75%
Other changes		
Policy: Peanut as a priority crop for gov't	Low	High
Soil conservation practice applied by farmers	No	Yes
Staggered crop planting practice (1)	No	Yes
Quality control: deliver crop w/in 24 hrs of harvest	No	Yes
Formal registration of farmer groups	No	Yes

(1) Farmers agree to staggered crop planting to avoid market glut

Prior to the SADI program, peanut farming was not considered a priority sector by the provincial government. But given the popularity and rapid scale up of production, the peanut sector has now become one of the top five priority sectors for the government. In addition, through funding under SP2, consultants and local university professors developed new ploughs and farming implements best suited for the new seed varieties and row spacing.

As highlighted in case study 2, the recurring theme in village and farmer groups consulted during the ICR was the need for credit to finance input supplies and adoption of improved practices. SP2 did little on A2F at the local level but SP1 made some contributions. The SP1 requirement to use the grants for public benefits only was a binding constraint on providing finance for working capital. This approach was unsustainable for recurrent expenditure needs and addressed symptoms rather than causes. SP2 supported two activities – Mobile Banking and Weather Index Insurance – but neither was implemented past the feasibility study stage, mostly because SADI was designed as a 10-year program, the A2F activities were proposed for the second phase (years 5-10) and the program was ended in year 4. Opportunities to address A2F identified during ICR field work are presented in Annex 2.

What is the point of being trained in a field school if we do not have access to credit to implement what we learn?

Farmer participant, Tumale Village, Kec. Ponrang, Kab. Luwu Sulsel

Case study 2 : Access to finance remains a priority for farmers

All farmer groups consulted during the ICR consistently raised access to finance as the major constraint to enterprise development and adoption of improved farming practices. One cause of this constraint is a rigid banking sector that is poorly engaged with farmers and reluctant to service their needs. Two examples highlight the other cause of the problem - seasonal cash flow:

Location: Mataram City, Lombok NTB

Name of Group: Garuda Foods

Program Component: SP(1), SP(2), SP(3)

Activity Description: SADI was instrumental in supporting expansion of farmers' group supplying peanuts to Garuda Foods. As with other smallholder farming activities, farmers face problems with access to input finance. As shown below, major cash deficit periods include May/June, and less acute cash flow problems are found during parts of September and December.

Peanut Planting, Harvest and Payment Cycle

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Planting												
Harvest												
Payment cycle												
Cash deficit period												



Location: Makassar City, South Sulawesi Province

Name of Group: Armajaro

Program Component: SP2

Activity Description: With SADI support cocoa farmers were organised into farmer groups and extension services were delivered to farmers with direct participation by Armajaro, which now works directly with over 1,000 cocoa producers through farmer groups where technical assistance, product consolidation and access to transport/logistics is made available to participating farmers. As shown in the cash flow chart below, access to finance continues to be a critical challenge for cocoa farmers. In the absence of affordable finance, farmers are generally dependent on trader/brokers for input finance at very high interest rates where farmers must also collateralize the upcoming season's harvest as a guarantee.

Harvest, Inputs Requirement and Cash Deficit Periods for Cocoa Farmers in Sulawesi, Indonesia

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Main harvest												
2nd harvest												
Payments to farmers												
Farm inputs required												
Cash deficit period												

SP2 made some progress with activities to strengthen the BEE – particularly warehouse receipts (WHR). With strong ownership and leadership from GoI, SADI supported CoFTRA to institutionalise regulations that enable WHR to operate throughout Indonesia. 29 pilot transactions, worth almost IDR2 trillion, were implemented between March 2008 and October 2009. These resulted in net gains to the majority of the 19 farmers' groups that participated in the transactions, and identified the remaining institutional arrangements needed to enable these financing instruments to become more common in Indonesia. The remaining task – institutionalising a performance guarantee mechanism – remains to be completed. CoFTRA constructed 41 warehouses with GoI resources, and has established MoUs with Ministry of Agriculture and Ministry of Cooperatives to complement the WHR program. Few of the new warehouses or the pilot transactions were in SADI provinces – the few exceptions being in Sulsel – but the commodities traded included maize and rice which are widely produced in eastern Indonesia.

Chart 3 : SADI started to address causes of constraints to agribusiness

SP2 activity	SADI Investment (US\$)	2010 Benefit-Cost ratio	2015 Likelihood of Success
A2M Garuda Food	\$734,894	2:1	high
A2M Armajaro	\$521,027	1:1	medium
A2M GF1	\$521,027	not calculated	low
A2M Ecom	\$317,607	not calculated	medium
A2F Mobile Banking	\$732,874	not calculated	medium
A2F WII	\$151,090	not calculated	low
BEE WHR	\$568,030	not calculated	medium
BEE Agri-BEE	\$290,173	not calculated	low

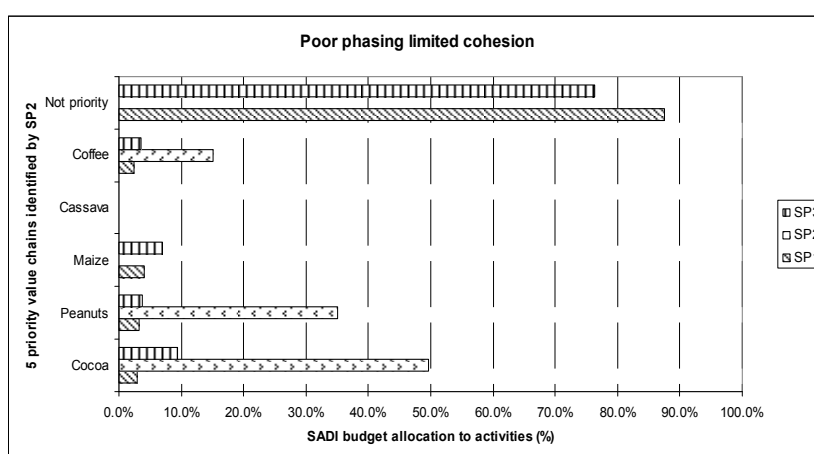
Source: SADI management monitoring data presented in draft ACR for SP2 (pp39-47)

Phasing weaknesses reduced efficiency and effectiveness of SADI implementation

The phasing of SADI activities was not implemented effectively. Delayed commencement of SP1 inputs from PMD compounded by weak PMO direction and limited AusAID supervision allowed ACIAR to drive the research priority-setting process before market analysis and farmer engagement could inform it. Several stakeholders expressed concerns that the processes had little input from the private sector and other business enabling actors, and District governments were not represented. Thus more than half of the disbursed SADI budget was allocated to a research agenda that had limited relevance to the 5 priorities identified by the SADI value chain analysis for eastern Indonesia (cocoa, maize, cassava, coffee and peanuts) or to District priorities. Some of the resulting research activities clearly supported value chains adopted by SADI – examples include cocoa, cattle and peanuts. However, SP3 allocated less than 25% of its resources to the SP2 priority value chains and this reduced overall program effectiveness.

The phasing misalignment between market priorities (SP2) and the research activities (SP3) as well as with the priorities for community grant support (SP1) impacted resource allocation decisions, as shown in Chart 4, and so undermined the effectiveness of SADI by diverting resources away from priority value chains.

Chart 4 : Uncoordinated resource allocation reduced SADI effectiveness



Source: SADI management monitoring data presented in draft ACRs for SP1 (pp37-38), SP2 (pp 9, 15, 19) and SP3 (pp9-10)

In March 2007, PMD requested the list of 24 PNPM-AP subdistricts so they could be included in the DIPA mid-year revision for 2007 to support field activities that started in January 2008. At that point in time, SP3 was fielding scoping teams for the prioritised commodities, and had not yet finalised any research teams or projects. SP2 had assessment teams in the field exploring possible value chains but had not received final reports, and no lead firms had committed to work with SADI. Selecting 24 districts out of more than 400 for SP1 pilot

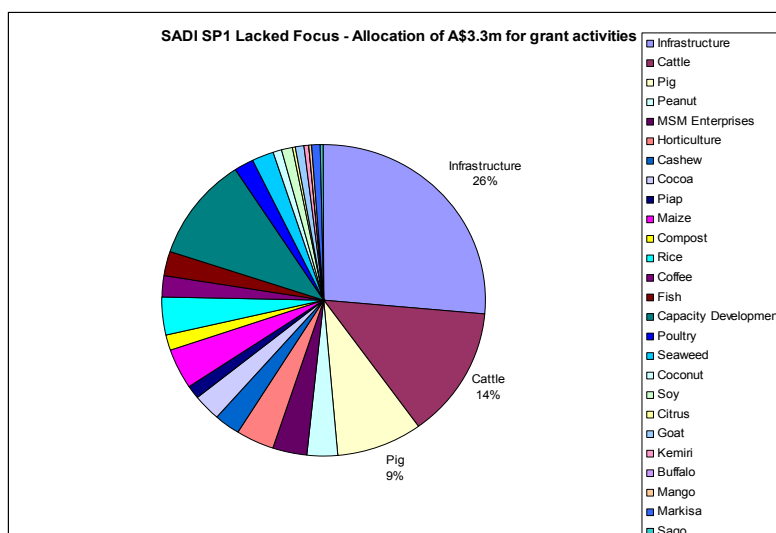
activities when the value chains and adaptive research activities were not finalised had limited success. The PMO developed a list based on the value chains/commodities most likely to be given priority by the SP2 and SP3 activities.

A market led approach requires active engagement with the private sector. The success of the cocoa activities supported by SADI highlights this – each instance can be traced back to the foundation established by Mars in Sulawesi.

Fragmented delivery of SP1 and SP3 reduced efficiency and effectiveness of SADI

SADI activities were fragmented. As shown in Chart 5, the open menu approach used for SP1 resulted in an unmanageably diverse range of activities. The 408 activities delivered with SADI support covered 27 types of activities ranging from infrastructure (26% of SP1 activity funds) and cattle (13%) to passionfruit production (<1%). Fragmentation reduced opportunities for collaboration between groups with similar or complementary activities; constrained concentration of financial and non-financial resources; and further reduced capacity for sub-program integration – all of which constrained ability to scale up supply to meet market demand, support operation and maintenance or consolidate input purchases.

Chart 5 : Fragmented activity focus reduced SADI effectiveness



Source: SP1 management monitoring data presented in draft SP1 ACR, Annex 5 pp 37-38

The open menu principle adopted by PNPM also increased the challenge of coordinating support from SP2 and SP3 – further limiting opportunities for sub-program integration. The three sub-programs did collaborate on selection of business development service providers (BDSPs) to support SP1 community grant activities. In addition, all three sub-programs participated in district-level consultations to verify the feasibility of community grant activities and ensure effective local linkages and support. Although the implications of the open menu process were clear early in the planning process, representations to World Bank and PMD by PMO and AusAID to better focus SP1 failed to change the approach – it seems because an open menu was a core principle for PNPM. As a result, the SP1 mandate was not focused to better complement priority value chains supported by SADI.

ACIAR managed a portfolio of 22 research activities under SADI of which 17 (76% by value) were not related to priority value chains identified by SP2. This was not always an issue – for example the Bali Cattle activities, although not a priority for SP2, were clearly relevant to NTB stakeholders and effective in SP1. However, other research activities for onger-term prospects were less relevant and this reduced the potential for SADI to development the capacity of Indonesian research institutions and relationships to service the needs of priority value chains in eastern Indonesia. The lack of market direction for SP3 priority setting,

caused by the delayed commencement of SP1 and SP2, contributed to this diversity of research investments.

A rigid approach to methodology resulted in lost opportunities

SADI was designed with several specific methodologies that were applied rigidly to suit sub-program managers rather than flexibly to respond to emerging experience. For example the lead firm model was difficult to replicate and was not relevant for certain commodities and medium-scale enterprises. The model is certainly effective – it worked with peanuts and cocoa – but with the scale demanded by IFC it was not appropriate for cattle or cashew enterprises despite the strong potential demonstrated by those enterprises under SP3 and SP1 respectively.

The purpose of SADI emphasised household-level production but most SADI activities with farmers were implemented through farmer groups. This is appropriate for larger scale commodity production systems such as peanuts or cocoa, and systems requiring significant capital investment such as a cattle *kandang*. However, other enterprises with clear public benefit elements – for example cocoa nurseries supporting industry rejuvenation – may have been more successful if they targeted individual entrepreneurs. SADI lacked the flexibility to support individuals where public benefit and efficiency were clearly served by this approach.

The planning process used for PNPM-AP was not adapted to fit the seasonal demands of agriculture (to ensure funds flow matched growing seasons) or the needs of participating communities. The planning process took 6-8 months (compared with FEATI where planning takes a few weeks) but resulted in one-off activities that benefited less than 20% of those participating in the planning. Communities expressed frustration about the delays and transaction costs involved with a program that they otherwise saw as very useful. These processes were determined by government and despite AusAID and World Bank presenting improvement opportunities, standard operating procedures for PNPM remained unchanged.

2.3 Efficiency

SADI leveraged existing relationships and successes to replicate adoption by farmers

Many of the SADI outputs adopted by farmers effectively leveraged existing activities. This allowed effective demonstrations to be delivered within 3 years and resourced replication of activities that have impacted the livelihoods of participating farmers. SADI leveraged experience from lead firms (for example Garuda Food had already developed an improved peanut model in NTB), from sub-program managers (for example IFC introduced its long-standing client ECOM to SADI and ACIAR brought existing cattle research experience [AS2/2000/103]) and from Government of Indonesia (for example KDP and PNPM Mandiri institutional arrangements and delivery capacity).

SADI outputs were also adopted by other programs – for example peanut and cattle models were adopted by farmer groups supported by GoI executed and World Bank financed FEATI.

Structural weaknesses limited delivery of the potential designed in SADI

The three sub-programs were not efficiently coordinated and integrated. The structure of SADI, with three separate sub-programs managed by three strongly independent organisations meant many opportunities for efficiency through synergy were missed. For example, while activities to introduce new grasses and legumes as a part of integrated cattle farming systems proved to be effective under SP3, no steps were taken to introduce lessons learned from the integrated farming model into SP1 activities.

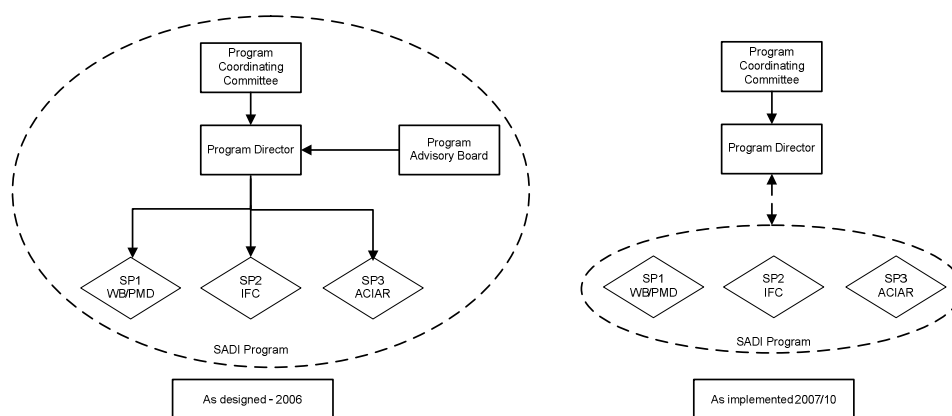
Governance of implementation was inefficient and did not respond to emerging lessons

Program governance was not implemented as designed, resulting in poor coordination between subprograms, weak response to emerging management issues and delivery that was less than the potential designed in SADI. Examination of contracts between AusAID and the 3 sub-program managers as well as the Program Director highlight that these arrangements were inconsistent and often contradictory whilst also poorly reflecting the overall SADI design. Discussions with AusAID staff and sub-program implementation service providers confirmed that AusAID does not have contractual agreements that support effective supervision by AusAID of multinational agencies engaged as implementation service providers. Examples of the ineffective governance arrangements include: the overall SADI design co-located the PMO and sub-program management in Makassar to ensure adequate coordination but all sub-program managers and the PD were resident in Makassar for only part of the program life. Contracted reporting arrangements for ACIAR, IFC and World Bank were all different, and inconsistent with the overall SADI design. Evidence includes, for example:

- For SP1 World Bank was not required to submit reports to either AusAID or PD/PMO.
- For SP2 IFC (Clause 10.1 of Administration Agreement dated June 27, 2006) was required to provide the SADI PD with reports in a format agreed with AusAID.
- For SP3 ACIAR (Clause 7.1 to Schedule 003 dated June 16, 2006 under a Record of Understanding) was required to provide the same reports to AusAID not the PMO.

