



Market Development Facility

Activity Completion Report

August 2017

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Acronyms

AAR	Annual Aggregation of Results
CLT	Core Leadership Team
DCED	Donor Committee of Enterprise Development
DFAT	Department of Foreign Affairs and Trade, Government of Australia
FTE	Full Time Equivalent
HR	Human Resources
IAG	Independent Advisory Group
ICT	Information Communication Technology
IT	Information Technology
MDF	Market Development Facility
MSD	Market Systems Development
PNG	Papua New Guinea
WEE	Women's Economic Empowerment

Lessons from MDF Phase One

Under Cardno management, the Market Development Facility (MDF) has achieved considerable success over six years of implementation. The completion of the first phase of MDF provides an appropriate juncture for close analysis of key milestones, as well as lessons learned.

MDF's multi-country technical facility model underpins our success

The MDF model employs an innovative and unique 'multi-country facility' structure. As a multi-country facility, MDF operates across five countries with decentralised country leadership supported by a central facility management team. MDF is neither a regional nor bilateral program, nor a traditional support facility – whereby scale and cost efficiencies are achieved by placing loosely associated activities under an overarching organisational structure.

MDF represents a somewhat different model. MDF operates as a technical facility, specialising in a particular aid delivery approach known as Market Systems Development (MSD). The technical facility structure 'facilitates' the effective delivery of aid, while providing opportunities to reach scale via expanding geography instead of aggregating local activities under a single administrative facility.

This approach has significant benefits. The scale enabled by the facility structure has cost efficiencies; technical expertise flows between geographies allowing cross-fertilisation of ideas; and facility and donor presence is maximised while financial investment remains relatively small.

It is worth noting that this model was largely untested when MDF commenced. MDF, with Cardno's support, has proved that the model works and can deliver significant results, offering lessons applicable to Australia's wider aid program.

External Reference

For further details and lessons learnt, refer to the 2016 Annual Aggregation of Results (AAR). Pages 8-15 outline six facility-wide lessons learned over phase one. Each country section also includes key lessons learned from working in specific country context.

Multi-country reach, through a local context lens

When MDF began in Fiji, there was scepticism about whether an MSD approach – previously used in large Asian economies – would work in small Pacific Island economies. This scepticism would have been justified if MDF had applied a 'cookie-cutter' approach – using the same models as those used in large Asian economies. MDF did not do that.

Instead, the MDF team and Cardno consciously worked to build understanding of the context and how to tailor the approach. We developed tailored, internal training programs (delivered by a dedicated provider) to ensure this knowledge and culture was built internally rather than exposing staff to mainstream MSD training. We believe that this has worked out well, allowing us to operate in a diverse range of economies (large and small) facing equally diverse challenges.

Because local context is so important to systemic development, MDF has found with almost every country mobilisation, understanding of the approach only begins to emerge as the portfolio of partners and associated activities builds. MDF has learned, sometimes the hard way, that the approach offers few 'concrete' deliverables for the donor in the early stages. This can erode trust and carries programmatic risk.

On the upside, the MDF approach requires embracing complexity to be effective, which means dealing with the uncertainty that comes with working through partners in ever-changing markets.

MDF achieves this by developing analytical and creative local teams. Building these teams is the most important – and the hardest – job of all. It can take years and it requires a certain type of management and leadership support to achieve this.

The approach works in ‘thin’ markets

The depth and breadth of the MDF portfolio, across five countries and 16 strategic engagement areas, is evidence that a systemic approach to private sector development can be applied in any economy. MDF has generated results in relatively isolated and (former) conflict-affected areas such as Vanua Levu (Fiji), Chitral and Baluchistan (Pakistan) and Sri Lanka’s Northern Province. We also work in one of the world’s youngest nations, Timor-Leste and have recently begun activities in Bougainville (PNG).

We have now mobilised to five countries, and each mobilisation was met with a degree of uncertainty about whether the MSD approach would work. We encountered a range of arguments – ‘people are not profit-oriented’, ‘there is no entrepreneurial culture’, ‘companies are not willing to invest due to the potential for conflict’, ‘people traumatised by conflict will not respond to markets’, ‘people are too poor to buy farm inputs’, ‘government subsidies crowd out market actors’, and ‘communal (ownership) structures limit private enterprise’.

There can be a kernel of truth in these and similar statements, but as generalisations they do not do justice to the incredibly diverse socioeconomic realities in all countries. Poor or not, everyone seeks to benefit from exchange in one form or another, whether we exchange our labour in return for a salary or sell vegetables for money to buy a bus ticket. Therefore, improvements to the exchange mechanism (labour market, vegetable market, transportation market) stand to benefit all, because the mechanism invites more competition, gets more economical, offers more choice and better quality. Making improvements to the way in which things are exchanged is feasible nearly everywhere. Understanding the diverse realities enables MDF to see the opportunities for improvement and identify the exceptional first movers who can help forge a new normal for others to follow. What it takes next is a flexible methodology that can respond to opportunities as they emerge.

‘When it all comes together, what emerges is the equivalent of a Swiss pocket knife: a development instrument that can engage many different partners, is relevant for many development challenges (poverty reduction, Women’s Economic Empowerment, inclusion, nutrition, public-private dialogue, and climate change), and can contribute to many different discussions well beyond its mandate. Moreover, it is increasingly pointing toward something that can engender development that is sustainable.’

Annual Aggregation of Results (2016)

In fact, our approach is CRITICAL to private sector development in thin markets

In ‘thick’ markets, one typically finds relatively more mature market players, who require smaller investments in innovation to improve products, services, or the reach of these. It is typically about a new product but within the same business model and market, or an adjustment to an existing product within the same business model but a new market. There is some change, but significant continuity and the core business model remains unaffected.

It is therefore more likely that market players can oversee the change process and manage and invest in it. In this context, a very light-touch, short-term, technical assistance (MSD) form of development support, to ‘nudge’ innovation in the right direction is appropriate. This in turn makes it easier for a business adviser (or equivalent) to handle many partners. It may even be possible to use standardised application processes for innovation subsidies (challenge funds), or finance the innovation with commercial finance (e.g. impact investing).

But this approach won’t work in a thin market.

A cascade of innovations is often needed to break open a new market. It could require a new factory, new technology, new workers who require training, a new product and new market clients. While there will be a basis or plan to work from, there will be more change and uncertainty, the core business model will be more deeply affected, and the risks will be greater. For both market players and business advisers, foreseeing the entire change process is impossible – there are simply too many moving parts. A series of change steps is needed over a longer period – the completion of one step prepares the ground for commencing the next. A balance must be found between drowning the market player with support (that would undermine ownership and sustainability), and backstopping efficient implementation. Being on hand to help the market player foresee or think through problems and solutions is also important. Time invested (but not necessarily money) in each partnership is relatively higher compared to what it would be in a more mature market scenario. In thin markets, one ends up doing ‘more difficult things with less capable partners’. What makes it work is a skilled team with the creative and analytical ability to respond.

‘MDF trials new approaches to development issues, and applies lessons from innovative approaches tested in the region to its own work.’

Partner Performance Assessment (2017)

Moreover, thin markets are characterised by bigger gaps in the system: essential functions are not filled, there is simply no one doing them. Our experience in Fiji suggests that inviting proposals from (often small) businesses does not generate the strategic investment plans needed to fill these gaps and ensure the system overall starts to work better.

Plans submitted were often more modest, benefiting a specific business rather than having more strategic, sector-wide value. Thus, building up market systems in thin markets requires (again) a skilled team on the ground to forge these strategic investments together with interested parties.

‘MDF has shared much information in an accessible way; it features in DFAT briefings, has been visited by Ministers, and is used as an example in the aid programme PSD and Agriculture Strategies.’

MDF Mid-term Review

It is important to realise that less adaptive or more standardised implementation modalities are light on staff resources as well as commercial sources of finance (including those with a social focus such as impact investing). They often do not have the capacity to support the building of business models and market systems in thin markets. It is not commercially feasible to recoup the costs of the time invested. Standard procedures and finance products often rely on collateral to cover risks instead of ‘market intelligence’ and adaptive management. With insufficient staff, it is not possible to properly vet and further develop proposals. In short, the weaker the market, the more systemic the approach needed. A public investment can be needed to lay the foundation for more commercial sources of finance to follow, but only once the business is ready.

Thus, no country is so unique and different, and virtually no market is so thin that a systemic approach does not work – if the approach is applied in a pragmatic, sensible manner. This pragmatism requires understanding and adapting to the context.

Introduction

This Activity Completion Report of the Market Development Facility covers the period from 29 June 2011 to 31 August 2017 (six years and two months). It has been prepared by Cardno Emerging Markets (Australia) Pty Ltd (Cardno), the managing contractor for MDF, in line with the requirements outlined in Schedule 1, Clause 9.1 e) (Activity Completion Report) of Contract Number 59064.

This report provides an overview of MDF's work over the course of the Facility. The first chapter details the approach, structure and strategy of the Facility, providing a brief analysis of some outcomes, lessons and challenges encountered during implementation.

The second chapter provides a summary of facility-wide results, followed by a summary of results from each country portfolio. Chapter three places these results in the broader context of our beneficiaries and cross-cutting themes, illustrating the importance of reaching both large numbers of beneficiaries, as well as reaching disadvantaged and hard to reach beneficiaries.

The fourth chapter addresses the operational effectiveness of program implementation, followed by a final chapter summarising financial expenditure and management over the life of MDF.

How to read the activity completion report

This report serves to complement the substantial body of MDF knowledge products and communications materials produced throughout phase one.

The report refers readers to detailed supplementary material via 'External Reference' boxes, and in some instances relies on 'Key Quotes' to highlight findings from other sources.

Key 'Lessons Learnt' and illustrative 'Case Studies' are also highlighted throughout.

Purpose of the report

The purpose of the activity completion report is to provide an overview of MDF achievements and lessons over an extended contract period of over six years. Given the challenges inherent in documenting all works undertaken over an intensive multi-year program cycle time, this report is intended as an abbreviated summary report rather than detailed activity-by-activity account. It serves to complement other MDF reporting, in particular the *Annual Aggregation of Results* (AAR), which provide a fuller narrative around MDF results and activities, as well as regular *Semester Reports* that provide updates on partnership progress.

Other key reference documents include strategy frameworks and strategic guidance notes. Reference documents include:

- *Annual Aggregation of Results*
- *Aide Memoires* prepared by the Independent Advisory Group (IAG)
- *Semester Reports* submitted over the life of the Facility
- *MDF Mid-term Review Final Report*
- MDF Sector Strategies, Strategic Guidance Notes, and programmatic Frameworks (such as the Women's Economic Empowerment Framework)

Background

The *Market Development Facility* (MDF) stimulates investment, business innovation and regulatory reform in order to create additional jobs and increase the income of poor women and men in rural and urban areas in the Indo-Pacific region. MDF began in Fiji in July 2011 and has since expanded to Timor-Leste (in 2012) and Pakistan (in 2013). In 2015, MDF commenced in Papua New Guinea and Sri Lanka.

To stimulate investment, business innovation and regulatory reform, MDF negotiates partnerships with strategically positioned private and public sector organisations in its countries of operation. Each

partnership is comprised of a tailor-made package of activities that enables the partner to innovate, invest and/or undertake reforms in such a manner that small farms and firms benefit from better access to production inputs, services and end markets. This makes them more productive and helps them grow, which in turn creates jobs and increases incomes for poor women and men.

Each partnership promotes business innovations or reforms; leverages private sector investment or public sector ownership ('cost sharing'); has a demonstrated link with pro-poor growth, job creation and income generation; and contributes to systemic changes in the economy of the country in which it is active.

How we work

MDF's design is based on the premise that the private sector is the engine of economic growth. MDF's approach is therefore to support businesses with innovative ideas, investment and regulatory reform that will increase business performance, stimulate economic growth and ultimately provide benefits for the poor – as workers, producers, and consumers.

Under the design, MDF's goal is to create additional employment and income for poor women and men in rural and urban areas through sustainable and broad-based pro-poor growth.

To achieve this, a tailored Market Systems Development approach guides MDF's methodology.

Our approach

MDF begins by analysing who is poor and why. MDF also identifies growth opportunities in the economy which are relevant for the poor. MDF then identifies the bottlenecks to growth in each target sector, and the barriers which prevent the poor from benefiting from this growth. The poor may have limited access to necessary production inputs, services, and information; lack key skills; or face difficulties accessing markets or potential buyers.

MDF does not work directly with the poor as this is unlikely to lead to lasting improvements. Instead it partners with a variety of businesses willing and able to invest in changes that improve business practices. This could include offering more affordable products and services, expanding distribution, or providing better information. Working together, the partner and MDF develop a plan called a 'partnership agreement' to introduce these changes to the market. A partnership agreement is a negotiated agreement to provide technical assistance and investment by MDF on a cost-sharing basis to help the partner innovate, scale up or implement reforms.

The activities in each partnership are implemented and managed directly by the partner. As a result, the partner increases its capacity to manage its processes and provide better market access or more affordable goods and services. In addition, because each activity becomes a part of the partner's core business model, it is commercially sustainable in the long-term, meaning that the poor will continue to benefit long after MDF comes to an end.

The partner's change in approach improves the way the markets around the poor work. The partner's competitors, suppliers and customers will see the benefits of changing business practices and begin to adopt similar, pro-poor practices – with or without assistance from MDF. In this way, MDF generates impacts that are long-lasting and far-reaching. Changing the behaviour of an entire sector, in a 'systemic manner', stimulates growth and provides greater opportunities for the poor.

While businesses experience increased productivity, poor producers and consumers gain improved access to essential products, services and markets to improve their livelihoods. As a result, companies employing



poor workers grow faster while poor producers, such as farmers and small workshops, can produce more or higher value products.

In this way, sustainable broad-based economic growth creates more employment and income earning opportunities for poor women and men leading to a lasting reduction in poverty.

