

MDF First Implementation Report



Implementation Report June-December 2011

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1. UPDATE ON IMPLEMENTATION AND IMPACT TO DATE

1.1. Introduction

Section 1 provides an update on progress against the plans laid out in the First Annual Strategic Plan (submitted October 2011). Section 2 outlines the workplan for Jan-June 2012. Reporting is provided separately for the overall Facility and the Core Program Team (CPT), and on each country (CIT, portfolio of sectors and interventions).

The First Annual Strategic Plan titled “Putting the Facility on the Road” identified six milestones:

1. Establish an organization that can work in multiple counties. This requires having in place a decentralized and flat organizational structure replicable across countries ‘tied together’ through proper management systems.
2. Recruit and train Country Implementation Teams (CITs) to analyze socio-economic conditions in their respective countries to identify the root causes of persistent economic poverty and identify innovative, commercially sustainable solutions.
3. Develop a deep insight into the functioning of selected economic sectors for each country through comprehensive assessments.
4. Design interventions with strategic partners based on comprehensive agreements and action plans to create commercially sustainable innovations and trigger systemic change.
5. Establish a near real-time results measurement system to assess the sustainability and pro-pooriness of results and report on these results in a timely manner.
6. Commence developing a portfolio of sectors and inventions.

1.2. Overall Facility and Core Program Team

From July to December the Facility put the following systems in place:

-Operations manual for the imprest account.
-Operations manual.
-Fraud prevention strategy.
-Security plan.
-Risk management plan.
-Procurement procedures and forms.
-Corporate identity—in line with new AusAID visibility guidelines—to have a uniform and recognizable face across countries.
-Job profiles for the business advisor and results measurement specialist positions within the CITs.
-Important themes like sustainability, poverty, gender equality and disability, environmental and social sustainability were further elaborated in this First Annual Strategic Plan.
-Recruitment of Operations Manager.
- Independent Advisory Group (IAG) visit November 2011 (see below).

Hosting the first visit of the Independent Advisory Group and acting on its recommendations

During the IAG visit (14-18 Nov 2011) reviews were undertaken of First Annual Strategic Plan, the MDF Head Contract, and the Facility’s associated procedures. The IAG was briefed on the process for sector assessment and selection, met the Fiji CIT and Fiji Post, took stock of Facility expansion (EU & multi country), and reviewed appropriateness of the CPT structure.

The IAG was satisfied with the Facility’s progress to date, in particular with the CIT recruited, the process set out for sector assessment and selection, and the next steps in terms of drafting sector strategies, intervention design and the connection with results measurement and grant and procurement systems. Concerns were expressed in relation to:

- Pressures on the Facility to spend and expand (too) fast for numerous reasons: expectations and budgets were not sufficiently adjusted from the previous four-year to the current two-year implementation window; the fact that a two-year time horizon is (too) short for an M4P program to gain real traction; interest from the Fiji Post to see the Facility expand within Fiji; interest from other Posts to see the Facility expand in their respective countries.
- The need to restructure and strengthen the CPT by embedding administrative, logistical and accounting positions within the CITs, and creating a third technical, sector or value chain oriented position within the CPT (see revised structure below as per IAG recommendation).
- Communications between the Facility and Post, with both parties needing to provide more robust information to one another (on progress, informational needs, etc).
- The Facility's approval procedures.