Chart 6 is a schematic showing the difference between program governance for coordination as designed² and as actually implemented. The failure to establish a Program Advisory Board and the failure of each sub-program to co-locate their manager in Makassar with the PMO for the duration of the program is one of the underlying causes of poor coordination between subprograms. This was exacerbated by inconsistent contractual arrangements between AusAID and each of the sub-program managers.

Chart 6 : Program management did not support coordination as planned



Based on a recommendation from an implementation support mission in August 2007, the Program Advisory Board was not established as planned. This was designed to complement the PCC by providing whole-of-program focus and operational advice. Without the PAB to provide a whole-of-program focus there was limited collaboration between sub-programs.

AusAID supervision of SADI was ineffective – because AusAID staff had neither the contractual instruments to enforce the designed approach with multilateral agencies nor the

² See Contract 39462 dated September 26, 2006 for the Program Director, Schedule 1, Clause 3.5 and Figure 1.

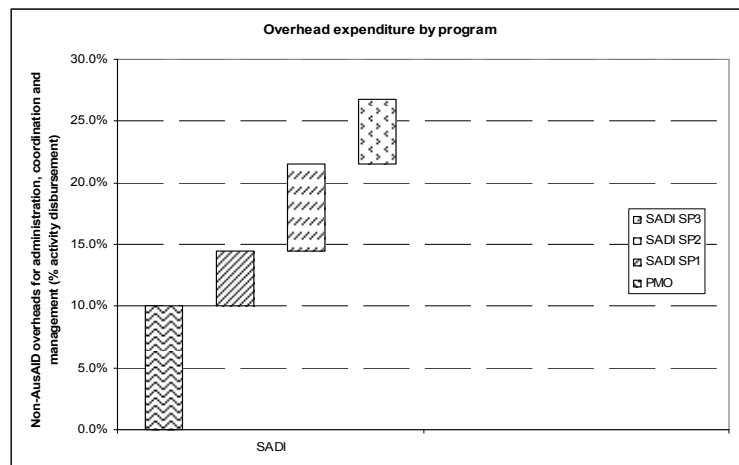
capacity and skills to supervise strong agencies such as IFC, ACIAR or World Bank. BAPPENAS and World Bank expressed concerns that management issues they raised with AusAID were not addressed through supervision or management decisions enabled by the contracts and other agreements. IFC and ACIAR do not perceive AusAID as their client and seem to have had considerable freedom to implement without AusAID direction. The result was low visibility for the Australian aid program (for example IFC and ACIAR activities are all clearly branded as IFC or ACIAR) as well as little practical commitment to whole-of-SADI outcomes.

The manager of PNPM-AP was employed by the World Bank rather than directly by MoHA-PMD – the agency executing SP1. This person had only an oversight role and therefore very limited capacity to influence execution of PNPM-AP, which raises the question of what AusAID was paying for by engaging the World Bank as “manager”. As a result there was a lack of proactive management support to PMD which reduced the efficiency of delivery. There was an opportunity for AusAID to bring the stalemate between World Bank and PMD to a head by seeking required management changes or closing the program. That may not have been prudent given the bilateral context at the time, but the lost efficiency is a cost of the lack of change.

SADI implementation was inefficient by design and in delivery

SADI was designed with a separate PMO, three sub-program implementation service providers and an outsourcing model for research activities that resulted in very high overheads. The cost of the four designed layers of administration was more than 26% of SADI activity costs – see Chart 7. In addition to this, research service providers commissioned by ACIAR charged additional blanket overheads to their contracted programs. For example one Australian university advised the ICR team that they charged 27% overhead to its activity budget, even though the PMO already covered some of the overhead costs.

Chart 7 : SADI management overheads were too high



Source: SADI PMO accounts April, 2010

There is no evidence that risk was proactively managed

There were both fiduciary and development risks in the SADI design that needed management by PMO and the sub-program managers. For example, the AUD3.6m disbursed for village facilitation and grants raised fiduciary risks and AusAID sensibly engaged World Bank to oversee management of these risks by PMD and BPMD through their PNPM-AP administrative procedures. Some farmer groups raised concerns about transparency of input procurement in Sultra, and a small number of cases were identified of misappropriation and poor administration in Sultra and NTT – all of which were proactively managed by BPMD. Management monitoring and financial controls helped manage fiduciary risks.

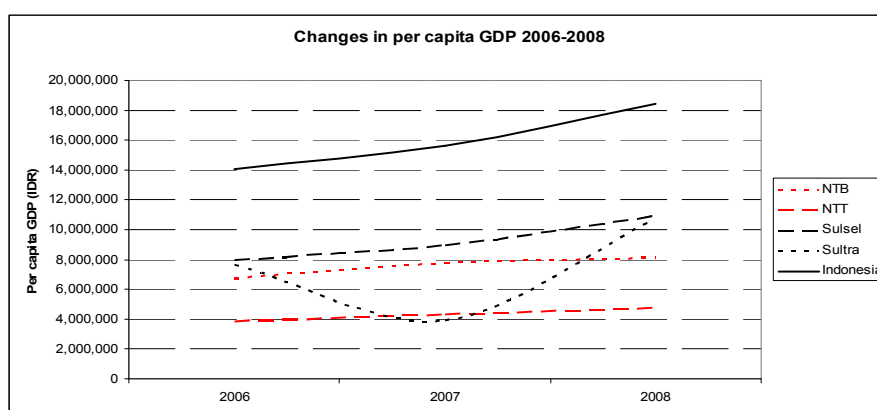
Performance monitoring and active supervision was poorly implemented by PMO and AusAID to manage development risks. SP1 had a number of development risks – most notably the rigid administrative procedures, a mismatch between disbursement and seasonal needs and the lack of capacity assessments to monitor change in training and related activities that used 11% of the activity budget. In addition, there were no actions to provide additional support to successful SP1 activities to manage the risk that they could not be sustained without support to grow.

Activities under SP2 and SP3 had limited fiduciary risk but a number of development risks existed in both sub-programs. These were poorly managed. For example, PMO and SP2 management did not engage with SP1 to identify opportunities to provide A2F and A2M support to successful PNPM-AP agribusiness activities. The major development risk in SP3 was the strong leadership and ownership by ACIAR, reducing the imperative for BBP2TP and provincial BPTP agencies to lead and own change. ACIAR was good at including GoI agencies and other stakeholders in its activities, but it rarely handed control and leadership to those agencies.

2.4 Impact

SADI was designed as a 10 year program but ended after less than 4 years, so impact evaluation is complex. During this period, the provincial and national context in which SADI activities were implemented was one of improving GDP and reducing poverty. For example, per capita GDP increased in each SADI province – see Chart 8. Indonesia is achieving MDG 1 and through that contributing to MDGs relating to health, education and gender equality. However, these contextual changes are not attributable to SADI and as Chart 9 highlights there remains much work to be done to address the wide range of poverty reduction needs across provinces where SADI worked.

Chart 8 : Rural incomes in eastern Indonesia are rising



Source: SUSENAS statistical tables accessed April 16, 2010 from www.bps.go.id

Chart 9 : Provinces in eastern Indonesia have different degrees of need

Province	Population ('000)	Per Capita GDP (IDR/person)	Urban Poverty (%)	Rural Poverty (%)	HDI	Rank
NTB	4,343	8,118,477	29	20	64.1	32
NTT	4,549	4,753,417	16	28	66.2	31
Sulsel	7,794	10,923,954	6	17	70.2	21
Sultra	2,067	10,729,823	5	24	69.0	25
Indonesia	228,187	18,438,919	12	19	71.2	

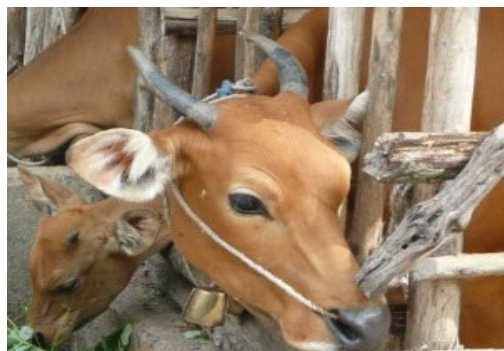
Source: SUSENAS statistical tables accessed April 16, 2010 from www.bps.go.id

SADI enterprise activities demonstrated positive impact on household income

As shown in Chart 10, case study 3 and other case studies presented in Annex 1, several activities implemented under SADI demonstrated that a positive impact on farmer incomes and entrepreneurial capacity was possible. These impacts at an individual and groups scale contributed to achievement of MDG 1 (poverty and hunger) and MDG 3 (gender equality and empower women).

Chart 10 : SADI demonstrated the potential to increase farmer incomes

With SADI support 700 farmers in more than 25 villages adopted Bali cattle models that increased productivity by up to 50%. By reducing the calving interval from 18 to 12 months, increasing calving rates and reducing calf mortality household income gains from this model lifted adopters out of poverty: average annual enterprise income increased from 84% of the NTB rural poverty line to 199% in 12 months. Enterprise models such as this contribute to Indonesia achieving MDG 1 by helping reduce poverty and hunger.



Safaruddin lives in Luwu District of South Sulawesi and is an early adopter of the Mars grafted clone cocoa nursery model. Early adopters are skilled cocoa farmers who received an individual loan of US\$800 for up to 9 months and received technical support to establish a nursery for grafted, cloned cocoa trees. Improved cocoa clones were developed by Mars with support from SP3. After receiving training from Mars, Safaruddin and his family started with 2,000 seedlings at the back of his home, selling then for IDR5,000 to farmers regenerating their cocoa plots. The family paid off the US\$800 loan in 9 months, grew the business by reinvesting profits and now operates a nursery producing 60,000 grafted trees a year with an annual turnover in excess of US\$30,000. This nursery enterprise model has been adopted by more than 300 farmers in 3 provinces and is integral to revitalisation of the Indonesian cocoa industry.



One group of activities highlighted the potential, designed in SADI, for livelihoods, enterprise and adaptive research to integrate effectively to deliver livelihood benefits. SP2 leveraged existing work by Garuda Foods and peanut farmers in NTB to replicate adoption of a model for enhanced peanut productivity. With new varieties for improved quality; new farming practices to increase productivity and sustainability; and staggered plantings to increase farm-gate prices, farmer's increased household income by more than 36%. By 2009 more than 7,500 farmers were implementing this model - over 5,500 of whom were repeat farmers.



Successful enterprises were normally implemented by a group of women or farmers with a strong leader. The importance of leadership was not explicit in the SADI design or SP1 implementation, but was clear from field evidence. For example in Selat Village, Narmada Sub-District, NTB, a group of 20 women established a successful Jackfruit chip enterprise with SP1 support. Profits from the enterprise average around IDR 2 million/month. Half of the profits are shared between the women and half goes to a group savings fund to finance expansion of the enterprise. This group is led by an active and enthusiastic leader, who recently won a national award for leadership.

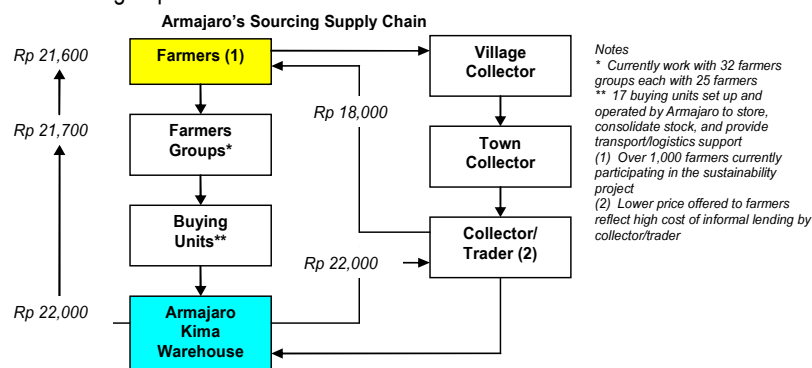
Case study 3 : Enterprise-led supply chain development had positive impacts

Location: Makassar City, South Sulawesi Province

Name of Group: Armajaro

Program Component: SP2

Activity Description: Armajaro, a major global cocoa and coffee trader, joined the SADI program as a lead firm in 2007. Prior to joining the program, Armajaro sourced cocoa from a wide network of local collector/traders (brokers) and had no direct contact with cocoa farmers. This was viewed as a critical issue, particularly given the growing concerns about traceability and market pressure to adopt more sustainable production methods. With SADI support cocoa farmers were organised into farmer groups and extension services were delivered to farmers with direct participation by Armajaro. As a consequence, Armajaro now works directly with over 1,000 cocoa producers through farmer groups where technical assistance, product consolidation and access to transport/logistics is made available to participating farmers. This has resulted in streamlining of a multi-layered supply chain prevalent in the cocoa sector which has contributed to a 20% increase in farmer income, while at the same time enabling Armajaro to introduce certification and traceability practices to its farmers through the farmer groups.



Direct and Indirect Benefits: Sales to Armajaro through farmers groups have resulted in several direct benefits to farmers:

- Streamlining the supply chain has contributed to a 20% increase in farmer income;
- Access to transport and logistics support;
- Access to extension services and technical assistance;
- Immediate cash payment upon delivery of crops; and
- Improve quality and reduction in rejection and waste

SADI delivered some unexpected impacts

Despite its short duration, SADI delivered several unexpected impacts:

- Based on the SP2 post-harvest consultant's recommendation, Garuda Foods reduced their use of diesel fuel for drying peanuts in Mataram from 0.33 litres/kg to 0.26 litres/kg. This change resulted in a financial savings of \$473,746 and a reduction of 1,923 tons of carbon dioxide emissions over the life of the project.
- ACIAR (SP3) and IFC (SP2) were introduced through SADI and the synergies between these two organisations has led to new collaboration. For example the two organisations are working together in the Philippines.
- The success of SP1, SP2 and SP3 activities supporting peanut farming systems and enterprises in NTB raised the profile of this product and the provincial government has now included peanuts in its priority list under the provincial agriculture plan.
- Thanks to SP1, cashew processors who used cashew apples as animal feed or simply threw them away were able to diversify their product and income source by producing higher-value *Dodol* (sticky rice cake), syrup and dried shreds for baking.

SADI lacked a mechanism to scale-up successful entrepreneurial activities

Several small enterprise models demonstrated by SADI were successful. Emerging entrepreneurs implementing these models were encouraged to increase supply by buyers but lacked the support structures to grow the businesses. Technical, financial and management support was needed – potentially available from PNPM BDSPs, small-to-medium private sector actors and other government agencies. As illustrated in case study 4 neither the SP1

design nor government field facilitator expectations and attitudes were geared for success, resulting in a lack of responsiveness. In field interviews facilitators assumed that the small agribusiness model would stay that way – small businesses for poor entrepreneurs.

What was missing was a mechanism to integrate mid-size local entrepreneurs to effectively engage with successful entrepreneurs and farmers' groups to further develop the supply chain linkage between growing agribusinesses and medium-to-large scale buyers/traders. A more entrepreneurial or enterprise-led approach foresees success and provides the support to encourage entrepreneurs. The Mars cocoa nursery example presented in Chart 10 is an example that has sustained, positive impacts.

Case study 4 : SADI lacked a mechanism to scale-up success

Location: Dompu, Pekat Sub-District, NTB

Name of Group: Beringin Jaya Village Women's Group

Program Component: SP1 (PNPM-AP)

Activity Description: A women's group consisting of 20 members, which was granted cashew processing equipment and technical training for processing cashews under SADI in 2009. With SADI support, product quality and vacuum pack packaging improved dramatically resulting in regular orders of up to 80kg/month – see Case Study 6 for impact. Expansion of this successful enterprise is constrained by 4 issues:

- **Lack access to financing to support growth and expansion:** The women's group recently received an inquiry regarding regular order of 1 ton per month from Jawamuna Agro located in Semarang Central Java, but given the lack of financing to purchase cashews, the women's group was unable to respond to a market opportunity
- **Mismatch between equipment and demand:** SADI provided 10 cashew peelers per women's group. While women can peel up to 20kg of cashews per day, they currently peel only 10kg/day to give other members an opportunity to earn income. At the same time, however, the roasting oven can roast 10kg of cashews every 3 hours. As a consequence, the roaster largely remains idle and under-utilized.
- **Poor understanding of market price signals and product pricing:** Currently, 250 gram packet of cashews wholesale for the same price whether the product is sold in the village or in Dompu, 120km away. Competing branded products are sold in Dompu for a substantially higher price.
- **Weak sense of ownership:** Given the lack of financial contribution or risk sharing by the women's group, they lack the opportunistic attitude to invest their own resources to finance growth.

