

SOCIAL RETURN ON INVESTMENT REPORT



Local Value Chain Development Project in Flotim, Indonesia

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ACRONYMS

ADP	An Area Development Program is World Vision's long-term programming model for community development. ADPs consist of sectoral projects that address the specific development challenges facing children in communities.
DME	Design, monitoring and evaluation
FGD	Focus group discussion
Flotim	Flores-Timur
Gapoktan	Producer group
Ijon	A system of debt where the local farmer pledges his/her crop while it is still in the field in exchange for immediate goods and services. The "collector" or service provider and not the local farmer decides how much of the crop is worth the service or goods the local producer gets.
LVCD	Local Value Chain Development
MF	Market Facilitator
PG	Producer group
NGO	Non-governmental organisation
NTT	Nusa Tenggara Timur or East Nusa Tenggara
SROI	Social return on investment
WVA	World Vision Australia
WVI	World Vision Indonesia

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The local farmers in Flotim, despite receiving many visitors in recent times, were very welcoming and willing to share their experience and help us understand the value they placed on various project outcomes. I remain grateful for this openness and sincerely hope that I have been able to accurately reflect their experiences in this report.

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AFFIRMATION

Except as acknowledged by references to other authors and publications, the evaluation described herein consists of our own work, undertaken to understand, measure and value outcomes experienced by key LVCD project stakeholders, and advance learning as part of the requirements of World Vision's design, monitoring and evaluation learning system.

Primary quantitative and qualitative data collected throughout the evaluation process remain the property of the communities and families described in this document. Information and data must be used only with their consent. Where contact for permission is not feasible, World Vision Indonesia or World Vision Australia may represent their interests as their proxies.

Cynthia Mulenga
July 2014

I. EXECUTIVE SUMMARY

This evaluative social return on investment (SROI) analysis was undertaken on a Local Value Chain Development (LVCD) project implemented by World Vision Indonesia in the Flotim Area Development Program (ADP). The LVCD project was implemented from April 2009 to March 2012 in 16 villages on Flores Island. It was implemented following an assessment that lack of access to markets and market information were the two most important factors inhibiting livelihood growth among impoverished smallholder farmers in the area.

The LVCD project model aims to improve the economic prospects of local farmers so they can provide well for their children and families. The model focuses on improving productivity, improving relationships between local farmers and other market actors, and improving access to profitable markets. In the Flotim LVCD project, local farmers, also called local producers, were organised into producer groups (PGs) and trained in various business and marketing skills. A Market Facilitator employed by World Vision coached and mentored producer group members – selected by their community to become local market facilitators – on how to look for and engage with profitable markets.

The SROI framework was used to estimate the value of the changes that primary stakeholders experienced as a result of the LVCD project being implemented. This included understanding the changes or outcomes that stakeholders experienced, measuring the reach of these outcomes and estimating their financial value. The value is expressed in United States dollars (US\$). Primary stakeholders included local farmers, local market facilitators, buyers, the Flotim ADP and World Vision Australia.

All these stakeholders were interviewed on the changes they had experienced, the reach of these changes and their value. Data from secondary sources was also reviewed to inform the process.

Primary outcomes experienced by local farmers included an increase in social and economic wellbeing. Farmers

pointed out that by using LVCD strategies they had been able to earn extra income from the sale of their products and that they spent this extra income on nutritious food for their children, education and health services, improved housing and savings. This resulted in better social and economic wellbeing.

Farmers also identified a heightened sense of empowerment as a result of being involved in the LVCD project. The market knowledge and skills they gained and the ensuing increase in profits made on their products increased their confidence.

Local market facilitators said they gained knowledge and skills in project management and leadership as a result of the mentorship and coaching provided by World Vision's Market Facilitator. Staff from the Flotim ADP reported that through implementing the LVCD project they had learned how to be more effective in project implementation.

Buyers identified increased efficiencies in their interactions with farmers who were engaged in the LVCD project. They saved time and money because the products they bought were already graded by the farmers, were of better quality, and were brought to agreed-upon collection points.

World Vision Australia did not experience any material outcomes as a result of the LVCD project. It was identified as a key stakeholder in the SROI analysis because it provided funding for project implementation. World Vision Australia also provided technical support and monitoring and evaluation during the three-year project period. This support and funding were valued at US\$150,000.

Using data collected through a household survey, focus group discussions and interviews with stakeholders, secondary data, as well as various techniques to determine financial proxies, values for each of the outcomes have been estimated for a period of five years after the project ended in 2012. These are shown in Table 1.

Table 1: Percentage of total value experienced by each stakeholder group in the LVCD project, five years after the end of World Vision’s investment

Stakeholders	Outcome	Total adjusted value per outcome in US\$ ¹	Percentage of total value per stakeholder
Local farmers	Improved social and economic outcomes	257,602.34	70%
	Increased sense of empowerment	231,154.83	
Local market facilitators	Increased knowledge and skills in leadership and project management	142,671.09	20%
Buyers	Increased efficiencies for buyers – reduced transport costs, reduced time and effort spent collecting products and improved quality	32,511.15	5%
Flotim ADP	More focused programming and therefore increased program effectiveness	38,592.77	5%
Total adjusted value		702,532.20	100%

Local farmers, who were the project’s primary target beneficiaries, experienced the highest proportion of value at 70 percent. They were followed by the local market facilitators (20 percent) who are also local farmers.

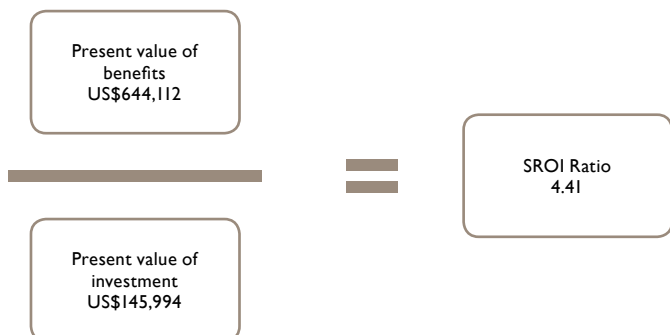
To present an accurate view of the actual value created through the LVCD project, SROI analysis takes into account the deadweight, drop off and duration, attribution and displacement of project outcomes.² This ensures that changes that could have occurred as a result of external factors are accounted for and not attributed to the LVCD project.

In accordance with the SROI principle of not over claiming, a conservative SROI ratio of 4.41:1 has been calculated based on a drop off rate of 25 percent and duration of five years. The value of the outcomes reduces each year by 25 percent and only lasts for five years after the end of the LVCD project. Figure 1 shows a summary of the SROI calculation. A real discount rate of three percent, the Reserve Bank of Australia’s cash rate as at December 2012 (rba.gov.au), was used to calculate the present value of the benefits created and the investment for 2010 to 2017.

The SROI ratio will increase to 11.09:1 if the duration is 10 years and we assume that the outcomes do not drop off at all, that is, a drop off rate of zero percent.

The overall SROI analysis shows a positive social return on investment ratio of 4.41. This means that for every US\$1 invested in the LVCD project, approximately US\$4.41 worth of social and economic value was created and experienced by project stakeholders. The Flotim LVCD project was therefore a good return on investment.

Figure 1: The SROI ratio calculation



1. Values have accounted for drop off, attribution and deadweight.

2. Deadweight refers to what probably would have happened anyway without the project. Drop off and duration refers to the future risk of project participants abandoning the practices they learned through the project or losing their benefits. Attribution refers to who else was responsible for the changes. Displacement refers to any changes that may be supplanted from outside of the project area.

2. INTRODUCTION

This report shows the value created by the Local Value Chain Development (LVCD) project implemented by World Vision in its Flotim Area Development Program (ADP)³ from April 2009 to March 2012. This value has been calculated by World Vision Australia with consultancy advice from Social Ventures Australia Consulting, using the social return on investment (SROI) analysis methodology.

3. PROJECT CONTEXT

The LVCD project was implemented in Flotim district located on Flores Island in the Nusa Tenggara Timur (NTT) province of Indonesia. The LVCD project was implemented in 16 of the 36 villages covered by the Flotim ADP.

Flotim district has a tropical climate with a dry season of eight to nine months and a relatively short rainy season. It is vulnerable to heavy rain with strong winds and floods, earthquakes and volcanic eruptions. Flotim has a mountainous landscape, favourable for horticulture. Agriculture is the mainstay of the economy in Flotim district which boasts large coastal areas offering great potential for marine industry and fisheries. The availability of land and shepherding areas in Flotim also provides potential for cattle and animal husbandry industries.