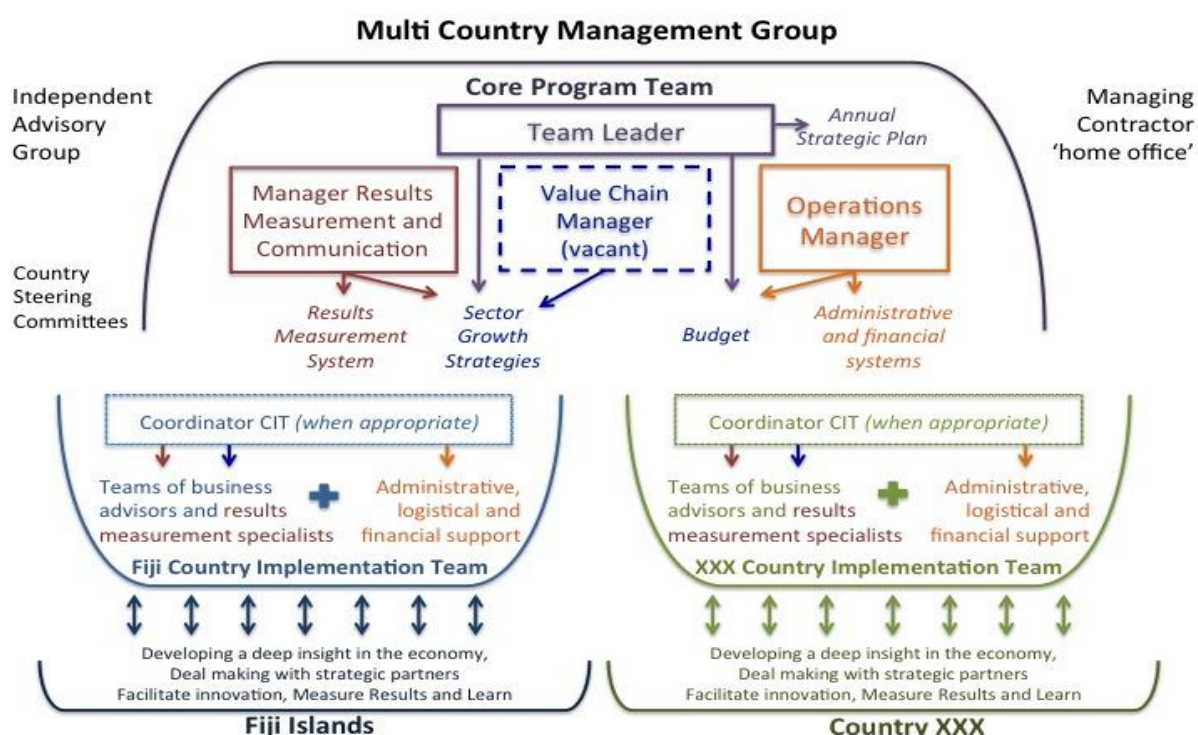
At AusAID's request, MDF is addressing all IAG recommendations (see table 1 below).

Table 1: IAG findings, solutions and actions

Topic	Comment	Solution	Next steps
CIT (first impression)	√	NA	See how CIT gains confidence
Sector selection process (first impression)	√	NA	See how sector strategies and first interventions shape up
Results measurement system + log frame	√ - Few technical suggestions	Minor upgrading of RM section in Mgt Annex in Second ASP	See how system operates once in place
Fit with AusAID grants/procurement systems	√	NA	Facility develops detailed grant procedures (see next section)
First Annual Strategic Plan	√ - Ambitious and scope to make more concrete	Facility adjusted targets and provide more information	AusAID has approved adjusted First Annual Strategic Plan
Approval procedures for: <ul style="list-style-type: none"> - Interventions - Procurement - STA - Foreign travel 	M4P requires decentralized, fast, flexible decision making	IAG proposed alternatives: <ul style="list-style-type: none"> - Local approval of interventions up to a limit - Higher procurement ceiling - Simpler STA approval process (in AusAID contract) - Local approval of international travel 	<ul style="list-style-type: none"> - Delegation of authority to be issued where needed. - Procurement ceilings to be revised as needed - Contract Amendment to incorporate IAG recommendations where possible.
Contractor requested review of contract clauses in relation to: <ul style="list-style-type: none"> - Recruitment STA - Changing CPT structure - Removal allocation specific positions in CITs - More inclusive definitions for line items 	Were all taken into consideration as they relate various points in the review: to simplify procedures, change structure of the Facility	<ul style="list-style-type: none"> - Recruitment STA simplified (as above) - Contract reflects new CPT structure - No specific definition of what a CIT contains in terms of staffing - More inclusive definitions for spending per line item 	<ul style="list-style-type: none"> - Contract Amendment to incorporate IAG recommendations where possible.
Expenditure and expansion pressures: <ul style="list-style-type: none"> - Fiji: EU livestock monies - Fiji: climate change - Other countries 	Pressures should not threaten the core principles of the Facility or overwhelm the Facility's capacity to analyze and negotiate for really lasting, systemic change	<ul style="list-style-type: none"> - Facility proposes how to make EU livestock program M4P compatible - Facility does not absorb climate change monies - AusAID tries to phase expansion to other countries - Facility prepares indicative budgets for new countries - Facility prepares structure 	<ul style="list-style-type: none"> - Facility is involved in livestock program design - Facility provides AusAID with indicative budgets for new countries - Facility has proposed new Facility structure, which is broadly accepted (see Figure One below) - AusAID (and Cardno) review contract for longer horizon