2.5 Sustainability

Successful agribusinesses will be sustained by their owners and operators

Despite a short period of implementation there is evidence that successful agribusinesses will be sustained by their owners and operators. Those activities led by strong, entrepreneurial leaders – such as cocoa nurseries or small-scale value adding agribusinesses – and those linked to a lead firm – such as peanut and cocoa production systems – seem likely to be sustained. The strong demand for Bali cattle and beef seems likely to sustain cattle enterprises established with SADI support. Other activities are unlikely to be sustained without additional resources. The negative impact is especially acute for SP1 stakeholders who started activities in late 2009 and 2010 – they are at risk of having insufficient time or support to successfully complete their activities. There is a risk that such failures could impact inception of any new rural development program in the region. More generally, sustainability of the 408 community activities supported by SP1 is unlikely, in part because only one implementation cycle was completed, but also because SP1 relied on a full-grant approach with limited risk sharing. As a result some beneficiaries lacked the entrepreneurial drive needed for sustainability - unlike the example found in the cocoa nursery case summarised in Chart 10.

A systems approach to livelihoods increases sustainability

The use of a value-chain and commodity focus was an appropriate mechanism for focusing initial implementation of SADI. However, farmers manage integrated systems and expressed strong desire for support to all elements of their livelihoods systems. They said in field interviews that an integrated system approach responds more effectively to their poverty and livelihood concerns by diversifying risk at the same time as addressing financial, market and enabling environment parts of their livelihood system. For example a cocoa-shade tree browse-goat livelihood system is more sustainable focus for agribusiness development than a pure cocoa focus, particularly as an integrated systems approach supports a diversified income stream to hedge against crop or market failure. Other examples include cattle-rice-forage bank-compost and cashew-maize-livestock livelihood systems. As case study 5 shows, there is an opportunity to reduce reliance on a single crop farming practice by supporting diversified integrated farming system enterprises.

Case study 5 : Integrated livelihood systems are more sustainable

Location: Bone Village, Sinjai District, South Sulawesi Province

Name of Group: Cattle Farmers' Group

Program Component: SP3 (ACIAR)

Activity Description: Cattle farming was part of the village level farming activity prior to SADI, but with encouragement from ACIAR, farmer groups were formed to help introduce an integrated farming approach. Four farmer groups consisting of 20 – 25 farmers per group were formed to adopt 5 new grass varieties and 4 different legumes as part of a new cattle feeding regime. In the past, bull grass was used to feed cattle, but high water and low protein content had a limited impact on increasing cattle body weight. Introduction of new grasses and legumes not only improved the fattening process for the cattle, but was effectively combined with the production of fertilizers using cow manure and compost, which help reduce farmers' reliance on chemical fertilizers.

Direct and Indirect Benefits: Partly as a result of the project, farmer groups were able respond effectively to the national plan to increase the cattle population by increasing the total number of cattle by nearly 19% at the sub-district level from 16,000 to 19,000 heads between 2008 and 2009. At the same time, the introduction of the new feeding regime helped increase the body weight of a one year old calf by nearly 67%.

Direct Benefits from Integrated Cattle Farming Scheme

	% Change	<i>Notes</i>
Increase in no. of cattle (sub-district level)*	18.8%	* Comparison between 2008 and 2009
Calf weigh improvement (kg after 12 months)**	66.7%	** First 6 months free range; second 6 months stable
Reduction in cost of fertilizer (Rp/ha)***	10%	feeding with 5 types of grasses and 4 types of legumes
Increase in crop yield using manure/compost	30%	*** Through the use of cow manure and composting
Increase in household income	>50%	
Decrease in calving intervals from 18 to 12 months		

The use of cow manure and compost to supplement fertilizer applications for the production of grasses and legumes helped reduce farming cost by approximately 10% while at the same time participating farmers obtained 30% yield gains for legumes. As a consequence of the integrated farming approach, members of the cattle farmer's group were able to increase their household income by over 50%.

Sustainability of SP2 activities varies

The shift in 2008 by IFC away from the PENSA model with direct service delivery to the lead firm approach was largely driven by concerns over cost and sustainability. The lead firm approach has resulted in improved sustainability in the form of more stable markets, increased public-private coordination and support to the sectors, and growing awareness of the crops' potential by growers. However, this model only suits certain types and scale of enterprise.

There is little evidence that the work on systemic causes of agribusiness constraints will be sustainable, with the possible exception of WHR, which is strongly owned by CoFTRA. The ten-year duration originally planned for SADI made tackling these systemic problems sensible, and all four projects have shown tangible progress after three years, though none has reached full implementation. Regardless of what replaces SADI IFC plans to continue to

engage in warehouse receipts, weather index insurance and mobile banking development, as well as focus resources on agriculture-specific investment climate with their own program.

Strengthening of research institutions conducted under SP3 is likely to be sustained

Evidence of support for the pilot roll out approach (PRO) introduced in SP3 is demonstrated by BBP2TP issuing a memorandum to adopt PRO as a mainstream approach for technology assessment and to expand the model to 18 provincial BPTPs through the Farmer Empowerment through the FEATI project. BBP2TP also indicated willingness to provide GoI funds in 2010 and 2011 to complete testing and development of the PRO approach. Institutional arrangements to use Collaborative Competitive Research Grants (CCRG) have also been put in place by BBP2TP so that from 2011 all of APBN funds for adaptive research will be allocated to Provincial BPTP through a competitive process such as CCRG.

2.6 Gender equality

The SADI design did not identify gender issues. AusAID contracted a gender specialist during development of the M&E strategy to assist subprograms to identify opportunities for activities that would promote gender equality and to incorporate gender into their M&E plans.

Under SP1 the World Bank had resources for research, which could have been used to explore gender challenges and opportunities under SADI. The World Bank agreed to prioritise its budget for research to undertake a comprehensive gender assessment that would serve as an umbrella for gender equality in all three subprograms, but no research activities were implemented by the Bank.

SADI activities benefited men and women

SADI activities benefited men and women but there was no systematic consideration of gender at a whole-of-program level. Considering the four dimensions of gender equality:

- **Access** – PMD actively recruited women to fill provincial and sub-district facilitation roles for SP1. 2 out of 8 provincial consultants and 6 out of 24 sub-district facilitators were women. Village cadres deliberately consisted of one man and one woman in each PNPM-AP village. Competitively selected activities included enterprises proposed by women's groups, and overall 13,749 men and 12,445 women participated in SP1 activities. Proposals from women's groups were given special consideration. Activities including micro-enterprises in NTB, pig production in Sulsel, seaweed and cashew processing in Sultra, and production of coffee powder in NTT were supported to enhance gender equity, including leadership training for local informal women leaders.
- **Decision-making** – SP1 decision making processes were explicitly designed to include men and women equally and in the end 47% of participants in planning activities were women. To increase the quality and quantity of participative planning process, PNPM-AP held special village meetings for women's groups to share ideas and develop proposals. More than 9,000 women participated in separate, facilitated meetings for women to develop proposals targeted to their needs.
- **Women's rights** – no SADI activities were designed to deliver women's rights.
- **Capacity development** – the SP2 team realised that women constitute the majority of on-farm labour in the coffee industry, yet women's attendance at farmer meetings and training was low – only 17%. They needed an understanding of women's role in coffee growing in order to find ways to encourage greater participation of women in meetings and subsequent activities that delivered results for participants and coffee industry stakeholders. In 2009 they conducted a baseline survey for the Ecom coffee project that included an in-depth study of women's workload and household dynamics around financial decision making. The results of this survey will be used to find ways to increase

women's participation in coffee training activities and coffee quality improvement activities without increasing their workload.

Women gained confidence and status through SADI activities

SADI agribusiness and enterprise development activities normally included roughly equal numbers of men and women and often resulted in positive gender outcomes. For example under SP1 49% of 135,000 planning participants were women and 48% of 26,200 participants in successful activities were women. SADI demonstrated that agribusiness and small enterprise development can make an effective contribution to achieving MDG 3.

Several activities implemented by women's groups (eg small enterprises supported by PNPM-AP) and farmers' groups (eg cattle production supported by PNPM-AP and SP3) demonstrated the impacts possible when women develop and operate successful enterprises. As shown in case study 6, enterprise models such as these contribute to Indonesia achieving MDG 3 by supporting gender equality and empowering women.

Case study 6 : Agribusiness enterprises empower women

Location: Dompu, Pekat Sub-District, NTB

Name of Group: Beringin Jaya Village Women's Group

Program Component: SP1 (PNPM-AP)

Activity Description: The women's group consisting of 20 members was granted cashew processing equipment valued at IDR57.5 million and technical training for processing cashews under SADI in 2009. Prior to receiving support, cashews were sold to family and friends on an informal and ad hoc basis. Under SADI support, product quality and packaging (vacuum pack) improved dramatically resulting in regular orders of up to 80kg/month. In addition to sales through kiosks located in the village, product distribution has expanded to 3 mini-marts and multiple kiosks in Dompu where products are delivered four times per month with a transport cost of \$0.08/km. Currently, the wholesale price of cashews is IDR17,500 for a 250 gram packet which retails for IDR20,000 in shops in Dompu. The women's group received 50% of the payment upon delivery of the stock, and the remaining 50% after the product has been sold. Should the merchandise not sell within 3 months of the delivery date, the women's group is required to take back the merchandise at their own cost (this has not been a problem for the women's group thus far).

Direct and Indirect Benefits: Immediate direct benefit has been the income earning by members of the women's group and the impact that this additional income has had on overall household income. Depending on the type of work undertaken within the women's group, income contribution as a proportion of average income of male head of household ranges from 11% - 36%:

Income Contribution by Female Worker SP1: PNPM - AP		% of Total Earnings by Male Head of Household
Average income by male head of household (Rp/year)	3,600,000	
Cashew buyer (Rp/season)	400,000	11.1%
Cashew peeler (outer shell - Rp/season)	1,280,000	35.6%
Cashew peeler (inner shell - Rp/season)	1,200,000	33.3%

Income earning potential of women within the group improved not only from increase in sales of cashews, but also from product diversification. Specifically, prior to SADI support, cashew apples were either fed to animals or thrown away. Under the project, cashew apples are now used to make *Dodol* (sweet cake), syrup, and dried and shredded for baking. Income derived from products using cashew apple is equal to if not higher than revenue from the sales of cashews. This has created a new income source for the women's group as well as for local farmers who now have a market for cashew apples.

Indirect benefits include decline in affairs by husbands; renewed respect for female income earners at home and within the community; reduction in arguments at home; sense of empowerment; financial independence; payment for transport for children to go to school; and purchase of school supplies.

2.7 Monitoring and evaluation

The absence of a single program goal and purpose made sub-program integration difficult
SADI lacked an overall theory of change or program logic. The absence of a single goal and purpose shared by all sub-programs created a challenge that needed proactive management and regular supervision informed by performance monitoring data if planned integration between sub-programs was to be achieved. Although PMO and sub-program management was co-located in Makassar early in implementation, there was no evidence of a coordinated approach to whole-of-program performance monitoring, management or work planning. The result was limited coherence of delivery and increased development risks.

Management monitoring was adequate

All sub-programs monitored quantitative inputs, activities and outputs, mostly with gender disaggregation where appropriate. For example there was some monitoring of participants and activities as shown in Chart 11, however there was no impact monitoring or assessment of beneficiaries. Consistent with the contractual and management structure, management monitoring was implemented by each sub-program management team - tracking inputs, activities and outputs relevant to sub-program goals and purposes. Resulting monitoring data were used to support management within the sub-program and the summary data collated in each separate ACR is evidence of the coverage of this.

Chart 11 : SADI monitored some participants but not beneficiaries

SP	Activity	Men participants	Women participants
SP1	Village planning meetings	69,321	65,642
	Field activities implementation	11,420	10,269
SP2	Socialisation of warehouse receipts	409	69
	Value chain analysis training	364	54
	Weather insurance socialisation	169	
	Producer organisation support	9,592	1,442
	Cocoa business enabling environment	380	
	New peanut farmers	4,070	
	Socialisation of peanut farming	7,410	
	Government support – peanut farming	3,250	
	Armajaro staff trained	26	
	Cocoa farmers trained	1,025	
	Alternative collateral training	516	227
SP3	R&D priority setting and planning	>200	
	Improved operating policies training	>50	
	Training and HRD programs	969	
	Linkages visits to central agencies	157	
	ICT training	198	
	Web maintenance training	17	
	Library users	1,316	

Sources: Activity Completion Reports for each sub-program (Q1 2010).

The MTR raised concerns about monitoring in SP3 and since then that sub-program has strengthened management monitoring. In early 2010, SP3 and BBP2TP developed an approach for outcomes-based monitoring and evaluation and a four year strategy for implementation of this strategy which was launched in February 2010. Whilst this approach is consistent with international good practice, it should have been planned from the start, not

at the end. For example, little monitoring of capacity development has been done, even though it was identified as a need by SP3 and appropriate techniques identified.

SP3 led development of a comprehensive database to support monitoring. SP1 field facilitators collected detailed data following standard PNPM guidelines, but integrating them into the national PNPM database was difficult. The PMO initiated an online management monitoring database based on the SP3 model but tailored to the needs of each SP.

SP1 used the PMO database to organise data from PNPM-AP field facilitators. The planned baseline survey was not conducted, making evaluation of outcomes and impact difficult. This was a symptom of the weak relationship with PMD during the early years of implementation, for despite active engagement by AusAID and the Program Director the work was never done. AusAID could have used this as a trigger to abandon SP1, but that would have had unacceptable implications for the wider bilateral relationship. SP2 had management monitoring frameworks for all projects which IFC used to update its SADI monitoring matrix.

Reporting through the Semi-annual Progress Reports was initially organised on the basis of sub-program activities, with separate reports aggregating provincial activities. Provincial reports began with presentations in 2008 as part of the AWPB consultation process, with regular provincial reports beginning in 2009. The provincial summaries focused on value chains, as requested by BAPPENAS and the BAPPEDAs.

Performance monitoring was weak

There was no evidence of regular performance monitoring or analysis of management data at whole-of-program level. There was monitoring at activity and sub-program levels in SP2 and SP3 but better analysis of these data and semi-annual output-to-purpose monitoring at whole-of-program level would have supported strategic management at the whole-of-program level. For example monitoring of activity outputs and outcomes from SP1 and SP3 highlighted the fragmentation of delivery that could have triggered concerns for development effectiveness and a whole-of-program management response to focus activities where there was a market linkage and alignment with GoI priorities. Similarly, much of the monitoring data was a simple collation of input and output data without analysis of the possible outcomes. For example, the number of farmers adopting productivity models was monitored but not their change in income resulting from adoption.

The Program Director was contracted to oversee implementation of the strategic direction of the program (PD Contract Clause 4.1(d)); provide regular analytical reporting to AusAID including review of routine progress reports provided by each of the 3 sub-programs (Clause 4.1(g)) and oversee...monitoring of performance at overall program level...(Clause 4.1(i)).

2.8 Analysis and learning

Not all designed opportunities for analysis and learning were taken

Market analysis, an integral part of the markets for the poor approach, was undertaken as part of SP2. The World Bank was contracted to manage SP1 and supervise execution by PMD. It had oversight and effective control of a separate budget that included resources for a baseline survey and research to inform PMD efforts to target SP1 activities. The lack of research reduced the potential of SP1 and the failure to conduct a baseline evaluation for this livelihoods component of SADI means the impact from SP1 is not measurable.

The MTR resulted in adjustments but not transformational change

The MTR was a timely analysis and learning activity that highlighted program management issues undermining efficient and effective implementation of SADI. The managers of each sub-program and the PMO made adjustments to management practices in response to the MTR, but these largely addressed symptoms – for example strengthening monitoring or reporting – rather than causes – for example revising contractual and organisational arrangements for implementation. Without addressing the causes of constraints identified in the MTR, such as transformational structural and methodological change the learnings from the MTR did not lead to significant changes in whole-of-program delivery.

Each sub-program conducted effective learning events

Each sub-program conducted learning events throughout implementation. For example, SP2 supported 73 training programs and 1 study tour for staff from lead firms and developed 3 market information systems as part of the A2M work. IFC also conducted 8 focused events for banks and insurance companies to socialise use of negotiable warehouse receipts as collateral for bank financing under the BEE work. Similarly, SP3 supported 77 learning events involving more than 1,500 participants (35% women) to strengthen research institutions as well as build networks to sustain and use adaptive research activities for market-led development. These learning events, whilst useful, were mostly initiated and led by IFC and ACIAR rather than by appropriate GoI institutions. There was an opportunity to use SADI resources to develop national and local government capacity to lead the initiation, planning, implementation and communication of findings from learning events.



3 Evaluation criteria ratings

Implementation of SADI was managed at four levels:

- AusAID had oversight responsibility at the whole-of-program level.
- The Program Director had overall responsibility at the whole-of-program level.
- 3 contracted implementation service providers had responsibility at the sub-program level.
- Contracted sub-contractors and participants had responsibility at the activity level.

