



# Annual Report

# 2023

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Market Development Facility

## Impressum

This report is published by the Market Development Facility (MDF) in May 2024. The writing, editing and design of the report was conducted by MDF staff, together with the following external contributors:

Graphic Design: Stella Pongsitanan

Editor: Amelia Taylor

## Market Development Facility

The Market Development Facility (MDF) is a multi-country initiative which promotes sustainable economic development, through higher incomes for women and men, in our partner countries across the Indo-Pacific.

We support partners from business and government to identify and grow commercial opportunities that are profitable, scalable and deliver social and environmental value.

MDF is funded by the Australian Department of Foreign Affairs (DFAT) and co-funded by the New Zealand Ministry of Foreign Affairs and Trade (MFAT) in Samoa, Tonga and Vanuatu. It is implemented by Palladium in partnership with Swisscontact.



# ANNUAL REPORT

# 2023

# Purpose of this report



## Objective

MDF supports the Australian Government’s objectives of promoting sustainable economic growth, enhancing women’s economic empowerment and reducing poverty.

The Annual Report 2023 is intended to provide insight into the program’s key achievements between 1 January and 31 December 2023. It also describes the progress made towards MDF’s End-of-Program Outcomes and high-level objectives.



## Audience

This report is a public document designed for MDF stakeholders and/or members of the public with an interest in Market Systems Development. The report has been written specifically to address the information needs of DFAT’s Climate Resilience and Finance Branch (CLB) and Office of the Pacific (OTP) in Canberra, MFAT in Wellington, DFAT and MFAT staff at Post in MDF’s countries of operation, and MDF staff.



## Reporting period

This Annual Report covers the period between 1 January and 31 December 2023.

As such, it covers the activities and deliverables set out in the Annual Strategic and Operational Plan 2023 (1 January 2023 to 31 December 2023).

### Former Reporting Structure Up to 2018

Report	Period Covered	Due Date
Annual Aggregation of Results (AAR)	1 December 2016 to 30 November 2017	February 15 <sup>th</sup>
Annual Report (AR)	1 December 2016 to 30 November 2017	March 1 <sup>st</sup>
Annual Strategic Plan (ASP)	Financial Year Coming (July 2018 – June 2019)	May 15 <sup>th</sup>
Financial Report	Financial year 2017-18	August 30 <sup>th</sup>
Deliverables Report	Previous ASP	August 30 <sup>th</sup>

### Reporting Structure 2019 Bridge Year

Report	Period Covered	Due Date
Annual Report (includes annual aggregation)	Previous calendar year (2018)	March 1 <sup>st</sup>
Bridge Annual Strategic Plan (ASP)	June to December 2019	May 15 <sup>th</sup>
Financial Report (includes deliverables report)*	Financial year (2018-19)	August 30 <sup>th</sup>
Annual Strategic Plan (ASP)	Calendar year 2020	November 30 <sup>th</sup>

\* As an attachment to the financial report, MDF will report on its progress against deliverables in tabular format.

### Reporting Structure 2020 Onwards

Report	Period Covered	Due Date
Annual Report (includes annual aggregation)	Previous calendar year (2019)	March 1 <sup>st</sup>
Financial Report	Financial year (2019-20)	August 30 <sup>th</sup>
Annual Strategic Plan (ASP)	Calendar year 2021	November 30 <sup>th</sup>





## Report structure

In 2019, MDF introduced the three-tiered 'market system' structure (MSS) to its reports (see *Systemic Change* at MDF for details).

Specifically designed for flexible implementation, the MSS is primarily intended to provide a consistent structure and format to communicate MDF's plans and results.

MDF first applied this structure and format to the Annual Strategic Plan 2020 and has continued to use them. They allow readers to compare the plans made in Annual Strategic and Operational Plans (ASOP) with the progress made in Annual Reports—that is, to compare what MDF planned with what it achieved. A summary of the key changes made to the Annual Report is reproduced from *MDF Reporting Framework Update* for DFAT below.



## Key features of the Annual Report

### Market system hierarchy

The contents of the Annual Report record progress according to the market system hierarchy. This means that, like the ASOP, each market system includes a market system hierarchy diagram and a narrative which explains progress against it.

### Inclusion of the summary table from the ASOP

The report includes a smaller version of the summary table from the ASOP for each market system to help readers remember what MDF planned.

### Inclusion of outputs in summary table

MDF has included figures for the value of additional market transactions (VAMT) and private sector investment leveraged to aid comparison between activities and outputs.

### Inclusion of traffic lights for progress

Each table includes a traffic light to demonstrate how interventions are progressing. Green is used for on track, orange for some delays but broadly on track and red for delays or issues.

### Inclusion of leading indicators

Leading indicators (access and usage) are featured as part of the explanation of the journey towards systemic change. The systemic change envisaged is articulated in the MSS hierarchies above.

### Inclusion of Aggregate Development Results (ADRs)

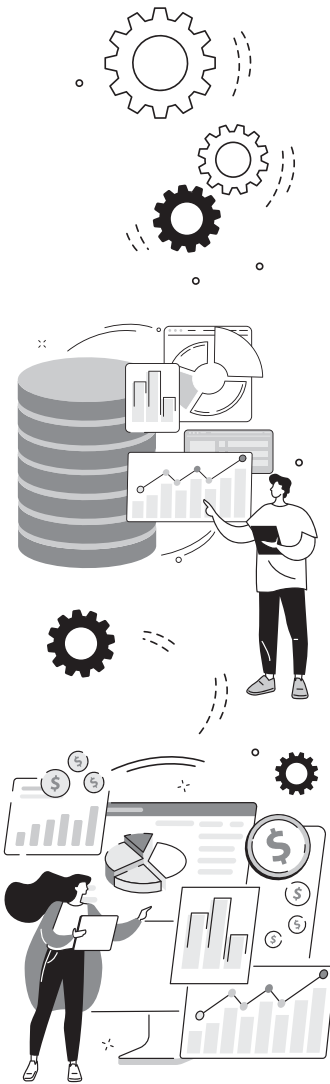
Progress marked against DFAT ADRs is included.

### Highlights - graph updates

MDF will update its graphical representation of how interventions are progressing according to the headline and leading indicators. Estimates are no longer represented by a line but by a single dot to help readers understand that they are End-of-Program Outcomes. Effort has been made to clarify the cumulative nature of the results.

# How to read this report

## What are our numbers, and what do they mean?



### Estimates

Estimates are similar to targets.

At the start of each phase, data and experience of country and market contexts are used to assess what can reasonably be achieved during that phase.

This evaluation takes time, budget and other design constraints (such as a particular focus on a population) into account. It is not based on specific interventions or partnerships.

The result of this assessment is an estimate—an ‘educated guess’ of what the whole country program can achieve during one phase.

Estimates are reviewed mid-phase.

### Projections

Projections express an intervention's expected yield.

Before entering into any intervention, teams conduct rigorous assessments of deliverables and what can realistically be achieved within one year, under current circumstances.

The results for each intervention in a country's portfolio are then added together to give cumulative projections—an informed estimation of what is expected from a country's interventions.

Projections are used to understand the likely contribution of each intervention to reaching End-of-Program Outcomes (EOPOs, or estimates) and as a management tool to guide resource allocation within the country programs.

Projections are also used to help DFAT understand what the program is likely to achieve from a given group of interventions.

### Actuals

Actuals are the measured and verified results of an intervention.

This data helps MDF to evaluate whether or not an intervention is on track, and whether expectations are being met.

As the name suggests, this measures the ‘actual’ impact that has been observed through our ongoing monitoring.

The current year's ‘actual’ results are added to previous years’ results to give us cumulative figures.

## Why do we present cumulative results?

It is important to report on cumulative figures for both projections and actuals because market system development interventions do not bring immediate results: an investment made this year generates results in years to come. It also allows the program to:

- capture and report a project's impact sustainability (whether a project continues to produce positive results even after MDF activities have been completed)
- know whether our original estimates and projections were accurate
- detect signs of systemic change based on the overall scale of change compared to the size of the sector.

## Comparison of Indicators

	<b>Estimates</b>	<b>Projections</b>	<b>Actuals</b>
<b>Meaning</b>	Where we thought we'd be by the end of the phase	Where we thought we would be after an intervention is complete	Where we are
<b>Calculated</b>	At the start of the phase	At the start of an intervention	At the end of the year
<b>Measures</b>	Expectations of country and program achievement over the phase	Expectations of an intervention	Intervention results
<b>Updated</b>	Mid-term review only	Bi-annually	Annually
<b>Timeframe</b>	One phase	One year	One year

# Reporting Indicators

## Headline indicators



### Effective outreach

- Total number of disadvantaged or economically marginalised working adults (smallholder farms, firms and workers) benefiting as a result of MDF interventions
- Gender disaggregated

### Purpose:

- Measures scale of impact on poor, disadvantaged, economically marginalised women and men



### Net additional income increase

- Net additional income earned by beneficiaries, attributable to MDF intervention
- Gender disaggregated

- Captures value of additional income

## Leading indicators



### Usage outreach

- The number or proportion of target beneficiaries (i.e. from those who have access) who are now using or applying the information, good or service
- Gender disaggregated

### Purpose:

- Reflective of the feasibility/success of the model explored



### Access outreach

- The number or proportion of beneficiaries that have information about, or access to, a specific good or service as a result of MDF's intervention
- Gender disaggregated

- Captures early signs of progress at an intervention, sector and portfolio level

## Value for money indicators



### Value of additional market transaction (VAMT)

Increased economic transactions triggered by MDF intervention. This captures the additional sales revenue generated by businesses that MDF has supported

### Purpose:

- Allows us to check how our activities are resulting in additional end market sales for businesses

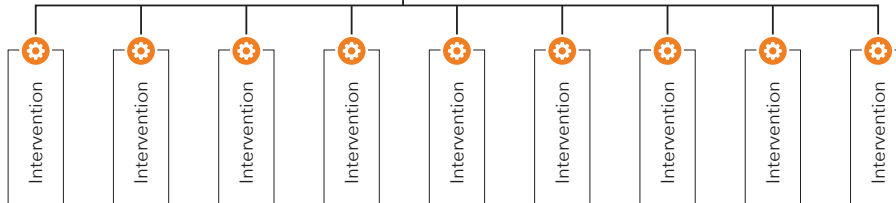


### Private sector investment leveraged

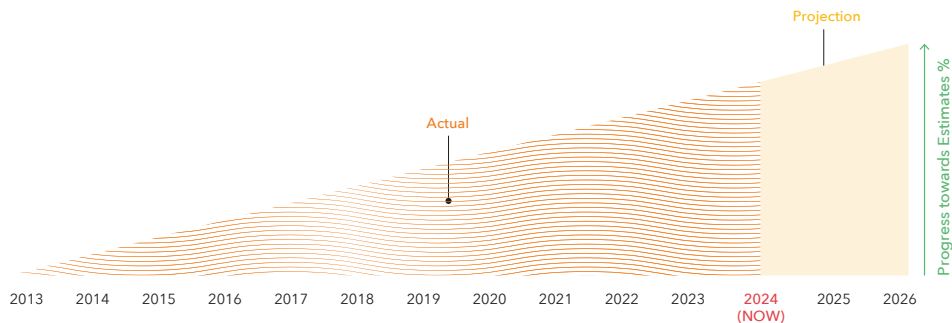
Includes additional investments made to improve business models triggered by MDF intervention and investments made by other businesses that have 'crowded-in' in response to MDF intervention

- Reflects businesses' buy-in, risk appetite, indication of sustainability

## Activities



Target (Estimates)



# Abbreviations and Acronyms

<b>ACIAR</b>	Australian Centre for International Agricultural Research
<b>ADB</b>	Asian Development Bank
<b>ADR</b>	Aggregate Development Results
<b>APCP</b>	Australia Pacific Climate Partnership
<b>ASOP</b>	Annual Strategic and Operational Plan
<b>AUD</b>	Australian Dollars
<b>BA</b>	Business Adviser
<b>BPO</b>	Business Process Outsourcing
<b>CLB</b>	Climate Resilience and Finance Branch of DFAT
<b>CLT</b>	Core Leadership Team
<b>DFAT</b>	Department of Foreign Affairs and Trade (Australia)
<b>DMC</b>	Destination Management Company
<b>EI</b>	Engagement and Influencing
<b>EOPO</b>	End-of-Program Outcomes
<b>EV</b>	Electric Vehicle
<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>FCEF</b>	Fiji Commerce and Employers Federation
<b>FEE</b>	Fiji Enterprise Engine
<b>FDI</b>	Foreign Direct Investment
<b>FJD</b>	Fijian Dollar
<b>FTE</b>	Full-Time Equivalent
<b>FY</b>	Financial Year
<b>GDP</b>	Gross Domestic Product
<b>GEDSI</b>	Gender Equality, Disability and Social Inclusion
<b>HACCP</b>	Hazard Analysis and Critical Control Points
<b>ICT</b>	Information Communications Technology

<b>IDP</b>	International Development Policy
<b>IFC</b>	International Finance Corporation
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>LKR</b>	Sri Lankan Rupee
<b>MDF</b>	The Market Development Facility
<b>MFAT</b>	New Zealand Ministry of Foreign Affairs and Trade
<b>MIS</b>	Management Information System
<b>MOU</b>	Memorandum of Understanding
<b>MSD</b>	Market Systems Development
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>MSS</b>	Market System Strategy
<b>OPD</b>	Organisations for people with disability
<b>OS</b>	Outsourcing Services
<b>OTP</b>	Office of the Pacific
<b>PGK</b>	Papua New Guinean Kina
<b>PHAMA</b>	Plus Pacific Horticultural and Agricultural Market Access Program
<b>RIMI</b>	Research, Impact Measurement and Inclusion
<b>SAT</b>	Samoan Tala
<b>SME</b>	Small and Medium-sized Enterprises
<b>TOP</b>	Tongan Pa'anga
<b>UNCDF</b>	United Nations Capital Development Fund
<b>USD</b>	United States Dollars
<b>VAMT</b>	Value of Additional Market Transactions
<b>VUV</b>	Vanuatu Vatu
<b>WEE</b>	Women's Economic Empowerment
<b>WHO</b>	World Health Organization

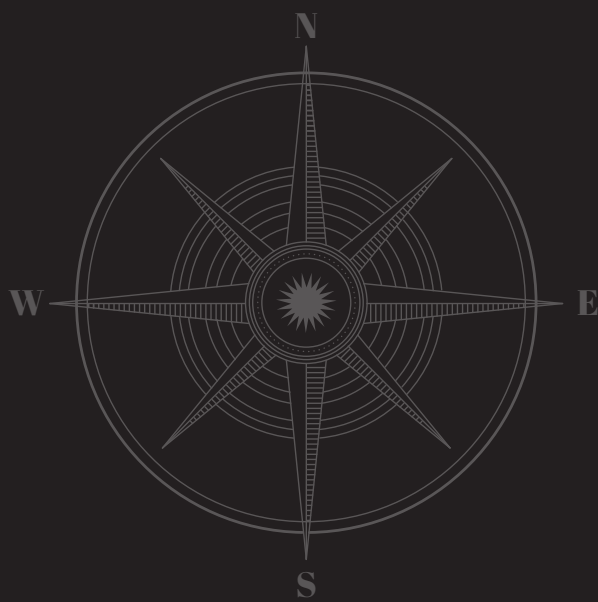
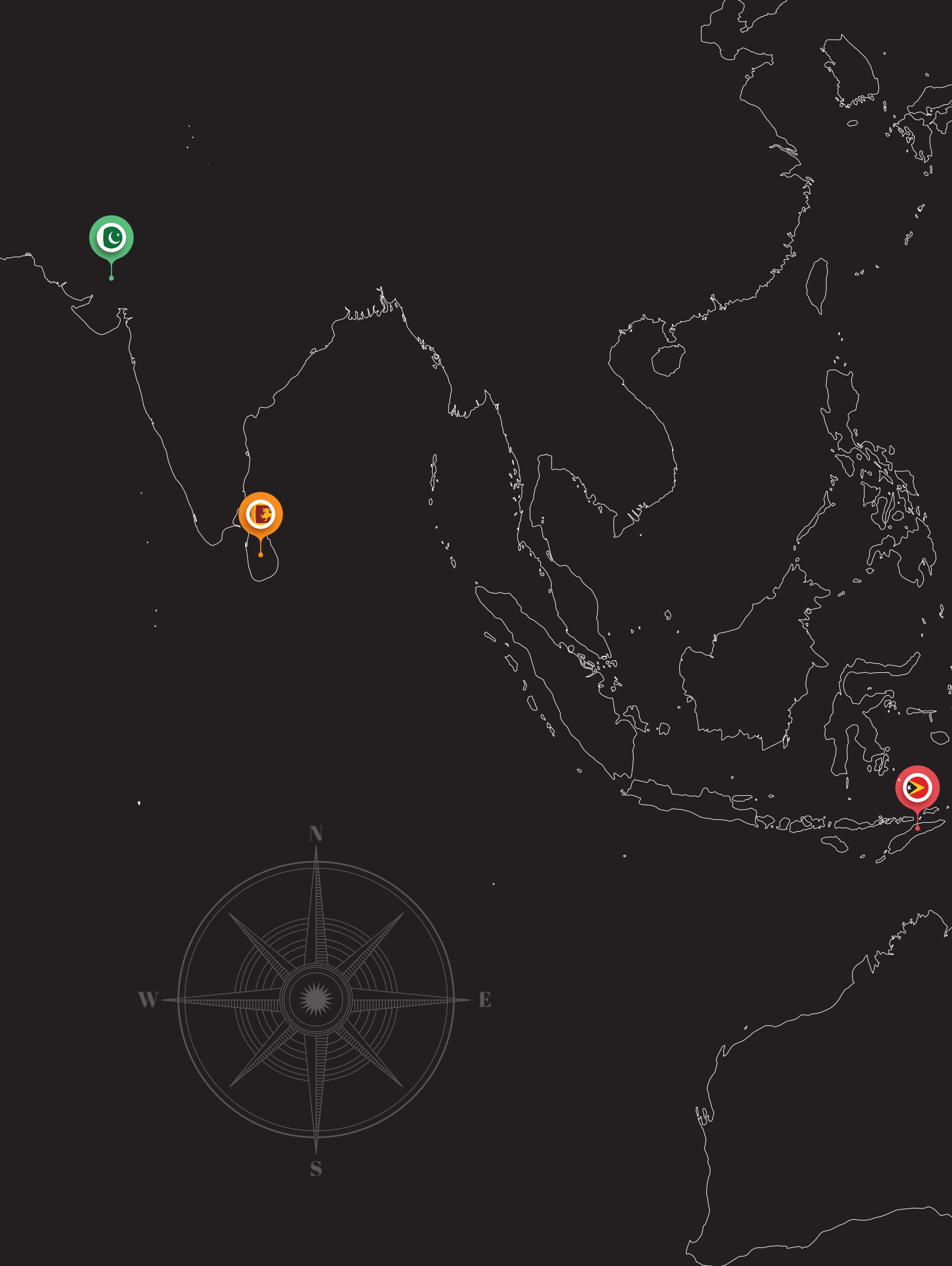
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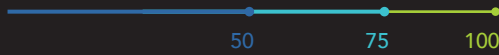






# Facility Wide

# MDF's Progress in 2023

Graph key: **Actuals** / **Projections** / **Estimates<sup>1</sup>** Example: 

Estimates are calculated at the start of each phase. They are not targets, but rather an informed, calculated guess at what the program can achieve during the phase.

## Number of people positively impacted by MDF's work (Effective Outreach)



### Strategic shifts ensure continued growth amid changing program landscape

In 2023, MDF's positive impact continued to grow, with projections suggesting a similar upward trajectory in the years ahead, despite changes in the composition of MDF's focus countries over the past three years. MDF transitioned from a program covering approximately 257 million people to one covering 24 million people, resulting in a slower pace of projected growth. Notably, a significant proportion of the population has already been reached in Timor-Leste and Fiji.

Specific achievements in 2023 include 1.5 percent growth in both actual impact and projected impact. Growth was fuelled by the creation of more than 500 full-time jobs, primarily for women, in Fiji's outsourcing services sector; interventions in agricultural inputs and seaweed in Timor-Leste; and interventions in agricultural inputs in Sri Lanka, relating to digital scales that led to increased tea sales for more than 1,700 farmers. Coffee certification and value chain financing initiatives in Papua New Guinea continued to thrive and benefited more than 2,000 farmers, despite the closure of the MDF country program and transition to the Australia-Papua New Guinea Economic Partnership (APEP) in 2023.

Pacific Regional and Sri Lanka were pivotal in driving projected outreach growth, reflecting strengthened portfolios and new initiatives. MDF also forged new partnerships and relationships to ensure operational continuity and supply chain stability.

## Additional income generated for adults across MDF countries (Net Additional Income)



### A steady income trajectory, with continued growth projected

As of December 2023, MDF had generated USD166 million (AUD251 million) in additional income, reaching 67 per cent of End-of-Program Outcomes (estimates) and registering a four per cent increase versus 2022. The current portfolio is expected to contribute USD200 million (AUD303 million), or 81 per cent of estimates, until 2026.

In Timor-Leste, farmer incomes in coffee and pig interventions contributed to additional income, while full-time employment generated through chicken and early-stage export interventions also contributed to additional income growth. In Sri Lanka, MDF interventions had a significantly positive impact on female incomes (more than USD140,000/AUD212,000), especially in agricultural inputs and coffee. Expanding portfolios in agricultural inputs and tourism contributed to a substantial increase in projections for Sri Lanka.

