

INDONESIA

MCC Lessons from

“Indonesia Cocoa Partnership Grants Interim Performance Evaluation”

Social Impact, February 2018

MCC’s M&E Division, in consultation with MCC sector experts and economists, has developed the following programmatic and evaluation lessons from the Indonesia Cocoa Partnership Grants Interim Performance Evaluation.

PROGRAMMATIC/SECTOR LESSONS

- *Understand the complete cocoa value chain and farmer behaviors when designing the intervention:* Designing interventions that aim to increase farmer productivity and product quality through the provision of training and other inputs with the assumption that increased income will follow without fully understanding farmer behavior, the market, and the food system may not yield desired results. If farmers do not have the capacity or incentives to adequately respond to the intervention, and if there is not a well-defined market for the improved product, the demand may not support higher prices and incomes expected from on-farm interventions. Going forward, MCC will design agricultural and related interventions with the target market or value chain in mind. By using this approach, MCC will better understand the value chain’s structure, incentives, deficiencies, and opportunities. MCC will examine the upstream and downstream ends of the value chain to better understand whether the market will sustain the proposed improvement and enable long-term sustainability.
- *Design cocoa sector interventions with consideration of market conditions and other key factors:* Competing or conflicting government incentives as well as weather conditions and persistent pests may have affected project results. Laws, regulations, institutions, incentives, structures, weather patterns, intercropping, and the prevalence of pests should be considered when designing cocoa sector projects. MCC will also consider increased use of sensitivity analysis during project design as well as building resiliency into the design of agricultural interventions.
- *Promote traceability:* MCC, in partnership with implementers, needs to ensure that cocoa traceability systems like CocoaTrace are strengthened if necessary and properly functioning. Processors should be able to easily note which producers supplied them with quality cocoa. The introduction of working traceability systems allows processors to be closer to their supply chain, thereby reducing search costs and improving the quality and price premium of the end product.
- *Re-examine certification schemes:* There is early evidence that the certification scheme was not effective, as certified farmers continued to sell their product to middlemen without receiving a premium for certified cocoa. If farmers do not receive premiums, there is no incentive for them to reinvest in certification post-Compact. MCC will explore ways to mitigate this risk by ensuring

that markets will pay the certification premium and by sharing certification responsibilities and aggregating certified products.

EVALUATION LESSONS

- *Increased private sector engagement:* At the endline, the evaluators should engage with the key private sector cocoa actors to better capture what changes the private sector observed as a result of the intervention. Key topics should include whether private sector actors believe that they achieved a good financial and social return on their investment, whether the private sector learned new things as a result of the intervention, and whether there were any externalities.

SECTOR AND EVALUATION LESSONS

- *Project design and MCC's learning agenda:* The evaluators were unable to construct a counterfactual because there had been many cocoa interventions in the project areas and many of the participating cocoa farmers had already received training in cocoa farming practices. Thus, the evaluators conducted a performance evaluation, which made precisely quantifying and attributing results difficult. MCC should consider whether project design should be guided by a learning agenda and M&E perspectives and requirements, thus creating opportunities for more rigorous evaluations to accurately measure results. This consideration is particularly important when awarding projects through a grant facility, where the ability to prospectively design an independent evaluation can be limited.
- *Availability of inputs:* The provision of inputs from nurseries was one of the key components of the theory of change. However, participating farmers noted difficulties in accessing seedlings and other inputs. The endline evaluation should examine the viability of the cocoa nurseries. A better understanding of who owns the nurseries, how Indonesian government subsidies might be impacting private sector cocoa and shade tree seedling sales, and who the customers are is needed.
- *Grantee monitoring data:* The grantees' farmer monitoring systems need strengthening if they are to be used as secondary data sources for evaluations. The evaluators had concerns about the reliability of some of the data reported by the grantees. Relying on farmer recall to supplement grantee monitoring data introduces bias into results measurement. For future agricultural interventions of this type, MCC should investigate whether strengthening of monitoring systems should be included in the investment activities.
- *Understand shade tree economics:* Timber produced from cocoa shade trees may have more economic value than the cocoa product itself. MCC and the evaluator should investigate this further at endline.