MDF organisational structure

MDF develops a portfolio of partnerships within the targeted sectors in each country of operation. MDF's initial facility design maintained some felicity with regards to staffing requirements for in-country implementation teams. We have found that the optimal structure is a decentralised Country Implementation Team in each country office managing the day-to-day operations and implementation, led by a Country Representative. Country Implementation Teams include Sector Coordinators, Business Advisers, Specialists/Advisers (communications, women's economic empowerment and results measurement) and Administrative Support Staff.

The Country Implementation Teams are supported by central technical specialists and a central Core Leadership Team (CLT), which provides technical and strategic support to each country and manages the Facility on a global level.

For Phase 1, the Facility team was underpinned by head office support provided by Cardno. This support included a dedicated Contractor Representative, Program Manager, Program Co-ordinator, Program Support Officer and Program Accountant, as well as head office recruitment, legal, IT and HR support. Utilising Cardno's various project management support functions, Cardno developed fit for purpose finance, procurement, HR, recruiting and IT systems for the Facility, and provided surge support and mobilisation assistance.

This staffing structure allows MDF to maximise cross-country learning, while creating a tailored approach to achieve sustainable economic growth and poverty reduction in each country. The decentralised staffing structure ensures that the Facility can expand efficiently into new countries with context-specific strategies and implementation, but supported by central technical and project management expertise.

Country Representatives interact regularly with DFAT Posts to provide formal and informal progress updates, as well as early identification of any risks. If required, senior members of the CLT are also included in these interactions. Furthermore, the Team Leader and Deputy Team Leader, as well as the Cardno Contractor Representative, regularly update DFAT Canberra on progress.

Providing additional support to the Facility and DFAT is the Independent Advisory Group (IAG). The IAG plays a dual role of both review and advice to MDF and DFAT. The IAG, through regular missions and ongoing correspondence, performs a variety of functions including troubleshooting issues, helping with early identification of critical risks, mentoring of staff and serving as a 'critical friend' to provide the Facility and DFAT with sound independent advice.

Case study - Fiji

A passion for sewing at a young age led Neela Devi (52) to pursue a career as a seamstress. Neela is the Head Supervisor at Coconut Kids (Fiji), a small company specialising in Fijian-themed toys and clothes for tourists.

"Through sewing, I have a good job here at Coconut Kids and it has helped me in a lot of ways, in my work, in my bills, my groceries and my rent. This is my bread and butter and I love it."

Neela learned the skill of fabric cutting from her employer, Managing Director Mala Chawda, who enlisted Neela to create made-to-measure orders. With her enhanced skills, Neela also sews clothes as a side business at home.

"I make dresses and jabas [matching sarong and top] for women in my community. My sewing at home supplements my income from Coconut Kids. I only do sewing at home in my free time."

Coconut Kids was founded in 2011 by Mala, an Australian-trained, award-winning fashion designer, with a vision to create children's wear, accessories, stuffed toys and pillows to compete with poor quality alternatives in the Fijian market.

MDF supported Coconut Kids to scale-up production capacity and improve in-house marketing skills, and improve the quality of products. Tourists now have access to more Fijian-made items for children and these sales will result in increased employment and income for staff (many of whom are women).

Country, sector and engagement strategies

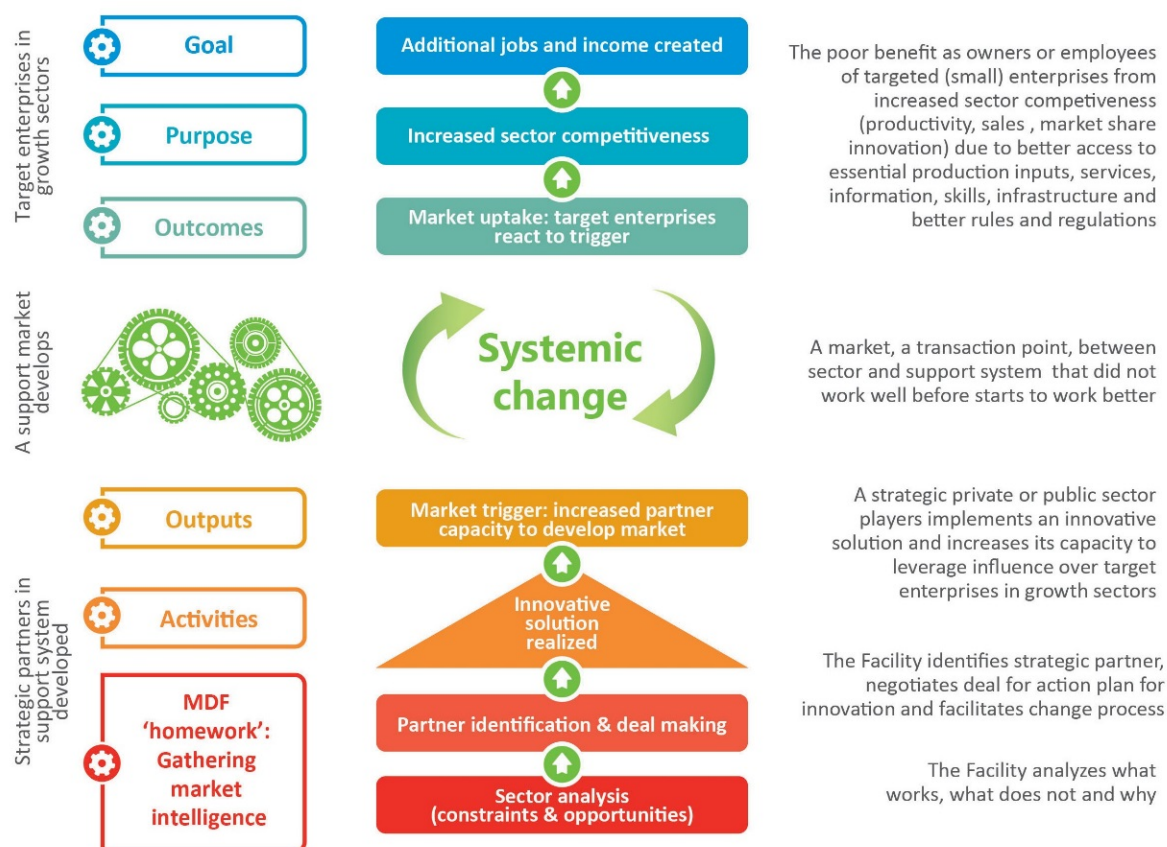
MDF's work essentially creates pathways – via investments, business innovations, and regulatory reforms and, as a result of this, better functioning markets – through which the poor can work themselves out of poverty.

Progress along these pathways can affect wider changes in the market, what it leads to and finally how it reinforces the **county strategy** for MDF. A country strategy is typically produced during the country mobilisation phase and serves to identify key challenges and sectors for MDF to focus on.

Once sectors (only recently reframed as 'strategic engagement areas') are identified, **sector strategies** are developed to analyse how to address challenges facing these sectors. This is captured in MDF theory of change (or 'hierarchy of objectives') and each partnership designed and negotiated by MDF follows the same impact logic that enables poor women and men to take part in, and benefit from, growth. Figure 1 explains the steps of this logic.

The first rung on the ladder is a sector analysis. MDF gathers information from in-depth analyses of sectors of the economy from which to identify inclusive growth potential for poor women and men and the gaps in the system that prevent them for tapping into this growth potential (MDF's 'homework').

Figure 1 MDF impact logic



The precise mode of operation in each country is outlined in a country **engagement strategy**, which outlines how MDF will engage with particular agents to affect change in identified sectors (strategic engagement areas).

Systemic change

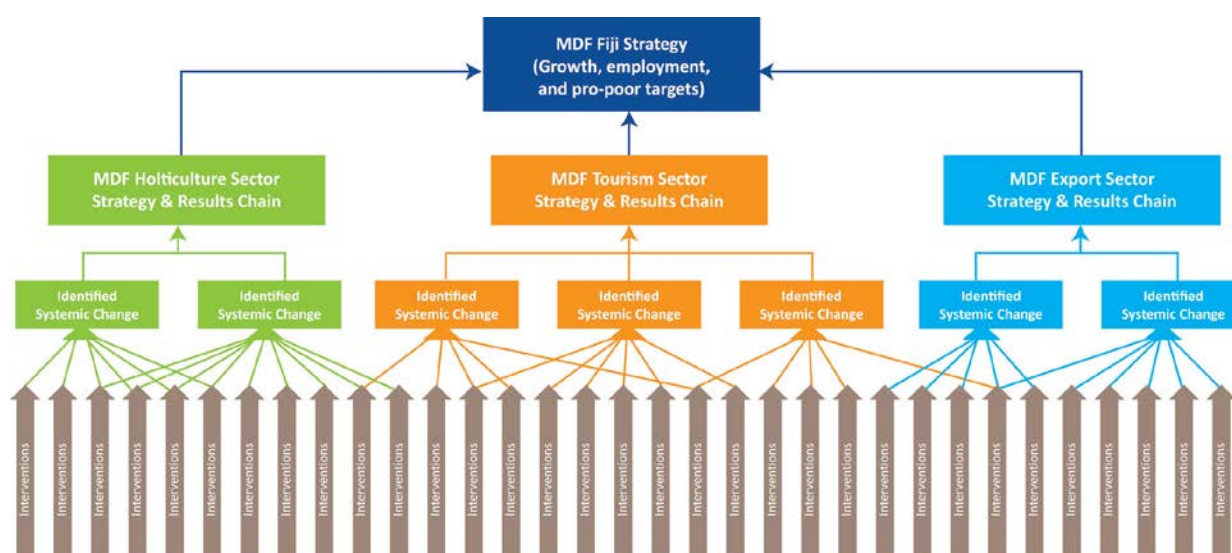
These strategies form a **systemic change pathway** to achieve systemic change. 'Systemic change' is often defined by MSD practitioners as change in the underlying causes of market system performance that can bring about a better functioning market system.

Our approach to forging systemic change pathways is illustrated in Figure 2, showing how MDF's country strategy for Fiji is supported by work in three sectors, which together seek to influence seven strategic systemic change areas. A portfolio of partnerships populates these systemic change areas, while some partnerships address more than one systemic change area.

External Reference

For more on how MDF achieves system change and identified pathways to pro-poor growth, see 'Strategic Guidance Note 3 – Achieving Change in Markets'

Figure 2 Integration of systemic change with market and country strategy.



Unlike impact indicators such as jobs, income and outreach, systemic change is qualitative, more complex and multi-dimensional. Scale is one dimension of systemic change – but beyond that, systemic change is about the quality of change. It is about a) sustainability, b) resilience in the face of shocks, c) the inclusion of both women and men, and d) change that is ultimately owned and managed by local actors. Projects with a systemic change ambition face a very different set of challenges compared to 'traditional' interventions. If markets are framed as complex systems, then the precise pathways to impact are hard to anticipate, and the reasons for market under-performance may lead to intractable issues of power, culture and social norms.

Systemic change projects begin with initial understanding of the problem: *Why are markets currently failing the poor?* Based on this, they outline a credible vision for how the market needs to change and continue to work better after project exit. This vision – the project goal – needs to be defined well enough to focus action, but broad enough to allow space for adaptation. Too tight and projects end up being boxed-in with inappropriate technical fixes: Think of the many international development training programmes that end up being a solution in search of a problem. But too wide and things become too

Lesson Learned

Large markets, such as Pakistan and Sri Lanka, can rely more on 'crowding in' to achieve systemic change, as market players see what is working and replicate it. MDF has found that most 'off-the-shelf' systemic change frameworks were based around this 'crowding in', and were not applicable to the thin markets in which parts of MDF operates. Therefore, the team developed new tools that could be adapted to a variety of contexts.

vague: Aims like 'poverty reduction' or 'capacity building' do little to galvanise practical project-specific action.

Results measurement

To assess its impact on growth and poverty reduction, MDF measures two goal-level indicators: employment and income. Employment is measured as the net additional full-time equivalent jobs created and income as the net additional increase in income.

The Facility's goals – increased employment and income for poor people – take longer to achieve than immediate outputs of interventions. These outputs include innovation, reform and additional private sector investment. Activities are implemented directly by partners and are referred to as interventions. As a result, partners improve their ability to design and deliver important inputs, services and information and to reform enabling rules and regulations. This stimulates pro-poor growth. Results such as additional jobs and income follow these initial outputs and depend on market transactions, business cycles or agricultural seasons.

There are two intermediate steps between outputs and high-level results. Outcomes refer to the immediate market response to the partner's improved delivery of goods and services in the sector. The purpose level changes refers to the effect of these outcomes on individual enterprise performance and competitiveness. This in turn leads to additional jobs and income.

Outcomes and purpose level changes are intervention specific. Outputs and high-level results can be aggregated across sectors, countries and MDF overall.

MDF develops a portfolio of sectors and interventions. Each intervention is designed to stimulate innovation, reform and investment in order to make key markets work better to achieve sustainable and broad-based pro-poor growth. This growth creates additional jobs and income. Results continue to be measured after the end of the partnership to capture the results as markets begin working better.

MDF adheres to the Donor Committee for Enterprise Development (DCED) Standards for Results Measurement. The DCED Standard provides a framework for programs to build upon to create a results measurement system which generates credible and attributable results.

Key Principles

MDF's key principles are to: influence systemic change, ensure sustainability, generate impacts on a large scale, and maintain a facilitative role.

- **Systemic change:** in order to improve the way the market system functions so that the poor can fully benefit, it is necessary to understand where and how the market system fails to serve the particular needs of the poor. By targeting these issues, MDF

'The approach used by the MDF's results measurement system is impressively thorough; the logic of each partnership is documented in detail, with indicators and monitoring activities tightly linked to that logic.'