In Fiji's outsourcing services sector, new foreign direct investment contributed 98 per cent of the increase in income, reflecting a promising trend of job and income generation. In PNG, despite low market prices for coffee, MDF interventions enabled farmers to earn a premium for their specialty coffee compared to commodity coffee, resulting in a 17 per cent increase in income year-on-year. Planned tourism interventions in Timor-Leste and Sri Lanka, as well as the growing portfolio in Pacific Regional, are further anticipated to bridge the gap between actuals, projections and estimates.

<sup>1</sup> Figures expressed here are rounded off to one decimal place to aid readability in infographic form. The exact figures can be found in the results tables. The figures are cumulative as of December 2023. For definitions of actuals, projections, and estimates, please refer to page 6.

**Additional revenue generated for business partners (Value of Additional Market Transactions)**



**Resilience amid a turbulent economic landscape**

The current portfolio continued to reap benefits for the private sector—as of December 2023, the value of additional market transactions (VAMT) continued to grow and exceed estimates. VAMT grew a strong 10 per cent year on year, with interventions with diverse businesses contributing to growth, particularly export-related interventions. In Fiji, export of outsourcing services resulted in more than 20 per cent of private sector revenue generated. In PNG, businesses switching from commodity to certified coffee enabled them to generate an additional USD0.80 (AUD1.2) per kg of coffee, approximately. In Timor-Leste, several interventions started generating additional private sector revenue, showing increased sector competitiveness. Interventions in chicken and tourism contributed significantly to VAMT.

The strong VAMT results are particularly noteworthy given post-pandemic economic fluctuations and global headwinds. Sustained private sector growth reflects well-planned interventions and continued economic activity despite the challenging conditions.

**Amount of investment from the private sector (Private Sector Investment Leveraged)**



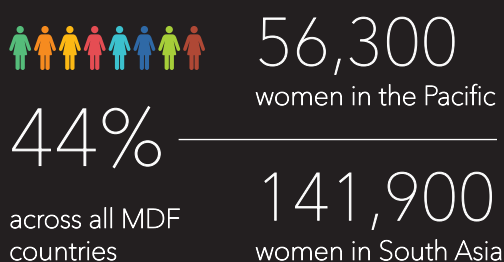
**Risk appetite is increasing; businesses are increasingly willing to cost share on innovative business models**

**Ratio of MDF to private sector investment:1:2.5**

As at December 2023, for every dollar invested by MDF, the private sector had invested 2.5 dollars. MDF has generated more than USD27 million (AUD41 million) cumulatively in private sector investment, with USD1.8 million (AUD2.7 million) catalysed in 2023 alone. A significant 29 per cent of private sector investment came from 'crowded-in' partners, i.e. private sector companies replicating models initially supported by MDF.

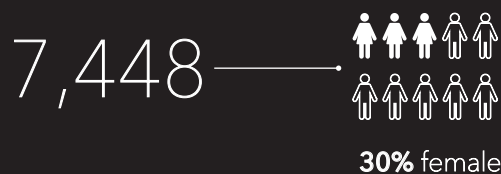
In Sri Lanka, despite a lack of easy access to finance and high interest rates, businesses continued to invest and adopt MDF-supported business models. Notable private investments included establishing imports; developing and distributing high-quality inputs, such as seeds and fertiliser; and coffee sourcing and processing, including establishing dry and wet mills. With an expanding portfolio in Pacific Regional, MDF will maintain investment momentum and anticipates achieving leverage estimates by the end of the phase.

**Proportion of women benefitting from MDF interventions**



MDF's commitment to inclusion remains steadfast, with women accounting for 44 per cent of adults benefitting from program initiatives. As of December 2023, women generated 40 per cent of additional income. MDF continued to engage in businesses partnerships that aim to address women's access and agency. In Sri Lanka, MDF supported new employment opportunities for women in agriculture. In Fiji, growth in outsourcing services resulted in, for the first time, more women benefitting than men (66 per cent of beneficiaries in 2023 were female).

**Outreach from employment**



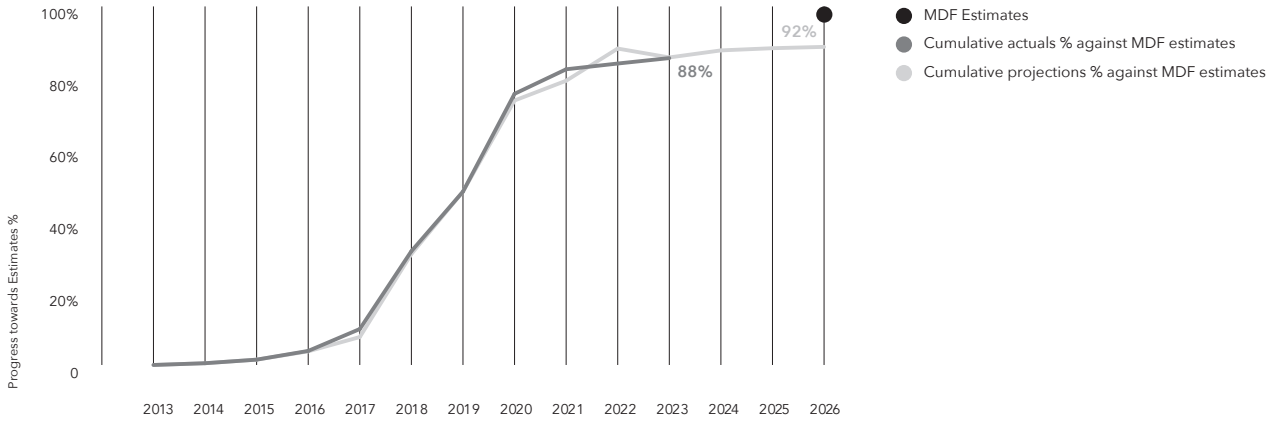
In 2023, MDF's work in outsourcing services, early-stage exports, chicken and agriculture resulted in the creation of 697 new jobs, 64 per cent of which were filled by women. MDF observed new trends in job creation that are being used to inform portfolio composition and inclusive growth strategies.



# Highlights

Facility estimates have been adjusted (increased) to reflect MDF's new five-year extension.

## EFFECTIVE OUTREACH



Effective outreach continued its upward trajectory in 2023, growing by 1.8 per cent since 2022. However, growth may appear lower than expected due to the factors listed below.

- The Pakistan country program closed in 2022, so outreach figures remained unchanged in 2023.
- MDF PNG's transition to APEP affected PNG's outreach growth trajectory, as there were no new interventions in 2023. With the team winding down, MDF was also unable to validate projections through field visits, resulting in actuals and projections reflecting a lower increase than usual.

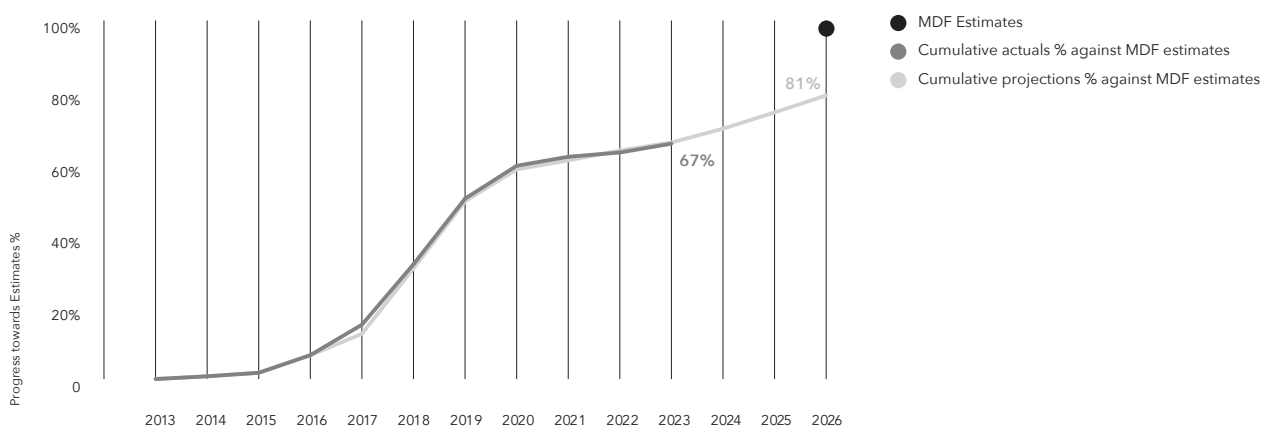
MDF's data aggregation protocols are guided by rigorous standards that prevent reporting the same beneficiary twice. This year, market saturation in thin market economies, such as Fiji and Timor-Leste, required that MDF discount a significant portion of 2023 impact. In Timor-Leste, more than 50 per cent of effective outreach needed to be discounted from new interventions due to overlap with previous interventions relating to African Swine Fever. In Fiji, similar adjustments were made in agricultural input interventions. By discounting these overlaps, MDF aims to provide a more comprehensive understanding of program performance.

These adjustments reflect MDF's commitment to reporting accuracy, and the reality that MDF will often be deepening impact in small-market economies, rather than broadening it.



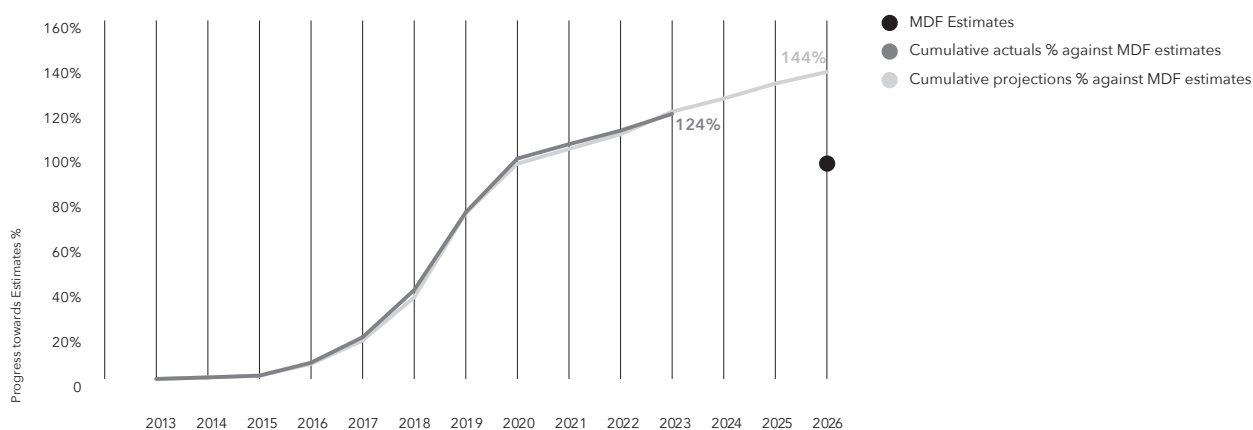
☑ Coffee rehabilitation visit by DFAT, Timor-Leste

## NET ADDITIONAL INCOME



- Net additional income continued to increase in 2023. The current portfolio reached 67 per cent of estimates and is projected to reach 81 per cent by 2026. Farmer premiums in PNG and the revival of Sri Lanka’s portfolio post-crisis supported growth.
- Economic headwinds continued to affect MDF's income reporting. In Sri Lanka, despite a significant five per cent year-on-year increase, the income trajectory was affected by the LKR's persistent depreciation against the USD.
- Projections are supported by Pacific Regional portfolio growth, which is expected to materialise in 2024. The gap between projections and estimates should narrow following LKR stabilisation and further portfolio growth in Pacific Regional.

## VALUE OF ADDITIONAL MARKET TRANSACTIONS



- The value of additional market transactions (VAMT, or private sector revenue) continued to grow and surpass estimates. VAMT grew significantly, by over 10 per cent year-on-year, fueled by export-related interventions in PNG, Sri Lanka and Timor-Leste. Similar results are expected from Pacific Regional in the next few years.
- MDF's current portfolio is expected to achieve 147 per cent of estimates.

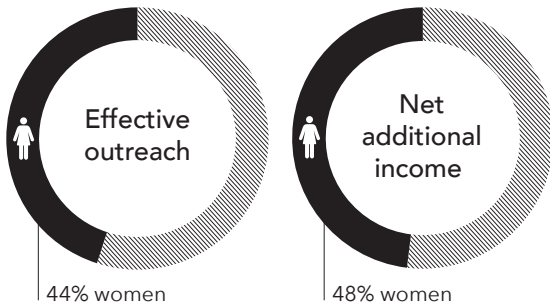
# Summary of MDF results as of December 2023

## Facility-wide<sup>2</sup>

Effective outreach	Net additional income	Private sector investment leveraged	VAMT
450,185	USD \$166m	USD \$28m	USD \$221m



### Pacific



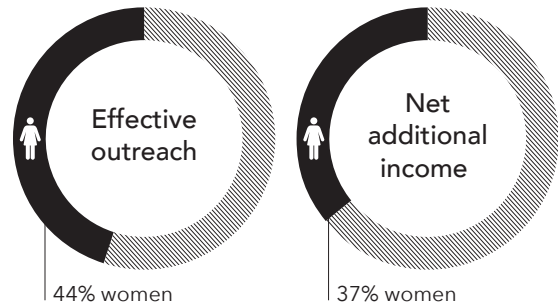
Effective outreach: 126,335  
 Net additional income: USD \$50m

Private sector investment leveraged: USD \$21m

VAMT: USD \$61m



### South Asia



Effective outreach: 323,830  
 Net additional income: USD \$116m

Private sector investment leveraged: USD \$7m

VAMT: USD \$160m

MDF continued to see higher outreach in its South Asian portfolio due to its historical interventions in Pakistan and greater population density in Sri Lanka compared to the Pacific countries. MDF has already reached significant population numbers in Timor-Leste and Fiji and is therefore recording high levels of overlap in intervention beneficiaries—in some instance, over 50 per cent overlap. This overlap has been considered and accordingly discounted when measuring 2023 impact, as detailed in the Highlights on page 17. The share of women benefitting from MDF interventions remained steady across the facility, due to new interventions in agricultural inputs and job creation.

Average additional income per beneficiary remained steady in South Asia, at USD360 (AUD553). In the Pacific, it increased to USD400 (AUD615) from USD347 (AUD533) in 2022, on the back of new job generation in Fiji and Timor-Leste. The share of private sector investment is higher in the Pacific, where MDF works with a greater number of private sector partners. Detailed private sector investment ratios can be found in the country chapters and the 'MDF Results 2023' tables.

<sup>2</sup> All numbers presented are cumulative. The starting point for accumulation for each country is 2013 for Fiji, 2014 for Timor-Leste, 2015 for Pakistan, 2016 for Sri Lanka and Papua New Guinea, and 2022 for Pacific Regional. Facility-level numbers are an aggregation of all countries' cumulative results.



# MDF Results 2023



Indicator	Cumulative actuals (as of December 2023)			Cumulative projections (as of December 2023)			Estimates
	Female	Male	Total	Female	Male	Total	
MDF investment (USD)			3,591,946			NA	NA
Private sector investment leveraged (USD)			14,516,959			NA	16,700,000
MDF to private sector investment leverage ratio			4.04			NA	NA
Value of additional market transactions (USD)			46,451,714			57,524,397	61,000,000
	Female	Male	Total	Female	Male	Total	
Access outreach	11,708	11,124	<b>22,832</b>	12,707	12,097	<b>24,804</b>	NA
Usage outreach	11,423	10,872	<b>22,295</b>	12,298	11,721	<b>24,019</b>	NA
Effective outreach	11,237	10,705	<b>21,942</b>	12,003	11,444	<b>23,447</b>	45,000
Outreach from employment	1,039	679	<b>1,718</b>	1,190	808	<b>1,998</b>	NA
Net additional income (USD)	18,259,384	18,929,795	<b>37,189,179</b>	23,341,790	23,630,938	<b>46,972,728</b>	61,000,000



© Jone Dansey, a Fijian farmer

<sup>3</sup> All numbers are cumulative, starting 2013.

 Pakistan<sup>4</sup>

Indicator	Cumulative actuals (as of December 2023)			Cumulative projections (as of December 2023)			Estimates
	Female	Male	Total	Female	Male	Total	
MDF investment (USD)			1,871,718			NA	NA
Private sector investment leveraged (USD)			5,134,738			NA	5,161,905
MDF to private sector investment leverage ratio			2.74			NA	NA
Value of additional market transactions (USD)			142,612,070			NA	64,002,500
	Female	Male	Total	Female	Male	Total	
Access outreach	174,967	194,358	<b>369,325</b>	NA	NA	<b>NA</b>	NA
Usage outreach	145,469	164,860	<b>310,329</b>	NA	NA	<b>NA</b>	NA
Effective outreach	136,786	156,177	<b>292,963</b>	NA	NA	<b>NA</b>	298,827
Outreach from employment	548	3,780	<b>4,329</b>	NA	NA	<b>NA</b>	NA
Net additional income (USD)	40,286,362	58,300,750	<b>98,587,112</b>	NA	NA	<b>NA</b>	133,092,212

 Papua New Guinea<sup>5</sup>

Indicator	Cumulative actuals (as of December 2023)			Cumulative projections (as of December 2023)			Estimates
	Female	Male	Total	Female	Male	Total	
MDF investment (USD)			2,071,095			NA	NA
Private sector investment leveraged (USD)			1,842,934			NA	1,200,000
MDF to private sector investment leverage ratio			0.89			NA	NA
Value of additional market transactions (USD)			6,084,961			6,731,931	4,050,000
	Female	Male	Total	Female	Male	Total	
Access outreach	9,592	32,703	<b>42,295</b>	9,592	32,703	<b>42,295</b>	NA
Usage outreach	3,204	21,780	<b>24,984</b>	3,204	21,780	<b>24,984</b>	NA
Effective outreach	3,123	17,292	<b>20,415</b>	3,123	17,292	<b>20,415</b>	9,000
Outreach from employment	34	89	<b>123</b>	34	89	<b>123</b>	NA
Net additional income (USD)	343,525	1,379,963	<b>1,723,488</b>	372,548	1,536,034	<b>1,908,582</b>	4,050,000


<sup>4</sup> These are the same numbers previously reported and MDF is showing them to show the contribution to the overall Facility numbers. All numbers are cumulative, starting 2015.

<sup>5</sup> All numbers are cumulative, starting 2016.



Indicator	Cumulative actuals (as of December 2023)			Cumulative projections (as of December 2023)			Estimates
	Female	Male	Total	Female	Male	Total	
MDF investment (USD)			1,559,673			NA	NA
Private sector investment leveraged (USD)			1,927,813			NA	4,180,000
MDF to private sector investment leverage ratio			1.24			NA	NA
Value of additional market transactions (USD)			18,439,853			34,982,156	28,980,000
	Female	Male	Total	Female	Male	Total	
Access outreach	9,615	40,800	<b>50,415</b>	16,275	63,783	<b>80,058</b>	NA
Usage outreach	6,086	28,009	<b>34,095</b>	14,232	44,826	<b>59,058</b>	NA
Effective outreach	5,116	25,752	<b>30,868</b>	9,748	32,280	<b>42,028</b>	55,600
Outreach from employment	337	137	<b>474</b>	368	230	<b>598</b>	NA
Net additional income (USD)	2,412,418	15,037,627	<b>17,450,045</b>	6,794,254	31,934,083	<b>38,728,337</b>	31,807,000



 The MDF Sri Lanka and Helanta Coffee teams assess coffee sapling quality

<sup>6</sup> All numbers are cumulative, starting 2016.