Chart 12 provides a rapid appraisal assessment of performance at different levels of implementation management against the evaluation criteria. Formal ratings³ against the evaluation criteria at the whole-of-program level are presented in Chart 13. Impact was not rated because SADI has operated for only a short period of its planned implementation and the AusAID ICR template suggests that impact should not be rated in an ICR since impact normally comes after implementation and is best assessed with a later impact evaluation.

Chart 12 : Performance at different levels of implementation management

Scale	Relevance	Effectiveness	Efficiency	Impact	Sustainability	Gender	M&E	Analysis & Learning
AusAID	↑	↓	↓	→	↓	→	↓	↓
PMO-SADI	↑	↓	↓	→	↓	→	↓	↓
SP1	↑	→	→	↑	→	↑	→	↓
SP2	↑	↑	→	→	→	↓	→	→
SP3	→	→	→	→	→	↓	↑	↑
Activities	↑	↑	→	↑	→	↑	↑	→

↑ = adequate to better management; → = adequate to less adequate management; ↓ = poor management

³ 6 = Very High Quality; 5 = High Quality; 4 = Adequate Quality; 3 = Less than Adequate Quality; 2 = Poor Quality; 1 = Very Poor Quality

Chart 13 : Evaluation criteria ratings

Evaluation Criteria	Rating (1-6)	Comments
Relevance	4	SADI aligns with Indonesian national plans, the country strategy and MDGs. A score of 5 would have been achieved with better alignment to provincial plans and more flexibility to address the needs of industries and sectors not suited to the Lead Firm model.
Effectiveness	3	SADI had mixed effectiveness, with strong performance demonstrated by some activities off-set by structural, phasing and fragmentation issues that reduced delivery of the potential inherent in the design at whole-of-program and sub-program levels. A score of 4 would have been achieved with better coordination and linkages between subprograms and more demonstrable whole-of-program results.
Efficiency	2	The structure and governance arrangements resulted in very high overheads. A score of 3 would have been achieved with a single management structure and a score of 4 with demonstrated efficiencies arising from that single management structure in practice.
Sustainability	3	After just over 3 years some enterprise models demonstrate sustainability and some institutional changes under SP3 will be sustained by BBP2TP but there is little evidence that institutional or capacity changes under SP1 or SP2 are sustainable. A score of 4 would have been achieved with evidence of financial and social sustainability in SP1 activities and evidence of sustainable institutional or capacity changes under SP1 or SP2 as well as at whole-of-program levels.
Gender Equality	3	Gender was not addressed in the SADI design and poorly addressed by SP2 and SP3. SP1 however used processes and supported activities that ensured access to women, empowered them and built their capacity. At an activity level SP1 showed adequate quality for gender equality. A score of 4 would have been achieved with systematic inclusion of gender considerations in research design and implementation as well as at whole-of-program level.
Monitoring & Evaluation	3	Management monitoring of inputs, activities and outputs was adequate at the activity and sub-program levels but there was no performance monitoring of outcomes or purpose at any level and no output-to-purpose monitoring at the whole-of-program level. A score of 4 would have been achieved with systematic performance monitoring of outcomes and purpose at sub-program and whole-of-program levels.
Analysis & Learning	3	No baseline was conducted for SP1 and resources allocated for research were not used. A score of 4 would have been achieved with demonstrated changes (eg more flexibility in SP1 procedures, use of different modalities in SP2, stronger leadership from BBP2TP in SP3) as a response to lessons learned from activities implemented early on.



4 Conclusions, lessons and recommendations

4.1 Conclusions

SADI demonstrated agricultural production and agribusiness models that increased productivity, were sometimes connected to markets and in some cases added value. Three and a half years into implementation of what was designed as a ten-year program, SADI has shown the potential of participatory grants supported by market access and adaptive research and there are many examples of positive impact at the activity level. The opportunity now is to take those embers of success and use them to ignite impact at a larger scale through a new program that is better focused, structured and phased.

4.2 Lessons learned

Key lessons learned from the terminal evaluation of SADI include:

- **Have a single management structure** – management arrangements for large and relatively complex rural development programs should have clear and simple organisation with coherent management roles and responsibilities established through consistent contracting arrangements. One entity should hold a head contract covering responsibility for delivery against the subsidiary arrangement, design and annual plans. This could be a private sector entity, an NGO, a multilateral agency or a government entity. The contracted scope of services should be aligned to the design and subsidiary arrangement. Accountability should be clearly set out for all stakeholders. One branding policy should be consistently applied for the whole program.
- **Enable flexible delivery to achieve a clear purpose and goal** – effective rural development programs should be methodology neutral to provide flexibility. Programs need to engage with the wide range of agricultural stakeholders in eastern Indonesia range from very poor subsistence farmers to successful agribusiness entrepreneurs. A mix of farming systems livelihoods and integrated value chain approaches is appropriate.
- **Use reviews to make adjustments to ensure results** – it is normal for AusAID to commence a program like SADI on an experimental basis. As implementation proceeds and lessons are learned through performance monitoring the opportunity should be taken at each annual planning process for AusAID and its counterpart agency to make any adjustments needed to ensure program efficiency and effectiveness.
- **Actively supervise implementation** - AusAID has a responsibility to proactively supervise and intervene when necessary in program implementation to ensure that program objectives and outcomes are met. These roles and responsibilities, along with the necessary competencies and supporting contractual arrangements, should be articulated in the design to ensure appropriate resources are allocated to enable efficient and effective use of Australian funds, as required by the FMA Act.
- **Address livelihoods systems for sustainability** – sustainable programs support livelihoods systems and integrated supply chains rather than specific product value chains to better support farmer risk management and deliver environmental sustainability.
- **Phase delivery of market and enterprise led activities** – programs should evolve with strong GoI ownership and be phased to start with market-led identification of farming systems and integrated supply chains that will be supported to achieve program goal and purpose; then engagement with target communities to understand their priority needs; and finally analysis and engagement with institutional stakeholders to identify any capacity development and adaptive research needs.
- **Focus to avoid fragmentation** – have one program goal and purpose with a single program logic that defines clear end-of-program outcomes and allows participatory processes to use the overlap between community priorities and that mandate as a starting point for activity implementation.
- **Plan for success** – as the activities based supply chain diagram in Annex 2 demonstrates, SADI only addressed part of the chain required to link poor rural households to market. Support provided under SADI, PUAP and FEATI focused primarily on farming and post-harvest activities, and did not include implementation mechanisms for linking successful on-farm activities to consumers and product markets. This shortcoming in the design is reflected in a number of examples related to poor packaging and branding, anomalies in product pricing, or inability to respond to large volume orders. In addition, the financial needs of beneficiaries were not adequately considered, particularly as it relates to input and trade finance. The lesson learned is that agribusiness and rural development programs

should have the capacity to support scale-up of successful activities using a two-step approach:

- **Step one:** focused on farming systems support and capacity development through small groups and enterprise inception (as SP1 successfully demonstrated).
 - **Step two:** support successful leaders, entrepreneurs and enterprises through integrated supply chain development including marketing, distribution and pricing support (see Annex 2). In this way programs efficiently provide support to the whole chain of value-adding enterprises.
- **Support GoI to lead** – SADI was a development program implemented under the Australia Indonesia Partnership. Development includes strengthening and using GoI systems. This may cause delays or introduce additional risks but the development risk of not allowing GoI agencies to lead and not strengthening and using GoI systems often outweighs other risks. There was an opportunity to engage PMD more actively in the research priority setting and to link that to the SP2 value chain analyses completed in April 2007. This would have caused delays of around 6 months but would have increased relevance and sustainability. The additional time could have been used to support BBP2TP to lead the process, since for market-led, adaptive research there is sufficient capacity in BBP2TP and provincial BPTP for them to lead. The role of service providers engaged by GoI and AusAID to support any research needs in a development program should be to mentor scientists and farmer facilitators in GoI institutions and to support them to achieve international standards and recognition in their work.
 - **Use output-to-purpose monitoring to track performance** – effective management of complex programs requires regular management monitoring of variance from planned inputs, activities and outputs; semi-annual performance monitoring at whole-of-program level using output-to-purpose monitoring against a single program results framework and periodic evaluations consistent with GoI systems and the AusAID quality reporting system. Output-to-purpose monitoring informs annual planning and provides a basis for semi-annual, joint-supervision by GoI and AusAID.
 - **Have sustainability and an exit strategy as prime concerns at entry** – SADI was designed as a 10 year program but the decision to end it in June 2010 was not clearly communicated to stakeholders. No exit strategy was developed. Few provincial, district or farmer participants understood that SADI ends in 10 weeks. Clearer communication of the decision would have reduced its impact

4.3 Recommendations

The lessons learned presented in Section 4.2 lead to self-evident opportunities for strengthening the Pro-PED design and related general recommendations for effective program design and delivery arising from experience with SADI. The following recommendations address immediate needs for effective exit from SADI and maintenance of relationships during the next 6-9 months that are likely to provide a foundation for effective implementation of any new program.

Recommendation 1 – provide modest support for transition

Efficient inception of a new program will build on the relationships established by SADI and other programs in eastern Indonesia. The unexpected closure of SADI 4 years into a 10-year program, the poor communication of the decision and the expectations raised at sub-district, district and provincial levels through SADI raise reputational and some development risks for AusAID and its stakeholders. The ICR identified that successful agribusiness activities implemented under SP2 are likely to be sustained. ACIAR has already obtained additional funds and has its own Indonesia program to sustain adaptive research activities with BBP2TP and BPTPs. Activities and relationships initiated SP1 will form an important entry point in

those districts targeted for any new program but are vulnerable without some transitional support. The institutional arrangements already available through PNPM provide a basis for efficiently delivering this transitional support. The amount of resources needed is likely to be about the same as the unspent funds to be returned to AusAID by the World Bank. It is therefore recommended that AusAID provide modest support through PNPM to maintain successful activities and relationships in those provinces and districts that are relevant to any new program. These transition arrangements could be managed by the existing SADI provincial coordinators, reporting directly to AusAID Jakarta, for the duration of the transition. Given lessons learned from SADI, this transitional support should be integrated and managed by one single organisation. Given the late start of SPI, there is an opportunity to use some transitional resources to ensure that activities recently authorised and implemented continue to receive the required support during the transition period to help minimise reputational risks in districts where a new program may operate.

Recommendation 2 – use ICR lessons and experience to support design process

Evaluation adds value to investments by informing design and appraisal. This is integral to the AusAID quality system. The ICR team has the privileged position of having collected field evidence, and reviewed SADI implementation to inform an analysis of the difference SADI made and lessons learned from its implementation. Those lessons are relevant to peer review and appraisal of the design and it is recommended that the ICR report and the team that produced it be used by AusAID Jakarta as a resource to ensure quality at entry for the proposed new program.

Recommendation 3 – strengthen contractual instruments for use with multilaterals

AusAID needs contractual instruments for use with multilaterals engaged as implementation service providers to give AusAID control and authority where needed and clear capacity to instruct, cancel activities and retrieve moneys. In this way AusAID will have strengthened capacity to influence through supervision. It is recommended that AusAID Operational Policy Support Branch work with AusAID Jakarta to develop and trial contractual instruments for use with multilateral agencies engaged as implementation service providers.

4.4 Communication of lessons learned

Communicating lessons learned and recommendations from this evaluation to SADI stakeholders is an important part of the on-going maintenance of the relationship between Indonesia and Australia. It is also important for maintaining those relationships that are the foundation on which inception of any new program will rely.

There is an opportunity for BAPPENAS and AusAID to prepare and present the presentation of lessons learned and recommendations to a wider audience of stakeholders with interests in rural development and agri-business enterprise in eastern Indonesia. The AusAID Councillor and Program Officer should facilitate this process, using the outputs from the ICR as a foundation for communication of lessons learned and development of responses by the Indonesian and Australian partners.

Annex 1

Case studies presenting evidence collected from field evaluation

Annex 1: Case studies presenting evidence collected from field evaluation

Case study 1-1 : Cashew Production (Lack of Mechanism to Finance Growth)

Location: Dompu, Pekat Sub-District, NTB

Name of Group: Beringin Jaya Village Women's Group

Program Component: SP1 (PNPM-AP)

Activity Description: The women's group consisting of 20 members was granted cashew processing equipment valued at IDR57.5 million and technical training for processing cashews under SADI in 2009. Prior to receiving support, cashews were sold to family and friends on an informal and ad hoc basis. Under SADI support, product quality and packaging (vacuum pack) improved dramatically resulting in regular orders of up to 80kg/month. In addition to sales through kiosks located in the village, product distribution has expanded to 3 mini-marts and multiple kiosks in Dompu where products are delivered four times per month with a transport cost of \$0.08/km. Currently, the wholesale price of cashews is IDR17,500 for a 250 gram packet which retails for IDR20,000 in shops in Dompu. The women's group received 50% of the payment upon delivery of the stock, and the remaining 50% after the product has been sold. Should the merchandise not sell within 3 months of the delivery date, the women's group is required to take back the merchandise at their own cost (this has not been a problem for the women's group thus far).

Direct and Indirect Benefits: Immediate direct benefit has been the income earning by members of the women's group and the impact that this additional income has had on overall household income. Depending on the type of work undertaken within the women's group, income contribution as a percentage of average income of male head of household ranges from 11% - 36% (refer to the table below).

Income Contribution by Female Worker SP1: PNPM - AP

		% of Total Earnings by Male Head of Household
Average income by male head of household (Rp/year)	3,600,000	
Cashew buyer (Rp/season)	400,000	11.1%
Cashew peeler (outer shell - Rp/season)	1,280,000	35.6%
Cashew peeler (inner shell - Rp/season)	1,200,000	33.3%

Income earning potential of women within the group improved not only from increase in sales of cashews, but also from product diversification. Specifically, prior to SADI support, cashew apples were either fed to animals or thrown away. Under the project, cashew apples are now used to make *Dodol* (sweet cake), syrup, and dried and shredded for baking. Income derived from products using cashew apple is equal to if not higher than revenue from the sales of cashews. This has created a new income source for the women's group as well as for local farmers who now have a market for cashew apples.

Indirect benefits include decline in affairs by husbands; renewed respect for female income earners at home and within the community; reduction in arguments at home; sense of empowerment; financial independence; payment for transport for children to go to school; and purchase of school supplies.

Outstanding Issues:

- Lack access to financing to support growth and expansion: The women's group recently received an inquiry regarding regular order of 1 ton per month from Jawamuna Agro located in Semarang Central Java, but given the lack of financing to purchase cashews, the women's group was unable to respond to a market opportunity
- Mismatch between equipment demand: SADI provided 10 cashew peelers per women's group. While women can peel up to 20kg of cashews per day, they currently peel only 10kg/day to give other members an opportunity to earn income. At the same time, however, the roasting oven can roast 10kg of cashews every 3 hours. As a consequence, the roaster largely remains idle and under-utilized.
- Lack of understanding of market price signals and product pricing: Currently, 250gr packet of cashews wholesale for the same price whether the product is sold in the village or in Dompu 120km away. Competing branded products are sold in Dompu for substantially higher price.
- Weak sense of ownership: Given the lack of financial contribution or risk sharing by the women's group, they lack the opportunistic attitude to invest their own resources to finance growth.

Case study 1-2 : Cattle Farming (Relevance of Livelihood Systems Approach)

Location: Bone, Sinjai District, S. Sulawesi

Name of Group: Cattle Farmers Group

Program Component: SP3 (ACIAR)

Activity Description: Cattle farming was a part of the village level farming activity prior to SADI, but with encouragement from ACIAR, farmer groups were formed to help introduce an integrated farming approach. Four farmer groups consisting of 20 – 25 farmers per group were formed to adopt 5 new grass varieties and 4 different legumes as part of a new cattle feeding regime. In the past, bull grass was used to feed cattle, but high water and low protein content had a limited impact on increasing cattle body weight. Introduction of new grasses and legumes not only improved the fattening process for the cattle, but was effectively combined with the production of fertilizers using cow manure and compost, which help reduce farmers' reliance on chemical fertilizers.

Direct and Indirect Benefits: Partly as a result of the project, farmer groups were able respond effectively to the national plan to increase the cattle population by increasing the total number of cattle by nearly 19% at the sub-district level from 16,000 to 19,000 head between 2008 and 2009. At the same time, the introduction of the new feeding regime helped increase the body weight of a one year old calf by nearly 67%.