MDF Mid-Term Review

Case Study – DCED compliance

The Results Measurement Standard of the Donor Committee for Enterprise Development (DCED) is a tool for monitoring results during program implementation in line with international good practice. It specifies key elements of a robust monitoring system, starting with the logic, or results chain specifying what the program is doing, and the results it expects to achieve. Indicators are then set to measure each key change expected, and measured according to good practice.

MDF was audited in 2015, achieving a rating in the top category, with a '*strong results measurement system*' including '*strong additional features*'. In 2017, MDF again achieved strong audit results in the two countries audited.

Results measurement based on the Standard enables programs to improve management and demonstrate credible results to others. More than 120 programs are now actively using the Standard, on a voluntary basis or on request by funders; in MDF's case, tender documents required alignment with the Standard.

influences changes which improve the way market systems work for the poor, opening up access to improve their livelihoods.

- **Sustainability:** MDF partners with existing market players, matching their incentives with key needs in the market, and building their capacity to provide the right solutions. Once MDF ceases operations, the solutions carry-on, led by the market players who are willing and able. These players also develop the capacity to serve new needs of the market going forward.
- **Scale:** By understanding which markets are most important for the poor and what the main issues are that keep the poor from participating or fully benefitting, MDF can target its support to those activities that will positively impact a large number of poor women and men. MDF generates this large-scale impact by supporting existing market players to develop and implement sustainable solutions in those markets which are relevant for the poor.
- **Facilitation:** MDF works to stimulate pro-poor growth and create sustainable development solutions. It works carefully to support key market players, both private and public, building on their incentives and capacity. MDF does not become an active market player itself, and so any new activities and solutions are embedded in the current market system ensuring long-term sustainability.

Demonstration model

It was initially envisioned that part of MDF's role would be to act as a pilot program for implementing market systems development through the Australian aid program, and in particular, in the small, fragile economies of the Pacific region. At the time of design, doubts were expressed about the suitability of the market development approach in small Pacific economies. MDF's Program Design Document highlights that the rationale for the design was in part to provide *'the opportunity to promote corporate and cross-country learning, encouraging feedback into broader programming;'* and *'ensuring cross-fertilisation of ideas and lessons between countries and programs.'*

According to MDF's Mid-Term Review, a Multi-Country Management Group was envisaged, with senior management participation from DFAT. It was hoped that this group would help promote *'an AusAID-wide perspective, and facilitate learning and linkages across country programs.'* Despite the absence of a formal Multi-Country Management Group, MDF has generated and shared much information, and appears to have been a significant influencer within the Australian aid program, in particular influencing other market systems development programs. For example, MDF has been visited by Ministers, and is used as an example in the aid program Private Sector Development and Agriculture Strategies. Key communications outputs from MDF include:

- technical case studies
- broader audience case studies, blogs and photo essays (pro-poor faces, exposure)
- social media (Twitter, Facebook, Flickr), closely interacting with official DFAT/High Commission social media users
- presentations at conferences, such as those convened by SEEP¹ and DCED
- regular formal reporting such as the AAR and progress reports (Semester Reports)
- monthly updates and email newsletters

'As MDF has matured, it has also prepared a high quality website and external communication materials, so that its experience can be shared more broadly with an international audience. As a result, MDF has developed a growing profile within the international community of market development specialists. This includes presenting its experience in fora such as the Donor Committee on Enterprise Development (DCED) and the BEAM Exchange. The websites for those organisations include case studies and other learning material from MDF.'

MDF Mid-Term Review

¹SEEP is a global learning network that supports strategies that create new and better opportunities for vulnerable populations, especially women and the rural poor, to participate in markets and improve their quality of life.

- high-quality research reports such as poverty and gender studies in Timor-Leste, Sri Lanka and PNG.

Within the MDF team, there has been very active cross-fertilisation of ideas and significant attention to sharing experiences across the country platforms and beyond. This internal learning process is facilitated by cross-country trainings, conference attendances, placements and extended CLT meetings. MDF has also implemented a Management Information System (called MangoApps) which allows multi-country teams to collaborate and ensures country activities and learnings are not kept in silo.

Reaching scale

MDF aggregated results

External Reference

For a comprehensive analysis of all results achieved by MDF, refer to the *Annual Aggregation of Results* (2016)

The AAR includes an explanation of how MDF measures results and defines indicators. This commentary provides useful guidance to interpret MDF results

Figure 3 What we have achieved (as of December 2016)

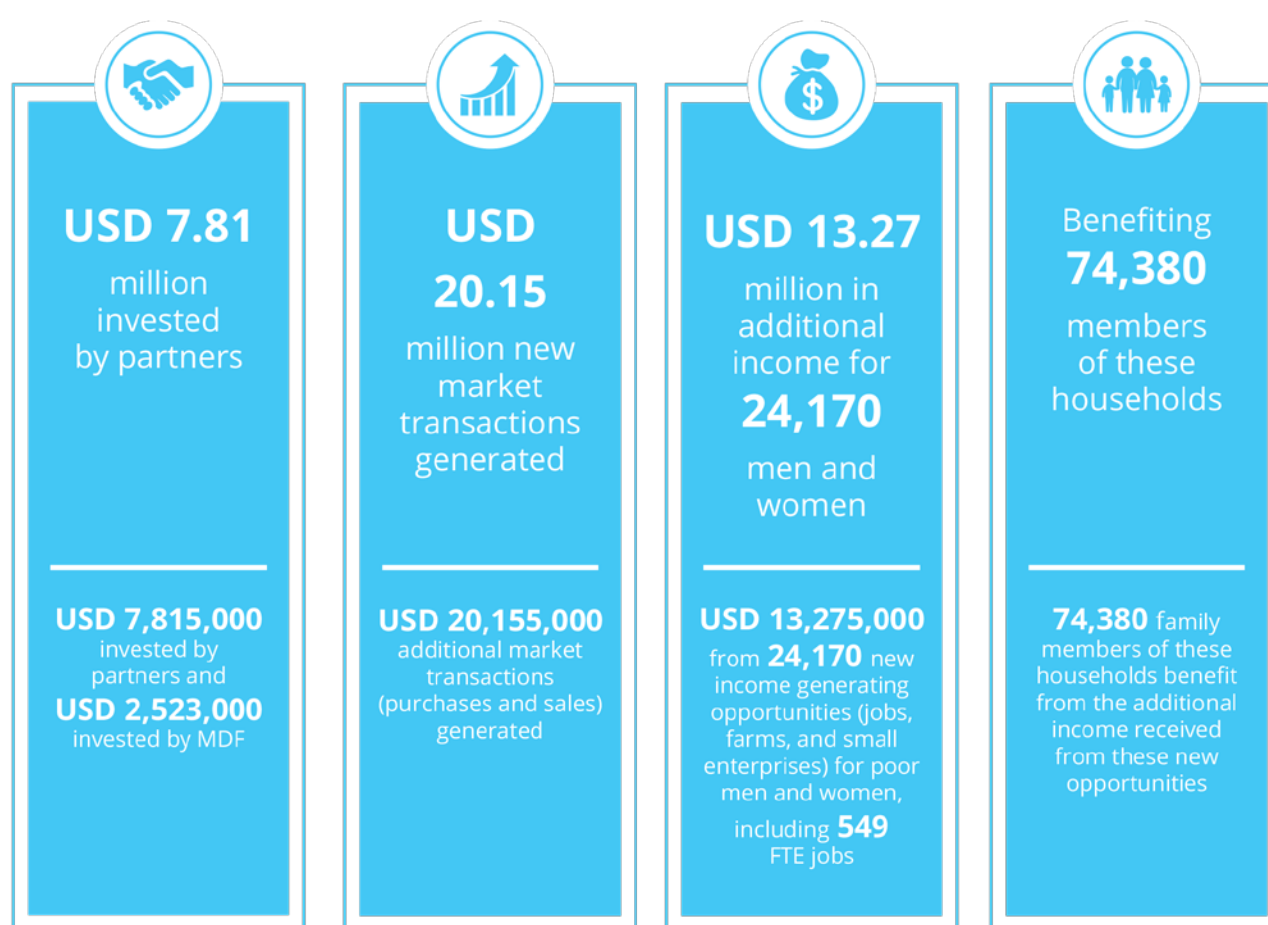


Table 1 Intermediary headline results achieved as of 31 December 2016

	Fiji	Timor-Leste	Pakistan	Sri Lanka	PNG	Total
Partnerships	47	23	38	9	8	125
Innovations	56	38	54	18	20	186
MDF Investment (USD)	1,100,000	424,000	913,000	74,000	12,000	2,523,000
Private Sector Investment (USD)	2,839,000	2,954,000	1,738,000	259,000	25,000	7,815,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:2.58	1:6.97	1:1.90	1:3.50	1:2.08	1:3.1
Value of Additional Market Transactions (USD)	12,014,000	1,188,000	6,765,000	188,000	0	20,155,000

Table 2 Headline results achieved as of 31 December 2016

	Fiji		Timor-Leste		Pakistan		Sri Lanka		PNG		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Effective Outreach including Jobs	2,760	2,740	2,960	3,240	4,430	3,540	2,220	2,280	0	0	24,170
Additional Jobs (FTE)	108	114	50	17	117	73	5	65	0	0	549
Additional Income (Effective Outreach including jobs) (USD)	1,640,000	1,656,000	382,000	467,000	6,335,000	2,601,000	120,000	74,000	0	0	13,275,000

Table 3 Intermediary headline results projects as of 31 December 2016

	Fiji	Timor-Leste	Pakistan	Sri Lanka	PNG	Total
Partnerships	47	23	38	9	8	125
Innovations	56	38	54	18	20	186
MDF Investment (USD)	1,418,000	685,000	1,555,000	300,000	147,000	4,105,000
Private Sector Investment (USD)	3,529,000	3,337,000	2,635,000	681,000	181,000	10,363,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:2.49	1:4.87	1:1.69	1:2.27	1:1.23	1:2.52
Value of Additional Market Transactions (USD)	19,436,000	2,343,000	13,697,000	23,071,000	3,383,000	61,930,000

Table 4 Headline results projected as of 31 December 2016

	Fiji		Timor-Leste		Pakistan		Sri Lanka		Papua New Guinea		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Effective Outreach including Jobs	4,320	4,430	4,520	4,900	79,380	71,310	13,170	13,050	2,960	2,270	200,310
Additional Jobs (FTE)	148	242	84	126	989	348	414	396	9	33	2,789
Additional Income (Effective Outreach including Jobs) (USD)	5,857,000	6,033,000	1,375,000	1,705,000	52,162,000	20,503,000	14,399,000	6,014,000	1,989,000	1,520,000	111,557,000

Table 5 Results estimates for five countries

	Fiji Country Total	Timor-Leste Country Total	Pakistan Country Total	Sri Lanka Country Total	PNG Country Total	Facility Total
Effective Outreach including Jobs	16,320	10,050	168,000	25,090	5,980	225,440
Additional Jobs (FTE)	689	325	6,300	2,040	156	9,510
Additional Income (Effective Outreach including Jobs) (USD)	17,955,000	3,389,000	80,483,000	12,021,000	6,871,000	120,719,000
Value of Additional Market Transactions (USD)	17,299,000	2,040,000	13,709,000	5,549,000	1,958,000	40,555,000
Private Sector Investment (USD)	3,604,000	1,700,000	2,856,000	1,156,000	408,000	9,724,000
Implementation Window	2011-2017 (6 years)	2012-2017 (4.5 years)	2013-2017 (3.5 years)	2015-2017 (2 years)	2015-2017 (2 years)	

Fiji Results

MDF's focus in Fiji

- Encourage diversification and commercialisation (mostly export-led, but also tourism-led) in agriculture ('turning farming into a business').
- Create off-farm employment for those who have left the land (in tourism and in processing).
- Support local entrepreneurship in niche markets (mostly tourism-led, but also export-led).
- Develop better business services and improve aspects of the Business Enabling Environment. For example, the Biosecurity Authority of Fiji which is the regulatory body responsible for monitoring exports of horticulture produce and issuing import permits for agro-inputs.
- Ensure geographic and ethnic inclusion to expand economic activities in outer islands of Fiji and also to encourage more representation of indigenous Fijians in business.