Even though the agriculture sector is the biggest contributor to the economy in this area, farmers, often called local producers, still live in poverty. A range of factors contribute to this situation, including remote geographical location and poor economic conditions (Central Bureau of Statistics, 2012). At the time the LVCD project was designed, the average household income was 2,509,627 rupiah (US\$279), (Flotim ADP, 2008).

3.1 Project background

An assessment conducted prior to project implementation revealed that lack of access to markets and market information were the two most important factors inhibiting growth for smallholder farmers. The majority of smallholder farmers were confined to informal and local markets, which are controlled by shrewd traders often referred to as middlemen, collectors or buyers. Unlike the smallholder farmers, these traders are endowed with information about markets, product prices and are therefore able to reap large gains at the expense of smallholder producers.

World Vision's traditional approach to this problem in the project area was to focus on what farmers produced and find ways to push their products into the market. But the problems remained, leaving the local farmers, ADP staff and relevant government officials with no clear idea about market information such as product quality and quantity requirements and logistics. Farmers need this information so they can respond to what the market wants, tap into market demand and thereby generate increased profits. In the Flotim ADP area, buyers were not transparent in the prices they offered local farmers, thus reducing the farmers' bargaining power. Local farmers lacked sufficient motivation to band together to increase their bargaining power, or supply goods in commercial quantities.



Female farmer processing her candlenuts outside her home

3. An Area Development Program is World Vision's long-term programming model for community development. ADPs consist of sectoral projects that address the specific development challenges facing children in communities.

3.2 Project description

The LVCD project model is designed to improve the economic prospects of communities and individuals. It aims to help people generate more sustainable income that allows them to provide for the needs of their children and families, through improved productivity (including production and processing), and improved relationships and engagement between local producers and other market actors.

The project model aims to improve access to profitable markets for smallholder farmers and producers. A key component of the LVCD project model is role of the Market Facilitator. A Market Facilitator is a World Vision staff member (or staff from a partner organisation) based in the project area who enables farmers/producers to better engage with markets and build relationships with critical service providers that can help them overcome market barriers (wvdevelopment.org, 2013).

Ultimately, the model aims to improve the functioning and competitiveness of market systems so that smallholder farmers and other actors in the system are able to generate win-win solutions. These solutions then lead to greater and more equitable sharing of value across the value chain.

The Flotim LVCD project interventions were targeted at farmers who earned less than US\$1 a day. During three years of implementation, the project reached 1,500 households. Strategies employed included:

- mobilising farmers into producer groups and building their functional capacity;
- training producer groups in core business and marketing skills;
- facilitating the participation of producer groups in value chain research; and
- coaching provided by the Market Facilitator to producer groups on negotiation skills, accessing market information and opportunities, understanding prices, relationship building and networking with service providers.



Female farmer explaining to evaluator how to grow, harvest and process coconut

4. METHODOLOGY

SROI is a framework for measuring and accounting for a broad concept of value. It tells the story of environmental, social and economic changes that people and/or an organisation experience/s as a result of a project or activity. Using monetary value and financial proxies to value the changes, a ratio of benefits to costs is calculated (Nicholls, Lawlor, Neitzert, & Goodspeed, 2012). Therefore, a ratio of 4:1, for example, indicates that an investment of \$1 delivers \$4 of social value.

4.1 SROI description

SROI analysis follows a step-by-step process. These steps include establishing the scope of the analysis, mapping the outcomes or changes experienced by stakeholders, and measuring each outcome to find out how many stakeholders have experienced it. Next steps include valuing the outcomes, discounting aspects of the outcomes that might have been caused by external factors, calculating the SROI ratio and, lastly, reporting.

SROI principles (Nicholls, Lawlor, Neitzert, & Goodspeed, 2012) include:

- a) **Involve stakeholders:** Stakeholders who have experienced the outcomes must be involved to inform the process on what outcomes should be measured, and how this is measured and valued
- b) **Understand what changes:** Both positive and negative changes need to be identified and the way the change comes about articulated clearly
- c) **Value the things that matter:** Use financial proxies to recognise the value of the outcomes identified
- d) **Only include what is material:** Determine what information and evidence must be included in the analysis to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact
- e) **Do not over claim:** Only claim what the organisation is responsible for and err on the side of being conservative
- f) **Be transparent:** Demonstrate the basis on which the analysis may be considered accurate and honest and show that it will be reported and discussed with stakeholders
- g) **Verify the result:** Ensure appropriate independent assurance

4.2 Scope

Two forms of SROI analysis can be undertaken as described in the SROI guide: a forecast analysis and an evaluative analysis (Nicholls, Lawlor, Neitzert, & Goodspeed, 2012).

A forecast SROI analysis estimates the social value an organisation will create by implementing a project or program in the future. There is unlikely to be substantive evidence to support the value an organisation will create because it has not happened yet. In contrast, an evaluative SROI analysis estimates the social value an organisation has already created by implementing a project or program. An evaluative SROI analysis should be based on evidence collected over time.

This report details an evaluative SROI analysis of stakeholder outcomes generated through the LVCD project in the Flotim ADP. The analysis covers all activities undertaken during the three-year project implementation period. This analysis is also regarded as a baseline analysis because it is the first time it has been undertaken on this particular project.

4.3 Stakeholder groups

SROI is a stakeholder informed methodology that involves engaging closely with stakeholders to identify and understand the changes they experience because of a program or activity and estimating the value of those changes (Nicholls, Lawlor, Neitzert, & Goodspeed, 2012). Stakeholders in this case refers to those individuals or organisations that experienced change through the Flotim LVCD project or affected the activity either positively or negatively.

Based on an end-of-project evaluation of the Flotim LVCD project in 2012, stakeholders were identified and included in this analysis if they experienced a unique and material change as a result of the LVCD project.



Flotim ADP office

Included stakeholders

Stakeholders included in this SROI analysis were:

- **Local farmer households** – Local farmers who participated in the LVCD project were identified as the primary stakeholders. Local farmers were the primary target beneficiaries and the success of the project was highly dependent on their participation in producer groups. They were organised into producer groups of 10-20 members according to their geographical location and their preferences. There were between five and seven producer groups in each village and by project end 1,500 farmers from 16 villages had participated in project activities.
- **Local market facilitators** – These are local farmers selected by their community to be coached and mentored by the World Vision Market Facilitator in market facilitation skills. This strategy enhances the likelihood of future sustainability. Outcomes experienced by local market facilitators are additional to those they experienced as local farmers.
- **Buyers** – Buyers are entrepreneurs who buy farmers' products through an auction that takes place in villages implementing collective selling. Once they are successful in their bid, buyers collect farm products from designated collection points and sell them in Maumere, the nearest large town. Interviews with buyers revealed that they were also affected by the LVCD project implementation and are, therefore, stakeholders.
- **World Vision Indonesia** – World Vision Indonesia staff members played a key role in the way that the project was implemented.
- **World Vision Australia** – World Vision Australia funded the project and some staff members provided technical support.

Excluded stakeholders

Stakeholders excluded from the SROI analysis were:

- **Government** – The Indonesian Government was involved in project implementation to a limited extent. Government staff helped to encourage local farmers to participate. However, the government was not included in this analysis because the extent of its influence on project success or failure and its experience of the project were not material.
- **Collectors** – Collectors bought products from individual local farmers before the LVCD project was implemented and sold them to a buyer. After introduction of the project it was more lucrative for them to become active in the producer groups

because there was little produce available to buy directly from individual farmers. One collector interviewed reported that it was better for the community to sell collectively rather than individually, and therefore did not see the change as having a negative effect on him. The extent of collectors' influence on the project is therefore considered to be immaterial.

- **Other non-governmental organisations (NGOs)** – Other NGOs provided local farmers with some market information on request. This, however, was not material enough to include them in SROI analysis.
- **Consumers** – Although consumers are part of the value chain because they influence product demand, they were not included in this SROI analysis as they were beyond the scope of the project itself.

4.4 Stakeholder engagement – data collection methods

LVCD project stakeholders were interviewed in focus group discussions and key informant interviews. Interview guides were formulated by the SROI analysis team. These interview guides were focused on understanding the changes that different stakeholders experienced as a result of the LVCD project. The list of key informants and the interview guides are included as Annexes 1 and 2. Quantitative data was collected from a household survey conducted during the Flotim ADP evaluation.