Direct Benefits from Integrated Cattle Farming Scheme

	% Change	Notes
Increase in no. of cattle (sub-district level)*	18.8%	* Comparison between 2008 and 2009
Calf weigh improvement (kg after 12 months)**	66.7%	** First 6 months free range; second 6 months stable
Reduction in cost of fertilizer (Rp/ha)***	10%	feeding with 5 types of grasses and 4 types of legumes
Increase in crop yield using manure/compost	30%	*** Through the use of cow manure and composting
Increase in household income	>50%	
Decrease in calving intervals from 18 to 12 months		

The use of cow manure and compost to supplement fertilizer applications for the production of grasses and legumes helped reduce farming cost by approximately 10% while at the same time participating farmers obtained 30% yield gains for legumes. As a consequence of the integrated farming approach, members of the cattle farmer's group were able to increase their household income by over 50%.

Outstanding Issues:

- Unlike integrated cattle farming activities introduced under SP1 where artificial insemination (AI) and methane production from cow manure was a part of the integrated approach, ACIAR support focused primarily on the introduction of new grass varieties and legumes. As a consequence, farmers group in Bone faced problems with high infertility due to poor quality bulls from excessive inbreeding, limited access to veterinary services and lack of knowledge regarding animal husbandry, particularly during mating season, and the absence of nurseries for seed multiplication (only one round of fresh seeds were provided by ACIAR).
- While the pilot project to introduce new grasses and legumes as a part of an integrated feeding program for cattle farming proved to be effective under SP3, no steps were taken to introduce lessons learnt from the integrated farming model into SP1 activities.

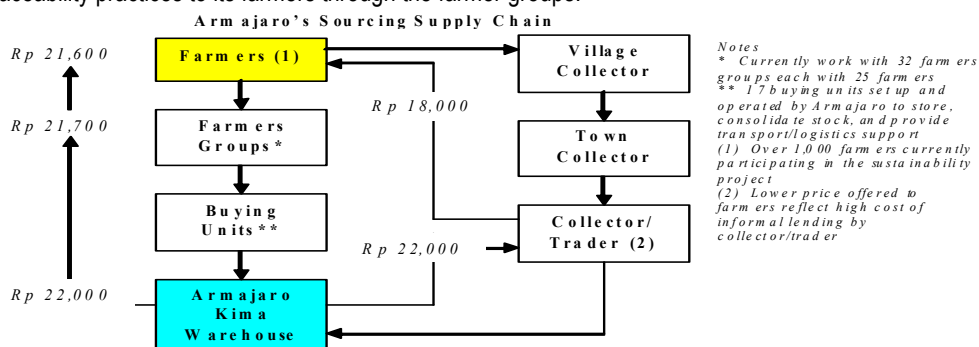
Case study 1-3 : Enterprise-Led Rural Supply Chain Development

Location: Makassar City, South Sulawesi Province

Name of Group: Armajaro

Program Component: SP2

Activity Description: Armajaro, a major global cocoa and coffee trader, joined the SADI program as a lead firm in 2007. Prior to joining the program, Armajaro sourced cocoa from a wide network of local collector/traders (brokers) and had no direct contact with cocoa farmers. This was viewed as a critical issue, particularly given the growing concerns about traceability and market pressure to adopt more sustainable production methods. With SADI support cocoa farmers were organised into farmer groups and extension services were delivered to farmers with direct participation by Armajaro. As a consequence, Armajaro now works directly with over 1,000 cocoa producers through farmer groups where technical assistance, product consolidation and access to transport/logistics is made available to participating farmers. This has resulted in streamlining of a multi-layered supply chain prevalent in the cocoa sector which has contributed to a 20% increase in farmer income, while at the same time enabling Armajaro to introduce certification and traceability practices to its farmers through the farmer groups.



Harvest, Inputs Requirement and Cash Deficit Periods for Cocoa Farmers in Sulawesi, Indonesia

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Main harvest												
2nd harvest												
Payments to farmers												
Farm inputs required												
Cash deficit period												

Direct and Indirect Benefits: Sales to Armajaro through farmers groups have resulted in several direct benefits to farmers:

- Streamlining the supply chain has contributed to a 20% increase in income for farmers;
- Access to transport and logistics support;
- Access to extension services and technical assistance;
- Immediate cash payment upon delivery of crops; and
- Improve quality and reduction in rejection and waste

Outstanding Issues:

Farmers - Access to finance continues to be a critical challenge not only for cocoa farmers but also for all other smallholder farmers. In the absence of affordable finance, farmers are generally dependent on trader/brokers for input finance at an exorbitant rate where farmers must also collateralize the upcoming season's harvest as a guarantee.

Amajaro: The SADI program was much too short and Amajaro would like to continue the partnership and expand the farmer's group supply chain development activities, particularly to help introduce sustainability activities, and to work with financial institutions to improve farmer access to affordable input finance.

Case study 1-4 : Benefits of Sub-Program Integration – the Case of Peanut Production in Lombok

Location: Mataram City, Lombok NTB

Name of Group: Garuda Foods

Program Component: SP(1), SP(2), SP(3)

Activity Description: Under SP2, Garuda Foods (GF) joined the SADI program in August 2007, and began implementing its support program in May 2008. SADI was instrumental in supporting expansion of the farmers' group supplier network from 23 before the SADI program to a current network of 80 groups. Through the farmers' group network, the SADI program introduced a number of new initiatives including:

- New seed varieties suitable for both dry and wet lands peanut farming (SP3);
- Best practices including row spacing, soil conservation methods, proper fertilization and chemical applications;
- Development and application of adaptive farming technology;
- Staggered planting to reduce supply-demand imbalance during peak harvest season;
- Demand-based extension services; and
- Post-harvest quality control for handling and delivering fresh peanuts.

According to GF, compliance rate with new farming practices introduced under the SADI program is well over 75% with less than 3% of the participating farmers defaulting on their contractual obligations.

This activity demonstrates the benefits available from integration of adaptive field research for the identification and introduction of new seed varieties (SP3); the organization and the development of supply chains and market linkage under the lead-firm model (SP2); and the development and application of new technologies and equipment suitable for peanut farming through support for entrepreneurial initiatives (SP1). This is a prime example where the SADI program acted as a catalyst to help accelerate the scaling up of an existing enterprise-led growth model which addresses rural poverty and economic development, and market linkage and adaptive research and technology issues.

Direct and Indirect Benefits: As a result of the SADI program, farmers have enjoyed a 25% - 67% increase in yield productivity, and quality improvements (reflected in the increase of peanuts per pod from 2 – 3 before the SADI program to 4 after), all of which have contributed to a 30% increase in household income.

Changes Directly Attributable to SADI: Garuda Foods (Peanut Processing)

	SADI	
	Before	After
Sourcing from farmer groups	23	80
Yield rates (tons/ha)		
Wetland	2.0 - 3.0	4.0 - 5.0
Dryland	1.5 - 2.0	2.0 - 2.5
Quality improvement (peanuts/pod)	2 - 3	4
Change in farming practice: compliance rate		75%
Other changes		
Policy: Peanut as a priority crop for gov't	Low	High
Soil conservation practice applied by farmers	No	Yes
Staggered crop planting practice (1)	No	Yes
Quality control: deliver crop w/in 24 hrs of harvest	No	Yes
Formal registration of farmer groups	No	Yes

(1) Farmers agree to staggered crop planting to avoid market glut

Prior to the SADI program, peanut farming was not considered a priority sector by the provincial government. But given the popularity and rapid scale up of production, the peanut sector has now become one of the top five priority sectors for the government. In addition, through funding under SP1, consultants and local university professors developed new ploughs and farming implements best suited for the new seed varieties and row spacing.

Outstanding Issues: As with other smallholder farming activities, farmers face problems with access to input finance. As indicated below, major cash deficit periods include May/June, and less acute cash flow problems are found during parts of September and December.

Peanut Planting, Harvest and Payment Cycle

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Planting												
Harvest												
Payment cycle												
Cash deficit period												

Other challenges include the need for irrigation systems, particularly in the uplands area where integrated farming approach needs to be introduced (peanut-cassava-cattle) to address poverty and livelihoods issues among the rural poor, and the introduction and exposure to social support activities at the village level, particularly addressing gender issues and the integration of the female population in rural economic development activities.

Case study 1-5 : Jackfruit Chips (Lack of Mechanism to Finance Growth)

Location: Selat Village, Narmada Sub-District, NTB

Name of Group: Bina Sejahtera Women's Group

Program Component: SP1 (PNPM-AP)

Activity Description: The women's group consisting of 20 members were granted a frying machine with a 1.5kg capacity. They were also provided with technical assistance for running the machine and their group. They operate in a per-urban environment, within 30 minutes from Mataram. The women work in shifts in cutting, frying and packaging the jackfruit. Profits from the enterprise varies from month to month but is approximately IDR2 million/month. 50 percent of the profits are shared between the women and 50 percent goes to a group savings.

Direct and Indirect Benefits:

Each woman takes home about IDR50,000 per month. However, it is likely that this is higher during the peak season. Prior to joining the group, none of the women had employment and many reported being quite powerless in their relationship with their husbands. With their involvement in the enterprise, they make up to a half of the income of their husbands and have become more empowered. As a result, some report fewer incidents of domestic violence and adultery.

Outstanding Issues:

However, due to the seasonality of the availability of jackfruit, the women find it hard to source enough jackfruit from August to November. As a result, the group would like to make the most of the jackfruit available while it is in season. Unfortunately, the capacity of the frying machine limits the extent of their production in the months that jackfruit is plentiful. They would like to obtain a 5kg frying machine to replace their 1.5kg machine. However, without access to finance and the prospect of saving the necessary IDR20m for the 5kg machine a long way off, they are unable to expand their production and build on the initial modest success of their enterprise.

Case study 1-6 : Seaweed (Finance and Insurance)

Location: Bontosunggu Village, Bisapu Sub-District, South Sulawesi

Name of Group: Sejahtera Seaweed Farmers Group

Program Component: SP1 (PNPM-AP)

Activity Description: In March 2009, the seaweed farmers group of 15 were granted a boat, strings and other equipment through PNPM-AP. They were also provided training on how to increase their productivity (e.g. through improved spacing of strings) as well as assistance on book-keeping and other aspects of group management.

The group was established in 2003 and requires members to contribute IDR100,000 per season to cover maintenance and equipment costs and contribute to group savings to mitigate against possible emergencies.

Last year, their harvest was particularly low due to weather conditions that caused “white-spots” to form on their seaweed. They describe it as being close to zero, meaning they had very little income last year. This year, their first harvest has been very strong, with a doubling of seaweed production. They attribute most of this to the new equipment, boat and training. Their first harvest this year was 30kg per 20m of string. They report that their harvest has averaged about 15kg per 20m of string prior to the grant and training provided by PNPM-AP. They sell their produce for about IDR10,000 /kg (after drying) to the village collector. The collector then takes it to a warehouse in town, where the seaweed is sold to the next collector in the supply-chain. They keep half the profits for the group to invest in inputs and equipment for next season, while distributing the other half to the members.

The only other alternative source of income for the members of the group is fishing. Their income from fishing is much lower though, comprising less than a third of what they earn from seaweed. Importantly, fishing income is not counter-cyclical to income from seaweed. Poor fishing conditions usually correspond with poor seaweed harvests.

The group reports that they would like to expand their production by investing in a larger boat and more equipment. They have not been able to access more finance despite PNPM-AP attempting to put them in touch with a local bank. The group was not able to meet the onerous requirements for borrowing from this bank.

Direct and Indirect Benefits:

- The farmers are making more money out of the seaweed efforts, taking home over IDR1.3m per harvest (see below).

Changes mostly attributable to SADI (PNPM-AP): Sejahtera Seaweed Group Income per harvest

	Before	After
Production (Kg)	2,000	4,000
Production (Rp)	20,000,000.00	40,000,000.00
Costs (Rp)	130,000.00	260,000.00
Profits (Rp)	19,870,000.00	39,740,000.00
Take-home pay per Group Member (Rp)	662,333.33	1,324,666.67

- The farmers also have adopted new group management and book-keeping methods, resulting in a better organised group.
- The PIAP is reported to have helped this farmers group disseminate the management and production assistance they received to other groups in the village.

Outstanding Issues:

- The farmers would like to borrow money to make capital invest in order to increase their production. They cannot see how they will be able to borrow the required funds.
- The fluctuations in weather makes their income from seaweed very unstable. They would benefit greatly from micro-insurance but do not know of any affordable options available to them.

Case study 1-7 : Cocoa (Impact of PNPM-AP's One-year Cycle)

Location: Gantarang Keke Sub-District, South Sulawesi

Name of Group: Cocoa Farmers Group

Program Component: SP1 (PNPM-AP)

Activity Description: This farmers group of 25 farmers has received a PNPM-AP grant that provided them with tools for side-grafting cocoa trees and assistance to set up a demonstration plot. They also received technical assistance on side-grafting as well as on other aspects of cocoa production. While the group existed prior to the PNPM-AP intervention, they only functioned to acquire fertilizer as a group through a government program.

The cocoa trees of the farmers in the group are mostly over 20 years old and have lost significant productivity. The side-grafting technique allows them to renew their trees to increase productivity. The group is about to harvest its first crop since participating in PNPM-AP and expects to double their productivity following the side-grafting (as this is the experience with the demonstration-plot). They're expecting their production to rise from 2 tonnes to 4 tonnes of cocoa for the group.

Prior to PNPM-AP, the farmers tried to receive assistance from the one extension agent (from the local estate crops agency) assigned by the local government to assist the entire village. The extension agent is reported to lack the technical knowledge that the PNPM-AP provided facilitator has. Further, the PNPM-AP facilitator was able to focus more time and energy into assisting this one group.

The group has 40 Ha of land on which they grow cocoa (covering nearly 80 percent of their land) but also grow coffee, cloves, cashews and maize. Cocoa is by far their highest earner. Women do about 25 percent of the work – opening the cocoa pods and cleaning the beans.

With PNPM-AP working on a yearly cycle, by the time the group put in a proposal and the planning process had been completed, it was nine months into the year before the assistance commenced. As a result, the group feels the assistance was too short (three months) and would like follow-up sessions with the facilitator on previously provided training and assistance. They would also like further training on composting, nurturing seedlings and capital management. Unfortunately, they will not receive any further training as PNPM-AP is limited by its yearly cycle.

The farmers report having serious cash-flow issues and as a result feel they cannot wait to accumulate greater quantities. Hence, they sell prematurely on a small scale to the village collectors. However, by accumulating a greater quantity, they would receive a better price. By selling as a group, they could achieve the scale necessary to deal directly with the city-based traders and exporters, thereby receiving an even better price. They would like to have enough working capital so the group can buy and store the beans as the members produce them, thereby providing the farmers with continued funds while attracting the higher price. They have had a few instances where they accumulated enough cocoa beans to sell directly to the city-based traders. They were fortunate to have been put in touch with these traders through a SADI (PMO) officer, who also gave the group a list of buyers higher up in the supply-chain than they had traditionally dealt with. The SADI officer also gave them price information that allowed them to negotiate with this trader.

Through this contact with city-based traders, the group has become aware that they can get IDR26,000 /kg for their beans if they ferment them and by-pass village and town level collectors. They report getting about IDR18,000 /kg for their unfermented cocoa from their traditional buyer, the village collector. They now plan to start fermenting their cocoa beans.

Direct and Indirect Benefits:

- The group expects to double its productivity with the side-grafting. An added advantage is that the beans are easier to pick from shorter (younger) trees.
- A leader of another group in the village, which was not selected for PNPM-AP, reports to have adopted the side-grafting technology for his group after seeing the success with the demonstration plot set up through PNPM-AP.
- They are aware of the possibility to achieve a better price if they sell greater quantities to traders higher up in the supply chain. They are also now aware of the better price they can obtain if they ferment their beans.

Outstanding Issues:

- The group has not been able to overcome the multi-layered supply-chain that leads to the exporter, despite expressing a desire to do so. They desire greater access to finance (to be used as working-capital to buy the produce from members) so they can sell directly to exporters.
- The group needs follow-up sessions with their facilitator on topics previously covered.
- The group needs training on more topics that were not previously covered.

Annex 2

Opportunities for scaling success - farmer financing and supply chain support

Annex 2: Opportunities for scaling success

1. Farmer financing

Founded in 1895, Bank Rakyat Indonesia (BRI) is one of the largest banks in Indonesia, specialised in small scale and microfinance with a retail client base of over 30 million through its 6,321 branches located at the sub-district level. After an IPO in November 2003, BRI is currently 70% government owned. Net profit of BRI rose 22.7% to IDR7.3 trillion driven in part by a 29.2% gross loan growth in 2009.

BRI is divided into four Strategic Business Units:

- Micro Banking;
- Retail Banking;
- Corporate Banking; and
- Investment Banking.