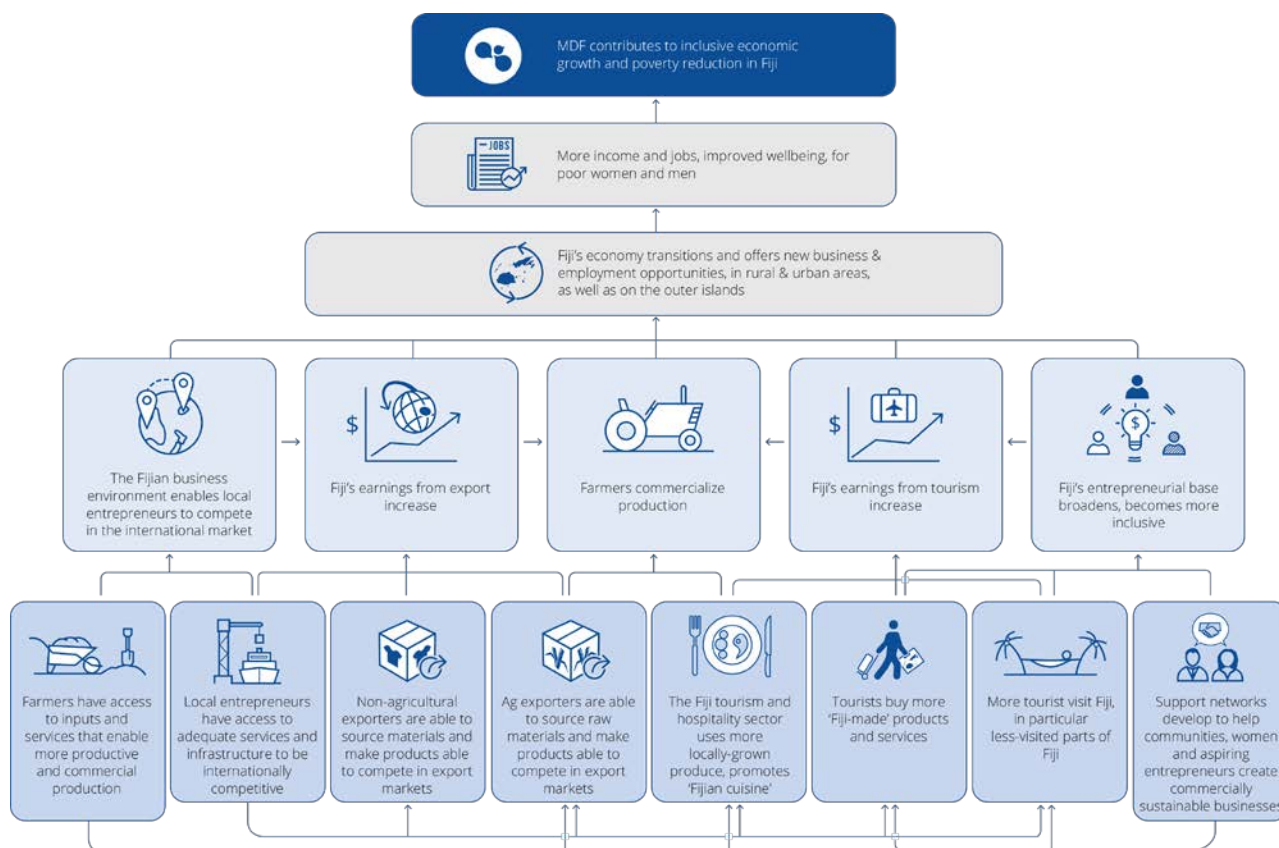
With additional partnerships on board, by 2021 MDF's work [in Fiji] will result in over US\$17.95 million in additional income benefitting 16,320 men and women, including 689 FTE jobs benefitting 41,600 household members.

Annual Aggregate Report
(2016)

What we've achieved and MDF inter headline results



Strategy



Market intelligence

Focus on production quality (rather than quantity) of key agricultural export commodities

Fiji's agricultural commodities are not competitive with large-scale international producers. Fijian producers therefore need to focus on high quality exports rather than attempting to compete on commodities where scale of production is important. The market's perception of Fiji supports this approach by its regard of Fiji as being pristine, clean, pure and organic (e.g. as promoted by Fiji Water, Pure Fiji, and Wakaya Perfection). To execute this strategy, exporters need to focus on certification, branding and packaging of high quality agricultural commodities to ensure they are attractive to international markets.

Mismatch in available and needed skills

There exists a mismatch of skills in the agricultural industry – both in the field working with farmers and/or nurseries, and in technical laboratories creating innovative solutions for improved agricultural products. Opportunities exist for local agricultural college graduates to meet industry needs, by focusing on vocational courses linked to agribusiness.

Fiji processors and manufacturers need to invest more in internal management systems and factory efficiencies. To be competitive, they also need to meet multiple customer-required standards and gain certification (such as HACCP, US Food and Drug Administration, International Organization for Standardization, Organic, Worldwide

Responsible Accredited Production for effective positioning in the global market. Meeting certification requirements is costly and there is a lack of qualified accreditors in the country. There is a need to build a case to establish in-country industry-specific certification bodies. MDF identified industry associations as an avenue to advance this agenda.

Incentives need to be aligned better in the agricultural sector

Many agricultural exporters appear to have difficulties developing strong backward linkages with suppliers. Exporters require good information about farming networks, but have mixed reactions about investing in backward linkages and seem to prefer traditional trader relationships with farming communities, supplemented by public sector extension support and advice when required. This sourcing model was further entrenched following Tropical Cyclone Winston, when agricultural supply and disease-free planting materials became scarce and there was little information on how to reach out to new farming networks. However, incentives exist which can be harnessed to improve supply chains, namely:

Exporters are interested in accessing markets. MDF found a successful approach was to work with them to achieve certification or improve processes that facilitate better market access.

Farmers are interested in accessing new buyers. If exporters access new markets, farmers might have greater choice in who they sell their produce to.

Input companies are interested in accessing new farmers as their customers.

Need to better understand how to connect with farmers and bridge knowledge and information gaps using modern technology

Agricultural supply chains are complex. Forward market linkages are becoming more intense, often with certification and/or critical control standards that require investment in physical structures and traceability back to farmers.

This offers opportunities beyond the traditional methods of information sharing (print, and radio talk-back shows) to gain a better understanding of how digital media and the use of mobile phone technology can transmit information, particularly as women farmers are using social media platforms. Visual aids and real-time information through modern technology can bridge the gap between agricultural exporters and farmers.

Better understanding of gender and inclusivity in export processing work places

Fiji's garment sector continues to incur recurrent costs related to on-the-job training (including specialised training by experts) for its workers, most of whom are female. Staff turnover is high at around 10-20 percent annually. Productivity suffers from workflow disruptions caused by high rates of absenteeism. Understanding the dynamics around the labour market and incentives for low to mid-skilled women to work in urban industries is therefore essential. The garment industry saw significant absenteeism levels following Tropical Cyclone Winston, as employees were allowed access to

pension funds. Businesses may consider providing financial literacy training to their workforce so that employees are able to manage their money better and not just focus on short term gains such as disaster payouts by the government.

Urban industries have better prospects to recruit people with a disability. The Fiji Government announced a 300 percent allowable tax deduction in respect of wages paid by employers to disabled people who were employed continuously for three years. This incentive expires in 2022. MDF needs to better understand business incentives related to hiring people with a disability.

There is varying capacity between regional tourism associations

A continuing challenge for tourism in Fiji is the development of new and emerging destinations outside of the mainstream locations in Denarau (Nadi), Coral Coast and Mamanuca/Yasawa islands which account for 81 percent of all tourists to Fiji. The focus over the last year was to work with local tourism stakeholders in the less visited regions to improve the setup and running of tourism associations so they were in a better position to engage with national tourism stakeholders and develop better market strategies to showcase the unique selling points of their destination. There are important lessons to be learnt from the associations in Denarau and the Coral Coast, as they have been successful. They provide examples grounded in the Fijian context, albeit requiring adaptation to specific needs of lesser-known areas

Timor-Leste Results

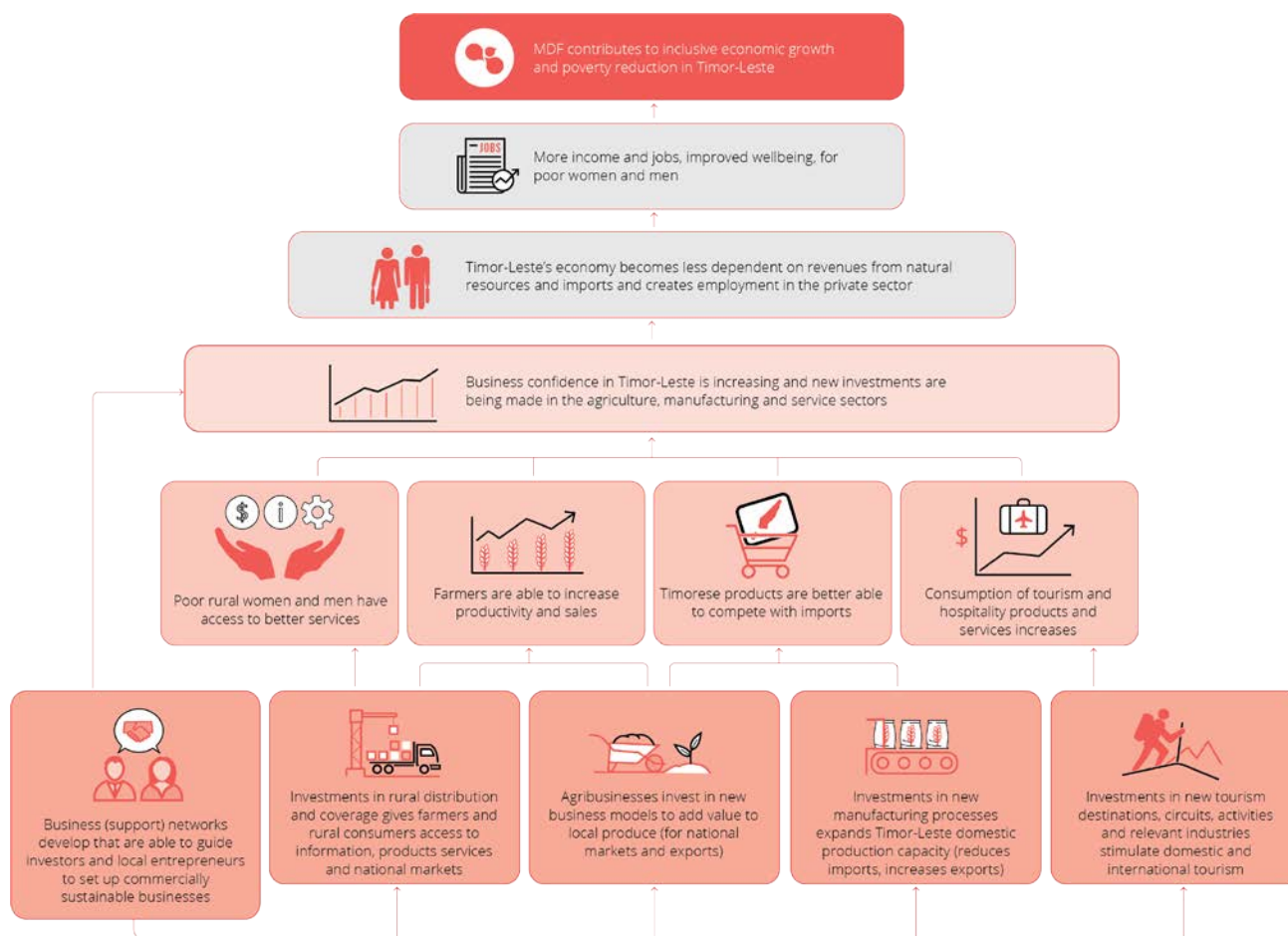
MDF's focus in Timor-Leste

- Diversify sectors away from oil and gas and agriculture to others.
- Diversify sources of income through alternatives to agriculture.
- Improve the connectivity (e.g. markets, goods, services, and people) within and from outside Timor-Leste.
- Introduce value addition of local raw materials through greater processing.

Headline results



Strategy



Market Intelligence

Manufacturing businesses need to start their business locally but with an eye to export in the future

Most of the products consumed by Timorese households are imported from Indonesia or China as there are few enterprises in Timor-Leste that can make products to price and quality standards acceptable to local consumers. The situation is gradually changing with Timorese businesses investing in the production of household products such as salt, cook-stoves, clothing and mineral water and marketing these at prices that are competitive with imports. Each of these businesses has started its operation with a clear focus on meeting local demand, yet opportunities exist for these new generation manufacturers to export their products to nearby Asian and Pacific Island countries. With the right technology and skilled labour base, Timorese businesses can lower their cost-structures and increase their production capacity without fear of over-supply in local markets and compete with other countries to capture market share in countries such as Singapore, Papua New Guinea and Australia.

Working with destination marketing companies can help address the poor country branding situation of

Timor-Leste is not well known to international tourists despite it having stunning landscapes and a rich marine life. Many of those who are aware of Timor-Leste erroneously associate it with civil war, a lack of law and order and widespread poverty, unaware of the progress Timor-Leste has made since achieving independence and what it has to offer as tourist

Timor-Leste and boost the local tourism industry

destination. A long-term investment in marketing campaigns to change that perception is required by the Ministry of Tourism, Commerce and Industry which has taken early steps to develop messaging, a logo and a theme to promote Timor-Leste tourism to the outside world. Tour operators can immediately market Timor-Leste by collaborating with international destination marketing companies, cruise ship companies, and adventure tour operators. International tour operators market lesser known destinations collectively in a comprehensive marketing campaign; Timorese tour operators can leverage benefits from this.

Setting up backward linkages in agricultural commodities for trade and food processing requires patience and long-term planning

Developing strong backward linkages with a highly productive farmer base is one of the success factors in agro-marketing and food processing businesses. The reality in Timor-Leste though, is that businesses struggle to obtain the quantity and quality of produce they need from subsistence farmers. Businesses that are willing to venture into agro-marketing must assess the ground realities at the producer level, map potential locations, and identify a stable, long-term core group of farmers and invest in improving their knowledge and access to inputs. These activities take time and need to be factored into business plans. Setting targets that are too ambitious, within too short a period of time and without proper market research will only disappoint businesses and discourage them from investment in agro-commodity trading and processing.