Secondary data from a 2012 end-of-project evaluation of the Flotim LVCD project and other data sources were also used to inform the SROI analysis. These are referenced and listed in the bibliography.



Local market facilitators in a focus group discussion

5. FLOTIM LVCD PROJECT INTERVENTIONS

This section outlines the way in which the key stakeholders were involved in the LVCD project and the outcomes they experienced as a result.

5.1 LVCD project staff interventions

A Market Facilitator was employed by the LVCD project to work with local farmers in developing strategies to better respond to market demands. The Market Facilitator revitalised local producer groups, strengthening their organisational capacity and coaching them in leadership and business skills.

Communities in the project catchment area selected 40 local farmers to become local market facilitators. They worked closely with the World Vision Market Facilitator to learn market facilitation skills so they could continue this work when the project came to an end. The Market Facilitator trained and coached local market facilitators in negotiating and bargaining skills, and understanding prices and other market information. Local market facilitators gained experience in leadership, as well as skills and knowledge in how to link local farmers to markets.

The Market Facilitator helped local producer groups to identify new markets. He linked producer groups to new and alternative buyers who were willing to work with them and pay a higher price for their products. Local farmers were trained in relationship building, negotiating and networking with buyers and service providers, such as the government, other non-governmental organisations and credit unions.



A market facilitator conducting a training session

5.2 Local farmers

With support from the Market Facilitator, local farmers felt more confident in their capacity to lead and manage producer groups and assist other farmers to improve their capacity to market their products.

Through training, mentoring and coaching from the Market Facilitator, local farmers became more literate about the market they engaged in. They pooled their products and sold them collectively. This gave them more bargaining power and an ability to negotiate better prices for their products. Higher prices led to increased incomes.

The Market Facilitator also connected local farmers to service providers who could provide training on how to improve product quality and processing. This gave local farmers the ability to grade their products and gain better prices for those of higher quality, as opposed to mixing the different qualities together and getting a lower price overall.



Local farmers weighing recording product volumes

6. LIMITATIONS

It is worth noting that although the LVCD project was implemented in Flotim between 2009 and 2012, the communities involved were already engaged with World Vision activities through the existing Area Development Program when the project commenced. This might mean that more resources and time may be required to get the same positive results if a LVCD project is implemented in an area that has not been exposed to World Vision's or any other development programs.

Given the nature of international development work, time and resources that can be spent on a process like SROI analysis are limited. Data collection in community was undertaken by World Vision staff from outside of the Flotim ADP and it was difficult to fill any data gaps after these staff left the project area.

The SROI analysis was led by a World Vision Australia staff member and there was a potential risk of bias in calculating the value of outcomes. This risk was managed through thorough consultation with other evaluators within World Vision Australia and consultants from Social Ventures Australia Consulting.



Cashew nuts yet to be harvested

7. PROJECT INVESTMENTS

Investments in the LVCD project included funding, and design, monitoring and evaluation and technical support from World Vision Australia. The project received US\$116,000 direct funding over three years. For a more detailed overview of the project budget and investments, see Annexes 4 and 5.

World Vision Australia technical staff assisted local staff during field visits and through desk-based support. A World Vision Australia staff member led the summative evaluation of the LVCD project. In total, the cost of the technical and design, monitoring and evaluation support was US\$34,000 over three years.

Consistent with SROI protocols, time volunteered by local market facilitators (as beneficiaries of the project) working on behalf of producer groups has not been included as part of the analysis. This was validated through stakeholder consultations.



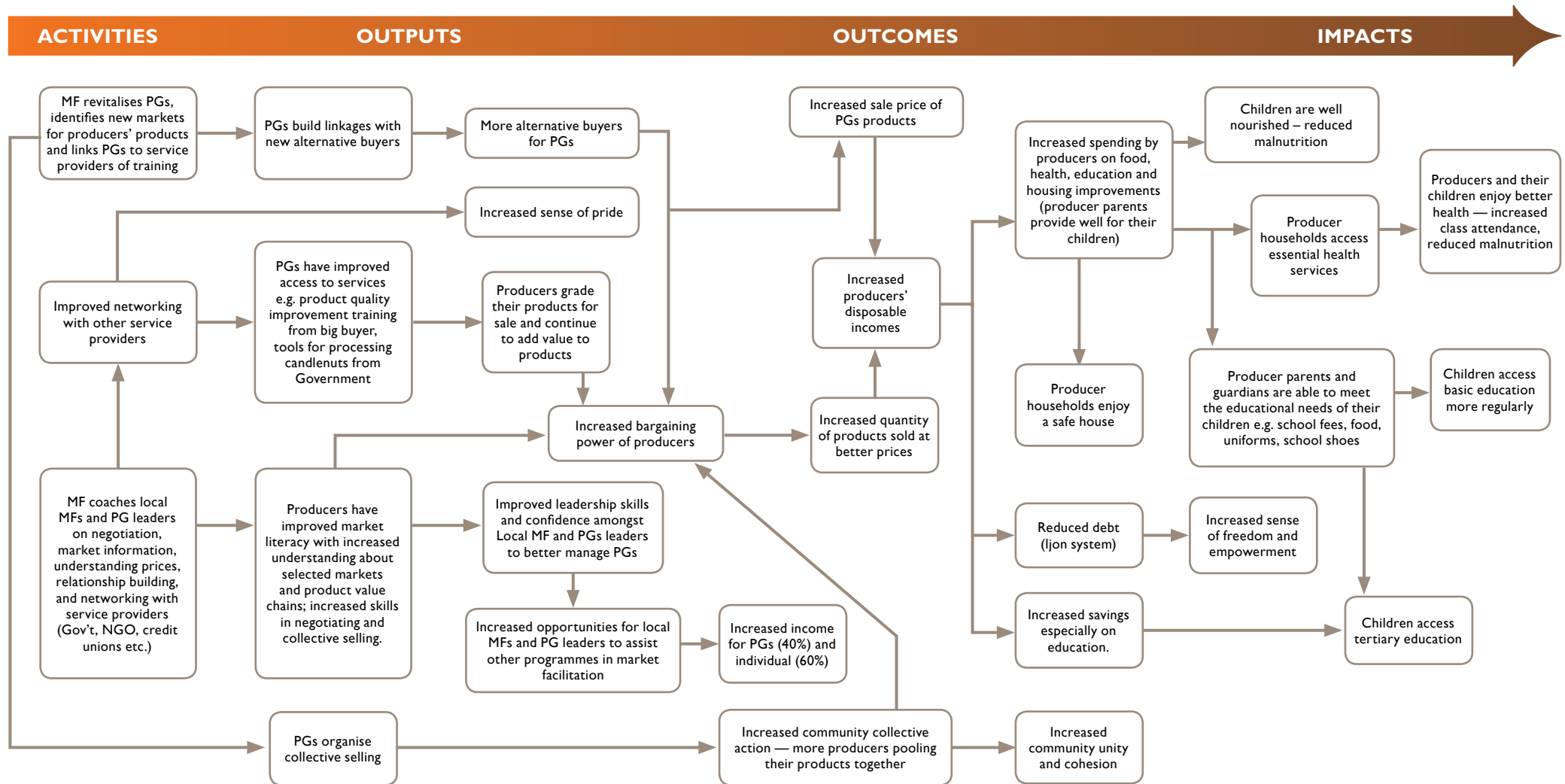
Technical support delivery

8. STAKEHOLDER OUTCOMES

8.1 Outcomes experienced by local farmer households

Local farmers experienced two key outcomes: (i) improved social and economic wellbeing; and (ii) an increased sense of empowerment. Figure 2 details local farmer stakeholder logic showing how project interventions resulted in these outcomes.

Figure 2. Farmer's logic



Improved social and economic wellbeing

Smallholder farmers reported that they experienced an increase in social and economic wellbeing as a result of the additional income they had to spend on food for the family, health, education, housing improvements and an increased capacity to save more. Data for the different aspects of social and economic wellbeing was too limited to analyse separately. As a result, improved social and economic wellbeing outcomes, such as improved child nutrition or education reported by stakeholders, has been categorised as improved social and economic wellbeing.