 Timor-Leste<sup>7</sup>

Indicator	Cumulative actuals (as of December 2023)			Cumulative projections (as of December 2023)			Estimates
	Female	Male	Total	Female	Male	Total	
MDF investment (USD)			1,866,981			NA	NA
Private sector investment leveraged (USD)			4,465,442			NA	6,600,000
MDF to private sector investment leverage ratio			2.39			NA	NA
Value of additional market transactions (USD)			8,140,335			9,780,038	10,400,000
	Female	Male	Total	Female	Male	Total	
Access outreach	135,639	135,704	<b>271,343</b>	136,859	136,934	<b>273,793</b>	NA
Usage outreach	74,982	74,997	<b>149,979</b>	76,078	76,102	<b>152,180</b>	NA
Effective outreach	41,968	42,031	<b>83,999</b>	42,985	43,050	<b>86,035</b>	90,000
Outreach from employment	315	490	<b>805</b>	315	493	<b>808</b>	NA
Net additional income (USD)	5,550,505	5,718,414	<b>11,268,919</b>	5,833,173	6,044,129	<b>11,877,302</b>	12,800,000

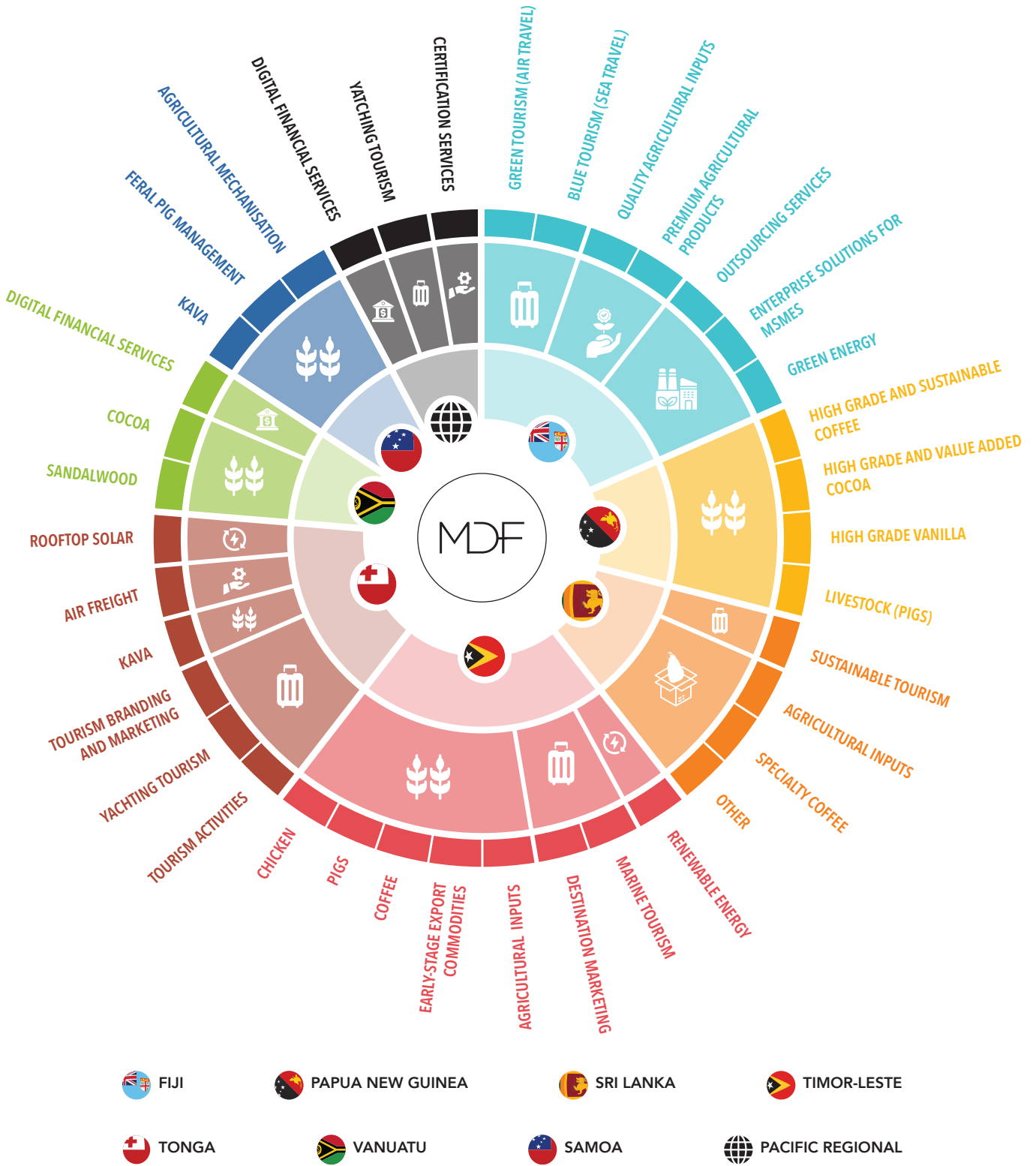
 Pacific Regional<sup>8</sup>

Indicator	Cumulative actuals (as of December 2023)			Cumulative projections (as of December 2023)			Estimates
	Female	Male	Total	Female	Male	Total	
MDF investment (USD)			413,827			NA	NA
Private sector investment leveraged (USD)			188,929			NA	2,355,300
MDF to private sector investment leverage ratio			0.46			NA	NA
Value of additional market transactions (USD)			72,122			5,286,834	9,796,650
	Female	Male	Total	Female	Male	Total	
Access outreach	116	130	<b>246</b>	3,577	3,704	<b>7,281</b>	NA
Usage outreach	0	0	<b>0</b>	1,184	1,298	<b>2,482</b>	NA
Effective outreach	0	0	<b>0</b>	819	933	<b>1,752</b>	11,300
Outreach from employment	0	0	<b>0</b>	3	36	<b>39</b>	NA
Net additional income (USD)	0	0	<b>0</b>	561,112	1,571,759	<b>2,132,870</b>	4,164,700

<sup>7</sup> All numbers are cumulative, starting 2014.

<sup>8</sup> All numbers are cumulative, starting 2022 for Samoa, and 2023 for Vanuatu and Tonga.

# Facility on a page A snapshot of MDF's market systems



## Market sectors:

- Agriculture
- Financial Services
- High Value Agriculture
- Services
- Renewable Energy
- Authentic Sri Lankan Goods
- Urban Industries
- Tourism

# MDF highlights 2023

## 2023 was a year of evolution and progress for MDF

MDF exited PNG, expanded its operations in Samoa, Vanuatu and Tonga and grew its portfolio of regional interventions in the Pacific. In Sri Lanka and Timor Leste, partnerships with industry leaders in coffee, agriculture and tourism gained significant momentum. In Fiji, MDF deepened its impact in tourism, high-value agriculture and outsourcing services and began working in renewable energy and electric vehicle markets.

The composition of MDF's portfolio continued to evolve, with increased climate-related investment, a growing concentration of business investment in MDF's target markets, larger firms becoming interested in working with MDF and more cross-border business partnerships. During the year, 57 new activities were started and a total of 94 activities were delivered. Several major research activities were undertaken to inform interventions planned for 2024 in areas, including renewable energy in Timor-Leste and Fiji, and yachting tourism in the Pacific.

## Investment in climate change adaptation and mitigation increased

MDF expanded its portfolio of interventions targeting climate change, with 35 new activities. The program reported on its climate finance spending for the first time, with 28 per cent of the 2022-23 budget recorded as climate finance.

MDF continued to help farmers and agribusinesses adapt to climate change. MDF supported tourism operators to develop sustainable low-carbon products and supported pioneering firms in renewable energy and electric vehicles.

## Inclusion remained central to MDF's work

MDF continued to co-invest in business models that create economic opportunity for women and address the constraints women experience in the workplace. Overall, 81 per cent of all MDF interventions, past and current, were relevant for women's economic empowerment. In 2023, migration and labour shortages affected many of MDF's target markets, creating new opportunities and challenges for women. MDF worked to help women access opportunities in markets which have previously been seen

as male dominated. New interventions helped introduce technology for women in agriculture and reduce barriers for women entering employment in service sectors like tourism and outsourcing. MDF support to Fiji's outsourcing sector resulted in 373 new and well paid jobs for women in 2023. MDF refocused on how people with disability could be better included in target markets and started to develop a new disability inclusion strategy.

## MDF exited PNG

In June, MDF ceased operations in Papua New Guinea, ending six years of support to government and businesses in coffee, cocoa, vanilla and livestock. Part of MDF's portfolio was transferred to DFAT's new Australia-PNG Economic Development Partnership (APEP). In 2023, MDF's

interventions continued to deliver strong results in terms of outreach, additional incomes and private sector revenue. By the time MDF exited, its work in coffee and vanilla had created new economic opportunities for 9,500 women.

## MDF's Pacific regional component developed rapidly

Increased staffing and operating capacity enabled an expanding portfolio of interventions across Samoa, Vanuatu, Tonga and the wider region. The team initiated 16 new interventions, more than double the number started in

2022. Business and government partners have shown a strong interest in the support MDF provides and an appetite to co-invest in markets including tourism, food and agriculture, finance and freight.

## MDF's portfolio continued to evolve

MDF worked in 34 discrete market systems in its seven target countries.\* Over the year, 57 new partnerships were formed, delivering 94 activities. A number of major research activities were also undertaken to inform interventions planned for 2024 in areas including renewable energy in

Timor-Leste and Fiji and yachting tourism in the Pacific.

\*At the end of 2023, MDF worked in 34 market systems. Four market systems in PNG were supported until the country program closed in June 2023.



Sometimes it's not so much the organizations but the people. I thought Ajla [MDF] understood the vision and what we were trying to do. In Fiji, we are the first co-working space. Other people could not understand the vision.

Greenhouse Coworking, Fiji

## Relevance

MDF continued to support Australia and New Zealand's engagement with partner countries by ensuring alignment with national economic priorities, delivering tangible value for local and regional business partners and supporting public diplomacy.



### MDF invested in sectors that are economic priorities for partner governments

MDF's interventions support domestic and regional businesses to diversify the economy, grow exports, attract new foreign direct investment and contribute to national climate change commitments. In Sri Lanka, MDF's work in the tourism sector and high value agriculture helped generate valuable foreign exchange earnings. The Government of Sri Lanka identified coffee—one of MDF's focal markets—as one of the country's priority export crops. Coffee and tourism are national priorities for Timor-Leste's economic diversification. The Government of Fiji prioritises tourism and the development of its outsourcing services industry. MDF's investments in agriculture and tourism address priority sectors for government partners in Samoa, Vanuatu and Tonga.



### MDF's locally-led approach delivered results for local business partners

MDF's approach is to partner with domestic businesses to co-design and co-invest in innovations tailored to local contexts. Business partners lead implementation and share the financial risks and the rewards of success. The commercial value created through these partnerships confirms that this approach works. In 2023, the value of additional market transactions (private sector revenue) generated by MDF partners grew by 10 per cent, driven largely by growth in export-related markets in Fiji, PNG, Sri Lanka and Timor-Leste. A further sign that local businesses value the partnerships and business models that MDF supports is that the ratio of private sector investment leveraged by each MDF dollar increased in 2023.



### MDF supported Australia and New Zealand's public diplomacy

MDF supported visits for 29 VIPs, which included Australia's Ambassador for Gender Equality (to Timor-Leste), Australia's Assistant Minister for Foreign Affairs (to Sri Lanka), MFAT's Director of Development Economy and Prosperity Division (to Fiji), as well as several field visits by DFAT Heads of Mission and senior embassy staff. MDF produced 28 media releases and a regular output of high-quality social media content to highlight Australia and New Zealand's contribution in each country. In 2023 MDF communication activities prioritised climate change with MDF's most successful media campaign reaching more than 220,000 people around COP28.



# Market context

## Economic conditions remained testing in 2023

Inflationary pressure eased through the year but remained above central bank targets, keeping interest rates above pre-pandemic levels. Cost-of-living and food price inflation became politically sensitive issues. Growth rates were uneven but generally anaemic with a few exceptions, such as the US and India.

Sri Lanka’s economy stabilised, with inflation at four per cent, down from a peak of nearly 70 per cent in 2022.<sup>9</sup> Timor-Leste grew at around three per cent,<sup>10</sup> with inflation at 5.8 per cent. The economies of MDF’s four Pacific countries benefitted from a recovery in tourism demand and sustained

remittance flows: Fiji recorded 8.2 per cent GDP growth, with inflation at 5.1 per cent; and the IMF forecasts 8, 2.6 and 1.5 per cent growth for Samoa, Tonga and Vanuatu, respectively.

### Credit and liquidity remained tight

Debt distress was high in many low-income developing and emerging economies. Governments faced unpalatable trade-offs in controlling inflation, managing high levels of indebtedness and ensuring financial stability. In Sri Lanka, IMF-supported debt restructuring required painful reforms, including an increase in taxation and import restrictions.

### Shortages of qualified labour

Shortages of qualified labour affected many countries and sectors. Levels of migration were higher than before COVID-19. Labour shortages due to migration and skills gaps became a growing problem across the region and were frequently cited as a problem by MDF’s partner businesses.

### Geoeconomic fragmentation became more tangible

Geoeconomic fragmentation became more tangible, in response to supply chain disruptions and geopolitical tensions. Countries are re-aligning their strategic interests in a more self-interested way and firms are building more resilience into their supply chains. This is altering patterns of investment and trade. Flows of foreign direct investment are shifting, most notably, away from China. ‘Nearshoring’ to reduce supply chain risk is bringing some benefits to the region in commodities such as vanilla in PNG and in outsourcing services in Fiji.

## The effects of conflict and climate change were felt in 2023

Russia’s invasion of Ukraine showed no signs of being resolved, and in October conflict broke out in the Middle East, perpetuating high energy and commodity prices. The conflict in the Middle East disrupted shipping through the Suez Canal and Red Sea, and the Panama Canal route was hampered by unseasonably low rainfall.

2023 saw progress in climate change investment by businesses. Globally, there was record uptake of renewable energy generation and electric vehicles, as manufacturing capacity increased and costs decreased. Progress has been uneven, however. Many businesses are prioritising unmet demand in large markets and not investing in smaller economies in the Indo-Pacific.

Regulatory and media scrutiny is disrupting markets, particularly environmental claims made by the private sector. There is growing pressure

to increase transparency about supply chain emissions. New regulations have been announced, such as the European Union’s Deforestation Regulation, designed to reduce emissions beyond European borders. Demand for low-carbon goods and services is creating new opportunities for businesses. Conversely, more stringent compliance requirements can be a challenge for firms, particularly in small markets where climate services such as emissions verification are not readily available or affordable.

Businesses also need to protect their assets and operations from increasingly common climate change-induced events, such as severe cyclones, floods and droughts, particularly during an El Niño cycle. To build more resilient business models, firms require information that enables them to prioritise investments in adaptation and mitigation.



<sup>9</sup> World Bank

<sup>10</sup> Asian Development Bank



## Climate change is creating opportunities for innovation beyond MDF's initial expectations

Climate change is creating opportunities for innovation beyond MDF's initial expectations as climate-related impacts and the business case for adaptation and mitigation become more obvious. Agricultural and tourism businesses are investing to adapt to more extreme weather conditions. This includes investment in drought-resistant seeds, drying and storage technology, and protection against cyclones. Rising costs and unreliable supply of fossil fuel-based energy is making rooftop solar power and electric vehicles more commercially appealing.<sup>11</sup> Changing consumer preferences, buyer standards and government regulations are pushing firms to consider their environmental footprint and reputations. For example, MDF PNG partner Sucafina introducing carbon calculators in coffee, in Fiji Goodman Fielder is investing to recycle waste in poultry and Fiji Airways is developing a carbon offsetting scheme, and in Sri Lanka Authenticities is launching low-carbon tours. MDF is encouraged by firm-level responses but is concerned that the sector- and institutional-level investment to drive large-scale transformation is lagging.



## Bringing new actors into weaker markets

In the small economies of the region there can often be an absence of large domestic firms capable of driving innovation and investment. In its expansion strategy for the Pacific, MDF recognised this problem and has sought to work with regional actors: airlines such as Fiji Airlines and input suppliers such as East-West Seed. In 2023, this became a feature of our work in other countries and markets. For example, MDF worked to support Indonesian agribusinesses to establish input distribution partnerships in Timor-Leste. It is also an important dimension of our revised tourism strategy, working with international travel and tour operators such as Intrepid Travel to develop and promote higher-value, niche segments, such as wellness and expedition cruises.



## A stronger focus on sustainable and responsible tourism

After the lean years of COVID-19 and, in Sri Lanka's case, other shocks, the tourism sector rebounded in 2023. As businesses raced to make up for lost time and revenue, competition became more intense. This has prompted some tourism firms, industry bodies and governments to recognise the need to diversify and develop more distinctive offers. MDF is seeing a growing appetite to innovate and invest in developing higher value, niche products and destinations, often with more sustainable and responsible credentials. In Fiji, MDF looked to tap into demand for more experiential tourism, working to expand community-based tourism with the iTaukei Trust Fund and the Ministry of iTaukei Affairs, as well as collaborating to develop tourism offerings in remote regions. With consumers now more willing to pay for responsible, sustainable tourism, MDF and Authenticities partnered to launch Sri Lanka's first low-carbon tours. In the Pacific, MDF and the South Pacific Sailing Network worked on selected marketing and information initiatives, including developing yachting guides and maps for Tonga and Vanuatu.



**MDF consistently maintained transparency in their investment model, ensuring clarity without any room for compromise. Their expectation for co-investment was always apparent, leaving no need for negotiation on our part. Our experience with MDF's operational approach has been excellent, thanks to their openness, clear communication and thorough sector analysis.**

DIMO, Sri Lanka

<sup>11</sup> 'Staggering' rise of rooftop solar to put all other power generation in the shade, report finds, ABC News, 21 Feb 2024



## An expanding role for women and people with disability in tight labour markets

Labour shortages are affecting productivity and quality in many sectors in the region, due to migration and demographic shifts such as aging farming populations. This is having positive and negative effects on women and people with disability in the workforce. In agriculture, it is increasing the burden on women in rural households and climate change is compounding this burden.<sup>12</sup> Innovations will be needed to reduce this labour burden, for example use of concentrated feed to reduce time spent foraging or application of technology to reduce labour or make farming less physically demanding. Conversely, labour shortages are creating new job opportunities for women and people with disability in the formal sector. In both Fiji and Sri Lanka, a rebound in tourism has exposed migration-induced labour shortages and opened up renewed opportunities. In 2023, MDF explored a variety of ways to reduce these burdens and exploit new labour market opportunities. In Sri Lanka, MDF is working with the tourism industry to find ways to attract more women into the sector. In Fiji, MDF is supporting outsourcing services firms to attract and retain more women and people with disability.



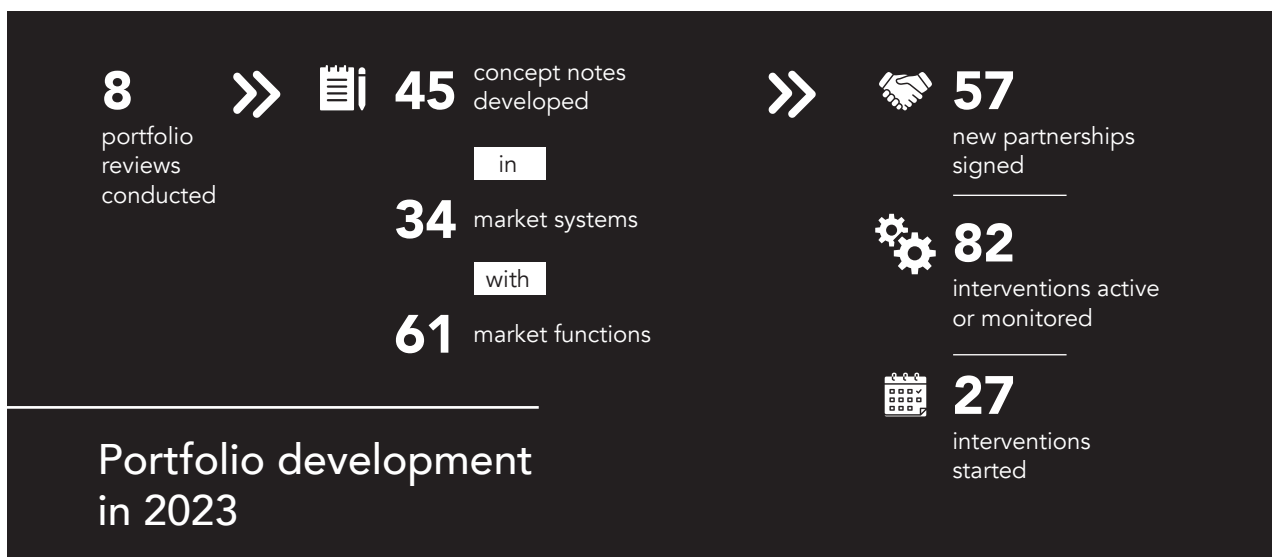
## The continuing importance of agricultural inputs

Seeds, fertiliser, soil and crop treatments, animal feed and medicines, equipment or extension services are rarely regarded as the types of innovation that drive economic transformation. However, they are critical to increasing agricultural productivity and quality, improving food security, adapting to climate change and coping with the implications of a shrinking and aging rural labour force. For these reasons, agricultural inputs continue to be a prominent part of MDF's portfolio in all countries. Agricultural input suppliers and major agricultural processors and buyers are seeing the commercial value of improving farmers' access to agri-inputs—seedlings, day-old chicks, piglets, semen, concentrated feed, organic fertiliser, equipment for cultivation, harvesting and processing—and the information and finance to put such inputs to effective use. For example, in 2023 MDF saw increasing interest from large agricultural input businesses in Sri Lanka such as CIC, Modern Agri and DIMO to pilot selling new inputs to farmers or expanding the reach of existing products to new areas.



## Larger-scale investment is not materialising

There appeared to be growing rhetoric and ebullience about institutional investment in less developed and emerging economies to support their 'green transition', prompted by the end of the pandemic and international consensus about the threat of climate change. To date, however, significant new public and concessionary investment is not being seen in the market systems in which MDF operates.<sup>13</sup> In 2023, MDF engaged with a variety of investment sources but has yet to identify appetite to invest in program countries and sectors. MDF will keep exploring opportunities to address financing gaps in priority market systems, while continuing to work with partners to demonstrate the viability of new business models that have potential for significant future funding, such as rooftop solar installation and electric vehicle leasing.



<sup>12</sup> Enhancing the resilience of agricultural market systems to climate change in the Pacific Islands and Timor-Leste: a joint brief by PHAMA Plus and MDF

<sup>13</sup> Flagship climate finance scheme struggles to raise capital, Financial Times, 15 February 2024



# Systemic change: Progress in the face of economic headwinds

In 2023, MDF observed evidence of systemic changes across the portfolio. Business partners remained committed to innovation and investment beyond MDF agreements, and new market entrants replicated MDF-supported business models and introduced other innovative ways of doing business. New public-private partnerships emerged, enhancing the impact of MDF interventions.



In Papua New Guinea's coffee sector, firms previously supported by MDF continued to bolster value chain liquidity through revolving funds after the closure of the MDF country program. The funds were set up by exporters, with MDF support to address the issue of coffee buyers not having enough cash during harvest season to buy crops from farmers. Banks were reluctant to lend due to uncertainty

about repayment. Farmers would then resort to selling premium coffee at a lower price to whoever had the cash to pay them—disrupting the regular supply of high-quality coffee for export.

Exporters adapted the revolving funds to meet working capital needs, added in their own money and expanded them to other supply chains. In December 2023, Kosem

Ltd secured a loan supported by the Australian Government under the 'Revolving Fund Facility' managed by Women's Microbank Limited. The fund, a collaboration between the bank and the Australian Government, is channelling PGK3.5 million (AUD1.39 million) to increase coffee, cocoa and vanilla exports from PNG.