Adoption of technologies by farmers to mitigate climate change risks is important in Timor-Leste's agribusiness context

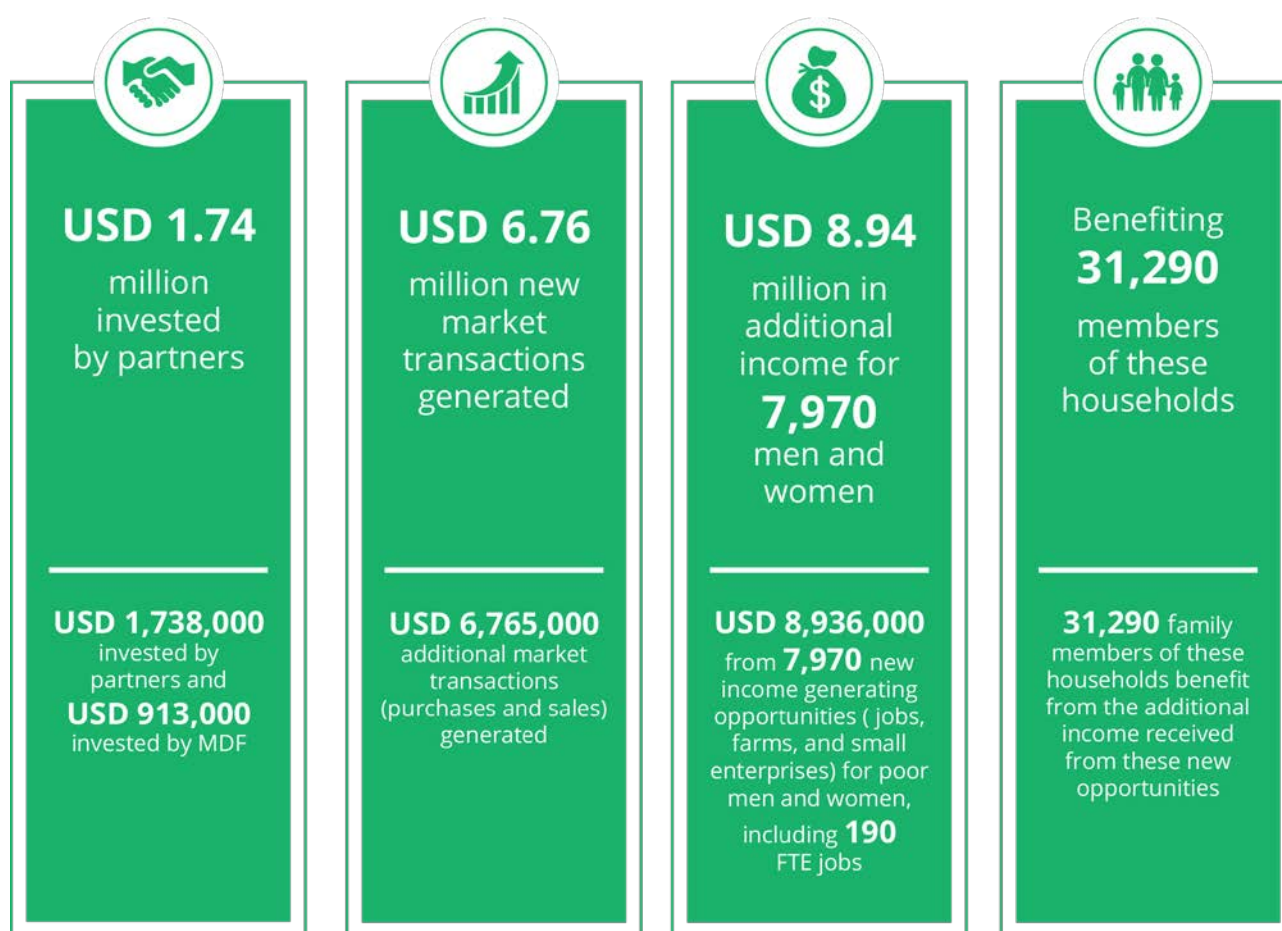
Timor-Leste's agriculture is primarily rain-fed so if the rainy season is delayed and there is an extended period of drought, Timorese farmers will suffer. Most are ill-equipped with knowledge and technology to mitigate these droughts and climate change more broadly. Agro-commodity trade or food processing businesses need to recognise the challenges associated with climate change in agriculture and collaborate with government and development organisations to educate farmers on climate-smart technologies, otherwise they are vulnerable to limited and unpredictable agro-produce sourcing.

Pakistan Results

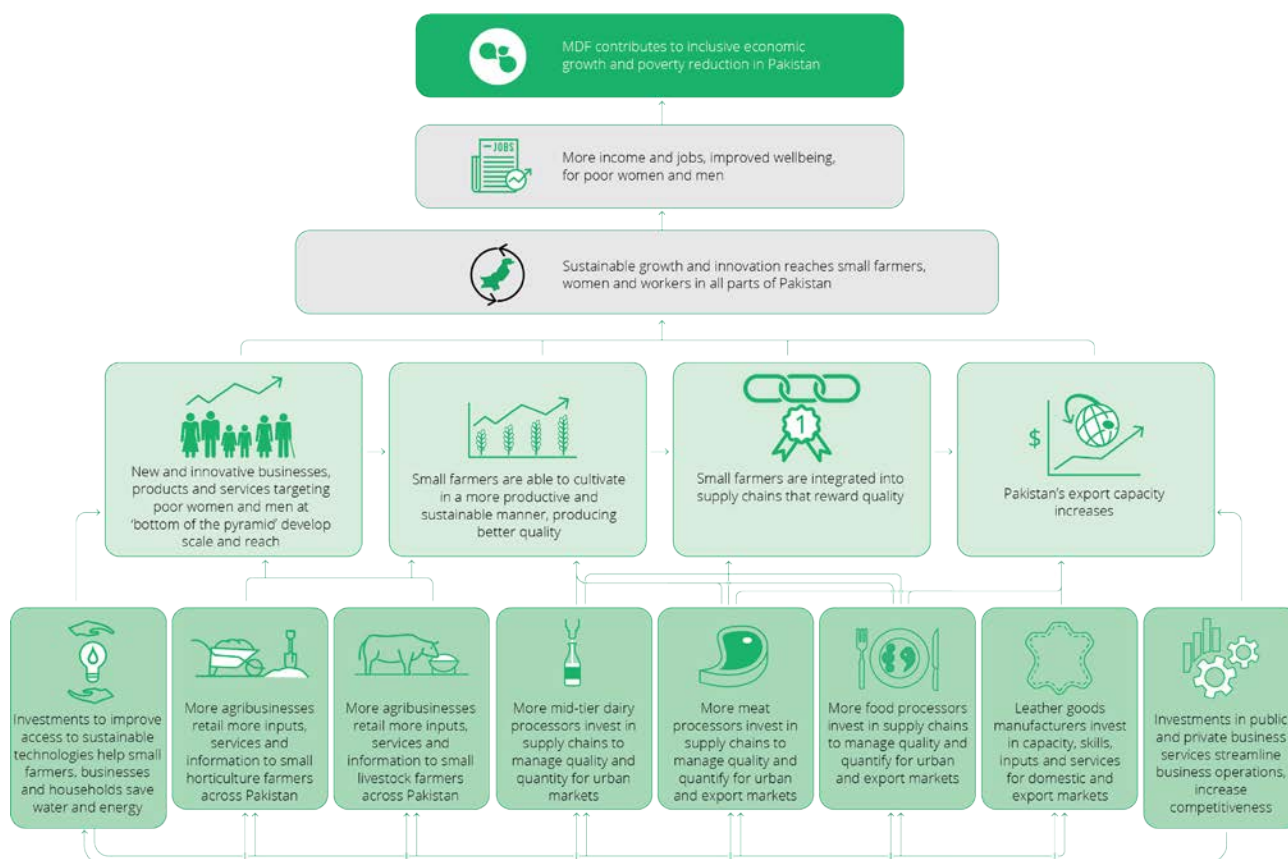
MDF's focus in Pakistan

- Rural and regional inclusiveness.
- Increase export competitiveness.
- Broadening the entrepreneurial base.
- Creating opportunities for women.

Headline results



Strategy



Market Intelligence

Identifying 'project champions' within partners helps drive the partnership

When dealing with large businesses, projects are likely to proceed more smoothly and gain better results when project champions, who share the excitement of the partnership and the drive for sustainability, are clearly identified in the partner organisation. When partnerships were managed by the partner, progress was slower, timetables often slipped and more support and monitoring efforts were required from the MDF team. In large organisations, MDF asks for a project champion to be clearly identified during the design stage.

Engagement with financial institutions via MDF partners expedites development of financial products

As part of MDF's initiatives to create greater access to formal credit for farmers, several financial institutions were approached to develop appropriate loan products that would allow farmers to purchase equipment and inputs. Financial institutions were reluctant to delve into new products in the agriculture sector. However, when MDF was involved in establishing an arrangement between a financial institution and an MDF partner, the response was more positive. Cattlekit and Shakarganj have been important partners in this approach.

Identifying income streams of partners helps determine success of projects

Identifying income streams while choosing partners is critical. If the business model under consideration generated a small portion of the overall revenue of the partner, evaluation of the long-term strategy of the partner was needed.

Where private sector lacks experience, third party service providers can be engaged to demonstrate benefits of training models

It was challenging to reach out to female farmers through direct partnership activities in livestock in South Punjab. This encouraged MDF and its partners to explore opportunities to engage third party service providers, who had the capacity to train female farmers. While this addressed an immediate information gap, it was necessary to monitor progress and assess the interest of partners to adopt similar training models.

Families do not object to women accessing finance if it means additional income for the household

When scoping for access to finance, it was revealed that none of the families objected to women accessing loans etc. The husband, the in-laws or other family members, did not have any objections if additional money was flowing into the household. They also found it acceptable for the woman to travel the long distance to the bank branch once a month or so, and would provide her a ride for the purpose. On the other hand, lending entities felt that women were reliable borrowers who return loans on time. Kashf stated that their clients who hired labour from outside created three full time jobs on average

Localised content is of the utmost importance

Given the difficulties women face with dialects and accents, it is of the utmost importance that any training uses a medium that is easy for female farmers to understand. It is for this reason that Magnus Kahl Seeds in Chitral tried to hire female extension workers from the same villages as the farmers. Trainers in Punjab need to be careful with different dialects in different areas. Kashf used characters in role plays and street theatre that created themes very familiar to their borrowers. Telenor used different characters in Punjab and now aims to create entirely different ones for Gilgit. It is also working on stylising its entire content in the local languages spoken in Gilgit.

Financing requirements of partnerships can put pressure on partners to maintain a healthy cash flow

While small businesses in regional areas can co-invest, the initial financing requirements can put pressure on continuing working capital needs. Careful evaluation is needed to ensure the investment would not stress working capital available for the partner's ongoing business.

The credibility of businesses assists in faster uptake of innovation

Significant change can be triggered through partnerships with large businesses that have capacity, resources and expertise; and with smaller, regional businesses that can reach regional areas, are influential and have better trust relationships with local communities.

Farmers in Pakistan respond well to repeat messaging

As elsewhere, repeat messaging in Pakistan is more effective in changing the behaviour of farmers than one-off events. However, the level of involvement shown by companies in providing such services depends on the frequency of product use. Some products that were

used only occasionally, like feedlot, did not provide sufficient incentive for partners to repeat message.

In the case of Oasis, once the farmers were trained and had sold their animals to Oasis they might not have another animal for a year and therefore there was no incentive for the Oasis to continue engaging with those farmers throughout the year.

The incentives and costs of hiring women for a business can be very different in the short run versus long run

Hiring women can be viewed as a hassle as it brings management challenges. It is also difficult to find and hire women. Servis required more effort and a longer time to train women, however, from that point onwards, women displayed greater speed, quality and quantity of output. The most demanding customers of Servis preferred work produced by women for the same reason, and Footlib was able to achieve breakeven only a few months after launching its women's stitching line.

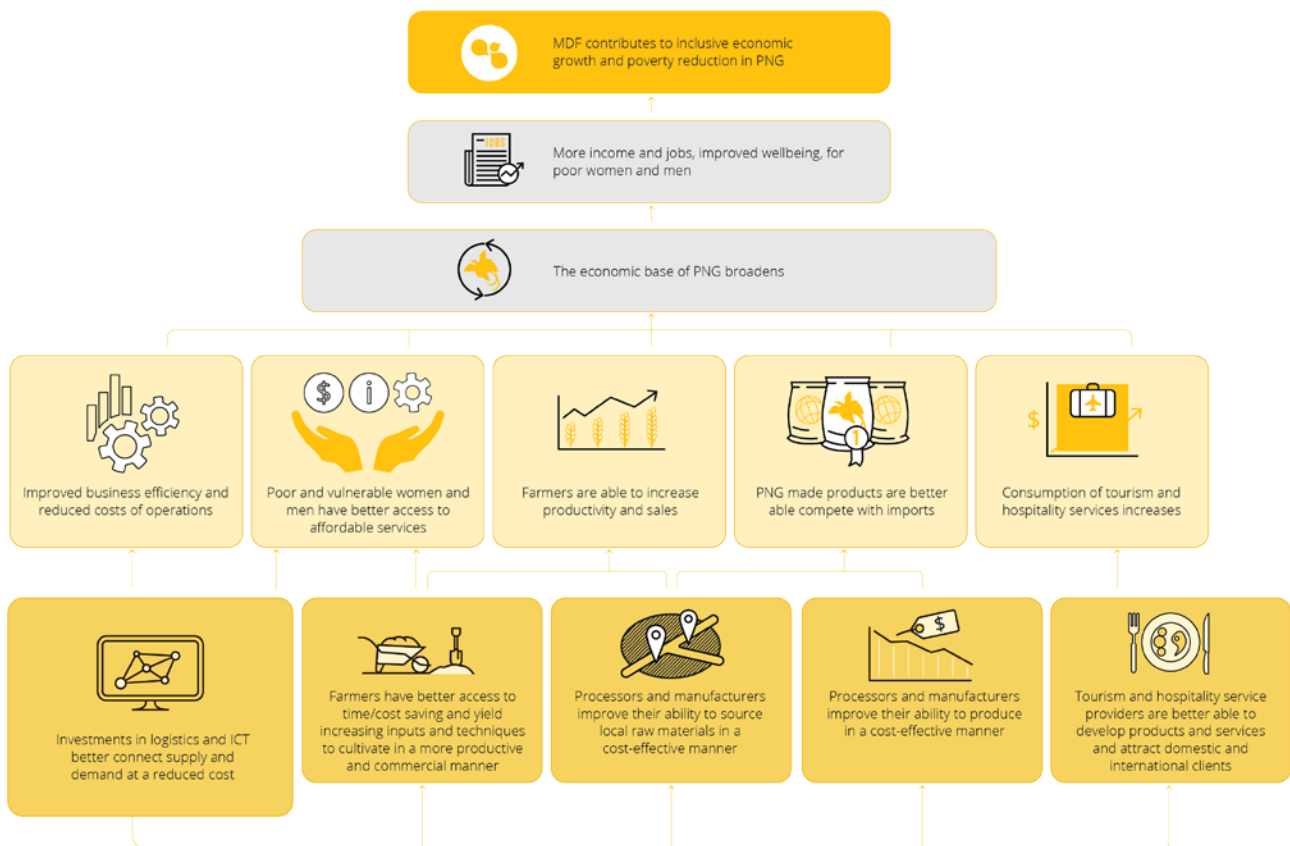
Papua New Guinea Results

MDF's focus in Papua New Guinea

MDF's focus in PNG is on four emerging industries and services that help improve access, reduce the costs involved in connecting demand and supply, preserve quality, and in particular cases, increase the safety and mobility of women. MDF will also focus on industries and services that will benefit and reinforce better connections all of which generates local employment and income earning opportunities.