During the ADP evaluation household survey, 94 percent of local farmers interviewed who had participated in the LVCD project mentioned that they spent more of their income on food for the family. Children in focus group discussions reported that they had more food, and that there was increased variety in the food they were eating.

Before LVCD the menu of food was just vegetables and rice. With LVCD especially on Friday we can buy fish and vegetables from the market. And we can have chicken. For me now every day we can have fish, but it also depends on the availability of the fish.

Woman in producer group

In the same survey, 60 percent of local farmer respondents who participated in the LVCD project asserted that they spent more on their children's school fees and other related costs. Subsequent interviews with local farmers also revealed that they spent some of their extra income on education costs such as tuition fees, books and other educational needs.

My daughter is studying midwifery at university. I pay Rp. 2,500,000 [US\$250] for each term. Rp. 7.5m [\$750] for the whole year for tuition fees. She has just finished last year. It is Rp. 500,000 [\$50] per month for accommodation and meals ... Before LVCD our parents were only able to send us up to high school. But now with LVCD there is no reason not to send my child to university. It will make me happy as a parent, and they also will be happy...

Woman in producer group

The education level of our children has increased. Before there were less than 10 children that went to university, but now we have 26 students in university.

Woman in producer group

In the past my education fees were not paid on time. But now they are paid on time. If someone does not pay the education fees on time, then they cannot be allowed to sit for exams. In the past my parents often borrowed money to pay for my school fees. Not anymore now.

Child

Some 57 percent of local farmer survey respondents who participated in the LVCD project stated that they spent more on household medical expenses.

We were forced to look for money to access health care for our children, even before LVCD ... after LVCD it is easier to borrow money if we have to have a Caesarean Section when we are about to deliver knowing that it is on better terms than through 'ljon' and we can easily return it later after we sell our products...

Woman in producer group

According to the local farmers and their children, spending more on food, health and education meant that children were healthier, had increased access to basic, secondary and tertiary education, and were better educated because they could attend classes more regularly and concentrate better after having enough to eat.

So in the last year as a result of the collective marketing program, the economy has improved, incomes have increased, and children can now attain a good education and continue on to college.

Producer group head

Seventeen percent of survey respondents who had participated in the LVCD project mentioned that they had used more of their income on savings. Focus group discussions also revealed that local farmers increased their savings so they could send their children to senior high school and university in the future or used the savings to access a loan to meet their children's current tertiary education needs.

Now the price of our products is high because we sell through collective selling and each of our children has more savings for education. We save every month. We save about Rp10,000 [\$1] to 15,000 [\$1.5] every month. Sometimes we save 100,000 [\$10]. Before LVCD we didn't have any savings for education. We didn't think our children can go to university before.

Woman in producer group

We have about Rp. 100,000 in the education saving. I didn't manage to save this before LVCD, but only started after LVCD ... I save so that they can attend senior high school and university. We cannot even withdraw the money. When my child is in elementary or middle school, we are not allowed to get the money out because they say we can afford that. And we have signed contracts for that. But this is for secondary and university

Man in producer group

Six percent of survey respondents also stated that expenditure on meeting children's needs like clothing and pocket money increased after participating in the LVCD

project. Children in focus group discussions reported that they had more books, a change of uniforms and shoes to wear to school.

We hardly ever bought clothes for Christmas, now every year. Our parents use this extra money to save, to pay school fees, buy food and drink, and buy necessities and household goods. We have a house that had wooden chairs but now has sofas. Parents have bought things like TV, balls, motorbike, cars ... Parents feel happy!

Girl

Six percent of respondents stated that they had spent more on improving their houses. Local farmers reported that they improved house infrastructure by replacing reed roofs with zinc coated ones, replacing reed walls with concrete blocks and replacing dirt floors with cement. Such improvements kept rain and cold out of the house and made the whole household feel more secure.

I repaired the roof of the kitchen so that it does not get wet in the rainy season. I spent Rp30, 000 per Zinc sheet and I needed 20 sheets. I repaired the house slowly to make it safer and healthier for me and the children. If our house is better, our health is better. A better house is more comfortable especially for the children. We feel a sense of pride when we have a better house.

Woman in producer group

My house was so simple before LVCD. It was with Bamboo wall and windows with no floor and palm leaves for the roof. But now it is made of permanent materials. There are glass windows and a zinc roof and a cemented floor. We didn't have the foundation of our house before LVCD, but we now have.

Child

Figure 3: Improvements to the floor and wall of a farmer's house made possible by increased income from participating in the LVCD project



Female farmer showing off the improvements on her house

It is worth noting that increased incomes also enabled farmers to join cooperatives and other community-based groups where they could access loans at low or no interest rates. The LVCD project was therefore partly a trigger for farmers to gain increased access to finance to meet their social and economic needs.

Some people are saving ... those who are members of the collective marketing group. Those who are saving have an improved ability to buy things or pay their expenses. I have a small shop so I can see that the community have more money and they are no longer reliant on the Ijon system. I can see that people are saving more money.

Local market facilitator

Increased sense of empowerment

In interviews farmers said they felt more empowered after participating in LVCD project activities. Examples of behaviour that demonstrates increased empowerment as described by local people included:

- becoming a local market facilitator;
- selling products through a producer group;
- being confident to consult their producer group on the price of products and then selling to a collector after negotiating the price; and
- selling products to a collector after negotiating the price.

During focus group discussions, farmers pointed out that they now felt more empowered to negotiate and decide the price of their goods.

Before joining with the group [PG selling collectively], our commodity price was determined by the trader. But now we are able to determine the price and can save money to pay school fees, household needs and other necessities. We now have the flexibility to manage our household economics.

Man in producer group

Farmers also realised that this increase in bargaining power gave them more latitude in deciding how and when to market their products. They were no longer “forced” to sell to whoever wanted their product, but could make more informed decisions.

I think using this approach is good ... we are more united, confident and hence, makes the cooperative stronger. We used to sell products individually. But now with the cooperative, we can all sell them together.

Woman in producer group

Farmers used some of the extra income they generated to pay back debt accumulated through the Ijon system. The Ijon system has been in existence in Flotim for many years. Under this system, a farmer can access necessities for daily living, like money to pay school fees or buy sugar and soap by committing his/her produce to a lender while it is still in the field. The lender can then decide the quantity of produce required to repay the debt the farmer has incurred.

Under the Ijon system, there is very little transparency in price setting and this means borrowers inevitably receive extremely low prices for their produce. This keeps them trapped in an ongoing cycle of debt. Following implementation of the LVCD project, participating farmers were able to reduce their reliance on the Ijon system. They now have other avenues to meet their household needs, such as cooperatives where they can save and borrow money, at a much lower interest rate compared to the Ijon system, to cover such expenses. Some of the farmers have finally become debt free and have experienced a new sense of freedom.

Well, the Ijon system started from the inability of the farmers to meet their daily needs, there was no producers' group, so they depended on the Ijon system. With the collective marketing system [LVCD] in place we have had success in reducing the dependence on the Ijon system, although in the first 2 years it was very difficult, but now it's going very well and only about 3 households, out of 123 households [in my village], still have a dependency on the Ijon system.

Village headman

One or two people still use it because it has been in the community for so long, it needs time it has become a culture of shame where the traders try to influence the people to still trade with them because they have been doing it for so long. So with the reflections that we do we can bring new thinking into the community and I believe that in the next 5 years the Ijon system will no longer exist ... with the collective marketing system in place the prices are already better and now there is about 70 percent or 80 percent of the community that no longer use the Ijon system.

Village headman

Farmers also reported experiencing a sense of pride over increased interaction with service providers.

The collective marketing initiative being pioneered by World Vision is very interesting; it's the first time in more than 30 years where I have seen that the farmer can become their own boss and they hold their own scales.

Government Agriculture Department representative

They said they now understood the product quality and quantity requirements of buyers. With this knowledge, they were able to improve the quality of their products and identify alternative buyers who were ready to do business with them and willing to negotiate better prices for their products. This in turn continued to increase their confidence in their role in the value chain.



Children express the changes they have experienced as a result of LVCD

8.2 Outcomes experienced by local market facilitators

Local market facilitators revealed that they had experienced three changes as a result of the LVCD project:

- increased project management and leadership skills;
- increased community confidence in local market facilitators; and
- increased business opportunities.

These outcomes were in addition to the ones local market facilitators experienced as local farmers.