Its microfinance services are provided through the Micro Banking Unit, also known as BRI Unit. The main saving product available for smallholder farmers and SMEs is the SIMPEDES, or Simpanan Pedesaan (Village Savings), a deposit instrument allowing an unlimited number of transactions and therefore favoured by low-income households that need full liquidity. There are no fees to open an account, and except for the smallest balances (less than \$10), it has a positive real interest rate. Aimed at attracting new customers, lotteries are organised every six months with prizes in kind. 75.7% of BRI micro-banking accounts are SIMPEDES.

BRI has only one micro-loan product, KUPEDDES, designed for working capital or investment purposes. Carefully selected, the borrowers are given loans whose amount depends on the borrower's current income flow and always require some form of collateral (a SIMPEDES account, land, furniture, motorcycle, etc.). The minimum amount is IDR25,000 (US\$3), and the maximum is IDR50,000,000 (US\$5,000). The minimum loan term period is one month and the maximum is 24 months for working capital loans or 36 months for investment loans. Loans can be repaid in monthly, quarterly or bi-annually instalments. The interest rate increased by 0.5% if the repayment is not made on time. The repayment rate is very high (98.34%) partly thanks to an incentive system for repayment where 25% of the interest paid is repaid to the borrower when instalments are repaid on time during six consecutive months. In addition, borrowers who meet their repayment schedule are also granted larger loans.

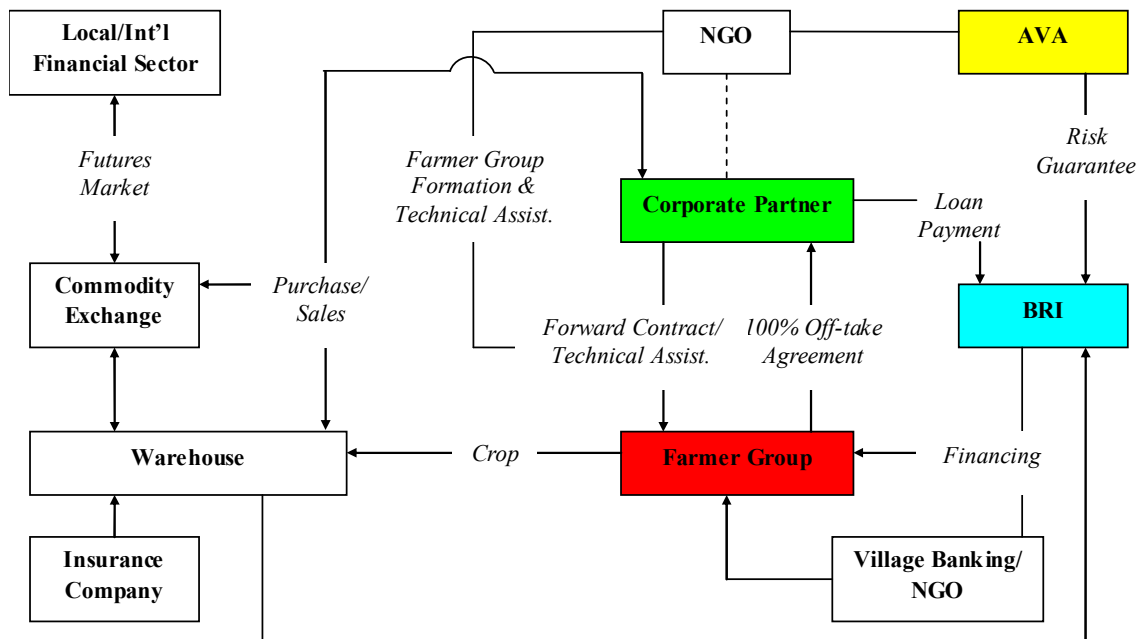
BRI is positioned to expand its reach in the microfinance and agribusiness lending market with a possible acquisition of Bank Agroniaga, a state-owned bank focused on the agrobusiness sector. Bank Agroniaga is currently 96% owned by Dana Pensiun Perkebunan, the state plantation companies' pension fund.

While there are over 50,000 micro-finance institutions (MFIs) operating in Indonesia, BRI is one of the largest institutions with the widest coverage in rural areas. It's branch network is located at the sub-district level, but further reach down to the village level perhaps in partnership with development partners and other MFIs particularly in combination with technical assistance and market linkage support through a 'SADI like' program could help accelerate entrepreneurship driven poverty reduction in rural areas.

Meetings with BRI suggest that it is prepared to expand the reach and scope of its lending activities in rural areas, particularly in partnership with development partners, but also expressed interest in incorporating its warehouse receipts activities with microfinance.

Specifically, for non-perishable products, to expand the existing BRI lending structure to the village level through the introduction of village banking schemes in collaboration with NGOs and MFIs. At the same time, tie the lending activities to farmer's group-lead firm type model where forward contracts from lead firms would be used as collateral by farmer's group to qualify for loans through BRI. The forward contract would be secured through a partial risk guarantee scheme to be support by a development partner with part of the risk covered by BRI.

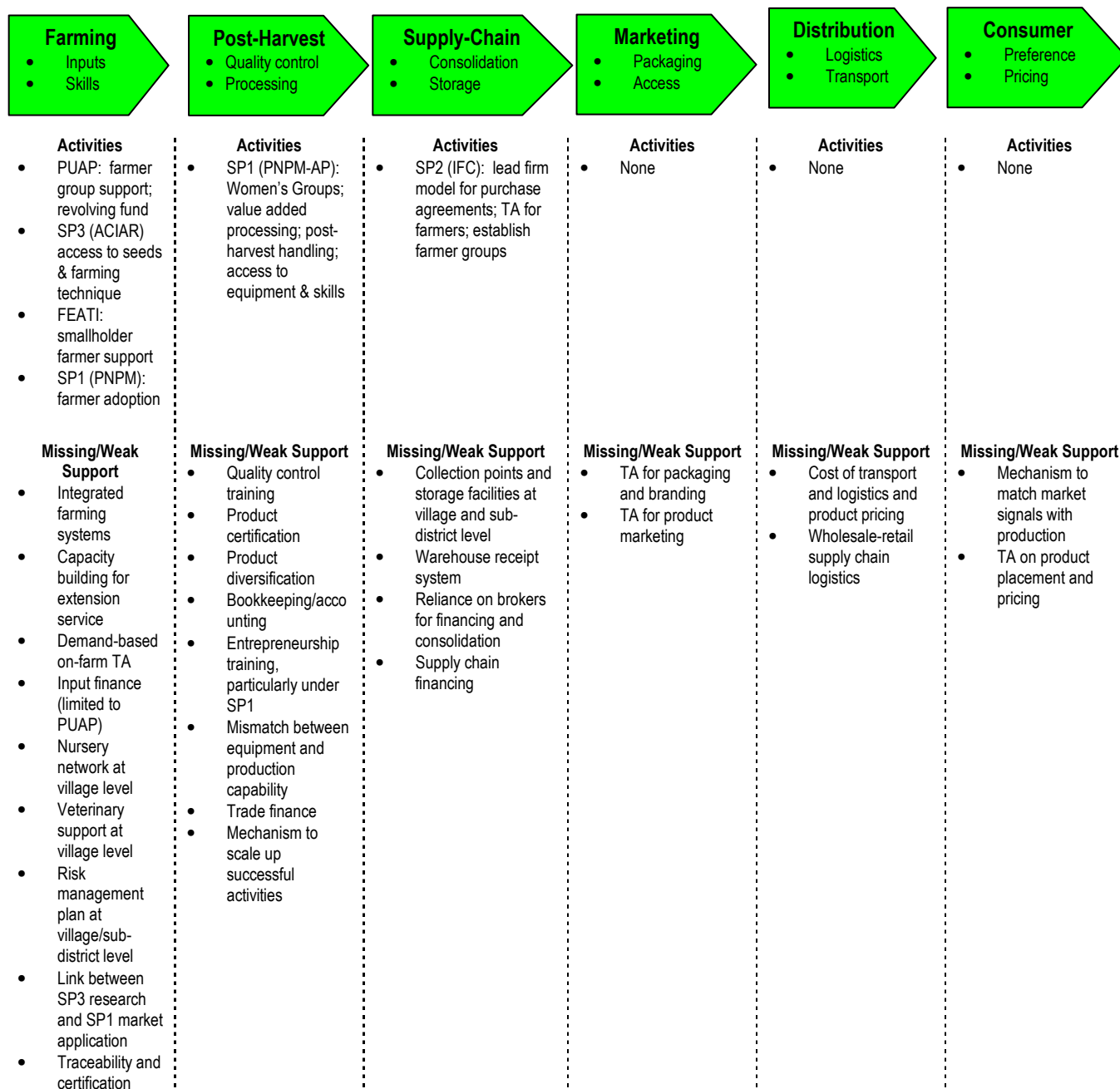
Integrating Microfinance and Warehouse Receipts Structure



BRI also suggested that this lending model should be taken one step further by linking both the farmer's group and the lead firm with a warehouse receipts program which it currently oversees whereby surplus or stock deficits can be effectively managed by tying the warehouse receipts to a commodity exchange and a futures market. Such a scheme could help stabilise excessive supply-demand fluctuations and commodity prices, while at the same time create opportunities to improve farmer's access to finance.

2. Whole-of-supply chain support

The following chart highlights a gap in support for activity-based supply chains under SADI, PUAP and FEATI. Lessons learned from SADI suggest that as agribusinesses are started, it is appropriate to focus on the beginning of the supply chain – farming, post-harvest and supply. However, as success emerges and farmer groups evolve to become entrepreneurial and are led by entrepreneurs, programs should provide support for other parts of the supply chain – especially marketing, distribution and pricing.



Annex 3

ICR SWOT Analysis

Annex 3 – ICR SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • SADI was relevant to Gol medium term strategic plan 2004-2009, MoAg strategic plan 2009-2013, AIP Country Strategy 2009-2013 and MDGs • Management monitoring effectively designed and implemented; some data used to inform management at the sub-program level • Demonstrated opportunities available by linking to lead firms for selected types of commodities • CCRG and PRO processes adopted by BBP2TP for roll out to 33 provincial BPTP in 2011 • SADI provided a space for Gol and lead firms to take risks and test new ideas: <ul style="list-style-type: none"> ▪ PNPM-AP Pilot (SP1) ▪ Warehouse receipts (SP2) ▪ Rationalising supply chain in cocoa (SP2) ▪ CCRG and PRO (SP3) • Market linkage raised local government awareness of certain commodities in rural economies – eg peanuts • SADI developed institutional relationships that extend outside of Indonesia – eg IFC-ACIAR in Philippines • Instrumental in introducing new products and income sources for rural poor • Developed new adaptive technology to help farmers improve on-farm productivity • Supporting women’s group raised awareness at the village level regarding relevance of gender equity and livelihood improvement • Raised farmer awareness regarding relationship between product quality and market opportunity • SADI leveraged existing relationships and successes to scale up adoption by farmers: <ul style="list-style-type: none"> ▪ Cattle (SP3 leveraging ACIAR AS2/2000/103) ▪ Coffee (SP2 leveraging IFC-ECOM relationship) ▪ Cocoa (SP2, SP3 leveraging Mars expertise) • SADI effective in introducing change in mindset for breaking from traditional approach and social perspective to improve livelihoods 	<ul style="list-style-type: none"> • Structural weaknesses limited the implementation potential of design • Phasing weaknesses reduced efficiency and effectiveness of SADI implementation • Fragmented delivery of SP1 and SP3 reduced efficiency and effectiveness of SADI implementation • SADI lacked an overall log frame to guide program implementation and management • 3 sub-programs did not co-locate management in Makassar as planned throughout implementation • Program Advisory Board was not established to provide whole-of-program focus as planned • Lead firm approach too rigidly applied – some priority commodities require a different approach • Lead firm model difficult to replicate and not relevant for certain commodities and scales • Commodity focus was limiting and did not respond to farmer demand for integrated farming systems • SP3 not relevant to MoAg in selection of research topics • Performance monitoring by PMO for whole-of-program level not effectively implemented • Changes in group capacity not monitored and not reflected in grant performance/processes • Lack of awareness raising regarding other subprograms and opportunities for beneficiary access • Lack of proactive program supervision by AusAID • AusAID contracts with SP managers and program director inconsistent and contradictory • Geographic distribution of SP activities not consistent with market linkages and opportunities for growth • Capacity built around production not linked to market pricing and opportunities • Program lacked mechanism to respond to and support successful entrepreneurial activities • Lack of access to alternative financing mechanisms undermined efficiency and effectiveness of entrepreneurial activities • All sub-programs focussed on the production and processing side of supply chain, not marketing, pricing and distribution etc • Lack of capacity building and awareness raising regarding farmer responsibility under a contractual relationship • Lack of proactive initiative to engage financial sector participation and reducing perceived risk in financing agricultural projects • Many research objectives lacked relevance to market opportunities • True Gol priorities – especially at local government level - not sufficiently identified • No baseline or research conducted for SP1 • Less sense of ownership by famers due to grant-based activity • Failure to manage risk through contractual arrangements • Lack of appreciation by beneficiaries on the role of AusAID in supporting subprograms

Opportunities	Threats
<ul style="list-style-type: none"> • Brokerage system relevant for consolidation of products to link smallholders to market • Realisation that an integrated farming system is essential for rural poverty reduction • Strengthen market focus during priority setting for farmer grants and applied research programs • Alternative market linkage models beside lead firm model through business incubator and supplier integration • Opportunity to support transition activities from ad hoc to pro-active market identification and opportunities • Build on successes demonstrated in first 3 years in subsequent programs • Enhance flexibility and linkages between markets, grants and applied research with one logframe • Make use of unexpected benefits: <ul style="list-style-type: none"> ▪ ACIAR-IFC relationship (eg Philippines) ▪ Increased energy efficiency at Garuda Foods ▪ SP3 outputs supporting FEATI groups • Opportunity to engage broader private sector participation • Opportunity to identify and support effective leadership and management at the village level • Opportunity to reduce reliance on a single crop farming practice to a diversified integrated farming system • Opportunity to complement existing programs such as PUAP and FEATI • Opportunity to strengthen demand-based rural poverty reduction activities • Opportunity to develop more cohesive and simple branding to promote Australia – Indonesia partnership 	<ul style="list-style-type: none"> • Program structure fails to support sustainability of smallholder activities • Priority setting mechanism under SP3 undermines market linkage opportunities • ACIAR research priorities are not owned by Gol – wrong stakeholders involved (should have included private sector, chambers of commerce, District authorities) • District and Province stakeholders do not own whole of SADI program • Lack of Program Advisory Board and other whole-of-program focus limited collaboration between sub-programs • Sustainability is threatened by commodity focus rather than integrated farming system focus • Lack of scale undermine leverage and ownership within Gol • Lack of awareness regarding program support activities undermine trust of villagers towards Gol and donor funded activities • Limited capacity at district and sub-district level undermine potential sustainability of program • Disproportionate relationship between funding level and outputs

Annex 4
**People and
organisations
consulted**

Annex 4 : People and organisations consulted

Institution	Person	Location
AusAID	Jacqui de Lacy, Minister Counsellor	Jakarta
	Ben Power, Counsellor Infrastructure, Rural Productivity and Economic Governance	
	Bia Puspita, Program Officer, Regional Development	
	Douglas Ramage – Democratic Governance Advisor	
IFC	Ernest Bethe, Program Manager Agribusiness	
	Rahmad Syakib, Associate Operations Officer Agribusiness Linkages	
CoFTRA	Sutriyono Edi, Head of Services and Physical Markets Bureau	
	Dharmayugo Hermansyah, Head of Auction Market Surveillance Division	
PT Indo CafCo	Jean-Christophe Mani, Managing Director (ECOM Coffee Group Indonesia)	
Garuda Foods (BMT)	Pak Boediono Sukadu, General Director PT Bumi Mekar Tani	
ACIAR	Peter Horne, Principal Regional Coordinator	
	Robert Caudwell, Institutional Development Advisor	
BBP2TP	Dr Erizal Jamal, Senior Researcher	
BAPPENAS	Mas Wedar H. Adji, Deputy Director for Local Economic Development	
World Bank	Anton Tarigan, PNPM-PSF Coordinator	
PMO	Jackie Pomeroy – Program Director	
	Chandra Manalu – SADI Program Officer	
	Giri Arnawa – SADI Program Coordinator NTB	
UNRAM	Dr Herman Suhari, ACIAR Program Coordinator University of Mataram	
	Mandra – Dinas Pertanian (Agriculture Office NTB)	
	Hilman – Dinas Pertanian (Agriculture Office NTB)	
BPTP NTB	Dwi Praptomo – Head of BPTP for NTB	
	Dr Ketut Puspadi – Head of Cattle research program and SADI Coordinator	
	Muji Rahayu – Post harvest specialist, mango and rambutan project	
	Murul Hidayat	
BPMD - PNPM	Bpk Soedaryanto	
	Hj Hermin	
	Ridha	
	Astam	
BAPPEDA NTB	Dr Rosiady Husaunie Sayuti, Kepala BAPPEDA	
	Eight members of the NTB Provincial Technology Commission members	
Cattle Research Team	Dr Dahlanuddin and Dr Ketut Puspadi	
	12 members of on-ground team and research assistants	
Sumber Rejeki Village	Mr Lalu Safriari, Head of Agriculture and Livestock Office of Central Lombok District 5 men and 4 women farmers and various other villagers	
Selat Village, Narmada	Bina Sejahtera Women's Group	
	Peanut Farmer Group	
Belaka Village	Farmer group participating in FEATI West Lombok	
Sukarara Village	Farmer group participating in PUAP Kota Mataram	
Gol agencies Sulsel	Kepala BAPPEDA Sulawesi Selatan – Tan Malaka Guntur	Sulawesi Selatan
	BPTP Sulawesi Selatan – Haffar Muhammed, Ibu Rika and 3 others	
	BPMD Sulawesi Selatan – Syahrir Kube (head)	
Field activity participants and stakeholders	Peter McMahan, ACIAR Program Leader SMAR/2005/074	
	Farmers participating in cocoa clone trials at Pinrang District	
	Farmers participating in cocoa clone trials at Sidrap	
	Noel Janetski and Hussin Purung (Mars Technology Development)	
	Safaruddin Almanar – lead farmer and cocoa nursery owner, Buntu Batu Village	
	Teachers and students from Agricultural Polytechnic, Buntu Batu Village	