A key lesson learned in PNG in the early stages of MDF's implementation there, is that much work can be needed to first convince businesses to invest, resulting in long lead times for partnership signings. This caution can then extend into implementation, due to the PNG businesses environment and the inherent risks businesses face. Partnership activities can therefore progress slowly. This meant that results to be generated from MDF PNG's portfolio as it stood at the time of the 2016 AAR will be reported in subsequent years.

Strategy



Market Intelligence

Focus on functions first, then products

MDF noted that, in the PNG context, it will need to focus on fundamental functions, such as getting distribution pathways in place, before it works on product development.

This is a logical route, considering that entire consumer bases and many products and service providers are experiencing the same functional constraints.

Anticipate and plan for long change pathways

Problems faced by businesses in PNG are deep-seated and multi-faceted. For example, a tourism provider might simultaneously face fundamental issues in marketing, staffing and building maintenance. Phasing of partnerships will be crucial in circumstances where all factors appear to be equally critical priorities. This can come with the risk that business case ideas become more complex and difficult for small-scale partners with low capacity to follow. MDF will need to carefully manage how this affects execution timelines and continually monitor the business's appetite to follow through.

Nip recurrent capacity issues in the bud

With few mid-tier players in the market and an appetite from large players to innovate or grow, MDF in PNG may, in many cases, need to work with smaller players to get initial ideas off the ground. Such players often want such partnerships, but they may come with capacity issues and higher levels of risk. By building a portfolio of work with small-scale providers, it may be easier to anticipate likely problems as these are often generic e.g. the timelines required for hiring human resources.

Reflecting on lessons learned from an operational perspective will be as important as reflecting on the business innovations themselves.

Be clear on how you intend to convince by example

In a less connected country, word of success doesn't always travel easily or widely. Different activities need to be undertaken to promote crowding-in of other similar players, particularly across different regional lines. Different tactics also need to be considered to convince larger players of the success of new and innovative business models. These pathways are not always clear from the outset, but nevertheless there should be a rough plan in place as to how this may play out over time.

Understand and build on value-addition, and businesses will come to you

MDF is working closely alongside communities as it builds its relationships across many supply chains. This provides it with an unparalleled view of how the businesses and communities interact; what works, what doesn't, where the opportunities lie, and where potential pitfalls are found. As a result, MDF is becoming known within the market as a point of contact for how to approach and set up engagement strategies with businesses. Businesses are getting in touch with MDF of their own accord to seek out advice. Developing such a reputation is an important step for MDF to further open its partnership and innovation opportunity pool.

Know your market, know where it is heading

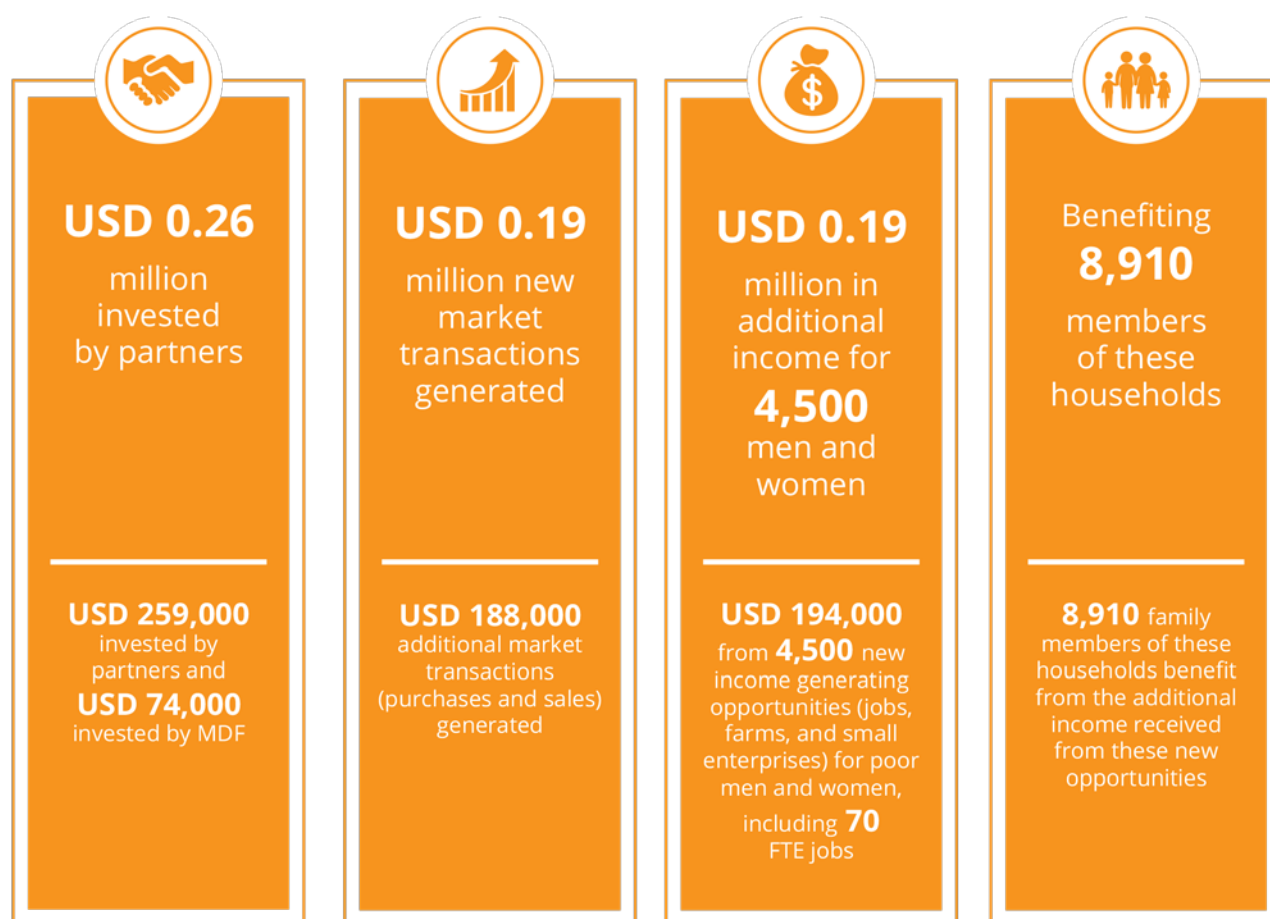
With agriculture in PNG becoming more commercialised, and with a growing middle class, a once cash-scarce economy is evolving rapidly. This demand for cash will provide opportunities for MDF to work with businesses to gradually create areas of business activity.

Sri Lanka Results

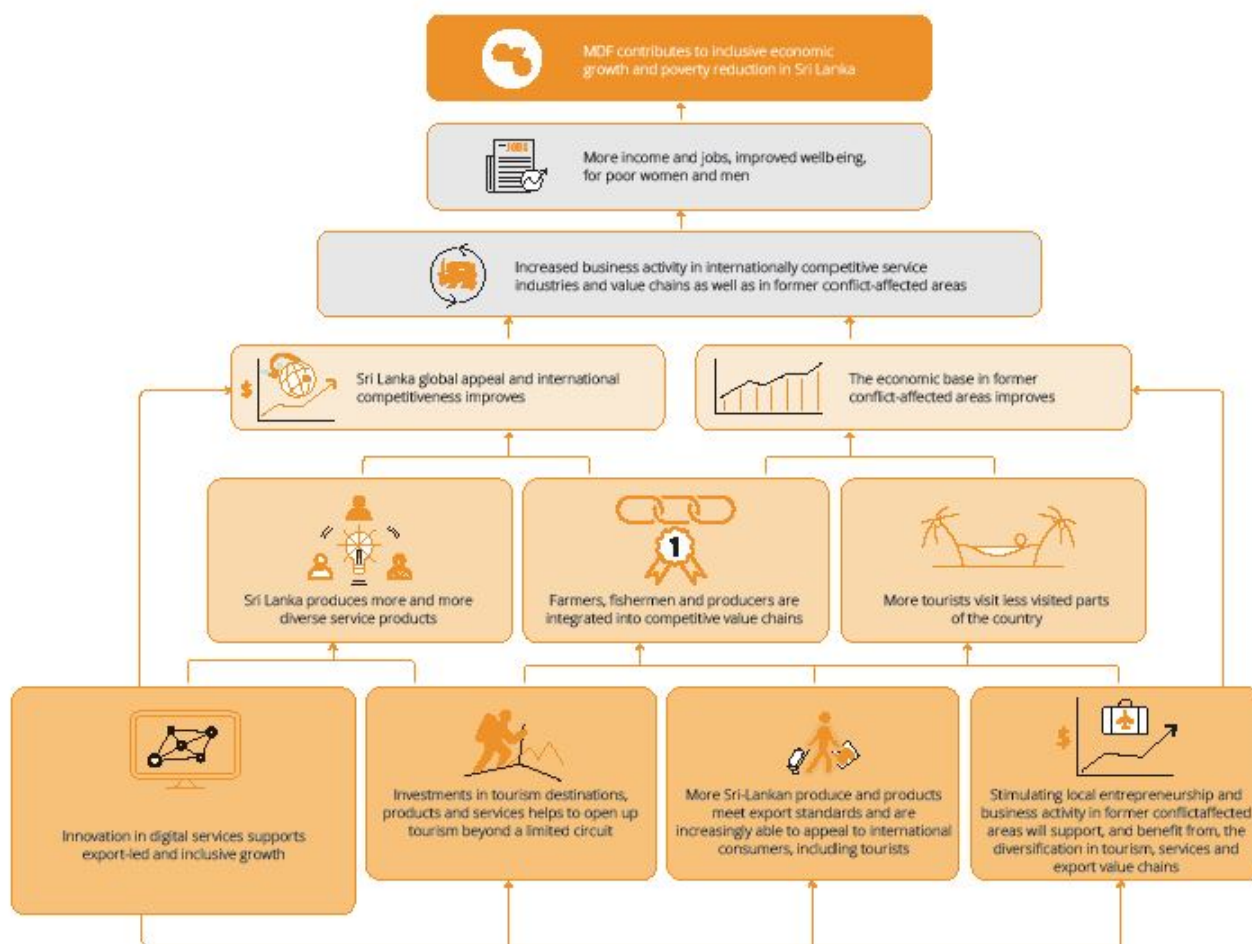
MDF's focus in Sri Lanka

- Supporting the diversification of Sri Lanka's tourism destinations, products and services: Giving tourists more options in terms of how they travel, what they do, where they stay and eat, and what they buy in terms of distinctly Sri Lankan products.
- Improving Sri Lankan produce and products for export and tourism markets: Focusing on a limited number of products and value chains that have the potential to be internationally competitive.
- Stimulating entrepreneurship in former conflict-affected areas: Supporting business activity and local entrepreneurs in order to improve the economic fabric of the North and East.
- Innovation in digital services: Expanding the application of services to increase export competitiveness, help the tourism sector communicate with its international clients and bring services to rural communities.

Headline results



Strategy



Market Intelligence

Realise that poverty levels are low but vulnerability is not

It is encouraging that extreme poverty levels are low in the country and only exist in certain pockets. However, a large proportion of the population is hovering at near poverty levels and remains vulnerable to shocks. Their income levels put them higher on the income curve, but illness, loss of a breadwinner or crop failure, for instance, could easily put them back to poverty levels. One reason for such fragility is that a large population in Sri Lanka still operates on the fringes of the growing economy. For MDF it is important to push the boundaries in the areas in which it works to create more inclusive and durable impact.

Understand that social markers play an important role in decision-making within households

Households across different ethnicities in Sri Lanka are strongly influenced by social norms and markers. For instance, households buy expensive appliances because they see others in the community doing so; or farmers continue to grow paddy, even though the income from it is inadequate, because farming is held in high esteem in Sri Lankan societies. The implication for MDF is that it needs to

appreciate this wider dimension in which its target beneficiaries operate and based on that, look for ways to influence change.

Focus on low financial literacy levels

A troublingly common aspect of poor households and emerging businesses is the low levels of financial literacy and control. Poor understanding of financial management has contributed to increased lending and debt levels at the household level. The poverty and gender study identified these debt levels as key constraints preventing households from moving out of poverty. Businesses also suffer from a lack of understanding of finance and investment principles leading many to borrow and make expansion plans that are not commercially feasible. From these lessons, MDF is supporting selected partners to access to proper financial advice and is also looking for ways to promote financial literacy at household levels.

Associations are generally functioning and present good entry points

It is not atypical to find functional working associations at the grassroots levels across Sri Lanka. Most of them have a working body, that meets periodically, a certain level of documentation related to registration and membership and, in some cases, monetary mechanisms whereby a margin is kept for the running of the associations. For MDF, these organisations provide an ideal entry point to understand and interact with the market as well as end beneficiaries as well.

The centre is missing

A broad observation across different sectors (tourism, ICT, FMCG, retail and agriculture) is that there are many established businesses at the top that have good growth potential, strong institutional capacity and multiple revenue streams. However, beyond them, there is a gap – the missing centre – and then there are emerging, small businesses. The conflict may have played a role in this scenario. MDF will need to stimulate more investment and innovation by working both upstream and downstream.