In Timor-Leste, before MDF and partner investment, agri-input supply was concentrated in Dili. A few mobile vendors or district-level retailers would occasionally stock inputs, but they were not readily available. MDF supported Timorese input importers to connect

with international manufacturers. As a result, the manufacturer registered interest in establishing a direct distribution partnership with importers. Further, MDF support resulted in the first collaboration between input importers and district retailers. These

retailers are now increasing their stocks of agri-inputs, as well as providing farmers with information on the correct use of inputs and buying back produce from them.



In Fiji, the outsourcing services industry has transformed, attracting new business and investment. It is now worth around AUD140 million and employs more than 5,000 people. Official records do not yet exist, but MDF conservatively estimates that in 2022 the OS sector contributed 1-2% to Fiji's GDP and accounted for 5.4% of its foreign exchange earnings. OS

sector revenues and employment are projected to rise in the 2023-2025 period.<sup>14</sup> MDF research found that the sector had become increasingly formalised and developed a supporting ecosystem, including an industry body that is now engaging on issues such as infrastructure, marketing and workforce development. Fiji's global image as an outsourcing hub is growing and

government commitment is evident: the government is providing a 20-year tax holiday for new outsourcing companies, duty-free imports on equipment and a 25 per cent investment allowance for infrastructure renovations. MDF completed its systemic change assessment of the sector in 2023. The case study will be published in 2024.

<sup>14</sup> The calculation of GDP contribution is based on a conservative industry estimate of 5,000 employees in 2022 and uses a simple income (profits + wages) calculation method. It does not include any multiplier effects (which can be as high as 4:1 in mature OS sectors). Foreign exchange earnings are based on industry sources.



In Sri Lanka, the local specialty coffee industry continued to grow, fuelled by tourist and domestic demand. MDF and partner investments have resulted in an increase in production and the adoption of improved sourcing and processing techniques. The market is expanding, with new businesses entering the specialty coffee sector, including tea plantations looking to

diversify. The surge in production has increased demand for planting materials and opportunities for commercial nurseries. Government interest in the sector is strengthening: in 2023, specialty coffee was added to a priority list of export commodities and the government has committed to promoting awareness about the sector and increasing sapling production.



Sri Lanka's coffee cherry



MDF's portfolio in Samoa, Vanuatu and Tonga is still too new to expect evidence of systemic change. However, the positive engagement from domestic and regional businesses and the alignment of MDF's interventions with government priorities bodes well

for the future. In Samoa, for example, MDF's research on the economic impact of feral pigs and potential control and prevention measures has prompted coordinated action at the national and village council level.



Feral pig in Samoa

## Climate change

DFAT's *International Development Policy* outlines an ambitious climate change agenda for Australia's aid investments. In 2023, MDF contributed to this policy priority, focusing on understanding the climate risks and opportunities in the economic sectors in which it works. Based on this analysis, MDF works with businesses and other stakeholders to address constraints to investment in climate change adaptation and mitigation.

### Integration of climate change across MDF's program cycle



#### Analysis and strategy development

Incorporating an assessment of likely climate-related risks, effects and opportunities into sector scoping and program strategies.



#### Intervention design

Factoring climate-related risks and opportunities into interventions and support to partners, based on a feasible business case.



#### Measurement, learning and communications

Capturing the qualitative and quantitative dimensions of MDF's climate-related interventions and communicating insights to stakeholders.

## Building resilience of agricultural market systems

In 2023, MDF continued to support businesses to adapt to the effects of climate change, particularly in agriculture. MDF helped firms to increase the resilience of their value chains, including using climate-resilient inputs, coping with climate-driven pest and disease outbreaks, and providing climate-related information to farmers.





## Agribusiness investment in value chain adaptation

Climate change is disrupting agricultural value chains in various ways. MDF's interactions with agribusinesses reveal that while on-farm adaptation needs are acute (e.g. use of climate-resilient inputs), other areas of business operations also require attention. Crop processing is being affected by unseasonal rainfall and high humidity, causing losses or decreasing quality; seed production is being hampered by deteriorating growing conditions; and natural disasters are impeding physical access to farms and markets. It is vital that firms understand the specific climate risks to their operations and invest in solutions that build resilience, maintain functionality and revenues across their supply chains, and contribute to food security.

In 2023, MDF worked with partners on adaptation in multiple value chains. In coffee in Timor-Leste and Sri Lanka, MDF co-invested with businesses to improve drying infrastructure. Enclosed drying houses and raised drying beds enable firms to dry coffee more efficiently and prevent rain damage. Similar infrastructure in Samoa has enabled Samoa Herbs to improve its kava drying. In Sri Lanka, MDF worked to develop protected agriculture solutions, enabling its partner, DIMO, to increase production of climate-resilient chili seeds for its farmer network.

## The business case for emissions reduction

In 2023, MDF worked with businesses on feasible mitigation opportunities, initiating interventions to promote adoption of solar energy and electric vehicles in Fiji and Timor-Leste, and beginning negotiations in Samoa and Vanuatu. Interventions aim to help firms understand market opportunities for green energy products and supporting businesses and consumers to understand the benefits associated with their adoption.

In Sri Lanka and Fiji, MDF further developed its understanding of commercial incentives for investing in sustainable tourism. This included working with partners to ascertain the costs, benefits and steps needed to improve business practices and market low-carbon tourism products to high-value sustainable tourism consumers.

## Resourcing MDF's climate change agenda

In 2023, MDF continued to develop staff capacity to integrate climate change across the portfolio. MDF appointed a Climate Change Manager to lead the program's climate change strategy. Staff training was conducted, using a combination of internal and external resources, including the Australia Pacific Climate Partnership (APCP), the Global Sustainable Tourism Council (GSTC) and the Green Building Council and National Cleaner Production Centre in Sri Lanka. Climate change risks, opportunities and actions were a key focus in all routine portfolio reviews.

### Key achievements in 2023 include:



Climate finance was reported for the first time, with 28 per cent of the 2022-23 budget recorded as climate finance. This figure is expected to rise as the climate portfolio develops.



First interventions in climate-specific market systems included: renewable energy, electric vehicles and sustainable biomass. (See country chapters for more details.)



Interventions were developed in sustainable tourism in Sri Lanka, including a low-carbon tour and support to an accommodation provider to verify and reduce emissions.

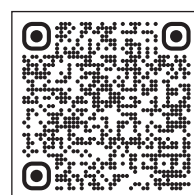


Climate change content in MDF's communication and engagement activities was enhanced, including a collaborative brief with PHAMA Plus on enhancing agricultural market resilience and facilitating a private sector panel at the 2023 Australasian Aid Conference. MDF's investments in organic soil conditioner in Fiji were highlighted in DFAT's public diplomacy as an example of the Australian Government's support for local Pacific businesses to be more climate-resilient.

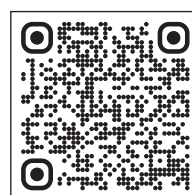


Climate change indicators, observations and baselines were integrated into Research, Impact Measurement and Inclusion activities, including a focus on understanding the effects of climate change on smallholder farmers.

Click/scan the QRs below:



A collaborative brief with PHAMA Plus.



MDF Fiji's investments in organic soil conditioners.



# MDF's climate change portfolio

- Agriculture
- Non-Agriculture

In 2023, MDF continued to add to its portfolio of climate interventions, working with businesses to understand the climate risks and business case for investment in adaptation and mitigation. This includes:



## Agricultural inputs

**17** interventions

### Mitigation

- Reducing the use of synthetic fertiliser through efficient application and locally produced organic replacements.

### Adaptation

- Increasing availability of climate-resilient seeds.
- Promoting mechanised and precision solutions (improves soil condition and reduces labour requirements for climate adaptation).
- Promoting protected agriculture.



## Agricultural exports and import substitution

**33** interventions

### Mitigation

- Developing carbon calculators for high-value, low emissions export crops.
- Reducing the costs of sustainability focused certifications to incentivise emissions reductions.

### Adaptation

- Improving biosecurity practices for long-term pest and disease resilience.
- Supporting businesses to integrate climate change resilience information into their extension models.
- Supporting value chain adaptation such as improving crop drying infrastructure to reduce loss from unseasonal rains.



## Tourism

**6** interventions

### Mitigation

- Low-carbon itineraries for high-value eco-niches.
- Carbon footprint verification and emissions reduction strategies for business.
- Sustainable certifications.
- Exploring incentives for nature restoration.

### Adaptation

- Coastal protection through mangrove regeneration.
- Cyclone insurance and cyclone-safe infrastructure in yachting.



## Green Energy

**9** interventions

### Mitigation

- Conducting market demand analysis on rooftop solar for urban businesses and consumers.
- Supporting solar businesses with data analysis to develop small-scale products.
- Piloting commercial electric vehicle leasing.
- Supporting the development of certified sustainable biomass supply chains.

### Adaptation

- Working with suppliers to offer category-5 cyclone resilient solar panels.

# Economic trends and market insights

MDF monitors global and regional economic trends and combines these with the on-the-ground insights it generates from its portfolio in each country. In 2023, MDF prepared ten market intelligence outputs—“MarketViews”—for DFAT, MFAT and market stakeholders. These covered:

<p>➤ Resilience of agricultural markets to climate change in Pacific Island Countries and Timor-Leste.</p>	<p>In collaboration with PHAMA Plus, MDF assessed how climate change is reshaping farming and how agribusinesses are adapting in the Asia-Pacific region.</p>
<p>➤ Preparedness of the agriculture sector for extreme weather events during an El Niño cycle.</p>	<p>MDF interviewed farmers and agribusinesses to understand their experiences and readiness to deal with extreme weather events in the context of the current El Niño cycle. Agribusinesses appeared to be better prepared and less affected by extreme weather events and displayed willingness to support their farmer networks to prepare or cope.</p>
<p>➤ Private sector opportunities to plug Sri Lanka’s protein gap.</p>	<p>This analysis showed that the combination of power cuts, fuel shortage and fuel price increases had contributed to a decline in protein consumption. MDF subsequently worked with businesses on solutions to boost supply and ameliorate inflationary pressure.</p>
<p>➤ Freight in the Pacific and Timor-Leste.</p>	<p>MDF monitored changes in air and sea freight prices, volumes, routes and how the industry is responding. While sea freight in general has normalised since the pandemic, the overall shift towards air freight has continued due to demand from importers for faster delivery. MDF is scoping opportunities with freight providers to address this opportunity.</p>
<p>➤ Cross-border trade between Timor-Leste and Indonesia.</p>	<p>In collaboration with PRISMA, MDF explored formal and informal trade flows and practices between Indonesia and Timor-Leste and identified barriers and opportunities to improve trade flows.</p>
<p>➤ Timor-Leste’s transition towards specialty coffee.</p>	<p>Timor-Leste’s coffee industry is growing and gaining recognition as an origin for specialty coffee. This analysis identified trends in the industry, the business case for investing in coffee and the way forward to improve productivity and exports.</p>
<p>➤ Labour and skills shortages in Fijian hotels.</p>	<p>A post-pandemic analysis of Fiji’s hotels examined the challenges they faced in retaining skilled staff in competition with other opportunities in Fiji and overseas. The MarketView identified motivations influencing worker decisions and identified ways to improve the industry’s response to the issue, which are now being championed by the Fiji Hotel and Tourism Association.</p>
<p>➤ The export potential of non-coffee agricultural commodities from Timor-Leste.</p>	<p>MDF considers early-stage export commodities important for Timor-Leste to diversify its economic base. MDF’s analysis identified early-stage export opportunities in konjac, vanilla, candlenut, coconuts, cloves and seaweed and ways in which more value could be added to meet market demand and boost prices. Several other development partners have shown interest in MDF’s analysis.</p>
<p>➤ Opportunities in Sri Lanka’s dairy sector.</p>	<p>DFAT Sri Lanka requested MDF to assess the dairy sector, its structure, dynamics and key actors, and provide practical recommendations to improve productivity. The analysis was shared with the Government of Sri Lanka.</p>



# Collaboration

MDF works closely with other DFAT and MFAT programs to maximise the impact achievable through collaboration. MDF’s on-the-ground presence, market knowledge and networks in the business community continued to be of value to other DFAT and MFAT programs. Likewise, the knowledge, experience and capabilities of other programs working in the same countries was of value to MDF.

## Collaboration with PHAMA Plus

PHAMA Plus continued to be an important collaborator for MDF in 2023. The two programs held four quarterly meetings focused on sharing program updates, milestones and strategic planning. Regular country meetings discussed opportunities and risks, provided inputs into each other’s annual reports and plans, and provided briefings on portfolio pipeline development to identify emerging opportunities for collaboration.

In August 2023, the MDF and PHAMA Plus Team Leaders met with DFAT to provide an overview of the intersections in the programs’ delivery. The result was a way to record the programs’ individual contributions and their collective impact, mainly when supporting the same partner or working on a single constraint.

MDF and PHAMA Plus prepared two collaboration reports, in May and November 2023, and a joint brief on climate risks in the Pacific and Timor-Leste, and support to businesses to understand and invest in emerging opportunities.

### Collaboration on GEDSI

MDF’s Research, Impact Measurement and Inclusion team shared their experience of integrating gender equality in the monitoring and evaluation cycle with PHAMA’s GEDSI team, the Technical Advisory Group, PACER Plus Implementation Unit, DFAT, MFAT and Tautai, the Samoa Governance for Economic Growth Program. The workshop facilitated peer-to-peer learning on GEDSI across programs.

Click/scan the QRs to read the publication








**Enhancing the resilience of agricultural market systems to climate change in the Pacific Islands Countries and Timor-Leste**

A joint brief from PHAMA Plus and MDF


A joint brief on climate risks by MDF and PHAMA Plus

## Country and regional collaboration

In 2023, MDF and PHAMA Plus implemented several activities together, including:

	<b>Fiji</b>	PHAMA Plus and MDF collaborated to assist the Navurevure Organic Ginger Farmers group to access the New Zealand market.
	<b>Samoa</b>	MDF joined the PHAMA Plus industry working group on kava. The programs continued to coordinate on kava and will continue supporting the national research organisation (SROS) to research kava varieties and quality issues.  MDF attended and provided input to the PHAMA Plus Technical Advisory Group.
	<b>Papua New Guinea</b>	DFAT, PHAMA Plus, MDF and APEP held joint planning sessions to discuss the transition to APEP and identify how APEP could carry forward the work of MDF and PHAMA. This exchange is helping to ensure the continuation of Australia's support to agriculture in PNG under APEP.
	<b>Timor-Leste</b>	The programs continued to share information on biosecurity concerns and good practice animal health management to inform farmer preparedness.
	<b>Vanuatu</b>	The MDF and PHAMA Plus teams met during MDF's scoping activities. Areas of emerging common interest include the kava, sandalwood and cocoa sectors, and farming models. Both programs have participated in meetings on the Tahitian Limes pathway, organised by the Vanuatu Primary Producers Authority and supported by PHAMA Plus.
	<b>Tonga</b>	PHAMA Plus and MDF developed innovative air-freight and sea-freight solutions to export Tongan watermelons. The programs are aligning their interventions in transport and shipping in Tonga to complement one another.
	<b>Pacific Regional</b>	MDF is supporting PHAMA Plus market research consultations into using existing pathways of fresh vegetables, fruit, cut flowers and foliage from five Pacific countries as part of the New Zealand-funded Enhanced Pacific Partnership Market Access Program (EPMAP). This intervention is delivered with the Ministry for Primary Industries and aims to identify priority commodities for trade with New Zealand and areas where targeted assistance can increase trade.



 MDF scoping: MDF interview Sela Latu in 'Eua, Tonga

## Collaboration with other programs

MDF continued to collaborate with other international development programs in 2023.

Facility-wide	PHAMA Plus, PACER Plus Implementation Unit (PPIU) and Pacific Trade Investment (PTI)	Multi-program	MDF collaborated to develop a multi-program brief, ' <i>PHAMA Plus – PACER Plus – PTI – MDF: How the programs work to improve lives in the Blue Pacific.</i> '
Fiji	Austrade	Multiple	MDF supported a peer-to-peer learning activity between Investment Fiji (IF) and Austrade to help IF staff implement its trade and investment strategy in key MDF support sectors (tourism, high value agriculture and outsourcing).
	PHAMA Plus, SPC's Pacific Organic and Ethical Trade Community (POETCom)	Agricultural markets	MDF organised a field day to increase awareness and uptake of organic farming, certification, sustainable farming practices and export market opportunities.
Samoa	Pacific Digital Economy Programme (PDEP)	Financial services	Collaborated to co-finance a fintech challenge.
Sri Lanka	Australian Centre for International Agricultural Research (ACIAR)	Agricultural research	Collaborated to address post-harvest losses in mango.
	Knowledge and Linkages for an Inclusive Economy (KLIE)	Fisheries	MDF shared insights from scoping activities in sea cucumber and seaweed.
	International Labour Organisation (ILO)	Agriculture	MDF conducted learning sessions with ILO on agritech solutions.
Timor-Leste	Australia Pacific Climate Partnership (APCP)	Climate change	APCP supported research on the effect of climate change on Timor-Leste's coffee sector and the business case for investing in rooftop solar.
	Parseria ba Prosperidade Inklusivu (PROSIVU)	Renewable energy	Collaborated to explore the economic implications and regulatory environment of rooftop solar energy in Timor-Leste.
	To'os ba Moris Di'ak (TOMAK)	Agricultural inputs	Exchanged information on agricultural inputs and biosecurity under an ongoing MOU.
	Tourism Development Program	Tourism and coffee	MDF and The Asia Foundation coordinated tourism activities and co-hosted coffee marketing events with Projeto Quinta Portugal, another development partner.
Tonga	PDEP	Financial services	Collaborated to co-finance a fintech challenge.



# Research, Impact Measurement and Inclusion

The Research, Impact Measurement and Inclusion (RIMI) team supports MDF to understand markets, assess the program’s impact, and use data to improve implementation and inform stakeholders. Ensuring MDF’s contribution to gender equality, disability and social inclusion (GEDSI) and addressing climate change are priorities for the team.

In 2023, the 10-person RIMI team conducted 75 field visits, compared to 40 in 2022. Assessments were also conducted in Samoa, Tonga and Vanuatu as in-country operations were ramped up. The data from these assessments supported the development of 45 new concepts in 2023, up from 30 in 2022.

The RIMI team helped research and develop studies of systemic change in Sri Lanka’s coffee sector and Fiji’s outsourcing services sector, a case study on climate change (to be published in 2024) and a variety of market intelligence outputs. The team also participated in four external webinars and contributed to three externally published articles, sharing its approach to measuring systemic change, inclusion, and monitoring and evaluation in market systems development.

	<b>Building a team culture for adaptive management in MSD</b>		<b>Innovative M&amp;E from the Sandbox and beyond</b>		<b>In search of more equitable impact</b>
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Other important research included collaborating with APCP to understand the potential in Timor-Leste’s rooftop solar market, investigating the challenges of feral pig management in Samoa and capturing lessons from MDF’s

work with the Fiji Enterprise Engine (FEE). Findings were shared with and taken up by national and international stakeholders.

## Inclusion

The COVID-19 pandemic and economic shifts that followed it are having a disproportionate impact on women and vulnerable groups, including the consequences of unemployment and higher cost-of-living on households, or new opportunities and burdens in changing labour markets.



### Migration is altering women’s roles

Labour migration increased in 2023 in MDF countries, and most migrants tend to be men. For example, more than 300,000 skilled workers migrated from Sri Lanka in 2023, with close to 60 per cent of them men seeking skilled and semi-skilled jobs. This is causing a demographic shift in the labour landscape and the roles played by women and people with disability.

In Samoa and Tonga, which saw significant male migration as part of seasonal worker programs, women are now assuming pivotal roles in agriculture and other sectors that were the traditional domains of men. This restructuring of labour dynamics creates opportunities for women but also poses challenges, since women typically remain responsible for household and unpaid care work.

In Sri Lanka and Fiji, changing labour markets are strengthening the business case for firms to invest in attracting and retaining women in sectors most afflicted by labour shortages, such as tourism and outsourcing services. In 2023, MDF assessed the private sector's awareness of these labour market shifts and the extent to which they were adjusting to the changing roles of women, as employees and as customers and decision makers. Businesses showed a growing understanding of these changes, paving the way for MDF to initiate discussions with firms as well as industry associations on more effective recruitment strategies.



## An aging workforce and climate change are affecting agricultural labour

In addition to migration, agriculture in places like Vanuatu and Fiji are facing the challenge of an aging farming workforce. This increases the labour burden on women, since they are less likely to migrate and tend to live longer than men. It also increases the prevalence of infirmity in a labour force that entails physical exertion. This increases the risk of injury or illness and reduces productivity and farming incomes. There is a growing business case for supplying labour-saving agricultural technologies and products that are better tailored to women and farmers coping with the effects of aging.

Climate-related disruptions are exacerbating the burdens and risks faced by women and vulnerable groups. People with disability are among those worst affected by extreme weather events, which hamper access to basic infrastructure and essential services. Coping with the effects of these extreme weather events places additional demands on agricultural labour and therefore on women.

# MDF's support for gender equality, disability and social inclusion

MDF works to improve the availability and affordability of agricultural technologies, promote inclusive recruitment practices, and increase awareness of the business case for hiring or serving women and people with disability.

In 2023, MDF focused on how more people with disability could be included in targeted markets. The team investigated the spectrum of disability experienced across MDF contexts and the range of barriers faced by individuals. This included

for example, consultation with organisations for people with disability (OPD) like CBM Australia on MDF's disability strategy and engagement of OPD in-country, such as the Ahisaun Foundation in Timor-Leste, to promote MDF's services to businesses that employ or create opportunity for people with disability. Based on this, MDF commenced trials of activities to increase the participation of people with disability and began improving its disability inclusion strategy, building on opportunities identified in partner country markets.



