

Independent Evaluation of Smallholder Agribusiness Development Initiative (SADI) MANAGEMENT RESPONSE & LEARNING and DISSEMINATION PLAN

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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	31 July 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 four provinces, as well as from participating lead firms, industry leaders and provincial government staff		
Delivery organisation(s)	Sub-program 1 – Ministry of Home Affairs under World Bank supervision Sub-program 2 – International Finance Corporation (IFC) Sub-program 3 – Australian Centre for International Agricultural Research (ACIAR)		
Implementing Partner(s)	Indonesian agencies at national level: National Development Planning Agency (BAPPENAS), Ministry of Home Affairs – Directorate General of Peoples Empowerment (PMD-MOHA), Commodity Futures Trading Regulatory Agency (CoFTRA); Indonesian Centre for Agriculture Technology Assessment and Development (BBP2TP); as well as in four provinces (West Nusa Tenggara, East Nusa Tenggara, South Sulawesi, Southeast Sulawesi)		
Country/Region	Indonesia – four eastern provinces (West Nusa Tenggara, East Nusa Tenggara, South Sulawesi, Southeast Sulawesi)		
Primary Sector	Rural Development		

Aid Activity Objective:

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, i.e. West Nusa Tenggara, East Nusa Tenggara, South Sulawesi and Southeast Sulawesi.

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:

- Sub-program 1: 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.
- Sub-program 2: Strengthened Private Sector Agribusiness and SME Development (implemented by International Finance Corporation), which seeks to promote smallholders' access to markets and finance and address problems in the business environment affecting smallholder agribusiness.
- Sub-program 3: Support to Market-Driven Adaptive Research (implemented by Australian Centre for International Agricultural Research), 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.

Independent Evaluation Summary

Evaluation Objective: To evaluate the 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 in Indonesia. The overarching performance questions used for the evaluation, and a summary of the ICR findings for each, are as follows:

1. To what extent has SADI achieved its end-of-program outcomes?

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 caused by the lack of integration between the three sub-programs. The return on the SADI investment was therefore significantly less than its potential.

Some of SADI's key achievements include:

- Some SADI outputs achieved the program purpose of demonstrating models of improved productivity, which provides a catalyst for scaling up under other programs to have a livelihoods and market impact at a regional scale. For instance, 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. The average annual enterprise income increased from 84% of the NTB rural poverty line to 199% in 12 months.
- SADI provided a space for Government of Indonesia and lead firms to take risks and test new ideas, which is consistent with SADI's purpose to demonstrate productive models supported by an enabling agribusiness environment and adaptive research. For instance Gol used SADI to pilot a rural development/agribusiness component to the national PNPM program. 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 – 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, 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, particularly in the area of access to markets (A2M), access to finance (A2F) and 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 South Sulawesi 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.

- SADI enterprise activities demonstrated positive impact on household income, which contributed to achievement of MDG 1 (poverty and hunger) and MDG3 (gender equality and empower women). For instance, more than 7500 farmers were implementing enhanced peanut productivity model with new varieties for improved quality, new farming practice to increase productivity and sustainability; and staggered plantings to increase farm-gate prices, farmer's increased household income by more than 36%. Overall 13,749 men and 12,445 women participated in enhanced smallholder production and marketing. Activities including micro-enterprises in NTB, pig production in South Sulawesi, seaweed and cashew processing in Southeast Sulawesi, and production of coffee powder in NTT. Communities were supported to enhance gender equity, including leadership training for local informal women leaders.

2. What lessons could be applied to the design of a future rural development program? In particular are there any lessons relating to management arrangements?

Some of the lessons learned that were derived from the report, and that will be considered in a future rural development program design, as follows:

- The structure of SADI, with three separate sub-programs managed by three independent organisations, was not efficiently coordinated and integrated. It is recommended that large and relatively complex rural development program should have a single management structure with coherent management roles and responsibilities established through consistent contracting arrangements.
- SADI lacked an overall program logic where the absence of single goal and purpose shared by all sub-programs create difficulties in sub-program integration. To avoid fragmentation, any future rural development program should have one program goal and purpose with a single program logic that defines clear end-of-program outcomes. In achieving a clear purpose and goal, flexible delivery is required. Any new program will need to engage with a wide range of agriculture stakeholders ranging from very poor subsistence farmers to successful agribusiness entrepreneurs.
- Program should develop with strong Gol ownership. Phase delivery of market and enterprise led activities through identification of farming systems and integrated supply chains, engagement with target communities to understand needs and lastly to engage with institutional stakeholders to identify any capacity development and adaptive research needs.
- Use the annual planning process to incorporate lessons learned from the performance monitoring to make any adjustments needed to ensure program efficiency and effectiveness.
- Proactively supervise and intervene when necessary during program implementation to ensure that program objectives are met. Roles and responsibilities should be articulated in the design to ensure appropriate resources are allocated to enable efficient and effective use of Australian fund, as required by the FMA Act. This is to respond the weakness of SADI's monitoring and evaluation system where it was only monitored the quantitative inputs, activities and output but did not have impact monitoring or assessment of the beneficiaries.
- There was an opportunity to engage the Government of Indonesia more actively including to strengthen institutions and to use the Gol system. Gol engagement in the program will increase its relevance and sustainability.
- Use output-to-purpose monitoring to track performance more regularly. 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 Gol systems and the AusAID quality reporting system. Output-to-purpose monitoring informs annual planning and provides a basis for semi-annual, joint-supervision by Gol and AusAID.

3. Is SADI's exit strategy adequate?

The unexpected closure of SADI, 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 activity implemented under Sub-program 2 are likely to be sustained. AusAID had entered into an agreement with International Finance Corporation to continue some of Sub-program 2 activities through Program for Eastern Indonesia SME Assistance II (PENSA-II) which is a multi-

donor partnership managed by International Finance Corporation (IFC), the private sector arm of World Bank. PENSA-II is aimed at creating opportunities and improving peoples' lives in Indonesia through sustainable private sector development, focusing on the Business Enabling Environment, Access to Finance, Agribusiness Linkages, Sustainable Forestry, and Infrastructure. For Sub-program 3 activities, AusAID had provided additional funding to the Australian Centre for International Agricultural Research to sustain adaptive research activities with the Indonesian Institute for Agricultural Technology Assessment and Development (BBP2TP) and Institute for Assessment of Agricultural Technologies (BPTP). There are, however, no exit strategies agreed to for Sub-program 1 activities. The ICR recommended that the institutional arrangements already available through PNPM provide a basis for efficiently delivering a transitional support for Sub-Program 1 until the new program is implemented.

Evaluation Completion Date: Final report submitted on 15 July 2010

Evaluation Team: John Fargher (Team Leader - Agricultural Scientist); Mr Yasuo Konishi (Team Member - Agribusiness Specialist); and Mr Erinch Sahan (AusAID Policy Officer).

Management Response of ICR recommendations

The SADI Independent Completion Report is well structured, easy to read, has a good methodology and contains some very useful case study information and analysis. The conclusions presented are clear and based on solid analysis. The report also identifies constraints and how they could be overcome in future programs.

The ICR team met with relevant stakeholders and the report has very well addressed the topics and questions outlined in the Terms of Reference. Though the report did not provide a clearer analysis of each subprogram within each of the rating categories, it assessed the program as one integrated program and combined the analysis of the 3 subprograms.

AusAID considers the ICR recommendations as useful for the design of a new rural development program.

Recommendation One

Recommendation: 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 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.

Response: Agree.

Recommendation Two

Recommendation: 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.

Response: Agree.

Recommendation Three

Recommendation: 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.

Response: Agree.

Distribution List:

Stakeholder	Distribution Method
AusAID Jakarta Branch, mainly the senior management, Decentralisation and Poverty Reduction section, IRPEG Section and P&Q Unit	By e-mail
Relevant AusAID Canberra staff (ODE, Rural Development Thematic Group, Indonesia Desk)	By e-mail
SADI partners (WB, IFC, and ACIAR)	By e-mail
National Government Counterparts: BAPPENAS, MOHA-PMD, BBP2TP	Provide hard copy of the Final Report
Provincial Government counterparts: BAPPEDAs and BPTPs of East Nusa Tenggara, West Nusa Tenggara, South Sulawesi and Southeast Sulawesi provinces	Provide hard copy of the translated executive summary of the Final Report
WOG (DFAT, DAFF, AUSTRADE)	Provide final report by e-mail