Increased project management and leadership knowledge and skills

Through coaching and mentoring, the Market Facilitator was able to nurture a variety of skills in the local market facilitators, such as facilitation, project management and leadership skills. The local market facilitators used these skills when they were invited to sensitise and orient others on how to engage with markets.

Now, I can facilitate a meeting and teach. I went to Surabaya and got to know about the value chain in Makassar. Because of LVCD, I was also invited to Jakarta and met the Minister of Social Welfare. I can facilitate meetings even outside of NTT province. This has been with the support of [the MF] ... I was invited to facilitate in Sulawesi, Tona for 5 days.

– Local market facilitator



Local market facilitator explaining how LVCD has increased his knowledge and confidence

Increased community confidence in local market facilitators

Local market facilitators reported that community members had more confidence and trust in them as a result of the market knowledge and skills they displayed. Community members showed greater appreciation for the role of local market facilitators in helping them market their products.

The main thing I feel has changed is that the villagers appreciate me more since becoming involved in LVCD. They have even chosen me to become the village head because they trust me ... Becoming a village head is just that I feel more appreciated. As a headman I can wear the Garuda pin which signifies that I am a civil servant. I have a link to the higher Government official. I am also paid by the Government as a village head.

Local market facilitator

For me I am more informed. I have become a source of information in the community. I am more appreciated by the community. That increases my chances of becoming a MP [Member of Parliament] in 2014. I am a candidate. If I win, I could possibly make a bigger contribution and impact to this village, to Gapoktan and to LVCD.

Local market facilitator

Increased business opportunities

Local market facilitators were able to engage better with other actors in the market. They reported that their social networks had increased as a result of their role. This opened up more business opportunities for them.

My involvement in LVCD has ... broadened my way of thinking ... I have come to know many buyers in my course of work and have a good relationship with them. This is good for my business. I collect products and also sell to Gapoktan.

Local market facilitator

8.3 Outcomes experienced by buyers

Historically, buyers had been buying products of mixed quality from this area. The products were not graded and so the buyers had to sort and grade the products before on-selling them to other buyers. The buyers also usually negotiated with and bought the products from a number of different individuals. This took up a lot of their time.

When interviewed, buyers who engaged with farmers who sold collectively and lived in the LVCD project area mentioned that they experienced increased efficiency in the procurement of local products. This was attributed to changes in the ways that farmers acted as a result of their involvement in LVCD project activities.

Farmers paid more attention to grading their products which reduced the need for buyers to do this later.

Increased profitability

Before conducting product auctions the local market facilitators inform buyers of product quantities and quality available for sale. Farmers bring their products to agreed-upon central selling points from where the buyer collects them after having negotiated the price with a local market facilitator. Consequently, buyers reported that they save time, labour and transport costs when they buy the graded products from local farmers who sell collectively.

The quality in these two places - gate 1 and gate 2 [Flotim] is the best in East Flores. If the price in Maumere is low, I sometimes keep the product for 2 months until the price goes up. Especially because the quality from here [Flotim] is good.

Buyer

At least this product is already collected and brought to one place so we don't get tired of going around to collect from each household. My income is also better. My profit has increased by about 40% as a result of buying from collective selling.

Buyer

I would like to meet with the headman in T [village name] so that they also begin collective selling ... so that I don't use up too much time and fuel to go around the village to collect the products. It is a win-win situation if there is collective selling.

Buyer

Buyers reported that they were more certain of the quantity and quality of products available for sale. This was because of increased and better engagement between buyers and local farmers. Buyers were able to plan ahead and possibly lock in contracts with prospective buyers further up the value chain. They no longer had to spend time looking for other products and buyers.



Buyers participating in an auction of products

8.4 Outcomes experienced by Flotim ADP

World Vision's Flotim Area Development Program (ADP) was the implementation base for the LVCD project. ADP staff reported that as a result of the LVCD project they experienced:

- a better understanding of effective program design and implementation; and
- a better reputation with the government and other development players in the district.

Increased understanding of effective program design and implementation

During the course of implementing the project, Flotim ADP staff realised how effective the project model was in achieving planned objectives or goals, and how clearly linked project activities were to outcomes. Therefore, they learned to be more effective in the design and implementation of other projects within the ADP.

Before, there were many activities and outcomes in our project designs. But we learnt from LVCD that we need to focus our resources. Programming in Economic Development has changed to discipleship, mentoring, coaching of community members with the expectation that these pass on their skills to others and use them for the development of their community. The strategy has changed to building local capacities of structures like Gapoktan.

Flotim ADP staff member

ADP staff members also revealed that the project helped them to appreciate the importance of considering the market of a product before promoting an increase in production. In the past, ADP staff concentrated on encouraging local farmers to increase production and did not carry out any market research to find out whether or not there was a market for it. This way of doing things did not help local farmers increase their incomes, which was the goal of the ADP's economic development project. The LVCD project provided a way for local farmers to tap into the market by first understanding which products were in demand – a more effective way to address the goal of increased incomes.

The key word is markets. I've been in World Vision Indonesia for 11 years, but the market was not something that was emphasised. Productivity at the farmers' level was always emphasised, with markets assumed to come later. But after many years with World Vision Indonesia, it is not like that. The markets

need to be pursued purposefully and seriously. So I can see that when the LVCD talks about the market, this is actually an approach that needs to be pursued seriously. This is so because even if we talk about productivity, increasing the yield, it does not always contribute to an increase in incomes if the goods are not sold.

World Vision Indonesia staff member

Improved reputation in local development circles

Flotim ADP staff mentioned that their reputation with other development players in the district had improved since implementing the LVCD project. The government showed more confidence in the ADP staff and invited them to attend and sometimes lead and facilitate critical development meetings. This in turn gave the ADP opportunities to influence the district's development agenda.

The Government supports the LVCD because they know we are involved. They have more trust in us. Flotim ADP is more respected by other ADPs, Government, Church and other NGOs like Delsos.

ADP staff member

The Government has learnt that giving market information is important, teaching financial management to the community is important and collective selling is important.

Government official

8.5 Outcomes experienced by World Vision Australia

World Vision Australia developed the LVCD project model and funded project implementation in the Flotim ADP. Since this was a pilot project, the major outcome experienced by World Vision Australia was increased credibility as a contributor to the market systems domain. This pilot project laid the foundation for World Vision to invest in markets systems in a coordinated and evidence-based manner.

In evaluating the Flotim LVCD project, World Vision Australia has gathered evidence to garner more resources. As a successful pilot, it also served as a base for World Vision to replicate the LVCD project model in at least 50 other ADPs around the world. However, analysis of the impact of the Flotim LVCD project as a pilot project is outside the scope of this SROI evaluation and therefore not measured or valued.

9. OUTCOME MEASUREMENT AND VALUATION

The evaluator identified five primary outcomes to value as material outcomes from those outlined in Section 8. See Table 2.

Table 2: Key outcomes for each stakeholder

No.	Stakeholder	Outcome
1.	Smallholder farmer household	Improved social and economic wellbeing
2.	Smallholder farmer household	Increased sense of empowerment
3.	Local market facilitators	Increased leadership and project management knowledge and skills
4.	Buyers	Increased profitability
5.	Flotim ADP	Increased understanding of program effectiveness

This section describes the indicators for each of these selected outcomes, shows which of the stakeholders experienced them and to what extent. The value of each outcome is then calculated using appropriate financial proxies.

9.1 Outcome 1: Improved social and economic wellbeing of smallholder farmer households

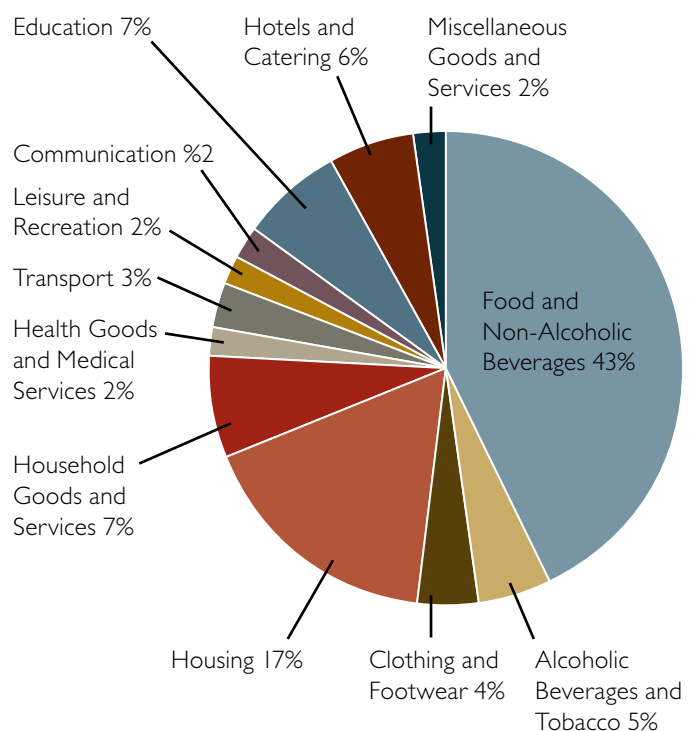
Outcome indicator description

The indicator chosen to show that farmer households experienced improved social and economic wellbeing is the amount they spent on the various social and economic dimensions of their lives – health, education, housing and food, as well as increased savings.

