INDONESIA

MCC Learning from

"Final Evaluation Report: MCC Indonesia Green Prosperity Project Sustainable Cocoa Partnership Grants Performance Evaluation"

Social Impact, January 2020

MCC has identified the following programmatic and evaluation lessons based on the Final Evaluation Report: MCC Indonesia Green Prosperity Project Sustainable Cocoa Partnership Grants Performance Evaluation.

PROGRAMMATIC LESSONS

- *MCC investments should have a sound economic justification and undergo proper problem identification*. The cocoa grant portfolio suffered from a lack of strong justification. The problem statement for this intervention is that the Indonesian cocoa sector, which includes 1 million smallholder farmers, is suffering from declining quantity and quality of cocoa beans. The proposed solution was to incentivize the private sector to invest in the Indonesian cocoa sector by matching investments 50%-50% with MCC. However, further consideration was required. The private sector had already been investing in the Indonesian cocoa sector for decades. MCC should have further examined the underlying market failure for the proposed problem to determine whether MCC should have invested in this intervention. No root cause analysis was carried out to justify this decision.
- *MCC should deeply consider its value added when investing in a crowded sector where the private sector, the partner government, and other donors are already intervening*. The Indonesian government and many companies and non-governmental organizations were already working to address major challenges in the Indonesian cocoa sector since the 1990s. MCC's intervention was therefore not new, aside from promoting the collaboration of key cocoa sector actors. Also, as several large actors had been investing in the Indonesian cocoa sector for decades across several regions, it was difficult to determine what observable effects on farmers and the sector were due to MCC or other actors. Many participating farmers could not remember which company gave them what training or inputs.
- *MCC should ensure that realistic and credible assumptions are used in its economic rate of return (ERR) models, and MCC should provide guidance and due diligence to verify the economic logics behind ERR models*. The assumptions that were the basis for the ERRs for the three cocoa grants were overly optimistic. For example, grantees assumed greater use of improved inputs through improved access to financing, although low take-up rates significantly reduced project impacts. One grant encouraged farmers to ferment cocoa beans so that smallholders could earn increased margin, an approach that lacks economic foundation as the

change in margin is not an economic benefit, but a transfer from agro-processors to smallholders. Moreover, smallholders lacked the skills or the scale to make the fermentation intervention successful. The ERRs, thus, did not accurately reflect the expected benefits of the interventions.

- *MCC should give more weight to evaluability assessments during project design*. This intervention was lacking in 4 of the 5 evaluability dimensions: problem diagnosis, identification of risks, identification of beneficiaries and their geographic location, and indicators of success. Had an evaluability assessment been conducted during project design, the intervention could have been better designed or not pursued unless key evaluability concerns were addressed.
- *MCC should due diligence grantees' management information systems (MIS) to ensure that these MIS are well-functioning and will produce the data necessary for project monitoring, decision-making, and evaluation*. Due to the large number of grants that were implemented under the Green Prosperity Project, in-depth assessments of MIS were not possible. As such, MCC had to rely on quarterly reports that may not have been accurate. The evaluators also faced challenges in fully analyzing the farmer-level monitoring data. Some of the MIS did not produce credible, reliable data, hindering the ability to learn and be accountable. Access to internal MIS and grantee contact information ensures that complete and rigorous evaluations are possible.

EVALUATION LESSONS

- *Evaluations of individual grants from a grant facility present unique evaluability challenges, which affected the cocoa evaluation, that should be contemplated before embarking on grant facilities in future MCC programming:*
  - *It is unclear how to apply the concept of accountability for results to a grant facility.* In a facility with multiple programmatically diverse and geographically varied grants and when grants are identified midway through a compact and begin implementing shortly after approval, it is generally impossible to conduct a thorough and rigorous evaluation of each funded grant. Given this, MCC should identify what the agency believes grant facility programs should be held accountable for.
  - *Individual grants are not held to the same documentation and due diligence standards as a normal MCC project and therefore rarely have program logics and clear targets that are required to facilitate evaluation.* The cocoa portfolio of grants was not defined during compact development so evaluation design had to occur after the grants were selected. MCC is working on a leveraged grant facility guidance document that will help address these concerns and move grant identification earlier in the compact development process.
  - *Monitoring multiple de-centralized small grants is difficult, which means data quality varies from grant to grant.* This presents challenges as the evaluator has to validate what actually happened instead of getting this information from the indicator tracking table or MCA documents. The evaluation ends up focusing on telling MCC what actually happened during the compact.

  MCC is addressing this lesson by considering alternate evaluation approaches to these types of programs. These approaches might include assessing the overarching results of a grant facility, at the objective level, rather than attempting to evaluate a sample of grants in a more detailed manner; or conducting retrospective evaluations of grant facilities and associated grants, which would generally not allow for impact evaluation and may have limited baseline data with which to conduct a pre-post analysis.