		with stronger CPT - Contract between AusAID and Contractor is extended from 2 to 6 years	
CPT structure lacks capacity to manage expansion	More technical capacity needed to manage multiple countries	Facility developed new organizational structure (see Figure One below)	Facility has recruited new Operations Manager in line with new structure (see more below)
Communication with Post	Insufficient flow between Facility and Post and vice versa	Regular weekly meeting with AusAID Weekly overview over email to AusAID	Both solutions are implemented by Facility

Fig 1: Recommended Organizational Structure for the Facility



1.3. Fiji Islands Portfolio and Country Implementation Team

The Facility achieved the following in Fiji:

- **CIT Recruited** (5 business advisors and 1 results measurement specialist).
- **CIT trained** on 'making market systems work for the poor'.
- **Secondary data collected.**
- **Sector assessments commenced** with research plans and splitting the CIT into two teams – tourism (and related support industries & services) and agriculture. Teams start in a broad, inclusive manner, and gradually drill down to more promising sub-sectors. To accommodate the small nature of Fiji's economy, sectors are broadly defined. Most sectors consist of a handful of key actors on the value chain.

■ **Initial assessment findings:**

Tourism and related support industries & services: The gap that existed in 2008 between demand for fresh produce from hotels and local supply was narrowing. A government emphasis on import substitution, supported by a hefty import duty for fresh produce, and pressure on hotels to buy locally, in combination with the devaluation of the local currency, contributed to hotels becoming more conscious of the origins of the ingredients in their menus (for price reasons and public relations).

However, despite these efforts supply side-constraints remain (e.g. insufficient volume, seasonality, quality, unhygienic processing) for a range of local products (e.g. rocket, rock melon, reef fish, goat meat, juice, glasses, tableware, furniture).

While exact demand-supply gaps are still being calculated, it is clear that a focus on tourism industry demand will enable the Facility to work with a range of businesses, both new and established. Working on these demand-supply gaps will support import substitution, create employment (although the numbers are likely to vary substantially among business activities, and will encourage business leaders in their field to develop new products that in the future, meeting standards in terms of quality and consistency, perhaps can meet demand beyond the tourism industry (e.g. supermarkets) and beyond Fiji (following examples such as Fiji Water and Pure Fiji)).

The focus initially is likely to be on fresh and processed foodstuffs, and later include handicrafts/Fiji fashion/'Fijian made' and branded retailing, and perhaps furniture and more.

Agriculture: An initial comparison between sectors indicates that horticulture, defined broadly (to include fruits, vegetables, potatoes) offers the most opportunities. There are three areas of demand: local growing in urban centers, hotels, and export.

Horticulture in Fiji is characterized by a number of constraints and (missed) growth opportunities. Crops are either not grown, or not grown enough, or grown in an unproductive manner that affects quality and makes them less suitable for export or the tourism sector, or could be grown for longer periods in the year. The reach of extension services is limited; reliable sources of good seeds are limited; fertilizer blends and their application might be inappropriate (leading to soil degradation in Fiji's most intensively farmed areas); and crop protection is badly applied with the right products not always available.

The gains that can be made will vary from crop to crop and market to market. The Facility still needs to think through how to best influence this sector, but is likely to work with companies on the input side as well as companies on the collecting, wholesaling, and export side. Increasing variety, productivity, quality, and volume should stimulate import substitution (overlap with tourism) and stimulate export.

- **Absorbing European Union's funds for agricultural diversification in livestock** under a delegated cooperation agreement has led to a discussion on a project identification mission in January 2012 and the drafting of the necessary Terms of Reference. This would set the stage for a near doubling of the Fiji work in 2013.

Livestock, again broadly defined, (including pork, beef, dairy) would cover a large part of agriculture in Fiji, leaving out only the root crops (dalo, cassava, ginger), sugarcane, cereals (rice, maize), copra, and cocoa.