In 2023, in Timor-Leste, MDF worked with CBM Australia and local OPDs to develop a disability inclusion strategy that aims to improve the inclusion of people with disability in interventions, such as in demonstration plots. MDF developed a partnership with ReLoka to expand employment opportunities for people with disability creating handicraft products for tourists. MDF also supported the export of Timorese seaweed directly to a factory in Indonesia. Seaweed from Atauro is a primary source of income for more than 1,000 farmers, of whom 57 per cent are women. The direct link to a processor enabled farmers to prices approximately 80 per cent higher than before. The women used the additional income to purchase food, hygiene products and clothes, and set aside some funds as savings.



MDF engaged with the Sri Lankan private sector to explore how more women could be attracted and retained in the re-emerging tourism sector. MDF and Australia's Skills for Inclusive Growth (S4IG) also explored strategies to encourage the participation of women and people with disability in tourism.

In Sri Lanka, MDF supported an agri-input firm to improve production and availability of climate-resilient hybrid chili seeds for dry zone farmers. MDF's worked with partners to facilitate the recruitment of female staff for seed propagation in polytunnels. Through its intervention with CIC Holdings, MDF introduced agri-input bundles that utilise universal design principles, to improve their accessibility for Sri Lanka's aging farming population.



MDF's support to Fiji's outsourcing services industry resulted in 546 jobs in 2023, of which 373 were women. MDF supports outsourcing services firms to improve their attraction and retention of women and people with disability, for example by investing in childcare services and incentivising the recruitment of a work-ready pool of staff including people with disability. MDF also continued to provide scholarships for people with disability to encourage their participation in the Fiji Enterprise Engine program.



In the Pacific, MDF assessed the evolving roles of women in labour markets as a result of migration, particularly in agriculture. MDF supported a variety of partners to increase the adoption of agricultural solutions that enhance efficiency and reduce women's workload, including the provision of small-scale mechanised equipment in Samoa. In addition to reducing farmer workloads and supporting climate change adaptation, mechanisation makes farming more manageable for people with reduced mobility, for example due to diabetes and other non-communicable diseases, that are prevalent in Samoa.



In Vanuatu and Fiji, MDF is co-investing with the private sector to establish mobile wallets and savings solutions to improve access to finance. Interventions seek to understand barriers to finance, including remoteness and onerous compliance requirements, the latter of which particularly affects women. Digital financial solutions can also be a fast and efficient way to transfer funds to vulnerable groups in the event of extreme weather events.



Pacific Centrecom staff in Nadi, Fiji

# Research, Impact Measurement and Inclusion



## Supporting program learning and adaptation

**34**

active market systems supported\*

**8**

portfolio review sessions conducted

**61**

market functions facilitated

**45**

concept notes developed

**15**

RIMI and climate change capacity-building workshops organised

**4**

external webinars attended and contributed to **3** learning pieces

**57**

new contracts signed



## Monitoring and evaluating program performance

**82**

active interventions monitored

**142**

active partnerships monitored

**76**

field visits conducted

**1,673**

interviews carried out



## Insights and market intelligence

**13**

market intelligence reports developed



## Inclusion and climate change

**59%**

of active portfolio relevant to climate change

**9,100**

farmers accessed climate-resilient inputs and tools

Over **USD \$830,000**

in additional revenue generated by private sector through supporting climate change innovations

**81%**

of active portfolio relevant to gender equality and women's economic empowerment

**23%**

of active portfolio engaged people with disability

**85**

people with disability benefitting from better access to inputs and services provided through MDF interventions



## Management Information System

**7**

dashboards consolidated from facility data

**31**

reports generated from facility data

\*At the end of 2023, MDF worked in 34 market systems. Four market systems in PNG were supported until the country program closed in June 2023.

Aggregate Development Results (ADRs)<sup>15</sup>

Actuals, as of December 2023			
DFAT Aggregate Development Indicators	Female	Male	Total
Number of poor women and men who adopt innovative agricultural and fisheries practice	3,269	5,089	8,358
Number of poor women and men with increased incomes	3,122	5,074	8,196
Value of additional agricultural and fisheries production			USD45,708
Value of exports facilitated (including new exports)			AUD21,362,031
Value of private sector investments leveraged			AUD3,128,105

## Tier 2 indicators

Indicator and measure	Actuals 2023	Examples
<p>Number of organisations supported to strengthen accountability and/or inclusion, including assistance provided and significant policy changes achieved:</p> <ul style="list-style-type: none"> <li>• Government institutions, organisations, and systems</li> <li>• Civil society organisations</li> <li>• Private sector organisations</li> </ul>	<p>Government institutions: <b>5</b></p> <p>Private sector organisations: <b>7</b></p>	<p>In <b>Fiji</b>, MDF conducted monitoring and evaluation training for the Ministry of Commerce, Trade, Tourism and Transport (MCTTT), supporting stronger internal policies and reporting.</p> <p>In <b>Samoa</b>, MDF is working with the Scientific Research Organisation of Samoa to research Samoan kava varieties and chemotypes, to advise farmers on improving quality and quantity.</p> <p>In <b>Sri Lanka, Fiji and Timor-Leste</b>, MDF worked with multiple coffee processors to support the recruitment and retention of women and people with disability.</p>
Total	<b>AUD100,680</b>	<p><b>Fiji:</b> AUD33,610 to Tourism Fiji, MCTTT and Investment Fiji.</p> <p><b>Pacific Regional:</b> AUD67,070 to Tonga Tourism Authority and the Scientific Research Organisation of Samoa.</p>
Number of market actors in key economic sectors supported to expand market access and/or improve supply chain resilience.	<b>39</b>	Support ranges from agribusinesses to outsourcing services firms, to enter new markets.
Additional private funds leveraged to support sustainable development.	<b>AUD4,756,000</b>	Total partner spending (private sector) and crowding-in spending in Fiji's outsourcing services industry.
Number of women entrepreneurs provided with financial and/or business development services.	<b>1,494</b>	Includes female MSME owners and female-led farming enterprises.
Australian support for improved food security and climate resilient agricultural practices via policy, technical advice and/or capacity building.	<b>23</b>	In all MDF countries, improved land preparation and fertiliser use methods for higher agricultural production and better-quality produce.
<p>Number of people for whom Australia's investments have improved adaptation to climate change and resilience to disasters.</p> <p>Number and value of investments that direct financing to partner governments are: (a.) contributing to low-emissions development pathways or are supporting mitigation activities and (b.) improving climate change adaptation.</p>	<p><b>4,053</b> people</p> <p><b>50</b> partnerships</p> <p><b>AUD857,000</b></p>	<p>The figures provided are for the calendar year 2023; MDF will provide financial year numbers at the end of June 2024. All numbers were converted from USD (or the local currencies), and some variance may be expected due to exchange rate fluctuations.</p>

<sup>15</sup> Along with the headline program impact indicators, MDF records relevant DFAT Aggregate Development Results (ADR). It is important to note that these values are reported for the given year. This differs from MDF's impact indicator reporting, which presents achievements cumulatively, for the entire program implementation to date.



# Communications

In 2023, MDF’s communications reflected the evolving priorities of the program: a growing portfolio of climate change-focused interventions, strengthening private sector engagement and increased partner support to capitalise on recovery momentum. At the facility level, the team articulated MDF’s way of working, particularly for the private sector. Communication materials were adjusted to better suit the business audience and to present the benefits of co-investing with MDF.

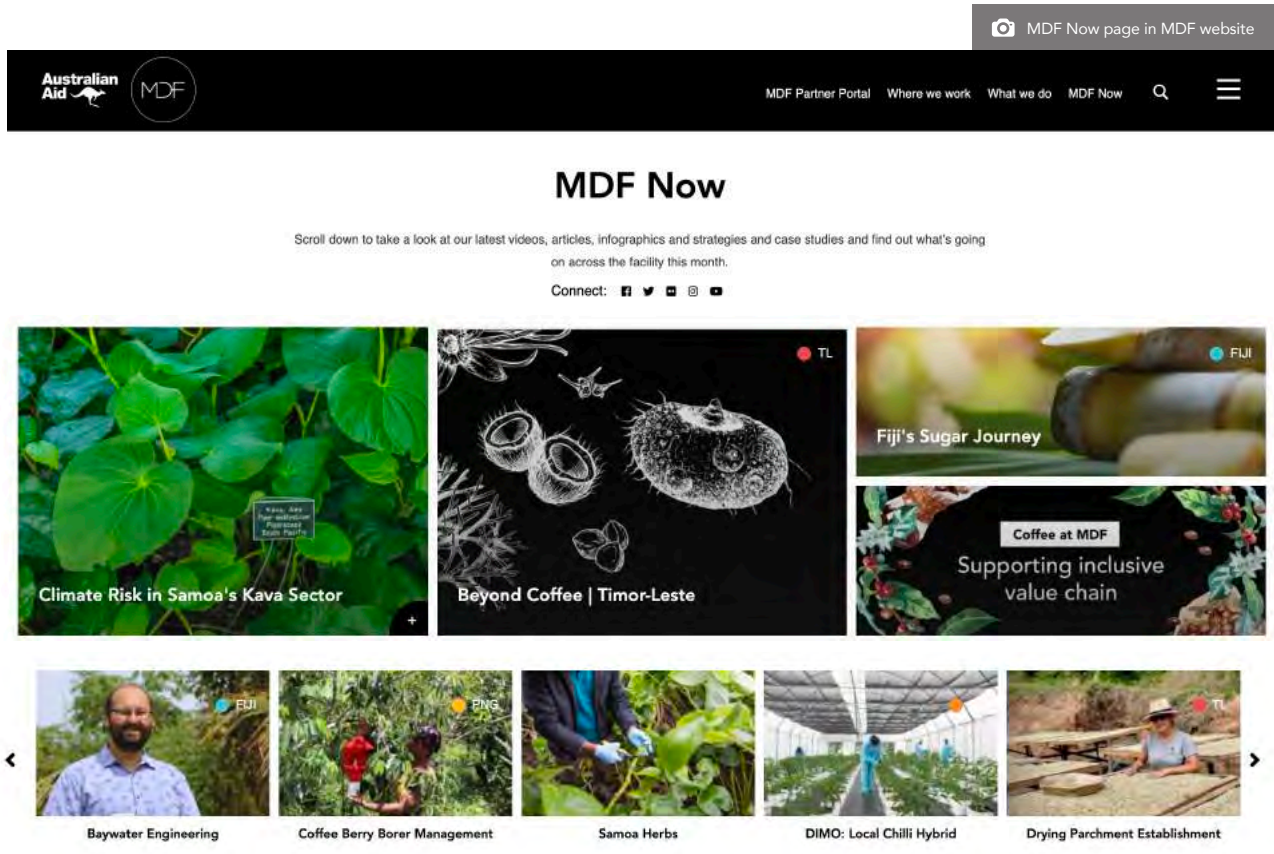
## Climate communication

MDF told new stories about the facility’s growing investments in climate change adaptation and mitigation, including the business case for climate investment. This included features on [MDF Fiji’s engagement in climate-resilient seeds](#), support for seaweed farming in Timor-Leste and measuring the [carbon footprint of PNG’s coffee value chain](#).

MDF and PHAMA Plus collaborated to publish a brief on building climate resilience. The MDF website was updated to include a dedicated space for climate change stories, including climate risk assessments for specific market systems. Work was initiated to develop an investment pitch for businesses looking to invest with MDF in climate solutions and business models.

## Supporting public diplomacy

Contributing to DFAT and MFAT public diplomacy objectives remained a priority in 2023. MDF supported DFAT’s climate change communication requirements, developing a climate change ‘storybank’ for DFAT, highlighting adaptation and mitigation interventions from across the facility. The Team Leader presented potential synergies between MDF and the Australian Infrastructure Financing Facility for the Pacific (AIFFP) to AIFFP and DFAT, focusing on MDF’s work in Fiji and Pacific Regional. MDF coordinated with PHAMA Plus, PACER Plus Implementation Unit and other DFAT investments on range of activities (see ‘Collaboration’ on page 34).





Australian investments in partner countries were highlighted in the media, with 28 media releases across the facility. Media partnerships were formed as part of intervention design, such as MDF Timor-Leste's partnerships with Intrepid Travel.

MDF's investments in organic soil conditioner in Fiji were highlighted in DFAT's public diplomacy as an example of the Australian Government's support for local Pacific businesses to be more climate-resilient. DFAT Heads of Mission/High Commissions shared 16 updates on MDF activities and reshared 18 MDF posts.

The Pacific Regional portfolio expanded in 2023, with new interventions signed and early interventions showing results. MDF finalised the recruitment of a Central and Pacific Communications Officer in early 2023 to capture developments in the Pacific. This enabled MDF to increase its communication outputs from Pacific Regional and highlight the role played by Australia and New Zealand in inclusive economic development in the Pacific.

## Media engagement

Print and electronic media remained an important platform for program and partner communication in 2023, despite digital media growth across program countries. In 2023, MDF developed 28 media releases. These were published 33 times in news media, including 11 organic mentions, highlighting MDF's initiatives in partner countries. MDF partnered with domestic business media to spotlight events, successful partnerships and drive high-level awareness of MDF's niche service offerings in emerging areas such as climate change. MDF engaged with radio and television, with the highest television coverage recorded in Fiji.

## Digital media growth

MDF has a well-developed social media presence. Four social media platforms (Facebook, Instagram, LinkedIn and X) are the primary means of communicating program activity and impact to a wide and engaged audience. In 2023, social media showcased Australia's value as a trusted partner in MDF countries, communicated partner successes through MDF investments, and highlighted emerging sectors to a wider audience.

The team also developed multi-country social media campaigns to highlight MDF's facility-wide priorities, such as a campaign on climate change investments, designed to run during COP28. The campaign reached 220,446 people and engaged 10,000 individuals (see Communications recap on page 44). The annual World Tourism Day 2023 campaign included a call-to-action for businesses, resulting in interest that was converted into leads for MDF's implementation teams. MDF shared stories across sectors and celebrated major international days, including International Women's Day, World Environment Day, MSMEs Day, Ocean's Day, Earth Day, World Coffee Day and International Day of Persons with Disabilities. MDF also used its platforms to amplify partner profiles, such as those of Fiji and Timor-Leste partners participating in the Australasian Aid Conference 2023.

## Supporting country portfolios

MDF worked with partners on innovative marketing approaches as part of program implementation. Through MDF's partnership with Intrepid Travel, Timor-Leste was featured in the Qantas in-flight magazine, a major contribution to national destination marketing efforts. MDF's partnership with the Lanka Coffee Association to support the second annual LCA Coffee Festival included digital campaigns for three barista championships, pre-event publicity and on-the-day coverage. See this video for more details. MDF facilitated the participation of partner Outsource Fiji at a symposium and exhibition in New Zealand at which key industry stakeholders were able to network directly with New Zealand businesses.



Alleu Coffee festival, Timor-Leste



The MDF and Australian High Commission teams visit Ella Coffee Collective in Ella, Sri Lanka



First Secretary visits Bia-i-Cake Womens Cooperative in Nagigi village Vanua Levu, Fiji

# Communications recap

January - December



## High-level Australian engagement in partner countries

**29** field/partner visits by DFAT Heads of Missions

**11** in Fiji



Farmer field day in Navua

**11** in Timor-Leste



Aileu coffee festival

**6** in Sri Lanka



UCB wetmill launch

**1** in Pacific Regional



Partnering with MTED to establish MDF Tonga

**16** MDF-related social media posts by DFAT and **26** re-shares



## MDF in the media

**35** media releases published over **68** times in partner-country media

**11** organic mentions

Click/scan the QRs to view publications:

The Sri Lanka coffee festival returns



MDF in the Pacific



MDF promoting co-working spaces in Fiji



Timor-Leste's new travel expedition







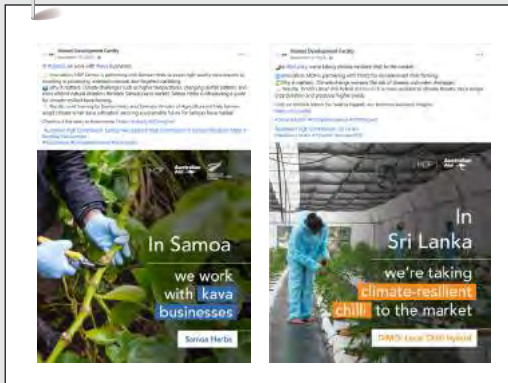
Top social campaigns in 2023:

# Climate change

**220,446** people reached

**402** new followers on Facebook

**415** new followers on LinkedIn



Top mentions on social media:

# Australia in Fiji shared post on Wasa ni Tadra



**4,523** Facebook users reached

## Social media highlights



**Market Development Facility**  
Today



**40,514**

Facebook users reached organically



**1,268,656**

Facebook users reached in 2023, showing an increase by **79.7%** compared to 2022



**474,037**

LinkedIn users saw MDF content in 2023



www.marketdevelopmentfacility.org



@marketdevelopmentfacility



@MDFGlobal



@MDFGlobal



Market Development Facility

# Operations

MDF's Operations team (comprising Central Operations and five country operations teams) supports program delivery through financial and human resource management, procurement and contracting, compliance, logistics, ICT and security.

In 2023, the facility-wide team managed six separate budgets (reflecting DFAT's and MFAT's funding architecture) and supported 126 staff, 16 consultants and almost 100 partners in MDF's six country jurisdictions. The team also supported the closure of the PNG country program in early 2023. The Central Operations team also oversees MDF's safeguarding responsibilities, with the MDF HR Manager serving as the Safeguarding Focal Point.

MDF experienced staff turnover of 22.2 per cent in 2023, compared to 32.6 per cent in 2022. Several senior staff,

including the Chief Operating Officer/Deputy Team Leader, chose to seek new opportunities in 2023, but turnover settled to lower levels by the end of the year.

In 2023, the Central Operations team also managed MDF's participation in DFAT's Managing Contractor Audit of Palladium, including liaison with the external audit providers, provision of documentation and the management response to audit findings. Since the finalisation of the audit report, MDF has implemented the audit's recommendations to improve internal processes.

## Pacific Regional expansion

The Pacific Regional component continued to expand in 2023, with AUD500,000 in additional funding from DFAT Vanuatu. MFAT contributed AUD2.734 million to the Pacific Regional component (FY23/24). MDF offices in Samoa, Tonga and Vanuatu became fully operational. MDF recruited Country Coordinators to support the growing portfolios in each country and the selected candidates (all existing MDF staff members) have commenced their new roles. The increased workload in the region required additional operational support, and a new Regional Operations Administrator was recruited in late 2023.

To streamline operations in the region, Palladium is establishing legal entities in Samoa and Vanuatu. In Samoa this process is in its final stages; MDF expects to transition away from operating through an agent in early 2024. The Tonga office will continue to operate through an agent.



MDF Vanuatu staff

## PNG country program closure and APEP transition

DFAT decided in early 2022 that the MDF PNG program would transition to the new Australia-PNG Economic Partnership (APEP) program, effective from 1 July 2023. In the latter part of 2022 and early 2023, MDF worked through transition options and developed close-out material in collaboration with the new APEP team and DFAT Post. Several ongoing interventions and monitoring activities were transitioned to APEP. The operational aspects of the closure, including disposal of all remaining assets and archiving of documents, were completed in June 2023.



MDF PNG staff on a field assessment

## Financial management

MDF spent 93.2 per cent of its approved budget for FY2022-23 and 100 per cent against its final forecast.<sup>16</sup> MDF continues to enhance its financial management system to deal with the increasing complexity of budgeting, forecasting and invoicing across six countries, multiple clients and several separate funding sources (including MFAT, DFAT Vanuatu Post, DFAT Agricultural Development and Food Security Section and DFAT Office of the Pacific). In 2023, the Finance Team rolled out Microsoft Dynamics Business Central to manage finances across the facility and continues to make improvements to its implementation. This software package is expected to simplify reporting and yield new insights into financial operations.

## Human resource management

MDF continued to strengthen its strategy to attract and retain quality talent. In 2023, the vacant MDF Fiji Country Director position was filled by an internal national candidate and national staff took up several middle management roles in 2023 or will in early 2024. Staff capacity development remained a priority, including international training. MDF's placement program, which gives high performers the opportunity to spend several months working in a different country office, was revitalised, with four staff members going on placement to Samoa, Timor-Leste and Vanuatu.

Due to an improving economic situation, MDF ended a 'Special Measures Compensation' policy that provided short-term support to locally engaged staff in Sri Lanka facing economic hardship due to extreme inflation. The policy remained in place for staff based in Pakistan, where annual inflation was over 20 per cent in 2023.

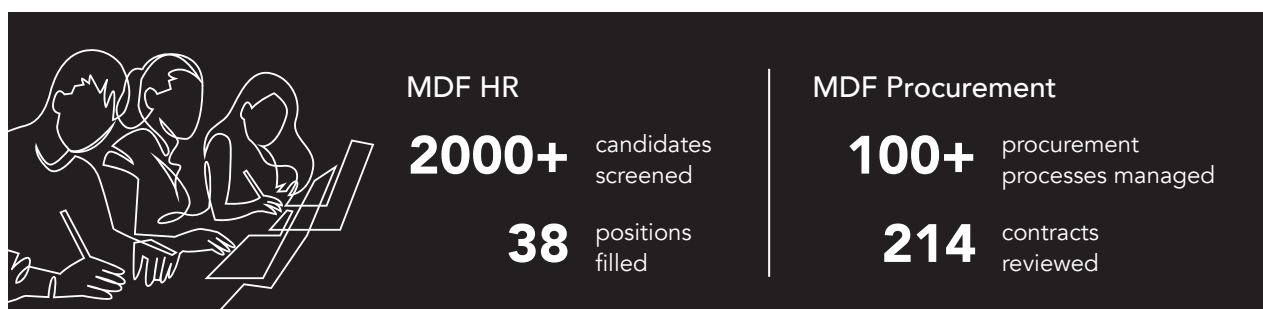
### MDF Finance

**3,619** transactions managed  
in 16 different currencies  
totalling **AUD12 million+**

## Staffing update

On average, 126 staff and 16 consultants were engaged across the facility in 2023. Staff turnover remained normal, including within the Central Operations team. The CLT staffing profile remained unchanged: comprising the Team Leader; a new Chief Operating Officer; the Senior Adviser; the Research, Impact Measurement, and Inclusion (RIMI) Director (formerly, the Quality and Inclusion Director); the Communications Director; three Country Directors (Fiji, Sri Lanka, and Timor-Leste) and the Regional Director, Pacific. The shared Operations and Communications team structures remained largely the same, although there were changes to several incumbents of these positions during the year. A Climate Change Manager was recruited in 2023 to support the development of the program's portfolio of investments in climate change.