Euromonitor International's market analysis report published by the International Market Bureau (2011) on the Indonesian consumer showed that households in Indonesia as a whole spent at least 42 percent of their income on food, 16 percent on housing and seven percent on household goods and services as well as education, which contributes to improving their social and economic wellbeing. According to this report, only five percent of household expenditure was on alcoholic beverages and tobacco, which can be perceived as not contributing to wellbeing. Figure 4 shows other areas of expenditure for Indonesian households, most of which contribute to improved wellbeing.

Based on data from the household survey conducted as part of an evaluation of the Flotim ADP, almost all farmer households who were members of producer groups and participated in LVCD project activities increased their spending on health, education, food and housing, and they also increased their savings – areas that contribute to improved social and economic wellbeing. Only one percent of respondents said they increased their spending on luxuries, which may be perceived as not contributing to improved social and economic wellbeing.

Figure 4: Consumer expenditure by category in Indonesia



Source: Euromonitor International, published by the International Markets Bureau (2011)

Financial proxy

Social and economic wellbeing is multi-faceted. The scope for “improved wellbeing” in this report includes households’ ability to avoid slipping or falling deeper into poverty in the future and their ability to meet their needs, as well as the equal distribution of resources across the population. (World Bank, 2011)

The LVCD project increased farmers’ income levels and thereby their ability to meet household needs. The project also increased farmers’ knowledge and confidence and therefore their ability to interact positively with each other and outsiders, sustaining benefits beyond the project period.

The amount by which incomes increased for each farmer household each year has been identified as the most appropriate financial proxy to value improved social and economic wellbeing. In this analysis household income is presumed to be equal to household expenditure. Farmers reported that extra income has enabled them to increase expenditure in key areas. The household survey showed that all respondents who participated in the LVCD project increased household expenditures following an increase in incomes.

This valuation is believed to be a conservative estimate of the outcome as it is not likely to include the longer term social and economic benefits that could accrue from increased expenditure and savings.

The amount by which incomes increased for farmers involved in the LVCD project is a conservative estimate. Local farmers were all previously involved in the practice of Ijon, where credit is repaid with agricultural produce still to be harvested at the time the loan is taken out (Partadireja, 1974).

The nature of Ijon makes it difficult to accurately determine the interest rates that borrowers have to pay. Independent case studies show that poor farmers sometimes pay between 16.7 to 60 percent interest per month on what they borrow through Ijon (Partadireja, 1974).

IJON SYSTEM: A CASE STUDY

As an example, a cashew farmer named Peter needs to pay his daughter's school fees in April, but is still six months away from harvest time when he will earn income from his cashews. He borrows US\$18 from an Ijon money lender and commits his entire crop come harvest time as repayment. Peter is expecting to harvest 100kg of cashew nuts. If he was able to wait and sell them at the local market at harvest time, they would fetch US60 cents per kg and his total income would be US\$60. From this example we can see that Peter is losing US\$42 in income by borrowing through the Ijon system. Effectively, therefore, Peter is paying 38 percent interest every month for the six month period before he can "pay back" the US\$18 advance from the lender. After the cashews have been paid to the money lender in October, the US\$18 Peter received in April will not last long. And next harvest cycle, when he needs to meet his children's education costs again, and other family expenses, Peter will need to borrow from the Ijon system again and most likely earlier.

Income that farmers gained as a result of not participating in the Ijon system and selling collectively has not been captured in this analysis because of the difficulties associated with probing the Ijon system. Therefore, the additional income valued is only a small fraction of the true value.

Qualitative interviews with farmers indicated that they were able to access services and products they could not access before as a result of the extra income they derived from selling collectively, their increased bargaining power and market knowledge, and having broken loose of the Ijon system.

Summary

Some 498 farmers participated in collective selling in 2010, 734 in 2011 and 1,500 in 2012. These farmers enjoyed increased incomes and hence were able to increase household expenditures. Farmer households therefore experienced increased social and economic wellbeing as evidenced by their responses in qualitative interviews and the household survey.

Table 3 shows the number of farmer households that experienced increased social and economic wellbeing each year the project was implemented and the non-adjusted value of the financial proxy of this outcome for each farmer household per year.

Table 3: Number of farmers who experienced increased wellbeing and the non-adjusted value of the respective financial proxy each year

Year of implementation	# of farmer households who experienced outcome	Non-adjusted value of income increase/farmer household ⁴ (US\$)
2009/2010	498	15
2010/2011	734	86
2011/2012	1,500	33

4. Non-adjusted value is an amount that has not yet accounted for attribution, deadweight, drop off and displacement.

9.2 Outcome 2: Increased sense of empowerment

Outcome indicator description

The number of farmers who self-reported that they felt more empowered as a result of the LVCD project is used as the outcome indicator for increased empowerment.

The self-reported data from the household survey as well as data from qualitative interviews and focus group discussions provided an accurate description for the “sense” of empowerment experienced by the farmers as key stakeholders in the LVCD project.

Financial proxy

Empowerment is a difficult concept to measure and value. Key informants in the LVCD project evaluation reported that one of the ways they know they are empowered is when they have a sense of control over their lives and futures. According to these key informants, Indonesians sometimes attend motivational talks to attain this sense of empowerment. Therefore, the cost of attending a motivational talk in Indonesia is used as an estimate of the financial value for the increased sense of empowerment outcome.

Summary

During a 2012 household survey conducted as part of an LVCD end-of-project evaluation, 75 percent of respondents stated that they felt more empowered as a result of participating in the LVCD project. For the purpose of this SROI analysis, 75 percent of the total number of farmers who participated in the project each year was calculated at 374 in 2009/2010, 551 in 2010/2011 and 1,125 in 2011/2012. The cost of attending a talk given by a professional motivational speaker was pegged at US\$50 a session.⁵

Table 4 shows the number of farmers who experienced an increased sense of empowerment each year the project was implemented and the non-adjusted value of the financial proxy of this outcome for each farmer per year.

Table 4: Number of farmers who experienced increased sense of empowerment and the non-adjusted value of the respective financial proxy each year

Year of implementation	# of farmers who experienced outcome	Non-adjusted value of the cost of attending a motivational talk per person (US\$)
2009/2010	374	50
2010/2011	551	50
2011/2012	1,125	50

9.3 Outcome 3: Increased leadership and project management knowledge and skills

Outcome indicator description

The number of local market facilitators who participated in LVCD training workshops is used as the indicator for this outcome.

Interaction between the local market facilitators and the World Vision Market Facilitator enabled them to acquire knowledge and develop skills in managing development or business projects as well as in leading other farmers in market engagement. As a result, some local market facilitators were invited to community and government meetings to share their experience and help community members and government staff to better understand the market system.

Financial proxy

World Vision sometimes hires consultants to develop staff and community member capacity in program design and management. The average cost of hiring a consultant to facilitate leadership and project management training was used to estimate the value of increased knowledge and skills gained by the local market facilitators through their participation in the LVCD project.

5. Advertised prices for attending motivational talks in Indonesia range from US\$40 to US\$80. Erring on the conservative side, we have used US\$50 in this analysis. An example of an advertisement for motivational talks can be found at <http://goo.gl/dkX798>. [Retrieved May 2014]

The consultant cost was pegged at US\$300 per day, which is about the minimum fee paid by World Vision Australia for such services. McKinsey & Company (2010), a global management consulting firm advising governments, leading businesses and organisations across the private, public and social sectors worldwide, posits that the return on investment for such training is 3-5 times its cost. This is used in the SROI analysis as a financial proxy to estimate the value of increased knowledge and skills acquired by local market facilitators.