Table 2: Summary Work plan 2011 – 2012 (updated from Annual Strategic Plan)

Activity	Completion Date	Completed
The overall Facility		
Fraud prevention strategy	July	√
Security plan	July	√
Risk management plan	July	√
Operations manual for imprest account	August	√
Operations manual	August	√
Corporate identity	September	√
Office established	September	√
Procurement procedures and forms	October	√
Further elaborated strategy for sustainability	October	√
Further elaborated strategy for poverty	October	√
Further elaborated strategy for gender equality and disability	October	√
Further elaborated strategy for environmental and social sustainability	October	√
Log frame and indicators defined	October	√
Write First Annual Strategic Plan	November	√
First mission IAG	November	√
Rethinking CPT structure	December	√
Write First Semester Report	December	√
Developing procedures for the allocation of the imprest account	February	
Fine tuning management procedures	February	
Write the Second Annual Strategic Plan	March	
Second mission IAG	April	
Results measurement system with staff guide	May	
Communications strategy	June	
Write Second Semester Report	June	
Fiji Islands		
CIT job profiles developed and CIT recruited	September	√
CIT trained in M4P introduction	October	√
CIT trained in introduction to sector analysis methodology	October	√
Collecting secondary data related to poverty and promising sectors	October	√
Meeting key stakeholders in promising sectors	November	√
Post constitutes Fiji Country Steering Committee	November	
Develop detailed sector map	December	√
Validate and add depth to finding	January	
Two staff trained on Results Measurement	January	
Write two sector growth strategies	February	
Initial interventions developed	February-June	
Approximately seven interventions initiated	June	
Appropriate strategic, cross-cutting studies	June	
Other Countries	TBD	

2. FUTURE PLANS FOR NEXT SIX MONTHS

2.1. Overall Facility and Core Program Team

The emphasis for the overall Facility/CPT is to make the Facility ready for expansion in the first half of 2012. The following steps reflect this:

1. *Implement the new Facility structure and complete the CPT.*

As discussed above—the recruitment of a new Manager for Results Measurement and Communication is a priority. The recruitment of a Value Chain Manager will depend on the speed of expansion. The recruitment of an accountant to become part of the Fiji CIT should not pose a problem given the high number of well-trained accountants in Fiji. Having the CPT and the Fiji CIT in place is important for the Facility's ability to absorb EU funds and incorporate other countries into its structure.

2. *Implement IAG recommendations (see Table One).*

Contract Amendment in place to reflect IAG recommendations is important for the Facility's ability to expand.

3. *Develop procedures and forms for the allocation of the Facility's imprest account.*

The Operations Manager will take the lead in setting this up and also travel to the CAVAC program in Cambodia to learn from their systems.

4. *Set up a results measurement system in line with DCED guidelines.*

As announced in the First Annual Strategic Plan.

5. *Develop a communications strategy.*

As announced in the First Annual Strategic Plan.

6. *Prepare for incorporating a second country in the Facility.*

When announced by AusAID.

7. *Write the Second Annual Strategic Plan, write the Semester Reports.*

2.2. Fiji Islands and Country Implementation Team

Also the workplan for the Fiji CIT is in line with what was indicated in the First Annual Strategic Plan, with the EU project identification mission as the only major addition. As a result the Facility might need to push one cross-cutting research effort backwards, into the second year—the EU process requires the Facility to invest more time in its first year developing its portfolio of sectors and interventions than was originally planned for.

As 2012 progresses, the emphasis of the Fiji CIT will shift from analysis to intervention design and doing what is needed for results measurement, so that before the end of the first year a complete management information system is up and running. The following steps reflect this:

1. *Finalize the sector assessments for tourism and horticulture.*

The Fiji CIT will complete last round of interviews in January.

2. *Write sector strategies for tourism and related support industries and services, and horticulture.*

These strategies provide the rational for the Facility's sector activities, and hence provide the framework for intervention design and imprest account grant spending.

3. *Provide assistance and backstopping to the AusAID-EU livestock project identification mission.*

Provide the EU with the information needed for its approval approach, but also for the Facility to write (in 2013) an M4P compatible sector strategy for the livestock sector.

4. *Meet with the Country Steering Committee.*

To provide expert advice on the Fiji CIT's sector strategies.