MDF, like other organisations, experienced increased competition for scarce skilled resources, resulting in it taking longer to replace some key international and operations staff. MDF's continued requirement to operate under the Aid Remuneration Framework has made it difficult to compete in the talent marketplace. However, most key positions were filled by the end of the year.



	Business Advisers/ Coordinators	RIMI	Operations and Finance	Communications
Sri Lanka	12 FTE	5 FTE	3 FTE	2 FTE
Timor-Leste	11 FTE	1.5 FTE	3 FTE	1 FTE
Fiji	16 FTE	2.5 FTE	4 FTE	1 FTE
Pacific Regional	3 FTE	2.5 FTE	2 FTE	0.5 FTE
Samoa	5 FTE		1 FTE	
Tonga	5 FTE		1 FTE	
Vanuatu	5 FTE		1 FTE	

<sup>16</sup> The MDF approved budget is defined at the beginning of each financial year in collaboration between DFAT and MDF and is set for the year. MDF provides its final forecasts to DFAT Posts in May of each financial year.

# Facility on a page MDF market systems and interventions in 2023



## Sri Lanka



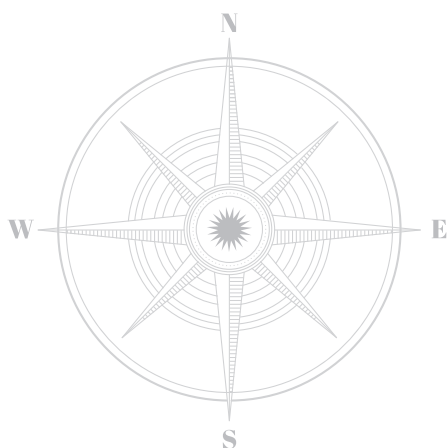
### Tourism

Sustainable Tourism	3
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### Authentic Sri Lankan Goods

Agricultural Inputs	7
Specialty Coffee	3
Other	2



## Timor-Leste



### Agriculture

Agricultural Inputs	3
Chicken	1
Coffee	3
Early Stage Export Commodities	2
Pigs	2



### Tourism

Destination Marketing	3
Marine Tourism	2



### Renewable energy

Renewable Energy	1
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## Vanuatu

### Financial Services

Digital Financial Services	1
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### Agriculture

Cocoa	1
Sandalwood	1

## Pacific Regional

### Tourism

Yachting Tourism	2
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### Services

Certification Services	1
------------------------	---

### Financial Services

Digital Financial Services	2
----------------------------	---

## Samoa

### Agriculture

Agricultural Mechanisation	1
Kava	2
Feral Pig Management	1

## Tonga

### Services

Air Freight	1
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### Agriculture

Kava	1
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### Renewable Energy

Rooftop Solar	1
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### Tourism

Tourism Branding and Marketing	1
Yachting Tourism	1
Tourism Activities	1

## Fiji

### High Value Agriculture

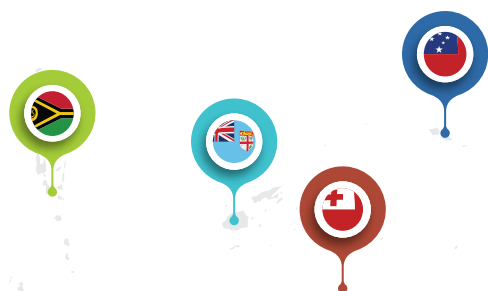
Premium Agriculture Products	1
Quality Agricultural Inputs	4

### Tourism

Green Tourism (Air Travel)	1
Blue Tourism (Sea Travel)	1

### Urban Industries

Enterprise Solutions for MSMEs	2
Outsourcing Services	6
Green Energy	2



## Quick Facts

# Fiji



### Population

904,590

Female: 49%

Male: 51%

Urban: 58.2%

Rural: 41.8%

### GDP

5.1 billion (est.)  
USD

GDP growth rate: 8.2%

GDP per capita (USD): \$6,020

### Key GDP contribution sectors

Industries: 19%

Services: 71%

Primary sectors, including agriculture, forestry, and fisheries: 10%

Inflation rate 5.1%

### Labour force participation rate

Female: 34%

Male: 66%

Unemployment rate 5.5%

# Key focus areas

## Tourism

- Fiji welcomed over **846,000** visitors in 2023 which is more than 51% of the total number of visitors in 2022 and 3% above the total number of visitor arrivals in 2019 (pre-pandemic).
- However, the tourism industry currently struggles to retain and access skilled labour as employees turn to opportunities in other industries or overseas. Fiji has lost over **16,000** tourism workers since the reopening of its borders in 2021.

 MDF provides market research to help policymakers and businesses make informed decisions and supports eco-friendly tourism initiatives. MDF also works with stakeholders in nautical tourism to promote climate resilient and responsible yacht and cruise tourism that benefit remote island communities.



## High value agriculture

- Agriculture constitutes approximately **10%** of Fiji's GDP.
- **27%** of Fijian households derive some form of income from agriculture.
- Agriculture is the main source of work in **83%** of rural households.

 MDF works with stakeholders to improve access to quality agricultural inputs, sourcing logistics and distribution channels to improve food security and export opportunities.

  
*Without MDF we would not have any of the marketing initiatives and it changed the way we do our marketing.*

**Baywater Engineering**



## Urban industries


- **58.2%** of Fiji's population lives in urban centres.
- Only **34%** of Fijian women participate in paid employment, while they carry out **73%** of unpaid household work.
- MSMEs provide **60%** of employment in Fiji.
- The outsourcing services sector employs **8,000** people and generates **USD 47million** annually.


 MDF works with stakeholders in the outsourcing services sector to elevate Fiji's reputation as an alternative premier outsourcing services destination. We support enterprise solutions for MSMEs across the sectors we work in, primarily through information dissemination, product development and research.

  
*We have gone from 5M to 28M dollars in a span of two and a half years and most of it has been from Australia.*

**Pacific Centrecom**



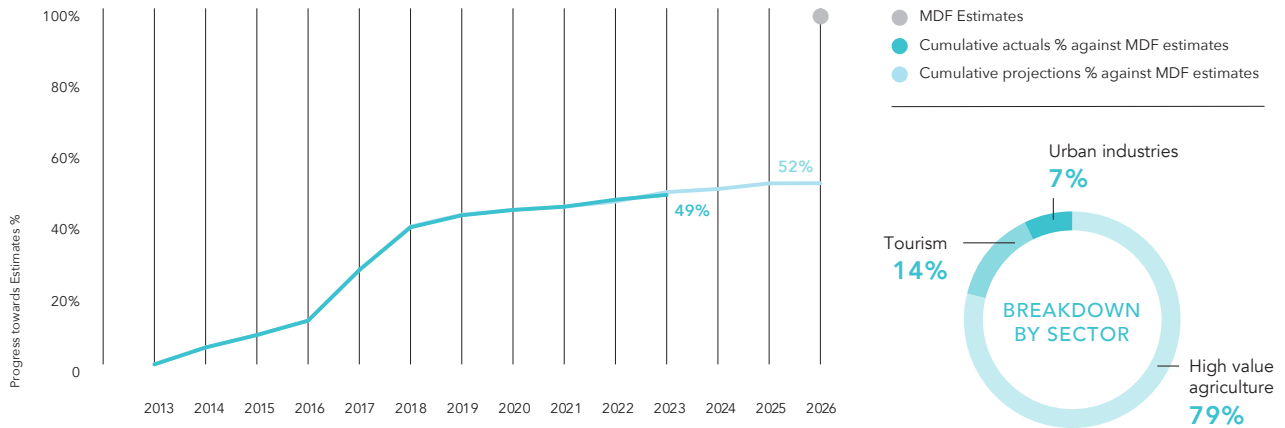
 Approximately **58%** of Fiji's electricity is generated from renewable energy.

 Fiji has recorded a **6mm** annual increase in sea level, which is more than the global average.



# Highlights

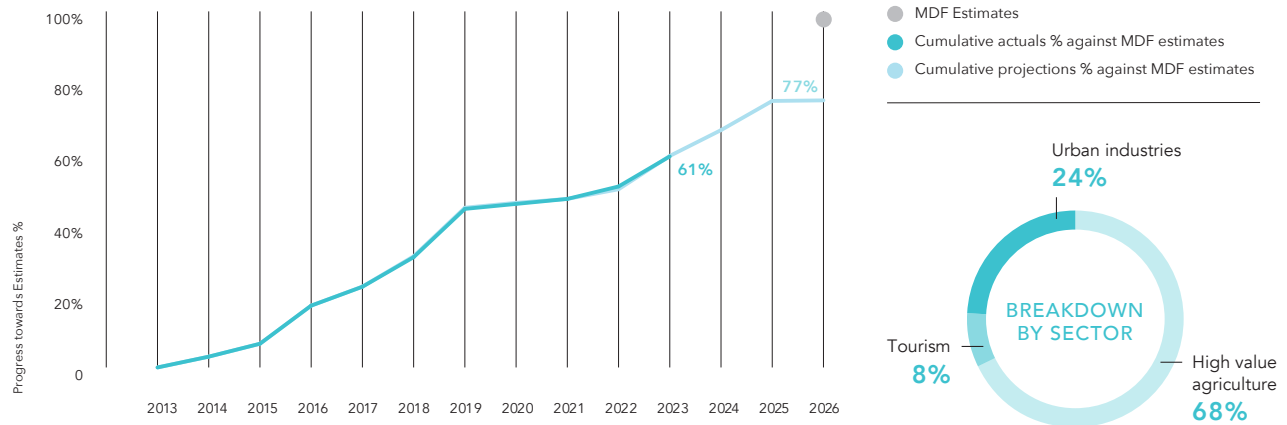
## EFFECTIVE OUTREACH



### Outreach grows, fueled by new employment in outsourcing services

- Effective outreach grew modestly in 2023 to achieve 49% of end-of-program outcomes ('estimates'). MDF Fiji is on track to reach 52% of estimates by 2026. Over 600 additional people benefitted from interventions in 2023, an increase of close to 3% from 2022. Women account for 51% of the people reached to date, as well as projected results.
- Outsourcing services (OS) contributed more than 90% of effective outreach in 2023. Field assessments confirmed more than 500 new full-time employment (FTE) equivalent jobs were created in 2023, through new leads and contracts converted with MDF support. As MDF pivots towards a more systemic approach, supporting Outsource Fiji and marketing in the sector, OS is expected to generate a further 300 new jobs over the next two years.
- High value agriculture (HVA) has traditionally contributed the most to outreach and, through earlier interventions, continues to account for up to 79% of outreach. However, in 2023 a few partners prioritised other, non-input business ventures, resulting in slower uptake of the business model. Therefore, to protect reporting integrity, the projections for certain interventions have been revised down and others have been closed. This has led to a 3% drop in overall effective outreach projections since 2022
  - Despite this, 44 additional people benefitted from MDF support for quality agricultural inputs, such as small farm machinery and organic fertiliser. Based on the current portfolio, including initiatives in organic certification signed in 2023, work in HVA is anticipated to benefit an additional 1,001 people over the next three years.
  - Outreach actuals and projections from HVA have been adjusted for overlap between new and earlier interventions. New quality agricultural input interventions were trialled in traditional farming regions, in which MDF already recorded impact through early work. Outreach figures were discounted by almost 50% due to this overlap, creating a risk that results will taper off as the program matures. To combat this, in 2023 MDF started work on a new agriculture distribution intervention targeting areas outside traditional farming belts
- The tourism portfolio adjusted its strategy post-COVID to spread tourism gains to remote regions by supporting high yielding and sustainable community-based tourism. These interventions are intended to bolster effective projections over the next few years. Like agriculture, legacy interventions that had not yielded impact by 2023 were closed, with a moderate impact on projections.

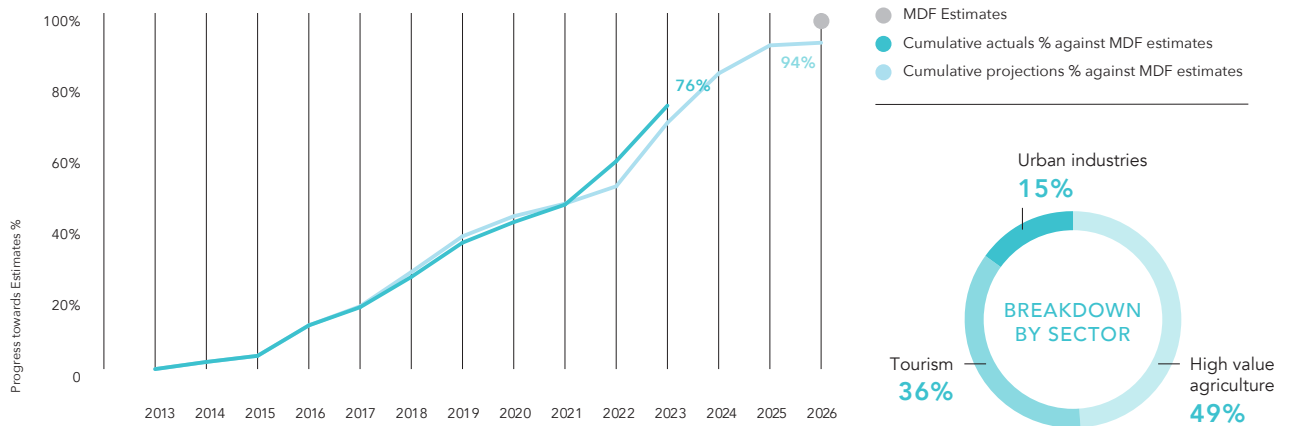
## NET ADDITIONAL INCOME (USD)



### Strong outsourcing income cushions the impact of underperforming agriculture interventions

- Net additional income (NAI) grew 17% in 2023 to USD5.2 million, achieving 61% of estimates. NAI is projected to reach 77% of estimates by 2026.
- New jobs generated in OS through MDF’s support for enterprise and industry-level marketing, as well as other crowding-in investments including new foreign direct investment, contributed 98% of new income in 2023. The OS industry is becoming a significant contributor to Fijian incomes, with an average salary of over USD6,000 (AUD9,080) per annum.
- Women account for 65% of NAI in 2023 and this is expected to grow. These strong results push the MDF Fiji portfolio closer to gender parity in earnings, with 49% of incomes earned by women and the current portfolio estimated to achieve 50% by 2026.
- Work in quality agricultural inputs, which contributed 16% of increased income for beneficiaries in 2022, it only contributed 1% in 2023. This smaller growth in income was primarily generated by new organic fertiliser and small farm machinery interventions piloted in late 2022. Interventions in commercial-grade poultry manure, pending verification in 2024, are anticipated to drive these figures in the future.
- In 2023, MDF’s work in tourism shifted to suit a rebounding sector, collaborating with the private sector and iTaukei institutions on product development and marketing community-based experiences. While this work did not increase employment or income in 2023, the new interventions planned for 2024 are expected to contribute to new effective outreach and NAI projections.
- Fiji’s cumulative NAI benefitted from earlier interventions in HVA, primarily in agricultural inputs. As such, agriculture contributes 68% to current overall results. The decision to close underperforming interventions or revise down projections in the HVA and tourism portfolios had a direct impact on NAI. As a result, projected income is down 10% in HVA and 14% in tourism. However, these losses have been cushioned by new income anticipated from OS, which is expected to make up the deficit and generate NAI of USD6 million (AUD9 million) by 2026, lifting projections by 10% over 2022 results.

## VALUE OF ADDITIONAL MARKET TRANSACTIONS



### Outsourcing services drive additional market transactions

- The current portfolio achieved a cumulative 76% of estimates in 2023, with VAMT increasing 34% compared to 2022. The current portfolio is projected to reach 94% of estimates by 2026. HVA, tourism and urban industries have contributed 49%, 36% and 15%, respectively, to cumulative VAMT.
- OS contributed a substantial 95% to the increase in VAMT in 2023. The maturing of interventions in direct and indirect marketing, against a backdrop of MDF-influenced government incentives, resulted in FDI inflows, new clients and revenue growth for OS companies. Besides Australia and New Zealand, OS firms engaged customers in North America and Europe and are actively looking to open new markets in the United Kingdom; all of these are anticipated to create new market transactions that are attributable to MDF.
- The business development services portfolio contributed to 4% of the increase in VAMT. Fiji Enterprise Engine-supported small and medium businesses reported higher revenue and the Greenhouse Coworking model generated revenue beyond MDF support.
- Over the next three years, MDF expects OS to remain a major source of VAMT, accounting for 83% of projections. Existing interventions in quality agricultural inputs and new investments in certifications and organic ginger production account for 14% of projections. Given the pandemic's impact on tourism, VAMT projections from new investments in non-traditional, high-yielding regions with a focus on community-based tourism are expected to increase from 2025 onward.






# Overview of Portfolio and Progress in 2023

Fiji's economy returned to pre-pandemic levels in 2023, bolstered by a rebound in tourism. In 2023, GDP grew by 8.2 per cent, following 15.7 per cent growth in 2022.<sup>1</sup> It had been estimated that Fiji would take three years to fully recover from the pandemic. Remittances rose to FJD1.25 billion (AUD0.85 billion) in 2023, which was double the level of inflows recorded in 2019.



 Hospitality, cruising and yachting activity at Port Denarau Marina in Nadi

However, higher import commodity prices and value-added tax and tariff rates drove prices up. Inflation was 5.1 per cent in December 2023<sup>2</sup> compared to 4.3 per cent in 2022. Migration continued to stifle growth and the Reserve Bank of Fiji (RBF) noted that loss of skilled and semi-skilled labour would reduce productivity and present a risk to the domestic outlook.

Tourism was a success story in 2023. Arrivals reached 929,740, 46.1 per cent higher than 2022 and four per cent above 2019 arrivals. Bolstered by higher room rates, tourism earnings reached FJD1.7 billion (AUD1.16 billion) in September 2023, growing 9.5 per cent from 2019. However, migration, hotel capacity constraints and high prices are threats to service quality and competitiveness. In addition, the late reopening of more affordable tourist destinations in Southeast Asia, which offer diversified tourism experiences, meant that Fiji's tourism industry needed to re-strategise. MDF's partnership with Twenty31 provided industry stakeholders with the latest tourism data and trends from key source markets. This information was used to re-focus national tourism policy and marketing efforts, leading Tourism Fiji to sign a two-year partnership with Twenty31, an encouraging sign of sustainability. To diversify

Fiji's tourism offering and align with MDF's vision for more local benefits from tourism, MDF scoped opportunities in community-based tourism with the iTaukei Trust Fund Board (TTFB) and the Ministry of iTaukei Affairs. MDF also collaborated with other market actors to develop tourism offerings in remote regions.

The outsourcing services sector continued to grow. This year saw the development of supporting functions, including telecommunications, infrastructure, investment facilitation and training. MDF's work aligns with Fiji's National Development Plan and gained momentum in 2023, deepening work in marketing, advocacy and coordination, and human resource development. Industry and government showed increased interest in sector growth: membership of the Outsource Fiji industry council grew to 36 and the government tripled its 2022-2023 funding to the council to FJD600,000 (AUD408,000), with an additional FJD1 million (AUD0.68 million) allocated to support industry expansion.

MDF's work in enterprise solutions for micro, small and medium enterprises (MSMEs) focused on building the sustainability and commercial viability of two pilots in business acceleration and coworking. The Fiji Enterprise Engine (FEE) business accelerator is on the path to self-reliance, garnering funding from the RBF; TTFB; the Ministry of Trade, Cooperatives, SMEs and Communication; and the International Labour Organization (ILO). The Greenhouse Coworking and MyDesk coworking spaces operated

<sup>1</sup> Reserve Bank of Fiji, Economic Review, January 2024

<sup>2</sup> Ibid



successfully in Suva and Nadi. MDF continued to phase out of this market system.

MDF made progress in the high value agriculture sector despite difficult market conditions caused by global supply chain disruptions and the rising cost of agricultural inputs. In alignment with the government's 2022-2023 Agriculture Development Programmes, MDF partnered with agricultural input firms, such as Baywater Engineering, to introduce domestically produced organic fertiliser, which is a more affordable alternative to imported synthetic fertiliser. To support the uptake of small farm equipment and vertical farming practices, MDF partnered with Krishan's Farm Implements to roll out a machinery rental service and engage with farmers in different regions. Recognising the need for certification to improve access to premium markets, MDF explored organic agricultural certifications in 2023. Through a partnership between MDF Pacific Regional and Control Union, two workshops were held in Fiji to raise awareness of the value of different organic certifications.

MDF continued to support gender equality, with women making up more than half of the people using or applying information, goods or services provided by MDF's partners. The growth of the OS sector, with a workforce made up of 70 per cent women, demonstrates the potential for the sector to deliver quality full-time employment for women. In agriculture, field assessments conducted by MDF in 2023 confirmed that women play an increasingly important role in farming due to the out-migration of male labour. Through MDF's interventions, farmer field days and demonstration plots to promote small farm machinery and smart farming techniques have seen increased participation from female farmers. In 2023, MDF's scoping work in community-based tourism identified the increasing involvement of women in experiential tourism, particularly in hosting village-based cultural tourism experiences.