	Teachers and students from SMK Bone Bone Vocational School	
	Les Nusa and ACIAR clonal trial team at Poreang Village, Bone Bone District	
	PT Mars Symbioscience Composting Team, North Luwu	
	Management and production team at Mars fermentary, North Luwu	
	Director of Extension & Food Security Office, Luwu District – Muslimin Sjukur	
	District Secretary Luwu – H. Syaful Alam	
	Farmers at Tumale Village, Ponrang sub-district, Luwu District	
	Farmers at BPTP/ACIAR cocoa nutrition site, Luwu District	
	PMO team – Jackie Pomeroy, Chandra, Burhan and others	

Annex 5

Evaluation schedule

Annex 5: Evaluation schedule

Time	Activity	Venue
Thursday, 1 April 2010		
	AusAID Telephone Briefing and review of SADI ICR Plan	
Sunday, 4 April 2010		
	Team travel to Jakarta	
Monday, 5 April 2010		
11.00-12.00	IFC - Ernest Bethe and Rahmad Syakib	IFC Office: BEJ, Jl. Jend Sudirman
13.40-15.00	ECOM Coffee Team	IFC Office: BEJ, Jl. Jend Sudirman
16.00-17.15	CoFTRA, Ministry of Trade	BAPPEPTI Jl. Kramat Raya no 172 (next to RS Ridwan Meuraksa)
Tuesday, 6 April 2010		
8.00-8.50	AusAID (Ben, Rani, Bia)	AusAID Kebon Sirih Office
9.00-10.00	ACIAR - Rob Caudwell (ACIAR Consultant) and Peter Horne (Principal Regional Coordinator)	
10.15-11.15	BBP2TP Bogor (CP: Erizal Jamal, Head of Collaboration and Assessment Result Utilisation Division)	
15.00-16.00	PNPM Support Facility (PSF) World Bank - Anton Tarigan, Vic Bottini	PNPM Support Facility (PSF) Office
18.55-21.45	Air Travel to NTB	CGK Airport
Nusa Tenggara Barat		
April 7 - Wednesday		
08.00-09.30	Briefing with Program Director	Team Hotel
10.00-11.00	Mango/rambutan research team	UNRAM
11.30-12.30	BPTP/NTB	BPTP NTB
14.00-15.30 (Team 1)	BPMD and PNPM implementation team	BPMD NTB office
14.00-15.00 (Team 2)	Meeting with GarudaFood and Peanut Research Team	GF NEW factory
15.30-16.30	Local Bankers (Bank Mandiri)	Bank Mandiri Office
April 8 - Thursday		
08.00-09.00	Bappeda NTB	Bappeda NTB Office
09.00-10.30	Provincial Technology Commission members	Bappeda NTB Office
11.00-12.00 (Team 1)	Cattle research team	Cattle Field Office in Central Lombok
13.00-15.00 (Team 1)	Cattle & peanut extension workers	Sumber Rejeki Farmer Group Field, Central Lombok
16.00-17.00 (Team 2)	SP1 Activity: Women group in Adu, Hu'u, Sumbawa	Group's leader house
16.00-17.00 (Team 2)	PUAP Activity at Bali 1, Sumbawa	Group center
April 9 - Friday		
08.00-11.30 (Team 1)	SP1 Women Enterprise Group: Bina Sejahtera Women Group; and SP1 Peanut Farmer Group	Selat Village, Narmada, Lombok
10.00-11.00 (Team 2)	SP1 Activity: Women's Cashew Group	Beringin Jaya Village, Sumbawa
14.00-15.00 (Team 1)	FEATI group in West Lombok	Beleka Village, Gerung
14.00-17.00 (Team 2)	SP1 Activity Harapan Jaya Peanut Farmer Group and Mete Makmur Women's Group	Sorinomo Village, Sumbawa
15.30-17.00 (Team 1)	PUAP farmer credit group	Sukarar Village, Jongat, Lombok
April 10 - Saturday		
05.00-19.00	Travel to Denpasar, team SWOT analysis	
Sulawesi Selatan		
April 11 - Sunday		
07.00-08.15	Fly to Makassar GA 620 DPS - UPG	

12.30-16.00	Team work to review key points, lessons learned so far and evidence/gaps still to fill	PMO-SADI office
April 12 – Monday		
09.00-10.00	BAPPEDA Sulsel	Bappeda Office
10.30-11.30	BPTP/Sulsel – Bpk Nasruddin (Head) manages ACIAR-SADI activities, PUAP and FEATI	BPTP Office
13.30-14.30	BPMD (implementing PNPB-AP)	BPMD Office, Makassar
15.00-16.00	Local Bankers (Bank BRI) Pak Dedy Ihsan, Wakil Pemimpin Wilayah	TBC
April 13 – Tuesday		
06.00-16.00 (Team 1)	Travel to Luwu (8 hours) for coca field review	
08.30-09.30 (Team 2)	KADIN – SP2	KADIN Office
10.00 – 11.00 (Team 2)	Armajaro – SP2 Cocoa David TK Ngu, General Manager, Indonesia Operations, David TS Lim, Branch Manager, Indonesia Operations	Armajaro Office, KIMA
10.00 – 11.00 (Team 1)	Pinrang clonal trial – SP3 with Mars	Pinrang District
11.30-12.30 (Team 2)	ECOM – SP2 Coffee	ECOM Office, KIMA
14.00-15.00 (Team 2)	Bpk. Djafar, BPTP	BPTP Office
15.30-16.30 (Team 2)	Cocoa Sustainability Partnership – Pak Muh. Rijal Idrus, Secretary General & key members	PMO – SADI Office
15.30-17.00	Mars Clonal budwood nursery and grafted cocoa nursery	Bantu Batu Village, polytechnic students and nursery of Safaruddin Almanar
April 14 – Wednesday		
08.00-12.00 (Team 1)	Field visits around Luwu cocoa research, meet with CSP/MARS partners in ACIAR research, talk with farmer groups, cocoa SMA Students	Clonal trial at Bone Bone Vocational school at at Poreang Village
07.00-10.00 (Team 2)	Travel to Bantaeng District	
10.00-11.00 (Team 2)	SP1 Activity: Women group “Indah” in Bonto-Bontoa, village International Rice Research Institute, Dr. Madonna Casimero, Project Scientist, Crop and Environmental Science Division	Tompobulu sub-district, Bantaeng District
11.00 -12.00 (Team 2)	SP1 Activity: Farmer group “Sabar Jaya” in Pattalasang village	Tompobulu sub-district, Bantaeng district
13.30-14.30 (Team 2)	SP1 Activity: Farmer group “Seruni” in Banyorang village	Tompobulu sub-district, Bantaeng district
15.00-16.00 (Team 2)	PUAP Activity, PT Tanah Mas Celebes Indah, Low Peng Huat, Commissioner HM Nurdin Abdullah, Mayor of Banteang	Bantaeng District
April 15 – Thursday		
06.00-20.00 (Team 1)	Return to Makassar (8 hour drive) Visit to ACIAR clonal trial site in Pinrang	
08.00-08.30	Meeting with Extension Office and District Secretary	Luwu District
09.00-10.00	Meeting with FEATI group for comparison	Tumale Village, Ponrang Sub-district, Luwu District
07.30-10.30 (Team 2)	Travel to Sinjai	
10.00-11.00 (Team 2)	Dinas Pertanian & GarudaFood on new peanut work in Sinjai.	Farmers' fields in Sinjai
11.00-14.00 (Team 2)	To Bone	TBD
14.00-15.00 (Team 2)	Bone (Cattle Farmer Groups) (BPTP meet in field)	Farmer Fence
April 16 – Friday		
08.00-11.30	Additional meetings, internal discussion and writing	Makassar
14.45	Makassar – Jakarta GA 603	UPG CGK 1615 1730
16.30-18.00	BAPPENAS Directorate of Local Economic Development	
April 17 (Saturday) & April 18 (Sunday)		
<ul style="list-style-type: none"> Meeting with AIPD-AVA Design Team, drafting Aide Memoire in Jakarta 		
April 19 (Monday) – April 21 (Wednesday)		
<ul style="list-style-type: none"> Presentation of aide memoire/debriefing AusAID Minister Counsellor and Counsellor; report writing 		

Annex 6

Evaluation methodology

Annex 6 : Evaluation methodology (from Evaluation Plan)

Approach

To ensure independence this evaluation will be led by an independent evaluator with one technical specialist team member and one AusAID team member. The team may also include representatives from BAPPENAS and Ministry of Home Affairs (DG PMD) as well as one AusAID staff who manages SADI as observer and one interpreter. This is not a Joint Evaluation as defined by the Development Assistance Committee of the Organisation for Economic Cooperation and Development.

Our approach is participatory – using interviews and focus groups to engage with SADI participants and other stakeholders – and is framed by a value chain analysis approach to rural development that integrates access to resources, an enhanced business environment and new production and marketing knowledge.

Our approach is formative – using lessons learned to inform future activities and provide constructive feedback to participants and other stakeholders. This will especially include lessons relating to management of implementation and the interactions between the three subprograms.

Given the resources and time available, a formal counter-factual approach to evaluation will not be used for this ICR.

Criteria

SADI will be evaluated against the 8 criteria defined in AusAID’s Guideline: relevance, effectiveness, efficiency, impact and sustainability as well as monitoring and evaluation, gender equality and analysis and learning. The ICR will provide balanced analysis against each criterion to provide lessons learned to inform future activities in Indonesia.

Methods

Given the goal and purpose of SADI, and the phased nature of implementation with the activities to be evaluated forming the first phase of what was proposed to be a 10-year program, the terminal evaluation will be conducted with a focus on changes to farmer and agribusiness access to resources; changes in access to markets and business operating environment; and institutional changes in agricultural research and development in the target districts. To do this the following methods will be used:

- **Document review** – review of documents prepared by SADI implementing partners, GoI, AusAID and other stakeholder agencies through the development, implementation and management of SADI. These will be reviewed by the team and used to provide evidence against the evaluation criteria.
- **With and without comparison** – to evaluate effectiveness we will try to consult similar stakeholders in locations with and without SADI interventions. Given the logistical and budget realities, we rely on the program management office to recommend locations and stakeholders for evaluation based on targeted sampling that realistically complements field logistics and program delivery. Targeted sampling of stakeholders with and without SADI could use criteria such as scale (eg big and small groups), poverty ranking (eg rich and poor districts) or location (eg remote and less remote groups). Farmer groups and SME not participating in SADI activities could be consulted in the same District as “with SADI” stakeholders. For business enabling environment we would need to engage with

enterprises in Districts with and without SP-2 activities where practical. We will rely on the program management office to support selection of districts and field logistics.

- **Semi-structured and individual interviews** – stakeholders in Jakarta, Sulawesi and NTB will be consulted using semi-structured and individual interviews. Performance questions to support evaluation are presented in

Chart and will be selected from to obtain evidence to support the evaluation. Individual interviews will especially be used with women and younger staff to ensure they have a space to present their perceptions freely.

- **Field inspections** – we will conduct field inspections in Jakarta, Sulawesi and NTB including inspection of lead firm facilities and operations, interviews with GoI agency staff at provincial and district levels as well as farmers, agribusiness owners and service providers to agribusiness including banks, traders, input suppliers and R&D organisations.
- **Case studies** – where possible we will use brief case studies to illustrate lessons learned from change resulting from SADI. These could be at subprogram or whole-of-program scales, depending on the change and lessons learned.
- **Focus groups** – we may also use focus group techniques for collected stakeholders if semi-structured interviews are inappropriate because of the size of group or nature of participants. For example meetings with farmers at District level, members of provincial or district chambers of commerce (KADIN) or with BPTP extension staff may be better done as focus groups.

Stakeholders

In Jakarta the ICR team proposes to meet with:

- National Development Planning Agency (BAPPENAS) Directorate of Rural and Urban Affairs/ Direktorat Perkotaan dan Perdesaan (Perkotdes)
- Ministry of Home Affairs Directorate General of Community and Rural Empowerment Ditjen Pemberdayaan Masyarakat dan Perdesaan (Ditjen PMD in Pasar Minggu)
- Indonesian Center for Agricultural Technology Assessment and Development /Balai Besar Pengkajian dan Pengembangan Teknologi Pertanian (BBP2TP)
- Jakarta-based lead firms such as Garuda Food
- PNPM Support Facility (PSF) of World Bank
- International Finance Corporation (IFC – Ernest Bethe)
- World Bank staff working with PNPM Support Facility
- Australian Centre for International Agricultural Research (ACIAR – Julien de Meyer)
- AIPD-AVA Design Team
- AusAID program staff (Ben Powers and team)

In Sulawesi and NTB the ICR team proposes to meet with:

- SADI Program Director and Program Management Office team
- Provincial Coordinating Team
- Provincial/ District Planning Agencies (BAPPEDA)
- Balai Pengkajian Teknologi Pertanian (BPTP) at the province level, particularly BPTP extension staff working in Districts with and without SADI activities
- Provincial and District Investment Coordination Boards (BKPMDB/BPPMD)
- Provincial KDP Committees (TKPPK)
- Provincial and district chambers of commerce (KADIN)
- Targeted samples of smallholder farmers and agribusinesses as well as their groups or associations, where they exist, ideally in selected Districts with and without SADI activities
- Village (FD) and sub-district (FK) Facilitators under KDP/PNPM
- Provincial coordinators under KDP/PNPM
- Lead firms participating in SP-2 including some or all of Garuda Food (NTB), ECOM/MARS (Sulawesi) and Armajaro Cocoa (Sulawesi)
- Targeted samples of business development service providers supporting SP-2

Presentation of findings

The evaluation team will present and discuss initial findings with the activity and program managers in the PMO as well as with AusAID Jakarta. On Monday April 19 the team will present an aide memoire and summary findings to AusAID and Indonesian stakeholders – to allow key stakeholders to discuss the team’s preliminary findings.

The evaluation team will use initial feedback from stakeholders to inform preparation of the draft ICR. The report will be prepared using the AusAID template provided. The draft report will be submitted to AusAID on Wednesday May 26 for peer review and comments. Feedback from AusAID and GoI will be used to refine recommendations and prepare the final ICR for submission by August 10, 2010.

The final report will include lessons learned of relevance to future options for Australian support to rural development in eastern Indonesia – in particular the SADI ICR will draw out lessons learned that may be of wider interest to other AusAID programs in Indonesia and provide recommendations on how best to integrate lessons learned into future activities, especially AIPD and AIPD-AVA. The SADI ICR will also assess the exit strategy for SADI. For all key findings the evaluation team will describe the current situation, identify key enabling or inhibiting factors, provide an analysis of its implications for AusAID support to GoI programs, and recommend an appropriate response.

The SADI ICR will be conducted in parallel with an ICR for ANTARA. Comparing both programs’ approaches to rural development should contribute to continuous efforts in improving effectiveness and quality of current and future Australian development activities. The SADI ICR will compare the strengths and weaknesses and analyse AusAID approaches to rural development to inform future rural development and food security sector strategy development and programming.