WEE can be encouraged by working on parameters like transportation, workspace environment, and a more supportive work environment

Despite their high levels of education, women's participation in the labour force is low. While traditional social norms play a part in this disparity, MDF's analysis revealed that there are other, more controllable factors that also contribute to this. These relate to the availability of safe transportation to work or proximity to homes. In some rural areas, creating segregated work space has promoted greater women's participation. Recruitment also has an influence; in poor regions, businesses have been successful in recruiting women into the workforce when they employed or used local community people (e.g. village elders, priests or NGO workers) to scout for women workers. In tourism, some innovative hotels, have found that by inviting the family into job interviews, more women are recruited. In the same way, friendlier norms within these organisations can be encouraged by offering flexible hours or children's day care services to enable women to work. These findings are helping MDF design more effective partnerships that promote WEE.

Reaching people

As reflected in its results, MDF has achieved significant outreach and scale. However these results should be interpreted within a wider development context. It is important to achieve scale, but for a program like MDF, it remains imperative to focus on reaching marginalised individuals. Behind our extensive results lies a framework that ensures partnerships focus not only on reaching large numbers of beneficiaries, but also have the potential to empower all beneficiaries, including women and disabled peoples. To ensure MDF facilitates **inclusive** pro-poor growth, the program has developed several frameworks and tools.

External Reference

MDF has produced a leading framework for integrating Women's Economic Empowerment into program design at several entrance points. For more details, see *Strategic Guidance Note 4 – Women's Economic Empowerment*

Women's economic empowerment

MDF has invested heavily in understanding women's economic empowerment (WEE), and integrating WEE throughout the Facility. Our fit for purpose WEE framework represents 'gold standard' in WEE frameworks for Market Systems Development programming.

MDF's understanding of WEE is premised on the understanding that women may work behind the scenes in many sectors, but this does not mean they work on the periphery or that their roles are non-critical. In agriculture for example, women perform a wide range of vital functions, from tending livestock, to irrigating land, selling produce at market, land preparation and harvesting. Because of the lower visibility of this work the women's roles are often not upgraded over time, for example in terms of technology improvements or in the provision of critical information on improved farming methods.

This is a low level of WEE and is inefficient for the sector as 'female' inputs are underdeveloped. WEE constraints are core sector constraints; this means WEE work should not be regarded as a separate stream of work. Improvements in WEE can be most effective and sustainable when they are seen as improvements for the overall sector.

For example, in MDF's work in the tourism sector in Fiji it is envisaged that vendors, suppliers and processors improve and increase sourcing of local agricultural produce to supply hotels and resorts in Fiji which rely heavily on imported produce. The proportion of local produce in local markets relative to imports would then increase and a larger proportion of economic transactions would involve local actors – namely producers and vendors – bringing about growth in this sector. As women are heavily involved in the cultivation of produce, outreach skills development programmes run by vendors that target, or at least include, women makes business sense. The resultant improvements in volume and quality of produce entering the tourism market will be via women producers. In this process, women gain knowledge and improved work skills and are also likely to earn more money. WEE can be said to have been achieved when large numbers of women are better skilled, have better access to markets, benefit financially from that access, have greater decision making authority over their increased household incomes, and when vendors customise their outreach programmes to reach women. With these achievements in mind, MDF is able to design a tailored set of

Key Quote:

'Beyond do no harm principles, some programs also find it useful to establish their own program principles for WEE. For example, the DFAT-funded Market Development Facility (MDF) has developed four WEE principles that can be applied more generally to other market development programs.'

DFAT 2015, 'Gender equality and women's economic empowerment in agriculture-Operational Guidance Note'

External Reference

MDF has highlighted some early lessons and examples from operationalising a Women's Economic Empowerment framework in a multi-country context.

See *'What can be achieved in Women's Economic Empowerment'*

(MDF Case Study 3)

partnerships that work to improve WEE and, through these partnerships, MDF is able to achieve sustainable 'systemic' change in the sector, while at the same time achieving WEE. Integrating WEE in this way is preferable to providing one-off training courses to a small number of women which result in short-term gains, but not systemic change for women.

To make it possible for women to contribute to and benefit from growth, MDF implemented a framework which:

- Considers what proportion of its beneficiaries that enjoy economic advancement through better employment or more income comprise women. This takes into account women's participation in MDF's target sectors, the disadvantages they face in term of access, decision making and influence, and workload, and what MDF, through its partnerships, has done or can do to improve this. MDF strives to achieve an outreach of female beneficiaries per sector that exceeds the female participation levels of these sectors. In other words, MDF aims to leave sectors more gender equitable than it found them.
- Works in growing or 'sunrise' sectors of the economy, within which large numbers of poor women can have a productive future and can contribute to and benefit from broad-based growth. MDF will not necessarily focus on predominantly women-led sectors, as it may then miss the greater opportunity to improve WEE within the second tier or joint decision roles. This is true where such sectors do not provide the potential for long-term economic growth (either they are essentially niche, or they represent declining 'sunset' sectors where livelihoods are unlikely in the long-term).
- Works to improve access for women (MDF's main entry point for influencing WEE is most likely through the access domains), as well as monitoring the agency domains to check whether increased opportunity goes hand-in-hand with manageable workloads, decision making authority and control of resources – and not with violence or exploitation – so that women have a genuine ability and a real incentive to continue to make use of these economic opportunities. In every MDF partnership, including those relevant for WEE, the same logic applies: there must be a clear line of sight to results, and partnerships must contain a complete package of activities that can address core problems so that credible and sustainable results can be achieved.
- Identifies agency-related issues and integrates solutions for these in partnership design (e.g. access to labour-saving tools and transfers of wages to bank accounts controlled by women), or in supporting partnerships (e.g. separate businesses setting up day care facilities to make it feasible for women to take up full-time jobs and banks targeting female clients), or collaborations with organisations focused on gender issues will be developed (e.g. to create awareness amongst women and change labour laws).

Case study – WEE in Pakistan

Panjgur, a remote border region of Baluchistan, boasts abundant production of dates, but limited processing facilities. Cultural dynamics allow women to be more involved in agriculture than they are in the Northern Pashtun areas. However, there are strong cultural norms which keep women from accessing off-farm employment opportunities.

Baloch Hamza Brothers Dates Co. (BHB) is a date processor that traditionally focused on simple graded and packaged dates. The company wanted to pursue an opportunity for ground dates, but needed to increase their capacity to pit dates – a task at which women excel. As cultural norms do not allow both genders to work alongside each other, the few women who did work in the factory, had to come in after the male workers left. To increase their production capacity, BHB wanted to increase the hours women worked. They also needed to recruit more women, a difficult task in the conservative region.

To operate within cultural norms and access a willing female work force, BHB, with MDF support, established a women-only facility close to the residential area where most of their employees live. The company also provided flexible work hours, with two shifts of four hours, to accommodate women's household labour responsibilities. Finally, one more change was made: *'other men in the village would taunt me if my own wife stayed indoors while I asked their female household members to work in a factory'*, said BHB's owner, Muhammad Jan. To encourage women to join his workforce, Mr Jan set a precedent by employing his own wife in the factory – leading the way in recruiting female employees.

Under the framework, MDF has also committed to making learning generated from its results measurement system on WEE available to DFAT and the wider development community; generating gender-disaggregated data; and mandating that at least 60 per cent of MDF's partnerships are relevant for WEE.

MDF received specific funding to focus on partnerships with significant potential to impact women's economic empowerment under the Gender Equality Fund. Established in 2015, the Gender Equality Fund supports high performing and innovative aid that promotes gender equality and women's empowerment. Partnerships under the Gender Equality Fund advanced WEE partnerships across Fiji, Timor and Pakistan, with deepened insights as women engage in new and expanded income earning activities.

Environment

MDF seeks both to ensure the activities it supports do not cause harm to the environment it operates in; and where possible seeks to design these activities to have positive outcomes for the environment.

To achieve these goals, MDF has in place environmental guidelines, based the *Environmental Protection and Biodiversity Conservation Act*, the Commonwealth Environmental Guidelines, and local environmental regulations in each country.

It is a two part process, based on two checklists prepared by external environmental consultants. One checklist is for the intervention manager to complete early in the activity design. If any issues are identified – or if the environmental focal person is not satisfied – the second checklist is used by a technical expert (or environmental focal person) to provide a more comprehensive analysis.

Disability

MDF's approach to disability has three elements. Firstly, the Facility's work has a preventative impact. By engaging in areas such as agriculture and manufacturing, MDF can help to reduce some of the risks that can lead to higher incidences of disability (for example, by improving nutrition or by designing safe products or by improving work place conditions).

Secondly, the direct income gains of the wider family have a supportive impact. By focusing on increased household incomes, the benefits spread across the family. For example, a study into Household Level Poverty and Gender Dynamics in Sri Lanka uncovered the large extent that families support relatives who are disabled or in ill-health. This was particularly evident in former conflict-affected areas in the country's north and east, where women are working out of necessity, often due to the loss or incapacity of male 'breadwinners'.

Thirdly, MDF has a promoting affect – assisting people with disabilities to access jobs and reduce barriers associated with the 'knock-on' effects of disability (for example, lower education and literacy levels). For all three elements of MDF's approach to disability (as with MDF's approach to all cross-cutting areas), there must be genuine commercial incentives to engage in these areas, to ensure commercial long-term viability and sustainability.

Operations and Administration

As MDF has expanded and mobilised into each new country, the operational systems and processes have evolved to meet new challenges and Cardno's head office support functions were adapted to support this evolving structure. MDF has successfully mobilised and established an influential presence in five countries, with a number of key lessons learned.

Staffing and human resourcing

MDF country teams have expanded significantly with country mobilisations and the growth of country portfolios. To meet these demands, Cardno has successfully recruited a Facility team of over 100 staff (including locally engaged and international staff). This includes international advisers and locally engaged personnel in technical areas such as business advisory services and results measurement, as well as administrative roles such as operations, logistics and finance.

At the core of MDF's staffing structure is several long term program positions which constitute a Core Leadership Team. The makeup of the CLT has evolved over the course of the program, but fully resourced it consists of:

- Team leader
- Deputy Team Leader
- Operations Manager
- Women's Economic Empowerment and Results Measurement Manager (Strategy and Planning)
- Women's Economic Empowerment and Results Measurement Manager (Country Implementation)
- Communications Manager
- Central Facility Accountant
- Country Representatives

'Staffing is therefore of central importance in market development, and MDF has attracted high-quality and capable staff in all of the countries visited. Management is to be commended for selecting, retaining and motivating staff to such a high level.'

MDF Mid-Term Review

The MDF head contract also allows for a number of unspecified country team personal to be engaged as required. The composition of country teams is fit-for-purpose, growing organically following country mobilisation. MDF has found that optimal staffing for a mature country portfolio normally requires:

- Country Representative (and Deputy Country Representative if required)
- Market Development Adviser(s)
- Results Measurement and WEE Adviser(s)
- Communications Specialist
- Country Team Coordinators
- Business Advisers
- Operations Administrator
- Administration and Logistics officer
- Country Accountant

In addition to these roles, MDF has found some functions are best served through Facility-wide staffing. For instance, Finance and Communications oversight are centralised functions, with costs shared across the country team personnel budgets.

Cardno understands that high-quality project personnel are fundamental to project management success. To recruit the right people for the job, we utilise dedicated Recruitment Specialists, who work closely with in-country project management and Human Resources teams to understand recruitment needs, and

develop targeted strategies to recruit the particular personnel required. As a result of these targeted recruitment strategies we are able to fill the international positions and leadership roles with leading experts in their respective fields.

At the same time, we are acutely aware of the vital importance that local experts play in successful implementation. International advisers can support, guide and mentor, however local staff often have a superior understanding of the complex local business environment which is required for successful interventions. Local staff in technical business advisory roles need to be able to analyse and understand complex markets, undertake research, and develop ideas for innovative interventions.

MDF faced a number of challenges in recruiting high calibre local staff in some labour markets. To manage this, we implemented a recruitment strategy that focused on staff potential rather than previous project experience. This led to MDF targeting competent, confident and motivated individuals with capacity to think laterally and learn. Our local recruitment strategy involved seeking out graduates with two to three years professional experience in the private sector or relevant organisations, and then mentor them in the principles of the program. This strategy has proven successful, to the point where some of the young professionals we recruited have now become international advisers on other market development programs across the globe.

MDF has also worked with local and international universities to build capacity of potential candidates, including arrangements to source interns who can potentially be recruited to full-time positions once they complete their qualifications.

In order to target potential staff, Cardno advertised widely in local media, including print media advertising, as well as extensively utilising networks and referrals to identify high calibre candidates. The recruitment process involved an initial shortlist of candidates followed by intensive interviews and case study exercises. This helps to identify candidates with the ability to present arguments, listen to counter arguments, and interact in a group.

In addition to recruiting high calibre local long-term advisers, Cardno has also recruited local and international consultants for short-term assignments on MDF when required and when local capacity is insufficient. This includes specialist researchers, results measurement specialists and trainers, and environmental specialists.

Cardno has drafted locally engaged staff contract templates which comply with local labour, tax and insurance laws in each country of operation; and sub-contract templates that can be adapted for national or international service providers. All templates are constantly reviewed to ensure fit with changing local requirements.

Case study - MDF's Leadership Development Program

Maryam Piracha joined MDF Pakistan as Business Adviser in 2013. She undertook a Business Adviser placement in Fiji in 2014, and in 2016 became a Senior Coordinator. She is now Acting Country Representative in Pakistan.

With the support of a senior colleague acting as mentor, Maryam has been given exposure to other countries, and various functions including technical, operations, finance, managerial, and program representation.