In 2023, MDF built on its collaboration with other Australian programs. PHAMA Plus participated in MDF interventions aimed at increasing awareness and uptake of organic improvers. Together with POETCom (on organic farming) and Organic Pasifika (on sustainable farming practices), PHAMA Plus presented on export market opportunities for high value agricultural crops. MDF and PHAMA continued to share information about opportunities and pipeline interventions and identified prospects for collaboration in areas such as certification and training.

MDF continued to work closely to support Australia's public diplomacy and wider engagement in Fiji. Colleagues from DFAT Suva Post were involved in several MDF activities, including the graduation event for the Fiji Enterprise Engine 2022 cohort, the launch of the Fiji Enterprise Engine 2023 cohort, field visits to MSME businesses operated by women and people living with disabilities, local events organised and hosted by Outsource Fiji, farmer field days and demonstration plots. Communication products developed from these events were shared on MDF's social media channels, website, local newspapers and TV stations.



## Alignment with government priorities

MDF remained aligned with the priorities of the Government of Fiji and its partnership with the Australian Government. The Rabuka Government signed a renewed Vuvale Partnership with the Australian Government in October 2023, which includes a pillar on deepening their economic relationship through development programs, including MDF. Outsourcing services is now central to the government's growth and diversification agenda, and MDF's support has been recognised by industry and government alike. MDF captured the growth of the industry in a case study, which will be published in 2024.

Tourism remains a national priority, and MDF's work in widening the geographic impact of tourism to less-visited locations places communities and resource-owners at the core of implementation. This approach aligns with the government's focus on indigenous participation in business and sector development as outlined in Fiji's 10-year National Sustainable Tourism Framework, on which MDF was also consulted.

Agriculture continued to be vital for Fiji, providing food security, income and employment. The Rabuka Government's support for agriculture development in 2023-2024 included, for the first time, subsidies for inputs such as weedicides and fertilisers to boost the development and production of non-sugar crops.<sup>3</sup> In addition, the government's Farm Mechanisation program continued to target organised farmer groups or cooperatives to increase agricultural production. MDF's work in agriculture remained closely aligned with the government's priorities, particularly in facilitating farmer access to quality agriculture inputs and to premium markets for high value agricultural products.



<sup>3</sup> 2023-2024 Fiji Budget Supplement

# Country and Portfolio Strategy

## Country strategy

MDF's country strategy remained closely aligned with the priorities of the Government of Fiji in tourism, agriculture and urban industries.

Supporting the government's push for economic diversification, MDF continued its focus on higher-yielding, sustainable and resilient tourism in

close alignment with Fiji's National Sustainable Tourism Framework. In agriculture, MDF supports the shift to higher-quality, climate-resilient inputs for domestic production and internationally competitive premium agricultural products. These contribute to the priorities detailed in the government's five-year Strategic Development Plan (2019-2023) for agriculture. In urban industries, MDF capitalises on Fiji's strategic location and competitive assets, supporting the outsourcing sector as a pathway to diversify beyond tourism and agriculture.

MDF's climate change strategy focused on developing adaptation and mitigation solutions to reduce climate-related risks in agriculture, tourism and urban industries, increasing climate protection and safeguarding against climate-related losses. MDF's new focus on the renewable energy sector is showing early signs of the potential of green energy.



### Climate change

Fiji is one of the most vulnerable nations to climate change and related disasters in the world, given its exposure to tropical cyclones. This island nation is affected by sea level rise, ocean acidification, rising temperatures and extreme rainfall events. Agriculture is impacted by changes in annual rainfall quantity, intensity and timing. MDF's market intelligence<sup>4</sup> found that for countries like Fiji, while El Niño means below-average rainfall, climate change is leading to persistent rainfall during dry months. These erratic weather patterns degrade soil, reduce plant health and increase pests. Climate change also threatens Fiji's tourism assets and poses business continuity challenges for urban industries such as outsourcing services.

In 2023, MDF intensified its work in climate change. In tourism, initiatives were scoped in waste management, resource

conservation, carbon offsetting and community engagement. These aligned with a strategy to attract high value eco-conscious travellers to Fiji. In high value agriculture, MDF explored opportunities in organic fertiliser, soil management and testing and using agricultural technology to improve information provision. In urban industries, MDF explored opportunities in green energy, including electric vehicle leasing. MDF supported outsourcing services firms, businesses and urban residents to pursue energy efficiency and adopt rooftop solar technologies.



<sup>4</sup> MDF MarketView (Facility Wide #10)

# Sector rationale



## Tourism

Fiji's economy relies heavily on tourism; it accounts for about 40 per cent of GDP and employs approximately 50,000 people. The post-pandemic revival of tourism has boosted confidence and receipts from the sector totalled FJD1.7 billion (AUD1.16 billion) between January and September 2023. The rebound of tourism masks some underlying challenges which threaten the industry's competitiveness. For example, there is limited information

available to the industry about the changing preferences of international tourists, tourism offerings are not diversified, and limited accommodation capacity and a dearth of skilled workers is pushing up prices and reducing service quality.

The tourism industry is vulnerable to the effects of climate change, which threaten Fiji's coastal assets. Natural disasters such as cyclones

and flooding damage infrastructure, causing losses that take a long time to recoup. There is a strong business case for investment in climate change adaptation to make the sector more resilient. International travellers are also increasingly demanding eco-friendly tourism products. This is creating opportunities for tourism operators to invest in climate change mitigation and position themselves to take advantage of 'green' demand.



## High Value Agriculture

The agriculture sector is valued at approximately FJD1.5 billion (AUD 1.02 billion) and accounts for 8.1 per cent of Fiji's GDP. It provides livelihoods, employment and food security to a large portion of the population. Ginger and turmeric led the increasing demand for Fiji's agricultural goods in 2023, showing the potential of Fijian organic produce in the global food, beverage, pharmaceutical and health supplements market.

The sector's ability to exploit this potential is constrained by several factors. Use of agricultural inputs, including seeds, soil conditioners, fertiliser and equipment, is low, which affects the productivity and quality of high-value crops. Exporters struggle to penetrate premium markets because they tend not to understand consumer preferences and lack know-how about building effective distribution channels and marketing their products.

The impacts of climate change, such as changing temperatures, extreme weather events and soil degradation, adversely affect crop growth, reducing farm yields and incomes. The government, private sector and farmers must invest in effective climate adaptation and mitigation measures if Fijian agriculture is to remain productive, viable and competitive.



## Urban Industries

Urban industries have provided a tangible alternative to Fiji's traditional sectors of agriculture and tourism. Capitalising on a young urban population, skilled labour market, improving infrastructure and technological facilities, and growing entrepreneurship, the government has continued its support for outsourcing industries and business development of MSMEs. The outsourcing services sector was valued at AUD150 million in 2023. Official records do not yet exist, but MDF conservatively estimates that in 2022, the sector contributed 1-2 per cent to Fiji's GDP and accounted for 5.4 per cent of its foreign exchange earnings. OS sector revenues and employment are projected to rise over 2023-2025.<sup>5</sup>

Fiji's outsourcing services sector is on a growth trajectory with government and businesses committed to further developing the industry. With the government's strong push for economic diversification, the industry provides a tangible alternative to Fiji's traditional areas of focus. Fiji's global image as an outsourcing destination has gained wider visibility with Fijian companies securing new businesses in North America and Europe. The government introduced various tax-related incentives and favourable policies to attract new investors, and public and private investment continued to increase. The industry has continued to employ around 70 per cent women, contributing to economic inclusion.

Climate change poses risks to urban-based market systems. Frequent and intensifying weather events increase costs and reduce revenues. They often disrupt electricity supply and internet connectivity, vital for the smooth functioning of outsourcing services. For businesses with large premises, like outsourcing services, there are opportunities to shift to more efficient or renewable sources of energy to reduce costs and position themselves as 'green' to take advantage of niche markets.

<sup>5</sup> The calculation of GDP contribution is based on a conservative industry estimate of 5,000 employees in 2022 and uses a simple income (profits + wages) calculation method. It does not include any multiplier effects (which can be as high as 4:1 in mature OS sectors). Foreign exchange earnings are based on industry sources.



## The Results Story

# Post-pandemic recovery boosted by outsourcing services, agriculture and a promising strategy for sustainable tourism



Fiji marked a year of recovery in 2023, with the tourism sector rebounding. However, MDF field work and partner discussions highlighted several ongoing challenges, including labour shortages in tourism as a result of migration and climate change-induced extreme weather events.

Agriculture continued to bear the brunt of climate change, with longer and more intense rainy seasons (off-season), coupled with more intense dry seasons (main season) directly impacting farm productivity, household income and

food security. Increases in value-added taxes, mandatory superannuation and minimum wage rates increased the cost of doing business in 2023 for partners across the portfolio.



### Outsourcing drives job creation and business revenues

Outsourcing services (OS) continued to grow in 2023. Bolstered by MDF support, partners invested independently in marketing: hiring marketing specialists or business development managers, exploring new digital solutions, and researching demand in new markets such as North America. These investments generated over 30 new jobs in 2023 alone. Similarly, partners and other companies continued to engage matchmaking services to find clients, resulting in the generation of over 220 new jobs and over USD4.4 million (AUD6.6 million) in additional business revenue. More than seven foreign businesses set up operations in Fiji, generating 270 new jobs and over USD3.5million (AUD5.3 million) in revenue in 2023 alone.

MDF-supported HR development initiatives gained traction in 2023. Businesses are investing in developing pools of work-ready staff, able to secure and deliver new contracts. HR initiatives included an innovative in-house training pilot introduced by Outsource Fiji in partnership with New Zealand-based Learning Planet. This training program is expected to be rolled out for Outsource Fiji members in 2024.

The OS sector is expected to generate a further 300 new jobs over the next two years through new demand for KPO (Knowledge Process Outsourcing) business and companies increasing wages to attract staff.



Pacific Centrecom Nadi office staff



## Organic fertiliser gains traction among farmers; agriculture portfolio set to grow

Farmers increasingly adopted organic fertiliser and new small farm machinery. Root crop farmers reported limiting their use of synthetic fertiliser and chemical weedicides and pesticides, while trialling new, MDF-supported organic fertiliser products. Farmers noted changes in soil health and improvements in the quality and quantity of produce, as well as a reduction in workload. MDF also commenced new initiatives in improved fertiliser methods, such as 'retail-shelf-ready' poultry manure.

The current agriculture portfolio is anticipated to benefit an additional 1,000 farmers in the next three years. These projected numbers are adjusted for overlap in beneficiaries – i.e. they have been discounted by 50 per cent to account for beneficiaries already recorded under existing and closed interventions.



## Tourism product development and localisation expected to bolster outreach in remote regions

In 2023, MDF completed its third year of activities with Tourism Fiji on live-traveller sentiment research and an online dashboard. The Tourism Statistics Taskforce started to actively use the information from the dashboard, as well as share it with industry. Tourism Fiji independently committed to another year of subscription to certain Twenty31 research services.

MDF conducted significant scoping in 2023 to gauge the incentives of interested tourist operators and the opportunity to nurture engagement with communities and indigenous institutions. Based on the findings from the scoping, MDF is commencing new interventions in community tourism-based product development, sustainability certification and blue carbon initiatives. These interventions are expected to increase income for Fijians in remote regions, strengthen the participation of indigenous resource owners and communities in tourism, and enable MDF to contribute to DFAT's localisation agenda in 2024.




## OS, agriculture and FEE drive women's economic empowerment

MDF maintained its strong track record of supporting inclusive impact. Women accounted for 65 per cent of net additional income generated in the OS market system in 2023 – a trend expected to continue. The MDF Fiji portfolio is now closer to parity in earnings, with women accounting for 49 per cent of income and the current portfolio forecast to achieve 50 per cent by 2026.

Field assessments continued to validate lessons around female household participation in agricultural production. Women hold visible and less visible roles in planting, crop maintenance, harvesting and selling. They also participate in decision-making around the use of household income. The widescale availability of organic inputs is intended to improve access to inputs for people with disability. Field results indicate that farmers who self-report as having physical impairments have seen higher yields and additional income from using organic fertiliser. Planned MDF interventions in distribution and marketing are intended to deepen this impact.

MDF completed monitoring its Fiji Enterprise Engine (FEE) accelerator with the Fiji Commerce and Employers Federation in 2023. Across five years, over 200 women entrepreneurs have accessed business training, of whom 78 have generated USD420,000 (AUD630,000) in additional revenue.



 Kavalicious Taveuni (FEE alumni)

Participating in FEE has had a positive impact on these entrepreneurs' agency and access to new opportunities. Interviews revealed that interacting with industry mentors, other MSMEs and networking events supported the women to become more confident public speakers, explore new ventures in business and professional development, and increase their recognition within the business community. In 2023, two women entrepreneurs leveraged FEE networks with financial institutions and coaches to secure loans and grants valued at USD310,000 (AUD480,000) to expand their business operations in 2024.

# The evolution of Fiji's outsourcing services industry

Prior to 2019, Fiji's outsourcing services (OS) sector employed around 2,500 people. With limited global recognition, the industry struggled to compete with established players like India and the Philippines. However, in the past four years alone, Fiji's OS landscape has undergone a remarkable transformation, doubling employment and evolving into an important contributor to the economy. OS has emerged as Fiji's fourth-highest foreign exchange earner, a significant shift from its earlier challenges in attracting new business and investment.



Pacific Centrecom Nadi office staff

Despite Fiji's advantages, such as a well-educated workforce and favourable geographic location, the outsourcing sector faced significant hurdles. Intense competition, market entry barriers and a lack of industry promotion hindered its growth. A relatively small and lesser-known player in the industry, Fiji struggled to capitalise on its value propositions to attract clients and compete with bigger, more established industry hubs. It required Fiji to pivot from its traditional reliance on small client bases and word-of-mouth promotion to more coordinated and strategic advocacy and marketing approaches.

The industry also grappled with the challenge of recruiting readily employable candidates with the specific skills required. This forced companies to invest substantially in recruitment, onboarding and training for each new contract – leading to higher costs and greater uncertainty, as well as weakened competitiveness.

## The change

The Fiji Government and other OS stakeholders, with support from MDF, are successfully addressing several critical challenges to strengthen and sustainably grow the industry. Fiji's reputation as an OS hub is gaining traction in global markets and, as a result of MDF support, has generated at least 70 new contracts, 1,100 new jobs and AUD8.6 million in additional income since 2019. Industry advocacy and government support have also increased, bolstered by the Business Process Outsourcing Council of (BPOC) Fiji's inclusion as a member of the Fiji Commerce and Employers Federation and greater budgetary support from the government. With this growth, there is a greater focus on long-term sustainability, including how to grow and retain a work-ready labour pool, increase industry inclusivity and accessibility for women and people with disability, and potentially incorporate renewable energy solutions in infrastructure. These are elaborated below:

## Adopt/Adapt

### New marketing models and industry-level support are driving growth

MDF trialled new marketing methods with local OS companies, including recruiting Business Development Managers for key markets and implementing new digital marketing solutions. Over the past four years, these investments in marketing have resulted in the creation of 197 jobs, of which 137 were for women.

With MDF's backing, Outsource Fiji (formerly BPOC) laid the foundation for transformative changes within the industry. It established a dedicated secretariat and hired an Executive Director, both of which allowed for coordinated and strategic marketing efforts of Fiji as an OS destination. Outsource Fiji strengthened its presence by developing a website, creating content, conducting online marketing campaigns, hosting webinars and participating in international events. All of these investments expanded its reach and fostered valuable industry connections. New budgetary support, provided in 2023, is supporting growth.

Building on this momentum, Outsource Fiji has spearheaded several key promotional activities, including the inaugural Fiji Outsourcing Symposium and Exhibition in New Zealand in 2023. This event highlighted the industry's capabilities and generated several leads for its members. Outsource Fiji also established a marketing vendor panel with MDF's assistance, empowering companies to effectively elevate their marketing efforts.

Outsource Fiji is also looking to ensure long-term sustainability by creating an Industry Development Fund and Governance Framework, to manage and grow Fiji's OS industry in line with the council's strategic priorities. The development fund channels additional funding secured by the council in accordance with the governance framework and determines how the funds are managed. In addition, the council has introduced accredited human resource courses tailored to industry-specific needs. Outsource Fiji has continued to expand its educational offerings by expanding the range of accredited courses.

The response from nearshore clients has been overwhelmingly positive. The initial webinars supported by MDF attracted over 100 participants, and Outsource Fiji continued to host several webinars in collaboration with Australian industry match-making service provider Matchboard, resulting in the conversion of 24 leads, generating FJD5.4 million (AUD3.7 million) in revenue for Fijian firms. In addition, three Fiji OS companies collaborated directly with Matchboard to improve lead conversions, creating 220 new jobs in 2023 alone. Four OS firms took this initiative further and subscribed to Outsource Accelerator, a similar service based in the Philippines. This platform develops content and connects clients and service providers using a subscription model.

In 2023, MDF also supported Investment Fiji (the national investment promotion agency and a council member) to develop an OS prospectus that can be used to promote the industry and attract foreign direct investment.

## Expand

### The OS success story is gaining traction with other market actors

Reflecting industry growth, Outsource Fiji membership grew from seven members in 2017 to 36 in 2023. This growth has also seen more diversity of membership beyond traditional OS services, including 'the big four' accounting firms, banks and telecommunication agencies. The expansion has strengthened Fiji's value proposition as an attractive outsourcing destination, especially in light of the COVID-19 pandemic, which prompted businesses to seek reliable nearshore options.

Key government agencies, such as Fiji's Trade Commissions, actively support Outsource Fiji to promote Fiji, including by supporting Fijian delegations at international OS exhibitions and promoting events hosted by the council, including its first Symposium

and Exhibition held in Auckland, New Zealand in 2023. Investment Fiji is using the OS prospectus as a guide to develop a similar promotional document for the tourism sector and has indicated interest in the development of prospectuses for other key industries.

The influx of offshore operators, firms headquartered in key source markets, has further bolstered Fiji's outsourcing landscape. These operators integrate Fijian staff into their existing operations, creating job opportunities and contributing to industry growth. This multifaceted growth trajectory underlies Fiji's increasing prominence as a global OS player.



An outsourcing staff in Fiji office



## Respond

### Fiji's OS potential is gaining buy-in from key stakeholders

The Fijian Government has prioritised the OS sector and increased budgets for Investment Fiji and Outsource Fiji. Investment Fiji's budget was raised from FJD1.8 million (AUD1.2 million) in 2021 to FJD2.7 million (AUD1.8 million) in 2022 and 2023. Outsource Fiji's budget was raised from FJD600,000 (AUD400,000) in 2022 to FJD1 million (AUD685,000) in 2023.


The government announced further incentives in 2023, including a BPO expansion budget of FJD1.5 million (AUD1 million). OS industry stakeholders also regularly participated

in national economic conferences and events, such as Outsource Fiji being invited as a keynote speaker at the Fiji Australia Business Council Forum in Australia.

Foreign investors are responding to the potential evident in Fiji's OS sector: seven investors set up business in Fiji in 2023, expected to create an additional 269 jobs over the next few years. Key stakeholders now collaborate actively to promote the industry. Government and Australian High Commission officials have participated in several industry events, including Outsource Fiji's

inaugural Women in Tech Symposium and Awards event. Most recently, the Fijian Government announced its partnership with Outsource Fiji to host the country's first international expo for the OS industry – Exo Fiji – in June 2024. The event, supported by MDF, is expected to attract businesses from Australia, New Zealand and potentially the US to experience Fiji's outsourcing opportunities, increase the visibility of Fijian outsourcing companies and promote direct engagement with potential clients.



 BTR/Our Pacific Office staff in Nadi office

### The way forward

The OS industry generated over 500 new jobs in 2023, through MDF and partner interventions alone. Beyond budgetary support, the Fijian Government has implemented growth-focused policies, such as establishing strategic partnerships with Google and Starlink to improve internet connectivity.

The industry aims to create 25,000 new local jobs by 2025, and this has garnered support from market actors including major business services firms

that have relocated some of their service delivery to Fiji. While some of the industry's inbuilt non-wage benefits, such as flexible working hours and job security, are attractive to employees, several companies are also exploring the feasibility of offering additional benefits such as child-care services. This will be a focus area for MDF. The government and Outsource Fiji are spearheading efforts to bolster cyber security measures that align with international standards, to fortify the country's position as an outsourcing hub.

However, challenges remain, including accessibility for people with disability. In response, several infrastructure development firms have plans that prioritise accessibility alongside the exploration of renewable solutions, which MDF intends to support where feasible. Through strategic collaborative efforts, Fiji is emerging as a reputable destination for outsourcing services, boosting the economy, employment and incomes.



## Inclusion Story

# Cultivating local organic solutions in Fiji

Agriculture is vital for Fiji's economy, employing over 83 per cent of the rural population. However, the sector's sustainability and competitiveness are affected by limited access to quality agricultural inputs like organic fertiliser and soil conditioners.

Finding local solutions to support a more sustainable, circular economy has the potential to make Fiji's agriculture industry more resilient and competitive.

Fijian company Baywater Engineering has developed an innovative solution called 'OrganicPlus'—a liquid compost made from discarded organic material. MDF is supporting the company to promote and market its soil conditioner, increasing farmer access to local organic solutions to support their livelihoods and potentially reduce Fiji's dependence on imported chemical fertiliser.

Click/scan the QR code to read the full story



## Climate Change Story

# Powering Fiji: Urban solar holds the key to sustainable energy transition

Fiji is already facing the impacts of climate change, and its energy sector faces challenges stemming from its small market size, high susceptibility to extreme weather events, and dependence on fossil fuels. The Fijian economy is also enjoying a post-pandemic boom, but high living costs and the potential for electricity price hikes have left the country in need of innovative solutions to meet growing energy demand. Despite these unique challenges, Fiji stands poised for transformation.

