

## INDONESIA

### MCC Learning from

#### **“Indonesia Procurement Modernization Project Interim Performance Evaluation”**

**Abt Associates, March 2019**

MCC has identified the following programmatic lessons from the Indonesia Procurement Modernization Project Interim Performance Evaluation.

#### PROGRAMMATIC LESSONS

- *MCC’s investment model assumes that project teams, including sector specialists, economists and all partner country team members, would ensure that all components of project designs essential for sustained success are adequately planned, and that the projects’ results would be adequately measured to understand their likely economic effects. But this model was not well implemented in the Procurement Modernization Project.* During program development, issues of poor budget execution and public financial management, low procurement professionals’ salaries, and control of corruption were identified as risks. Some of these risks might have been adequately addressed in a well-developed program design; however, broader sector issues like corruption control were unlikely to be, as other Indonesian donors had been attempting to mitigate them for years without much success. The Project instead focused narrowly on professionalizing the training and stature of procurement officials; a focus too narrowly conceived to identify specific pathways or intermediate programmatic or economic outcomes that could be measurably linked to the intended ultimate objective: sustainable economic growth. For the sustainability of the higher level outcomes, professionalization and improvements in the organizational structure of the procurement function may have required broader improvements in the public financial management system along with credible demonstrations of support from the GoI. The lack of activities directly attempting to mitigate or eradicate the broader sector-level risks decreases the likelihood that the project would achieve its objective or that the gains made by the project would be sustainable. The lack of activities addressing the broader sector challenges also meant that the economic model and the program logics were inherently incomplete because critical components in the theory of change and the economic model were missing. MCC’s M&E and Economic Analysis divisions in particular should insist that project teams develop measures to resolve uncertainty around assumptions on political and institutional support for reform projects when required by the economic model and the program logic. One such way is through conditions precedents.
- *For management information system activities that must both inform project implementation and leave an improved and lasting information system, the project should explicitly plan for the different requirements of these dual objectives.* The Procurement Management Information System (PMIS) was not completed until the last months of the compact. This late development

caused difficulty in monitoring the progress of some elements of the Project. The complete PMIS was also intended to be used by the Project participants as part of their training. The delay also meant that procurement experts, PMIS users, and M&E specialists were unable to determine whether all key variables had been identified and were being accurately measured and whether there were any weaknesses in the measurement of procurement performance. As the Project was the first of its kind, there were several concepts that had not yet been articulated or well-defined. Having the PMIS developed and operationalized earlier might have enabled administrators to identify the gaps in measurement earlier and determine ways to mitigate or eliminate those gaps.

- *During project development, MCC should seek strong sector-specific and theoretically sound guidance to identify conditions under which critical intermediate outcomes would have a predictable relationship with the desired program effects. Evaluation results are most useful when intermediate outcomes have clearly defined relationships with the desired ultimate program effects.* However, throughout the design and implementation of the Project, there was uncertainty about the direction of certain key intermediate outcomes. Project designers hypothesized that variables like the number of bidders per tender, the number of tenders per month, the amount offered per tender, and the time taken to complete procurement tasks would be important outcomes of the intervention, but without a clear understanding of how, or under what conditions, a successful program would affect their values, these variables were relatively uninformative. It was not clear whether an increase in the value of the variable would indicate a positive result. These values were therefore not helpful in understanding how the Project's intended results might be achieved. Developing conditions under which some concepts could be given a positive or negative sign is a crucial step to developing clear program logics. MCC should ensure that sector-specific expertise is combined with economic expertise and modeling to allow for a program design that clearly links project activities to measureable economic impacts. This did not occur in the case of the Procurement Modernization Project, and the Project was approved without an economic rate of return. The lack of a quantitative, economic underpinning to the Project was a constant challenge for measurement, accountability, and learning. By engaging the necessary sector-specific and economic expertise, MCC can identify what direction is desirable for ambiguous indicators. If MCC conducts this practice regularly enough, MCC can broaden its evidence base and refine logics and indicators in a more informed way for future interventions.