5. *Design interventions.*

6. *Implement a results measurement system.*

Once the Facility starts designing interventions there is also a need to develop intervention plans with results chains and measurement plans, and collect baseline information.

7. *Design cross-cutting research as needed.*

Once the Facility has designed its sector strategies and knows where it should focus, it also becomes clearer what type of research would be required to ensure that the Facility meets specific development targets.

Table 3: Detailed Jan-June 2012 work plan

Activities
January 2012
<ol style="list-style-type: none"> 1. Operations Manager joins office 2. Operations Manager reviews existing manuals + starts updating 3. Accounts selected for interview 4. Fiji CIT does final interview round, completes 2 sector assessments 5. Fiji CIT submits list potential partners for AusAID clearance 6. EU project identification mission starts 7. AusAID finalizes CSC list, list of legacy projects for Facility review, gives 8. Last remaining office set up activities completed (plants, conference table, IT support contract) <p>NB: TL + OM + 2 CIT travel to BKK for DCED related training and conference</p>
February 2012
<ol style="list-style-type: none"> 9. Updating manuals finalized and, where necessary, approved 10. Accountant recruited and joins office 11. CPT/ CIT restructuring complete 12. Manager Results Measurement recruited 13. OM travels to CAVAC to observe imprest account grants mechanism and finalizes the MDF system 14. Two sector strategies drafted (to be added to Second Annual Strategic Plan) 15. First talks with potential partners (having received clearance from AusAID) 16. EU project identification mission completed 17. Work on RM system starts: intervention plan, thinking through baseline needs, content manual 18. Start drafting Second Annual Strategic Plan 19. Launch program 20. CSC Fiji in place 21. IT system being set up in such a way that second office can be added
March 2012
<ol style="list-style-type: none"> 22. Manager RM&C joins office 23. First interventions designed 24. Second Annual Strategic Plan drafted, budget prepared, and together submitted (March 21) 25. First Fiji CSC meeting held 26. Any spill over from January + February (manuals, systems, office, IT)
April 2012
<ol style="list-style-type: none"> 27. Process of negotiating and designing Interventions continues from now on 28. Second Annual Strategic Plan – MCMG held and/or comments received and processed 29. Second visit IAG (sector strategies, Second Annual Strategic Plan, progress CIT, progress interventions, RM) 30. Start collection baseline data, further work on RM system 31. Crosscutting research designed; where needed consultant hired

May 2012
32. Implementing recommendations IAG
33. Implementing cross-cutting research
34. RM system as per DCED guidelines in place
June 2012
35. Writing Second Semester Report
36. Completing cross-cutting research

3. BUDGET SPEND TO DATE

	PEL	Prior Billing	Current Billing	Billing To Date	Amount Obligated	Remaining Amount	Percentage Remaining
FIXED MANAGEMENT FEES		\$ 306,800.00	\$ -	\$ 306,800.00	\$1,308,953.00	\$1,002,153.00	76.56%
LONG TERM PERSONNEL COSTS	PEL5535	\$ 183,407.23	\$ 34,027.28	\$ 217,434.51	\$1,684,181.00	\$1,466,746.49	87.09%
CIT (FIJI)	PEL5536	\$ 515.94	\$ -	\$ 515.94	\$824,400.00	\$823,884.06	99.94%
CIT (TIMOR)	PEL5536	\$ -	\$ -	\$ -			
SHORT TERM SPECIALIST FUND	PEL5538	\$ -	\$ -	\$ -	\$605,500.00	\$605,500.00	100.00%
OPERATIONAL AND TRAVEL COST (FIJI)	PEL5537	\$ 100,202.11	\$ 66,778.37	\$ 166,980.48	\$ 2,657,816.00	\$ 2,490,835.52	93.72%
OPERATIONAL AND TRAVEL COST (TIMOR)	PEL5537	\$ -	\$ -	\$ -			
IMPREST ACCOUNT - FIJI	PEL5540	\$ 75,000.00	\$ -	\$ 75,000.00	\$ 920,000.00	\$ 845,000.00	91.85%
IMPREST ACCOUNT - TIMOR	PEL5540		\$ -		\$ 3,864,000.00	\$ 3,864,000.00	100.00%
TOTAL		\$ 665,925.28	\$ 100,805.65	\$ 766,730.93	\$11,864,850.00	\$11,098,119.07	93.54%