Summary

Project monitoring reports show that there were six local market facilitators in the project area at the end of 2010, 21 in 2011 and 40 by the end of the project in 2012. All were trained, coached and mentored by the World Vision Market Facilitator. The World Vision Market Facilitator expressed confidence that all 40 local market facilitators had the skills to effectively perform their roles. This was evidenced by a continued increase in the participation of farmers in collective selling and the consequent increase in incomes that farmer households experienced even beyond the life of the project.

Table 5 shows the number of local market facilitators who gained leadership and project management knowledge and skills each year the project was implemented and the non-adjusted value of the financial proxy for this outcome for each local market facilitator per year.

Table 5: Number of local market facilitators who gained leadership and project management knowledge and skills, and the non-adjusted value of the respective financial proxy each year

Year of implementation	# of local market facilitators who experienced outcome	Non-adjusted value of a consultancy fee per training (US\$)
2009/2010	6	900
2010/2011	21	900
2011/2012	40	900

9.4 Outcome 4: Increased profitability for buyers

Outcome indicator description

The reduction in the costs involved in buying farm products is used as the indicator for buyers' increased profitability.

Interviews with buyers revealed that the amount of money they spent on travelling to villages to buy products had reduced following the introduction of collective selling and that this was a significant outcome for them.

Financial proxy

The financial proxy used to estimate the value of increased profitability experienced by buyers is the reduced cost of transport, labour and time spent procuring products as a result of engaging with farmers who sell their products collectively. With fewer collection points, buyers save money on fuel; they also save labour costs and accommodation and meal costs as they no longer have to spend a night in the area. See Annex 5 for a detailed calculation of this financial proxy.

Summary

Project monitoring reports as well as interviews with buyers revealed that at least four buyers attended auctions conducted by farmers to sell their products collectively. Interviews with buyers during the LVCD project evaluation in 2012 and during stakeholder consultation in 2013 also showed that all buyers purchasing from farmers who sold collectively saved time, labour and transport costs.

Table 6 shows the number of buyers who experienced increased profitability in each year of project implementation and the non-adjusted value of the financial proxy of this outcome for each buyer per year.

Table 6: Number of buyers who experienced increased profitability and the non-adjusted value of the respective financial proxy each year

Year of implementation	# of buyers who experienced outcome each year	Non-adjusted value of time, labour and transport cost savings for buyers each year (US\$)
2009/2010	4	1,537
2010/2011	4	1,537
2011/2012	4	1,537

9.5 Outcome 5: Increased understanding of program effectiveness among Flotim ADP staff

Table 7: Non-adjusted value of financial proxy of increased understanding of program effectiveness experienced by Flotim ADP staff each year

Year of implementation	Non-adjusted value of the return on investment in training (US\$)
2009/2010	0
2010/2011	9,000
2011/2012	9,000

Indicator description

The indicator selected to show increased understanding of program effectiveness among Flotim ADP staff is the amount of money reallocated from one ADP project, which was not achieving its stated goal, to the LVCD project, which the ADP staff perceived to be showing results and achieving its goal.

Financial proxy

The financial proxy used to estimate the value of this outcome was the cost of consultancy advice on program effectiveness and the return on investment from such training estimated by secondary sources who are leaders in global management.

Summary

McKinsey & Company (2010) suggest that when companies invest in training they are likely to get a return of 3-5 times the cost of the training. The consultancy fee cost used equated to the \$300 per day approximate minimum fee that World Vision Australia pays consultants.

Therefore, 10 days of training in program effectiveness at a cost of at least \$300 per day and a return on investment of three times that amount equals \$9,000, which is the total non-adjusted value of the financial proxy for this outcome as shown in Table 7.

10. SROI FILTERS

In establishing the impact to be accurately attributed to World Vision's Flotim LVCD project, five filters were applied to the financial proxies used in this SROI analysis. These are deadweight, displacement, attribution, and drop off and duration.

10.1 Deadweight

Deadweight is an estimate of how much of an outcome would have happened even if the activity had not taken place (Nicholls, Lawlor, Neitzert & Goodspeed, 2012). For example, what proportion of the outcome of improved social and economic wellbeing experienced by farmer households would have happened anyway if the LVCD project had not been implemented? This is expressed as a percentage.

Deadweight for all outcomes experienced by all stakeholders in the LVCD project is estimated to be zero percent. This is based on interviews with local farmers in nearby areas where the LVCD project was not implemented, local leaders, buyers and government staff. It is also based on the fact that only incremental changes that have taken place amongst stakeholders were measured in this analysis.

10.2 Displacement

Displacement refers to the relocation of changes from outside to a project area or vice versa (Bowers K., Johnson S., Guerette R., Summers L., & Poynton S., 2011). For example, in this SROI analysis, could it be that the increased leadership skills amongst the local market facilitators is a result of them having shifted from one geographical area where they already engaged in capacity development activities, into the area where the LVCD project was implemented and not because of the coaching and mentoring by the World Vision market facilitator?

In this SROI analysis, the displacement is estimated to be zero percent. Based on interviews with local farmers from nearby communities from outside the project implementation area, as well as local leaders, buyers and government staff, no displacement of changes occurred as a result of the LVCD project.

10.3 Attribution

Attribution is an estimate of how much of the outcome was due to the contribution of other organisations or people (Nicholls, Lawlor, Neitzert & Goodspeed, 2012).

Interviews with local farmers and other project stakeholders revealed that Delsos, a faith-based organisation present in the project area, verbally encouraged local farmers to engage with the LVCD project during church services. Furthermore, stakeholders mentioned that government staff verbally encouraged the committee responsible for development activities in the district to support producer groups with funding they received from government. Extension staff in the government agriculture department continued to support local farmers with extension services during project implementation, but in a more focused manner.

While contributions from Delsos and government staff were helpful and an important endorsement of the project, they have not been included in the SROI ratio calculation as they had no material effect on the financial proxy calculation. Therefore, 100 percent of the outcomes associated with the LVCD project were attributed to World Vision's investment.

10.4 Drop off and duration

Duration refers to the length of time a project outcome lasts after the intervention has ended. For example, how long will market facilitators continue to experience increased leadership and project management skills beyond the end of the project in 2012 when coaching and mentoring ceased?

Five and 10-year duration periods have been used in this analysis. Stakeholder consultation conducted more than a year after LVCD project activities ceased revealed that they were still experiencing all the primary project outcomes. Stakeholders also projected that they would continue to experience these outcomes beyond 10 years even without further interventions. At the time of reporting more than 2,000 farmer households were participating in collective selling and therefore potentially experiencing increased social and economic wellbeing.

Drop off is the rate at which outcomes experienced by stakeholders reduce each year after the organisation's investment in them ceases. According to Nicolls, Lawlor, Neitzert & Goodspeed (2012) in future years the amount of an outcome experienced by stakeholders is likely to be less or, if the same, will be more likely to be influenced by other factors. Therefore attribution to the organisation is lower.

In keeping with the conservative principles of SROI analysis, the lead SROI ratio has been calculated using a 25 percent drop off rate. An additional scenario is presented using a zero percent drop off rate.

Table 8 summarises these five filters – deadweight, displacement, drop off and duration and attribution – which outcomes they have been applied to and why.

Table 8: SROI filters and rationale

Filter	Assigned estimate	Outcomes applied to	Rationale
Deadweight	0%	All five outcomes	Only incremental changes for stakeholders who participated in the LVCD project were measured. These changes are not likely to have occurred without World Vision.
Displacement	0%	All five outcomes	No changes were relocated.
Drop off and duration	0% for 5 and 10 years 25% for 5 and 10 years	All five outcomes	Changes are likely to be maintained for at least five years. There was limited data to confidently project beyond 10 years. Changes attributable to World Vision's investment will reduce with time. Ongoing changes may require more investment.
Attribution	0%	All five outcomes	There were no other development agencies engaged with the different stakeholders significantly in the project area. World Vision played a fundamental role in bringing about these outcomes.

11. TOTAL ADJUSTED VALUES OF OUTCOME

The impact map in Annex 5 shows how values for all five key outcomes have been calculated. Table 9 shows the estimated values placed on the benefits experienced by each stakeholder in the three years of project implementation and the cumulative values five years immediately after the end of the project. These values have been adjusted using the SROI filters discussed on page 24.