Professional development and training

As the first market systems development program in most MDF operating countries, we have found few local employees with prior experience in this aid delivery approach. MDF's approach to this challenge is to invest heavily in staff training, professional development, mentoring and retention in order to train and maintain high calibre staff.

MDF has invested heavily in staff training, forming an on-going relationship with a leading training provider of market systems development – Hans Posthumous. Hans has implemented a number of tailored trainings for business advisers. These trainings not only serve to develop capacity in country teams, but also facilitate cross country learning, as advisers from several countries study and interact with each other. Furthermore,

a number of DFAT staff have been invited to attend these trainings fostering improved learning between the program and local DFAT Posts.

Cardno has facilitated a number of country exchanges and field visits, for instance staff exchanges between country offices as well as structured processes for developing staff into senior managers (under the formalised MDF 'Leadership Development Program'). This tailored approach to training has assisted several MDF staff members to assume progressively more senior roles on the program, and to develop specialist expertise. MDF has also identified and sought out specific technical training required for specific staff to undertake their roles to a high standard, for instance, advanced Results Measurement training, financial training, computing training, and leadership and management training.

HR and managing staff performance

MDF large staffing footprint requires strong HR systems and processes to manage performance. With support from Cardno corporate office, Country Representatives and the CLT have achieved considerable success in managing teams.

Performance reviews have been regularly conducted, with the process added value to both improving staff performance and managing performance issues when required. The process has enabled staff and managers to reflect on performance and identify areas for additional support. The process is intimately linked to MDF's approach to providing targeted professional development to improve overall staff capacity.

There have been no notable performance issues to date, with minor issues regularly addressed in compliance with Cardno HR Policy and Procedures Manual. Cardno dealt swiftly with cases involving poor performance, identifying areas of weakness, agreeing a performance improvement plan (involving DFAT where appropriate), and introducing probation periods and other measures as needed.

Lesson Learned

One of MDF's lessons is that programs of this scale require Country Representatives who not only excel at the technical aspects of market systems development, but are able to manage large teams. Although technical leadership is critical (the priority skillset), we have put in place mechanisms to also develop other managerial and operational skills where needed.

MDF learned early on that staff need to be dynamic, intelligent and motivated. The lesson for MDF was that – when selecting staff to manage interventions under a MSD framework – skills, motivation and business acumen are more important than experience working in donor-funded projects.

Risk management and due diligence

Cardno understands that an innovative program such as MDF requires a finely balanced risk management approach. MDF must embrace certain risks to foster innovation and an entrepreneurial culture within the program, whilst ensuring strategies are implemented to manage unacceptable risks. To achieve this, Cardno has combined strict management of governance risks with a pragmatic and outcome-focused approach with respect to commercial risk.

This approach is grounded in our country-led approach to implementation. Our approach to localising program management to the extent possible drives deep understanding of the markets in which the program operates, providing unique insight into risk management strategies specific to the program's varied countries and contexts.

Certain risks must be managed in accordance with strict guidelines to ensure both financial and reputational value is protected. Our Corporate Support Unit has worked with MDF to develop risk management systems tailored specifically to MDF, including due diligence procedures, policies on fraud control and child protection, procurement and contracting mechanisms for partnerships (such as partnership justification reviews and formal partnership agreements), and security. Cardno maintains a risk management plan specific to MDF which is regularly updated. These systems have delivered quality risk

management outcomes to DFAT. This solid platform of risk management allows us to create value by fostering innovation and an entrepreneurial culture within the team.

Every partnership justification process and the subsequent partnership implementation and monitoring is managed by a team rather than a single individual. We know from our experience implementing MDF this helps to manage risk, assures quality, and ensures consistency across the partnerships, by ensuring that 'many pairs of eyes' review and check all stages of the partnership process. MDF contributions are funded on a reimbursable basis; the partner pays and seeks reimbursement.

Furthermore, MDF has rarely contributed more than 50 per cent of the value of an intervention. This ensures there is a real commitment from the partner organisation and eliminates businesses seeking 'handouts'. We also establish close working relationships with partners which facilitates fraud control. The business advisers managing the partnership remain abreast of all activities taking place under a partnership, so that invoices cannot be approved for unknown activities.

The CLT is integrated into this process to further increase quality and reduce risk. The CLT performs a series of essential technical oversight functions as part of the implementation process. Rather than relying on short-term technical advisers, (who may lack understanding of the context, and prove to be expensive) the CLT provides technical backstopping to ensure partnerships are being implemented according to plan, and risks are being identified and mitigated.

Security and OH&S

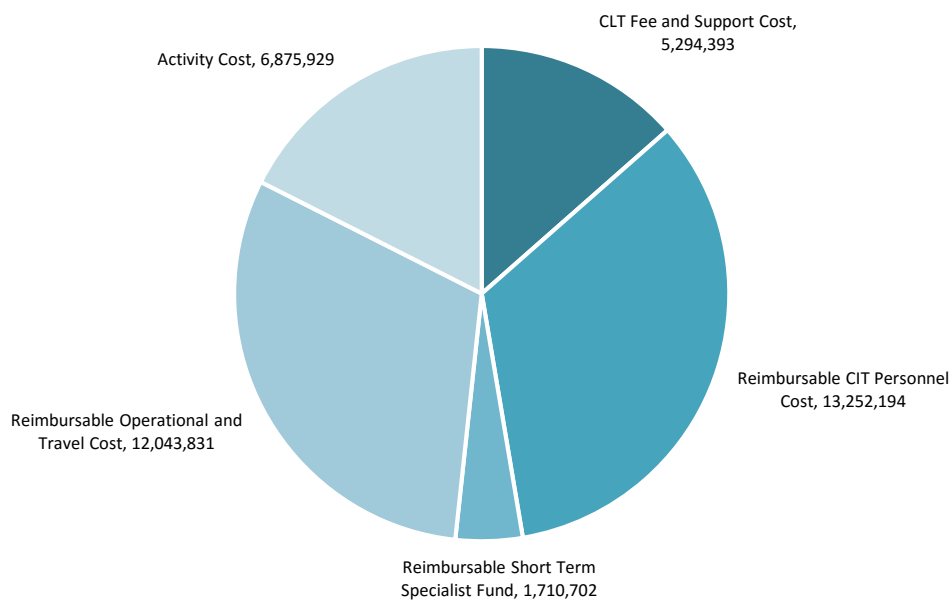
Safety and security procedures were a critical element of the operational support for MDF. The program's safety and security procedures includes a Security Manual and Standard Operating Procedures which are regularly updated, office evacuation plan, email updates of potential threats and hazards, Cardno guidance notes around key issues (for example election risks, cyclones and tropical storms and; venue and event safety checklists, etc.), emergency procedures, and specific threats in the local context. These procedures were tested on several occasions including vehicle accidents, natural disasters (such as Tropical Cyclone Winston) and challenging security environments sometimes presented during field work in Pakistan and Papua New Guinea. In all instances, DFAT were notified promptly, in keeping with Cardno's Health, Safety, Security and Environment Incident Reporting protocols.

Financial reporting

Expenditure summary

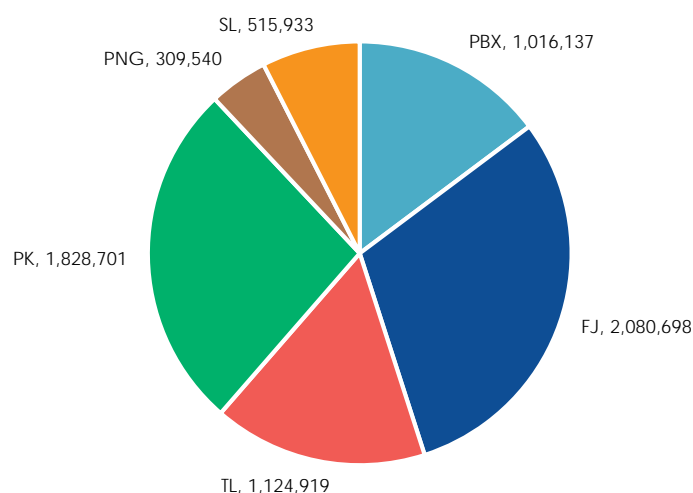
MDF's contract limit for Phase 1 – excluding management fee – is AU\$39,177,049.² Total expenditure over the life of program is expected to reach just below the contract limit, reflecting solid financial management systems and processes and the ability to plan and complete work in accordance with annual work plans and budgets.

Figure 4 MDF Total Expenditure (AUD)

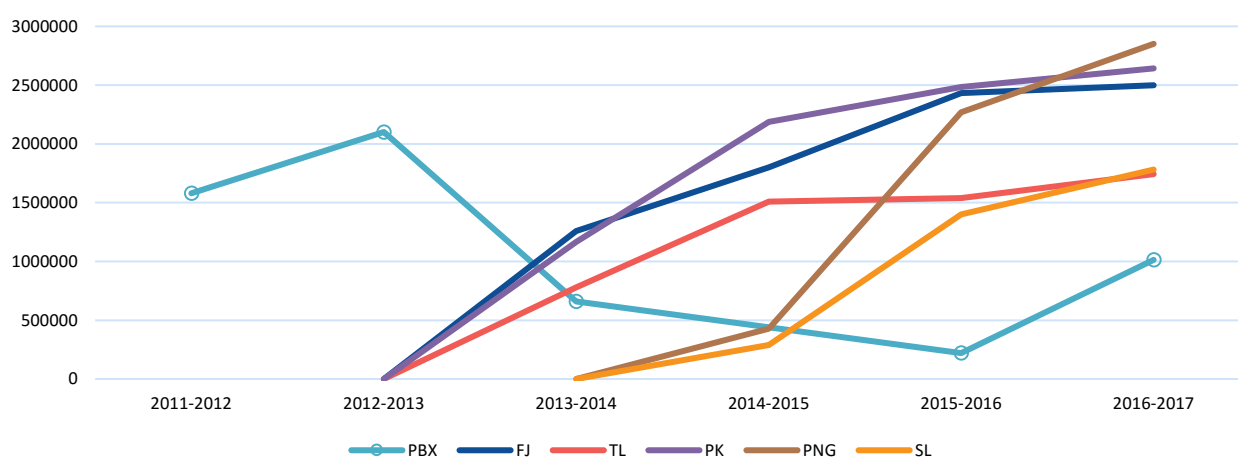


Of total expenditure, activity expenditure represent around 18 per cent.

² Expenditure data includes actual expenditure up until May 2017, and forecast expenditure from June-August 2017.

Figure 5 Activity Expenditure by Country Portfolio³

Country expenditure has increased year on year, as country programs mature and expand. While centralised funding from Canberra has fluctuated, it has decreased over time as the program has moved towards a model where country programs are funded through the country aid budgets.⁴

Figure 6 Annual Expenditure by Country

³ Note: Activity expenditure for PNG and Sri Lanka is expected to be the smallest of the five countries as they were the most recent additions to the MDF portfolio.

⁴ The program was funded by Canberra during the first two years of operations; where after country operations were funded by the individual country budgets, with Canberra funding Facility wide activities.

Financial management

Cardno's financial management processes have provided efficient, accurate and accountable support to MDF. Cardno MDF head office finance and support team have worked with the Operations Manager, Central Facility Accountant and Country Accountants to open bank accounts in each country office; obtain corporate registrations for tax purposes; provide payroll for all locally engaged staff and office expenses; manage payment of supplier invoices and expense claims; prepared regular financial reports and forecasts; and carefully managed operational and activity budgets. They have provided timely responses to DFAT requests for financial information and been proactive in presenting this information to inform decision making.

The multi-country structure of MDF provides many opportunities for effective delivery, but has also presented a number of administrative challenges. One such challenge is around the generation and submission of multiple invoices (and cost sharing arrangements) across the Facility. Cardno has tailored the financial system to ensure multiple invoices are submitted promptly to several posts, minimising the administrative burden on DFAT to centrally co-ordinate program finances. This process has evolved over time to meet the needs of the program, after incorporating early feedback from DFAT.

Lesson Learned

MDF's adaptive approach to programming requires flexible yet robust financial systems.

Private sector partners often require flexibility with regards to the timing of co-investment. This is not always consistent with donor funding and reporting cycles.

To manage this challenge, Cardno implemented fit-for-purpose 'Life Time Budget' tool, in addition to MDF's Partnership Activity Tracker. These tools allowed the program to meet DFAT forecasting and reporting requirements across five separate country budgets, while providing private sector partners with flexible and adaptive support.

Fraud and anti-corruption

Cardno's Fraud Control Policy takes a 'zero tolerance' approach. If fraud occurs, or is suspected, Cardno takes timely action considering local laws, customs and circumstances; and coordinates with DFAT to investigate and resolve, engaging local authorities as appropriate.

Over the six years of operations, vigilance by the program has identified several alleged or suspected fraud attempts. Working with DFAT, Cardno successfully closed all reported fraud cases related to MDF funds.

All fraud cases, however 'minor', were treated as opportunities to review and strengthen MDF's systems, and those of the program's partners. The experience on MDF confirmed that poor internal controls, reduced capacity and lack of awareness can all create an enabling environment for fraud and mismanagement. With this in mind, MDF worked to mitigate the risk of fraud in all aspects of project operations.

To training our staff and increase vigilance against fraud, Cardno delivered interactive training modules on fraud awareness, and anti-bribery measures. MDF staff undertook Cardno training in fraud awareness and financial inducements via Cardno's online learning platform.

Conclusion

This Activity Completion Report covers the initial six years of the Market Development Facility, as it became established in Fiji, Timor-Leste, Pakistan, Sri Lanka and Papua New Guinea, under the management of Cardno Emerging Markets.

During this time, a substantial body of MDF knowledge products and communications materials were produced. Readers are encouraged to access these for more in-depth coverage of MDF's results and lessons learned, particularly the Annual Aggregation of Results.

From the second half of 2017, MDF will transition into a second Phase.