



## Impact Evaluation of the Market Development Facility in Timor-Leste

### DFAT management response

#### Background

DFAT commissioned an evaluation of the Market Development Facility (MDF) in Timor-Leste to assess the impact of the program from 2012 to 2025 and inform the design of a new private sector development program.

MDF uses a market systems development (MSD) approach seeking to transform priority market systems to deliver sustained benefits to the poor and marginalised. MDF is a multi-country program operating in six countries: Fiji, Samoa, Sri Lanka, Timor-Leste, Tonga and Vanuatu. MDF was previously implemented in Pakistan (2013-2020) and Papua New Guinea (2015-2023). In Timor-Leste, the program was established in 2012 and has an overall budget of AUD \$29m to 2027.

#### The evaluation

The evaluation builds on the recommendations of an evaluability assessment conducted in September 2024 that found an impact evaluation would be plausible, feasible, and have utility. It also builds on a rapid impact assessment conducted over September-November 2024 that provided key findings and lessons from a desk review.

This is the second phase of the larger impact evaluation of MDF which is using a three-phased approach:

- Phase 1: A rapid impact assessment (September-November 2024). This phase provided preliminary findings and key lessons based on desk review and a small number of interviews.
- Phase 2: Fieldwork and synthesis (January-May 2025). This phase further tested and expanded preliminary findings. The focus of this phase was the examination of impact.
- Phase 3: A post implementation impact assessment (2027). This phase will focus on testing impact after the program has closed.

The evaluation addresses the key evaluation questions on impact and lessons. In response to the first question, “What impact has MDF achieved in Timor-Leste?”, the evaluation looked at the two market systems where MDF has had most reach – coffee and pigs. The team considered how these market systems have changed, who has benefited and how from these changes, and how (if at all) MDF contributed. The team examined impact at three levels: market system, business, and individual. The evaluation also looked at what can be learned from the overall program in the context of MDF’s planned closure in 2027 and to inform DFAT’s design of a new private sector development investment in Timor-Leste.

The team employed a theory-based approach to evaluate the impact and lessons of the MDF program, collecting qualitative and quantitative data to test the theories of change.

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RECOMMENDATION	RESPONSE	RESPONSIBILITY
1. DFAT to consider continuing MSD engagements in agriculture and tourism in the new design.	The design of the new program is not sector-specific. However, it is likely these sectors will be a focus noting their growth potential.	DFAT
2. DFAT to clarify for stakeholders how MSD work will impact gender equality and poverty.	DFAT will be able to explain to stakeholders how MSD work will impact gender equality and poverty with the approved design of a new private sector development program. Specifically, DFAT will ensure that impacts on gender equality and poverty are embedded in the MEL and PAF and built into the theory of change for the program. This will enable impacts to be closely tracked at output and outcome level.	DFAT
3. DFAT to develop a stronger and more explicit focus on climate adaptation in the design of the next phase.	The new private sector development program in Timor-Leste includes an end of program outcome that existing businesses in focus sectors have grown in ways that are climate-resilient. This recognises climate adaptation as a key priority of the Government of Timor-Leste as well as the Australian Government.	DFAT
4. DFAT to ensure the future MEL system and Performance Assessment Framework enable stakeholders to assess progress on systemic change as well as the direct benefits from individual activities.	DFAT is applying this lesson to the new private sector development program. Specifically, the MEL and Performance Assessment Framework are designed according to DFAT standards and so that stakeholders can assess the program's progress on systemic change.	DFAT
5. DFAT to note that an MSD program staff are central to the value the program delivers through market analysis, systematic learning and adaptation, mentoring, networking and problem solving with partners, and public good	DFAT notes this and recognises the value of using an MSD approach. DFAT is applying it to the new private sector development program, alongside other private sector development approaches.	DFAT

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RECOMMENDATION	RESPONSE	RESPONSIBILITY
research accompanying the program's co-investment with market actors.		
6. DFAT to consider expanding work on access to finance issues including access to credit	DFAT has requested MDF to continue identifying opportunities to support greater access to finance. Opportunities to strengthen access to finance will be a focus for the new private sector development program in Timor-Leste.	DFAT
7. DFAT to consider ways to replicate the enormous benefits that MDF's program in Timor-Leste received from access to experience of MDF in other countries.	DFAT takes into consideration the findings of the report and is actively developing a new private sector development program in Timor-Leste that is considering ways to replicate the successes of MDF and addressing its challenges.	DFAT
8. DFAT to consider the implications of the transition from a multi-country to a single country program.	DFAT has actively considered the challenges and benefits of moving from a multi-country program to a bilateral-only program through the design of the private sector development program in Timor-Leste. This is captured in the risk section of the new design process, with adequate controls, to ensure a smooth transition.	DFAT
9. MDF to prepare for closure or transition to new phase.	For MDF action.	MDF