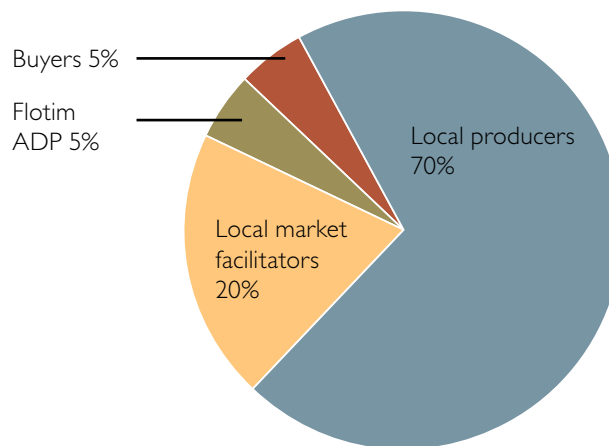
Table 9: Adjusted values for each outcome per year (in US\$)

Stakeholders	Outcome	Life of project			2013 value	2014 value	2015 value	2016 value	2017 value	Total value per outcome
		2010 value	2011 value	2012 value						
Local farmers	Improved social and economic outcomes	8,562.50	70,511.39	54,295.56	40,721.67	30,541.25	22,905.94	17,179.45	12,884.59	257,602.34
	Increased sense of empowerment	18,675.00	27,525.00	56,250.00	42,187.50	31,640.63	23,730.47	17,797.85	13,348.39	231,154.83
Local market facilitators	Increased knowledge and skill in leadership and project management	5,400.00	18,900.00	36,000.00	27,000.00	20,250.00	15,187.50	11,390.63	8,542.97	142,671.09
Buyers	Increased efficiencies – reduced transport costs, reduced time and effort spent on collecting products	6,148.00	6,148.00	6,148.00	4,611.00	3,458.25	2,593.69	1,945.27	1,458.95	32,511.15
Flotim ADP	Amount of money shifted from one project which was not achieving its goal to the LVCD project which was achieving its goal	-	9,000.00	9,000.00	6,750.00	5,062.50	3,796.88	2,847.66	2,135.74	38,592.77
Total		38,785.50	132,084.39	161,693.56	121,270.17	90,952.63	68,214.47	51,160.85	38,370.64	702,532.20

The value distribution as experienced by each stakeholder group during the project's three year implementation period and the five years immediately after is depicted in Figure 5.

Local farmers, who were the primary stakeholders and target group of the LVCD project, derived most value, amounting to 70 percent of the total value estimated to have been created in the three year project implementation period and the five years immediately after. Local market facilitators, who are also local farmers, experienced 20 percent of the value. Both the Flotim ADP and buyers experienced five percent of the total value created by the project.

Figure 5: Percentage of total value per stakeholder



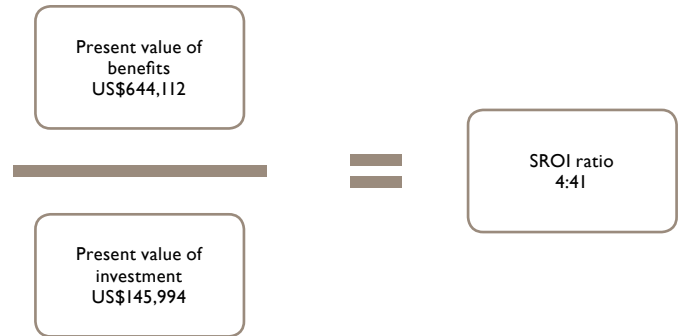
12. SROI RATIO

The SROI ratio compares the returns from a project or program with the cost of delivering it using a common, and therefore comparable, unit of measurement, in this case the United States dollar.

The SROI ratio for the Flotim LVCD project was found to be 4.41:1; that is, every dollar invested in the LVCD project yielded US\$4.41 in value. This ratio assumes that project benefits will only last for five years and that each year the benefits will reduce by 25 percent. The calculation is shown in Figure 6.

SROI analysis of the Flotim LVCD project shows a positive return on investment. It is not advisable to compare SROI analyses between different organisations and projects as the factors influencing the SROI ratio will inadvertently be different.⁶

Figure 6: Summary of SROI ratio calculation



13. ALTERNATIVE DURATION AND DROP OFF SCENARIOS

If we assume that the benefits attributable to the LVCD project do not drop off at all and that stakeholders continue to experience the same level of benefits for five years immediately after the end of the investment as they did in the first year, the SROI ratio increases to 6.97:1.

Arguably, positive changes experienced by each stakeholder can last for more than five years, possibly up to 10 years, for example better health and increased sense of empowerment. In that case, with a 25 percent drop off rate, the SROI ratio will be calculated at 4.87:1. If the benefits last 10 years with no drop off rate, the SROI ratio becomes 11.09:1. Table 10 below shows calculations for these different scenarios.

Table 10: Duration and drop off modelling

	5 year duration		10 year duration	
	25%	0%	25%	0%
Total present value	644,111.71	1,017,435.34	710,573.51	1,619,537.03
Investment	145,993.59	145,993.59	145,993.59	145,993.59
Social return per US\$ invested	4.41	6.97	4.87	11.09

6. An SROI analysis of a similar pilot project in East Africa, which has farmers as primary stakeholders and involved activities such as honey and Jatropha production, yielded a 4.33:1 SROI ratio for a seven year period. The Flotim LVCD project SROI ratio is very close to this project's ratio. (Brouwers, J., Prins, E. and Salverda, M., 2010)

I4. LEARNINGS

This SROI analysis required a high level of investment. Preparations, desk reviews, stakeholder consultations and reporting were undertaken over a period of one year. A high level of organisational commitment to the process is imperative.

Communities that World Vision works with usually have low levels of literacy, are located in remote rural areas, and operate in a low cash economy. It is a challenge to get community members to think of the value of project outcomes they experience in monetary terms. The evaluators had to spend extra time and effort to enable the local farmers and buyers to come to a common understanding of the monetary value they placed on changes experienced as a result of the LVCD project.



Buyer teaching farmers how to harvest cocoa in a cocoa field

I5. SROI CONCLUSIONS AND IMPLICATIONS

The Flotim LVCD project delivered a positive social return on investment of 4.41. The SROI analysis indicated that for every dollar invested in the LVCD project, approximately four times worth of social and economic value has been created for stakeholders.

The highest value created was in the spheres of improved social and economic wellbeing and increased sense of empowerment experienced by local farmers and their households.

The wellbeing of farmer households improved because:

- incomes increased;
- farmers gained market knowledge and confidence to deal with collectors, buyers and other service providers;
- there was a reduced reliance on the Ijon credit system; and
- farmers could see the connection between their efforts and the benefits their families were experiencing.

It is worth noting that outcomes such as these may catalyse other positive changes taking place in the Flotim community now and in the future, but these are beyond the scope of this analysis.



Harvested tamarind

16. SROI IMPLEMENTATION AND INTERPRETATION

SROI analysis must be based on consultation with the key stakeholders. It is imperative that opportunity for continued consultation is ongoing throughout the analysis period as issues arise and more information is required.

The SROI ratio must not be viewed in isolation, but in conjunction with other contextual data such as an organisation's mission, strategy, program or stakeholder logic, geographic location and stage of development. The SROI ratio must be interpreted in light of additional data to tell the complete story of what changes occurred in a particular project area.



Farmers processing their coconut into copra

17. SROI GOING FORWARD

This report presents the findings of an evaluative SROI analysis and is the first time this methodology has been applied to the LVCD project model. The analytical techniques used should therefore be considered as a baseline only, and open for debate as to whether they accurately represent the value created for stakeholders.

The analysis presented has three components: understand, measure and value. While there is a high level of confidence in the outline of stakeholder outcomes (understand) and how many experienced these outcomes (measurement), there is less confidence in the valuation component as this was the first time these outcomes were measured and valued. Therefore these need to be understood in the light of the limitations of valuations calculated in this analysis that only provide an indication of the actual values of outcomes. Valuation of benefits can be further developed in the future.



Children participate in a discussion on changes as a result of LVCD

LIST OF ANNEXES

Annex 1: List of interviewees

Annex 2: Interview guides

Annex 3: Stakeholder logics

Annex 4: Flotim LVCD project budget

Annex 5: Stakeholder impact map

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