The AusAID evaluation manager will prepare a Learning and Communication Plan for dissemination of lessons learned.

Evaluation questions

Evaluation questions that will be used to assess performance of SADI are presented below. Performance questions that are proposed to be used for the ICR criteria are presented in Section 4.1. Interview questions to be used in semi-structured interviews, individual interviews and focus groups are presented in Section 4.2 and

Chart . These are complemented by other technical questions presented in Annex 1 that will be used for some specialist technical interviews (for example with IFC, Banks or Lead Firms) and to support document review and analysis.

Data from the responses will be used to prepare information that will provide evidence for evaluation against all criteria. Overarching questions requested by AusAID include:

- To what extent has SADI achieved its end-of-program outcomes?
- What lessons could be applied to the design of AIPD-AVA? In particular are there lessons relating to management arrangements?
- Is SADI's exit strategy adequate?

Performance questions

Relevance

- Were activities consistent with the objectives outlined in the SADI design documents?
- How do SADI outcomes relate and contribute to development outcomes outlined in the Indonesia Medium Term Development Plan (*Rencana Pembangunan Jangka Menengah*)?
- How do SADI outcomes relate and contribute to the objectives set out in the Australia Indonesia Partnership Country Strategy 2008-2013?
- How do SADI outcomes relate and contribute to achievement of Millennium Development Goals in Indonesia?
- Were the objectives relevant to the context/needs of beneficiaries? If not, what changes should have been made to the activity or its objectives to ensure continued relevance?

Effectiveness

- To what extent has SADI achieved its end-of-program outcomes?
- To what extent did the activity contribute to achievement of objectives?
- To what extent were the SADI objectives realistic and achievable?

Efficiency

- Did SADI implementation make effective use of resources to achieve the outcomes?
 - Was SADI designed for optimal value for money?
 - Have there been any financial variations to SADI? If so, was value for money considered in making these amendments?
 - Has management of SADI been responsive to changing needs?
 - Did SADI suffer implementation delays? If so, why and what was done about it?
 - Did SADI have sufficient and appropriate staffing resources?
- Were the three sub-programs efficiently coordinated and integrated?
- Was a risk management approach applied to management of SADI (including anti-corruption)?
- What were the risks to achievement of objectives? Were the risks managed appropriately?

Impact

- What real difference has SADI made to the beneficiaries (provincial government officials, district government officials, farmer families and private sector)?
- Did the activity produce intended or unintended changes in the lives of beneficiaries and their environment, directly or indirectly?
- Were there positive or negative impacts from external factors?

Sustainability

- Do beneficiaries and/or partner stakeholders have sufficient ownership, capacity and resources to maintain SADI outcomes after AusAID funding ends?
- Are there any areas of the activity that are clearly not sustainable? What lessons can be learned from this?

Gender Equality

- Who benefited from changes delivered by SADI?
- Who participated in SADI activities and outputs?
- What were the outcomes of the activity for women and men, boys and girls?
- Did SADI take a deliberate approach to benefit women and men, boys and girls? What were key achievements/lessons, including with regard to income generation.

- Did the activity promote equal participation and benefits for women and men, boys and girls?
 - Did the activity promote more equal access by women and men to the benefits of the activity, and more broadly to resources, services and skills?
 - Did the activity promote equality of decision-making between women and men?
 - Did the initiative help to promote women's rights?
- Did the initiative help to develop capacity (donors, partner government, civil society, etc) to understand and promote gender equality?

Monitoring and Evaluation

- Does evidence exist to show the SADI objectives have been achieved?
- To what extent was SADI able to measure progress in building capacity in producer groups, SME and research institutions?
- Has SADI attempted to strengthen or use Government of Indonesia's Monitoring and Evaluation System?
- Were there features of the M&E system that represented good practice and improved the quality of the evidence available?
- Were data gender-disaggregated to measure who benefits from changes arising from SADI and who participated in activities and outputs?
- Did the M&E system collect useful information on cross-cutting issues?

Analysis & Learning

- How well was the design based on previous learning and analysis?
- How well was learning from implementation and previous reviews (self-assessment and independent) integrated into the activity?

Lessons

- What lessons can be applied for programs working at central and sub-national levels and to the design of future activities?
- What lessons can be applied in the implementation of AIPD, particularly in relation to knowledge management as well as the local governance (supply) and civil society (demand) components?
- What lessons from the income generation components (especially Business Enabling Environment and rural development activities) can be applied in the implementation of AIPD-AVA?

Interview questions

Interview questions to be used in semi-structured interviews, individual interviews and focus groups are presented in Chart 6-3. Each stakeholder will be asked the primary questions, where relevant. The semi-structured interview will use selected secondary questions from Chart 6-3 and selected technical questions from Annex 1 of the Evaluation Plan to elicit additional evidence and case studies from stakeholders to support answers to performance questions that will be presented in the ICR. Not all secondary and technical questions will be used, and each stakeholder will only be asked those secondary and technical questions that help elicit additional data from them.

Chart 6-3 : Semi-structured interview questions

Primary Q	Secondary Questions
How has rural productivity and household income changed in the past 3 years in target Provinces?	Which households are benefiting from outputs resulting from SADI? Is the change equitable?
	To what extent have changes in rural growth and household incomes resulted from productivity gains, better access to markets, and on and off-farm value-added activities? What other drivers of change have there been in the past 3 years?
	What impact did the global financial crisis have on changes to productivity and household income?
	To what extent has SADI achieved its end-of-program outcomes?
	Are the activities consistent with the objectives outlined in the SADI design document and how do they relate to, and contribute to, the objectives set out in the Australia Indonesia Partnership Country Strategy 2008-2013?
	What real differences has SADI made to the beneficiaries (farmers, lead firms and research agencies)?
	Can you provide examples of these changes?
	What contribution did SADI make to those changes?
	Is SADI's exit strategy adequate?
What has caused household income and vulnerability to change in target Districts?	To what extent has household access to technologies, inputs and markets changed in the past 3 years? What impact has this had on their productivity and income?
	To what extent has household access to improved and more efficient agribusiness/ SME environment changed in the past 3 years? What impact has this had on their productivity and income?
	To what extent has farming household and SME access to new knowledge changed in the past 3 years? What impact has this had on their productivity and income?
	How has new knowledge enabled production and marketing of agricultural outputs at higher levels of productivity and quality?
	Do beneficiaries and/or partner stakeholders have sufficient ownership, capacity and resources to maintain the SADI outcomes after AusAID funding ends?
	Can you provide examples of these changes?
	What contribution did SADI make to those changes?
How have improved access to technologies, inputs and markets changed productivity and incomes and reduced vulnerability of rural households?	How have Kecamatan Grants supported development of livelihood support activities? What difference did these activities make to household income and vulnerability?
	How has subdistrict capacity to implement the Kecamatan Grants scheme changed?
	How effective was implementation of the Kecamatan Grants? What evidence is there of appropriate linkages with SP 2 and SP 3 activities?
	How was the delivery model changed in response to SP 1 M&E? What contribution did conduct special studies and programs make to these changes?
	How did management of SP 1 respond to stakeholder needs? What evidence is there for efficiency and effectiveness of management?
	Given the importance of women's role in agriculture and the links between gender equality and reducing poverty, what did SADI do to improve gender equality? What are the roles of men and women along the value chain? What would be the impact of changing production methods or technologies on women and men?
	Can you provide examples of these changes and who benefited?
	What contribution did SADI make to those changes?

Primary Q	Secondary Questions
<p>How have changes in the agribusiness / SME environment affected household and SME productivity and incomes?</p>	What evidence is there to support the selection of priority supply chains, locations and activities?
	How did the global financial crisis change the action plans developed earlier based on pre-GFC assessment of constraints and potential impact?
	To what extent were market access constraints effectively identified? What evidence is there that these constraints are being mitigated sustainably for isolated rural smallholders and SMEs?
	To what extent were critical business-enabling environment constraints to rural commercial development effectively identified? What evidence is there that these constraints are being mitigated sustainably for isolated rural smallholders and SMEs?
	To what extent were constraints limiting access to credit effectively identified? What evidence is there that these constraints are being mitigated sustainably for rural smallholders and SMEs?
	Can you provide examples of these changes?
	What contribution did SADI make to those changes?
	To what extent could these changes be attributed to SADI?
<p>How have changes in access to new production and marketing knowledge affected farmers, agribusiness/SMEs and their productivity and quality?</p>	What new knowledge has been/is being generated through the SADI R&D activities?
	How is this new knowledge linked to market demand (SP 2) and rural incomes (SP 1)
	What evidence is there that the new knowledge is likely to be adopted by farmers or agribusiness SMEs?
	What evidence is there that provincial R&D organisations now carry out high quality R&D in a demand-driven manner?
	How has the capacity of provincial R&D organisations and the BBP2TP to implement adaptive R&D activities changed?
	How have R&D priorities linked to needs and opportunities identified in SP-1 and SP-2?
	What evidence is there of changes in linkages and knowledge exchange/ technology assessment processes involving R&D providers and province and district-level extension providers?
	Can you provide examples of these changes?
	What contribution did SADI make to those changes?
	To what extent could these changes be attributed to SADI?
<p>How efficient was implementation of the SADI?</p>	Did the implementation of the activity make effective use of time and resources to achieve the individual sub-program outcomes?
	Could the same outputs achieved by SADI have been achieved with less inputs by using a different management approach or implementation modality?
	Could the inputs available for SADI have been managed in a different way to achieve more outputs than those actually achieved with the designed management approach or implementation modality?
	Can you provide examples of how SADI could have been managed differently?
	What contribution did the PMO and SMOs make to delivery of SADI outputs?
	What lessons from the SADI management arrangements could be applied to the design of AIPD-AVA?

Annex 7

Terms of reference

Annex 7 : Terms of reference for ICR

These Terms of Reference have been prepared for the Independent Completion Reports (ICR) of the Smallholder Agribusiness for Development Initiative (SADI) and the Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA) Program. SADI and ANTARA have a number of separate thematic and geographic foci, but both programs implement significant rural development activities which aim to improve the livelihoods of men and women in Nusa Tenggara Barat (NTB) and Nusa Tenggara Timur (NTT), and are scheduled to end in June 2010.

Comparing the approaches to rural development of ANTARA and SADI will help to inform the design of SADI's successor program, the Australia Indonesia Partnership for Decentralisation – Adding Value to Agriculture program (AIPD-AVA). It will also contribute to AusAID's overall rural development strategy in Indonesia. At the same time, separate missions and ICR reports will ensure proper attention to performance of SADI and ANTARA respectively. To ensure lessons learned about rural development activities are captured in a comprehensive way, both ICRs will be managed by the same team leader.

AusAID will commission two separate ICRs for SADI and ANTARA. The ICRs will assess the performance of the programs, draw out lessons learned to inform other AusAID programs in Indonesia, and provide recommendations for the implementation of their successor programs.

The SADI ICR will focus on the following key evaluation questions:

- a. To what extent has SADI achieved its end-of-program outcomes?
- b. Is SADI's exit strategy for Sulsel and Sultra adequate?
- c. What lessons could be applied to the design of AIPD-AVA??
- d. Who were the main beneficiaries? (men, women, rich, poor)

The ANTARA ICR will focus on the following key evaluation questions:

- a. To what extent has ANTARA achieved its end-of-program outcomes?
- b. What lessons can be applied in the implementation of AIPD, particularly in relation to the local governance and civil society components.
- c. What lessons from the income generation components (especially business enabling environment and rural development activities) can be applied in the implementation of AIPD-AVA?
- d. Who were the main beneficiaries? (men, women, rich, poor?)

A separate short report will be prepared comparing the strengths and weaknesses of the different approaches to rural development livelihood activities as implemented by ANTARA and SADI, particularly as it relates to gender and social inclusion. This will inform the design and implementation of the AIPD-AVA program, as well as AusAID rural development and food security strategies.

Scope of Services

Two different missions led by the same team leader will produce an ICR for each of SADI and ANTARA. The ICRs will assess and rate the respective program's performance against Standard Evaluation Questions with further issues for consideration as set out in the Evaluation Plans. The ratings will be based on the standard AusAID six-point scale, as outlined in the ICR Template.

Cross cutting issues should be assessed as part of the relevant evaluation criteria. For example, gender and environment issues would be considered in the context of all the criteria. Overall goal being impact on men AND women.

For all key findings in both ICRs, the evaluation team should describe the current situation, identify key enabling or inhibiting factors, including in relation to gender and social inclusions, and provide an analysis of its implications for AusAID, and recommend an appropriate response.

The independent assessment will be up to 60 days for the team leader, 27 days for the SADI team member and 28 days for the ANTARA team member. The in-country mission for SADI ICR is expected to commence on 5 April 2010 while for ANTARA ICR is on 30 April 2010. All reports should be completed no later than 10 August 2010. Note that AusAID's internal review process upon the submission of the draft ICR will take at least 2 months. Expected timeframe of the review is presented in Annex 4.

Evaluation Process

The evaluation teams are expected to carry out at minimum, the following activities:

- **Literature/Document Review:** The evaluation team reviews key documents related to programs, including design document and progress reports, in order to determine the information that is already available and to guide the fieldworks focus.
- **Evaluation Plan (including methodology):** The team leader is responsible for producing the evaluation plans for both SADI and ANTARA in consultation with the review team members, AusAID Jakarta and Projects Personnel. The evaluation plans should include the following information:
 - Methodology to achieve the objectives of the review;
 - Expertise mapping which include defining the roles and responsibilities of each member of the review team;
 - An itinerary outline identifying key stakeholders to be visited including Government, INGOs, NGOs, implementing partners and beneficiaries;
 - Key informants to be interviewed by the review team members and key questions to be asked and information to be obtained from them. Proposed stakeholders to be consulted is presented in Annex 6
 - An annotated outline of the Review Report and target dates for deliverables
- The above documents are to be submitted to AusAID two weeks prior to the in-country mission and should be cleared by the evaluation delegates before work starts on the evaluation activities. This is to allow AusAID time to arrange meetings.
- **Pre-Field Mission Briefing:** The team will attend a pre-field mission briefing with AusAID in Jakarta.
- **In-country missions:** The in-country missions may involve interviews, data gathering and site visits to key sites of project activities. The visit is question-based and research-oriented. The team leader will direct the in-country missions in accordance with the agreed review method and work plan as specified above, as well as allocation of responsibilities and timeline. The team leader shall analyse data and write up draft sections of the Review Reports during the Field Review, delegating tasks to review team members according to agreed responsibilities.
- **Initial Findings:** The evaluation team should present and discuss its initial findings with the activity managers, evaluation manager, the evaluation delegate, and stakeholders as necessary. The evaluation team will document its initial findings into an Aide Memoire for each ICR to use as a basis for the discussion.
- **Reporting:** The evaluation team is expected to use feedback from stakeholders on initial findings when preparing each draft evaluation report. The team leader shall finalise the reports.

Deliverables and Due Dates

The evaluation teams are expected to deliver the following:

- **The Evaluation Plans:** The evaluation plans for both SADI and ANTARA shall be submitted to AusAID two weeks prior to the in-country mission. Both evaluation plans should be cleared by the evaluation delegate before work starts on the evaluation activities.
- **Aides Memoire** (maximum 5 pages) for both SADI and ANTARA. Towards the end of the Field Review the evaluation team shall prepare an Aide Memoire covering the major findings, preliminary recommendations, lessons learned, and a clear summary of the review process. This will be produced prior to departure from Indonesia. It will be presented for discussion and comment to appropriate Gol officials and AusAID staff.
- **Draft Independent Completion Report** (maximum 25 pages plus annexes) for both SADI and ANTARA. The team leader shall coordinate inputs from the review team members, complete and submit both Draft Review Reports to AusAID no later than 14 days after the completion of the in-country mission for the ANTARA ICR. Each draft report must include draft ratings against AusAID Quality at Completion Report ratings. The review reports should be a brief, clear and cogent summary of the review outcomes, focusing on a balanced analysis of issues faced by the Program and it should recommend ways to overcome any problems identified. Annexes should be limited to those that are essential for explaining the text. The review reports should conform to AusAID ICR Template.
- **Short Paper on AusAID's Rural Development Approaches** (maximum 5 pages). This paper should compares the strength and weaknesses and analyse AusAID approaches to rural development through SADI and ANTARA, the extent to which they impact on gender equality and reach the poor for future rural development and food security sector strategy and programming.
- **Final Independent Completion Report** (maximum 25 pages plus annexes) for both SADI and ANTARA are to be submitted to AusAID within 4 days upon receiving final written comments from AusAID.
- **Presentation:** If requested, on a date mutually agreed, Team Leader shall present the findings, recommendations and lessons learned in a debrief sessions in AusAID, Jakarta and/or Canberra.