As the first nation in the world to ratify the Paris Climate Agreement, Fiji has a 20-year plan to achieve their commitments. The country aims to generate all energy from renewable sources by 2030, including solar, wind, storage, geothermal, marine, biomass, and biofuel.

While the Government of Fiji has set a clear ambition to move to clean energy and the need for private sector investment is acknowledged, there are many challenges which need to be overcome.

Click/scan the QR code to read the full story



## Business Focus Story

# Greenhouse Coworking: Fostering community and innovation

Greenhouse Coworking opened its doors in Suva in November 2021, becoming Fiji's first full-service virtual and in-person coworking community. The creative hub provides local MSMEs with affordable office space, skills development, community support (in-person and virtual), and networking opportunities. MDF supported the coworking space with the development of their business plan and financial modeling, hiring Greenhouse Coworking's first Community Manager, and incentivising membership packages to encourage uptake. MDF is now gradually exiting as the business models show encouraging signs of sustainability.

Click/scan the QR code to read the full story





# Tourism





# Tourism

USD **2.7m**  
Private sector investment leverage



## Vision of change

- The tourism industry shifts to higher-yielding tourism segments that are sustainable and resilient.
- Fiji's yachting industry attracts more yachts and superyachts due to strengthened international marketing, revised yachting legislation and the ease of approval processes.
- Fijian tourism operators continue to have access to credible, timely market information about travellers, leading to tourism product diversification, better package development, targeted marketing and segmentation.
- Industry operators and stakeholders develop strategies for product diversification to enhance competitiveness and support the sustainable development of Fiji as a tourist destination.

## Constraints

- Since the reopening of borders, the industry has faced a labour shortage crisis, as an increase in pent-up travel demand outpaced the remaining labour capacity.
- Tourism operators have limited access to timely research and intelligence to support efforts to capitalise on tourism trends post-COVID-19.
- A low level of industry readiness and limited product offerings impact the industry's competitiveness after a two-year lapse.
- Other destinations are offering cheaper holidays, so Fiji needs product diversification to stay competitive.

## Interventions



Green Tourism (Air Travel)

Blue Tourism (Sea Travel)

## Climate risks

Fiji is prone to tropical cyclones and flooding, which cost the country approximately FJD 500 million a year. The tourism industry is vulnerable to the impact of these natural disasters. MDF is exploring support for insurance and certification to increase tourist travel by air and sea.

# 1

## Market System

# Green Tourism (Air Travel)

## Market on a Page



Fiji has **421** licensed accommodation providers with a combined inventory of more than **12,000** rooms.



The tourism industry provides direct and indirect employment for more than **150,000** people. However, from January-October 2023, close to **14,000** people left Fiji on work and student permits, including a significant number of tourism industry employees.



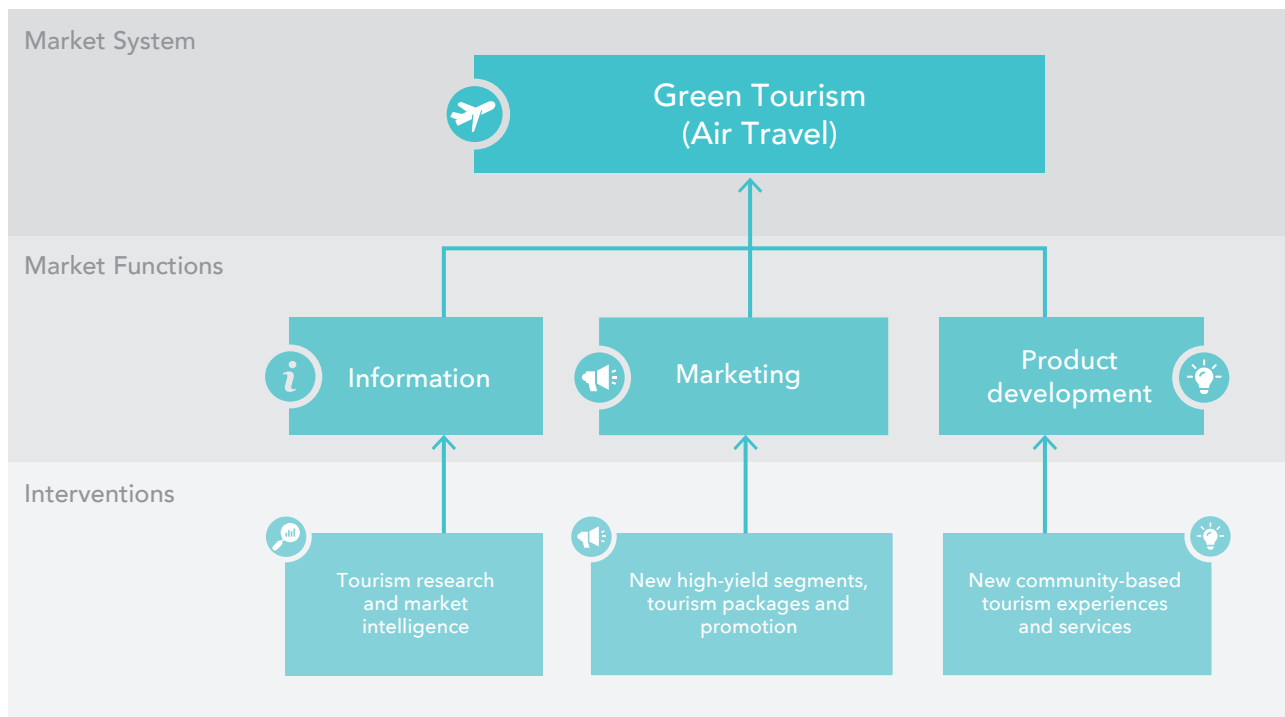
Visitor arrival numbers for 2023 exceeded **846,000**, representing a **51%** increase over the total number of visitors in 2022.



A 2023 study on the impact of sports tourism found that direct expenditure associated with game attendees and event operations reached USD29.9 million (AUD 45.8 million), creating employment opportunities for **21,000** individuals (equivalent to **520** full-time jobs).



MDF is providing market research to inform policies, strategies and business decision-making, and supporting the industry's green tourism initiatives.



## Status of the market system

Developing

## Interventions (active and/or monitored in 2023)

1. International Market Intel Dashboard

## Summary of performance

Fiji's tourism revival masks underlying threats to industry competitiveness, including a lack of diversified products to meet tourist preferences for more sustainable and adventure/experiential tourism, limited accommodation capacity and labour shortages caused by migration.

In 2023, MDF completed its third year of activities with Tourism Fiji to cost-share on services to access live-traveller sentiment research and an online dashboard with Twenty31. The Tourism Statistics Taskforce (comprising MDF, MCTTT, Tourism Fiji and FHTA) learnt tourist preferences through webinars and training, and started to use and share this information. Tourism Fiji committed to another year of independent subscription to certain Twenty31 research services.

In late 2023, Fiji Airways rolled out new marketing campaigns informed by an MDF-supported CRM system. MDF will monitor lead conversions from these campaigns and anticipates reporting new projections and results from 2024.

While MDF activities only resulted in an increase in private sector investment in 2023, MDF recognised the opportunity to leverage insights from this market system to inform 'Green Tourism' strategies, particularly in terms of understanding tourist preferences. Following significant scoping in 2023, MDF plans to sign new interventions in 2024 with tourism operators to develop and market curated tourism products and packages.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
73	73	USD467,993 (AUD620,029)	USD467,993 (AUD620,029)	USD426,579 (AUD567,717)	USD426,579 (AUD567,717)	USD735,749 (AUD1,040,482)	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="width: 15px; height: 15px; background-color: red; border-radius: 50%; margin-bottom: 5px;"></div> <div style="width: 15px; height: 15px; background-color: yellow; border-radius: 50%; margin-bottom: 5px;"></div> <div style="width: 15px; height: 15px; background-color: green; border-radius: 50%;"></div> </div>



The revival of the travel industry was fuelled in 2023 by pent-up demand from market segments including couples, solo adult travellers, adventure tourists, sports enthusiasts, families and honeymooners.

Australia accounted for 47 per cent of total arrivals, followed by New Zealand at 24 per cent and the United States at 13 per cent. Other markets such as Asia and Pacific Island countries made up the remaining 16 per cent. In response to demand, Fiji Airways is starting new direct flights to Canberra and New Caledonia.

There are several underlying threats to industry growth, particularly labour shortages. Travel demand outpaced Fiji's remaining labour capacity, exposing the significant migration out of Fiji's tourism workforce. Fewer than 50,000 tourism workers remain employed by the industry, compared to 118,000 people recorded as working in tourism in 2019.<sup>6</sup> MDF's market intelligence gathering confirmed that hotels face challenges in attracting and retaining employees and this is undermining the quality of their services.<sup>7</sup>

Fiji is losing competitiveness amid the surge in traveller demand. Limited room inventory and expensive room rates make competitor destinations such as Cambodia, Indonesia (Bali), Thailand, and other Pacific Island countries more affordable.

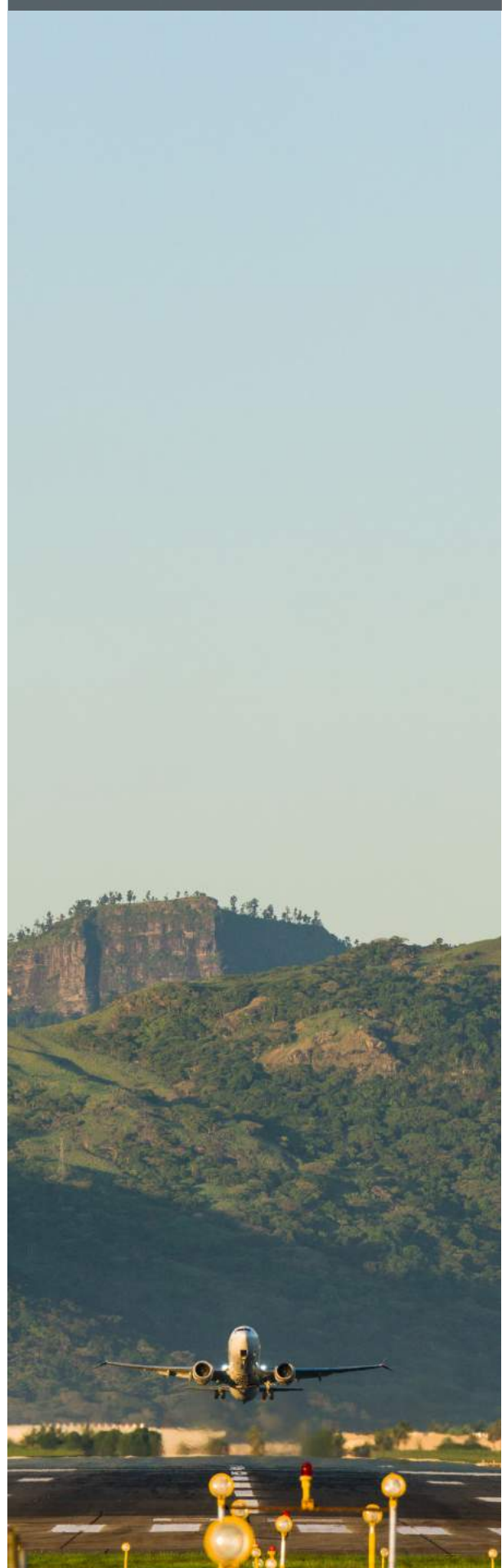
In 2023, travellers to Fiji showed growing demand for sustainable tourism options, including experiential tourism through community engagement. Travellers are becoming more interested in connecting with nature, people and culture. In meeting this demand, tourism stakeholders will need to safeguard Fiji's natural and cultural assets. The government, in consultation with the private sector, has drafted the National Sustainable Tourism Framework (NSTF), a 10-year roadmap to revitalise and enhance the industry's competitive positioning and to anticipate future needs. Against this backdrop, MDF began consultations with key stakeholders in i-Taukei development such as the i-Taukei Trust Fund Board (TTFB) and i-Taukei Land Trust Board (TLTB). MDF discussed potential collaboration for the development of sustainable community-based tourism offerings to target high-value markets.

To align with the priorities of the NSTF, MDF revised its strategy for air travel in 2023 to focus on sustainable and responsible tourism that will appeal to higher-yielding clients. Emphasis on information, product development and marketing has been retained, and MDF collaborated with business and government to address gaps, especially on the supply side, that will enhance Fiji's sustainable tourism.

<sup>6</sup> FHTA Tourism Talanoa – Committing to Sustainability, Fiji Hotel and Tourism Association, 27 May 2022

<sup>7</sup> MDF MarketView (Fiji Issue #03) – Skills shortage in Fiji hotels since re-opening.

Fiji Airways afternoon flight departs Nadi International Airport against the scenic backdrop of Sabeto Highlands



### Information

MDF continued to support industry stakeholders through the Tourism Statistics Taskforce (TST), championing the importance of using relevant and timely data for decision-making. In 2023, MDF and Twenty31 continued monthly insights webinars for the industry, to show how data could be used to segment and target travellers for better brand positioning. The webinars included detailed reporting of content engagement, visitor experiences, airline capacity trends, social media sentiment and brand health benchmarking. As a result, Tourism Fiji entered a two-year partnership with Twenty31 after MDF's intervention ended, ensuring the sustainability of the function.



### Product development

The Government of Fiji has highlighted the need for new tourism products and experiences that can help Fiji maintain its competitive edge. Product diversification that encompasses Fiji's cultural, historical and natural assets brings unique opportunities as well as challenges. It requires effective collaboration between business, government, iTaukei stakeholders, resource-owner communities and conservation organisations. MDF scoped this function extensively in 2023 and has designed interventions to be implemented in 2024.

In 2023, MDF partnered with Tourism Fiji to study the economic impact of sports tourism and capitalise on the popularity of the Fijian Drua (Fiji's professional rugby team competing in the Super 14 Rugby competition) Super Rugby. The study found that Super 14 tournaments held in Fiji contributed FJD67 million (AUD45.56 million) to Fiji's economy, with benefits extending to local businesses and communities. Sports tourism is likely to gain momentum in 2024 with the return of the World Surf League Championship in August 2024 and Australian National Rugby League games in February 2024.

### Marketing

Fiji's brand positioning post-pandemic pivoted away from traditional 'sun, sand and sea' messaging to one that emphasised culture and people, informed in part by MDF's work in the information function. The destination brand tagline shifted from "where happiness finds you" to "where happiness comes naturally," putting Fijian people, culture and the environment at the heart of destination marketing. This aligns with growing demand for ecotourism and sustainable tourism experiences and a more value-based consumer and investor ethos.

In 2023, MDF engaged with Fiji Airways to pilot an industry-level approach to increase investment in mangrove restoration that would benefit coastal iTaukei resource-owner communities, who are the custodians of the mangrove forests. The aim is to make mangrove regeneration a viable source of commercial revenue for the private sector and iTaukei communities and offset the airline's carbon footprint. If successful, this would enhance Fiji's destination marketing and branding to attract higher-yield, environmentally conscious travellers.





# 2

## Market System

# Blue Tourism (Sea Travel)

## Market on a Page



In 2023, more than **36,000** cruise passengers visited Fiji, contributing USD 891,000 (AUD 1.36 million) in revenue.



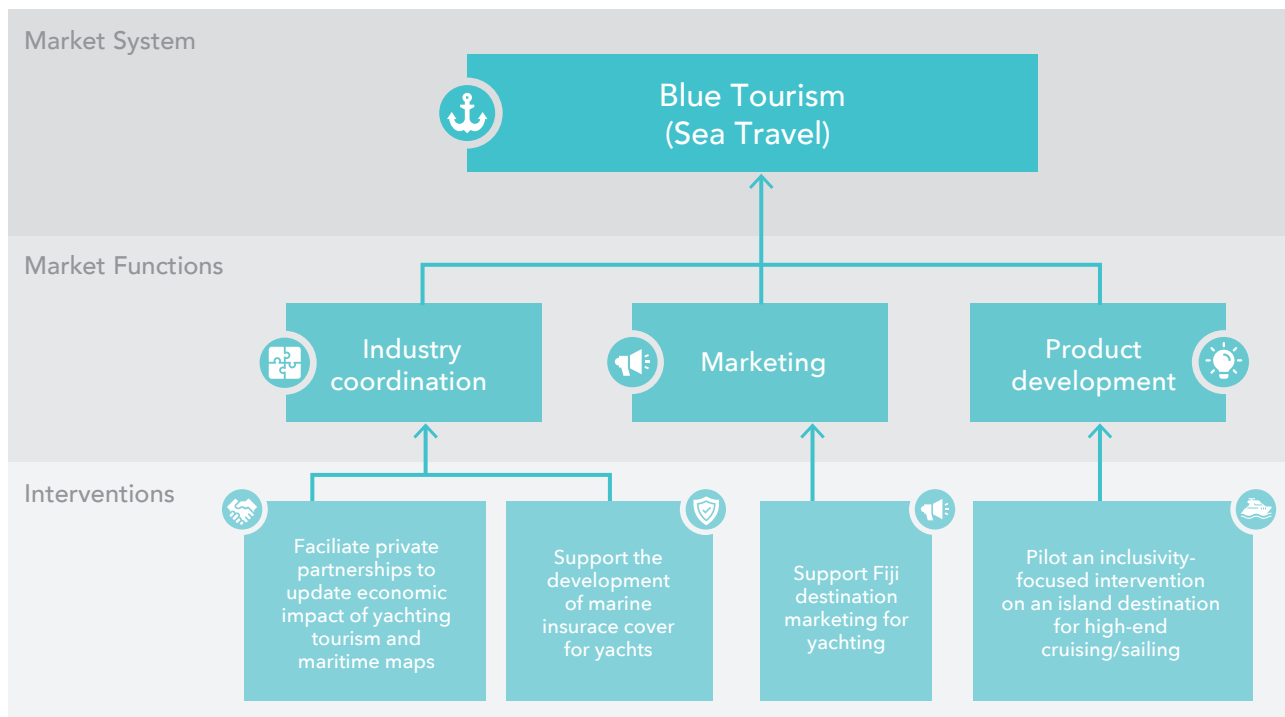
More conducive policies and process regulations would encourage greater industry collaboration.



MDF is supporting the private sector to promote environmentally friendly, climate resilient and responsible yacht and cruise tourism, which financially benefits remote island communities.



MDF is also collaborating with Tourism Fiji and marina stakeholders to conduct an updated study on the economic impact of the yachting industry in Fiji.



### Status of the market system

Developing

### Interventions (active and/or monitored in 2023)

1. Hydrographic mapping
2. Integrated online clearance system/enabling environment for yachting tourism

### Summary of performance

Yachting and cruise tourism started to return to normal after international borders reopened in late-2022 and 2023. MDF identified opportunities to support community readiness to receive new visitors in rural and remote regions. MDF leveraged its networks with indigenous institutions and cruise agents to expand the work started in 2019 on hydrographic mapping, through new product development, marketing and training to support island communities. MDF anticipates signing new partnerships in 2024.

MDF's partnership with Fiji Revenue and Customs Service (FRCS) to develop a fully integrated online immigration and clearance system for yachts was delayed further in 2023. While initial consultations were held with the relevant border agencies and design commenced in 2022, MDF observed FRCS priorities shifting in 2023, aligning with new government initiatives including to conduct a more wholistic view to integration with support from other development partners. MDF revised down projections and closed this intervention and will reopen new projections one momentum returns.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
86	86	USD448,991 (AUD610,096)	USD448,991 (AUD610,096)	USD918,434 (AUD1,242,514)	USD918,434 (AUD1,242,514)	USD75,327 (AUD100,160)	● ● ○

Nautical tourism (sea travel) has been a significant contributor to Fiji's economy and is even more important now as Fiji looks to diversify its tourism offer.

Studies such as MDF's *Economic Impact of International Yachting in Fiji* (December 2018) and the International Finance Corporation's *Cruise Ship Impact Study* (November 2019) estimated that yachting and cruise tourism have a combined annual value of over FJD150 million (AUD102 million). Recognising the economic value of the sector, the government supported yachting tourism through the Blue Lane initiative, established in 2020, which allowed yachts to enter Fijian waters during the pandemic, and international cruises in August 2022.

MDF supports the development of nautical tourism because it attracts higher-yielding clients, has strong multiplier effects that benefit businesses and communities, and increases visitor flows outside of Fiji's mainstream tourist destinations. MDF has focused on developing hydrographic maps, which build coordination between key stakeholders and marketing destinations to higher-yielding nautical segments.

Fiji is highly exposed to tropical cyclones, which are expected to increase in intensity because of climate change. This is a threat to coastal communities and nautical tourism assets. In 2023, MDF began exploratory work with coastal communities on community-based mangrove management to complement its Fiji Airways pilot using mangrove regeneration for carbon offsets. Mangroves are a natural cyclone haven for marine vessels. Their regeneration and maintenance could provide a commercial benefit to communities and enable insurance coverage for yachts during the cyclone season, which will increase visitation and tourism yields.

## Cruise tourism

In 2023, Fiji had 43 cruise ship calls, including inaugural calls from Disney Cruises, Royal Princess, AIDA Sol and Brilliance of the Sea under the Royal Caribbean brand. Collectively, 36,242 crew and 65,649 guests transited through Fiji. According to domestic cruise agents, cruise tourism shows promising growth prospects over the next decade, especially with the addition of new island experiences.



Hospitality, cruising and yachting activity at Port Denarau Marina in Nadi

As noted above, the development of new island experiences will require concerted efforts from government, cruise agents, operators and island communities. Improved mapping enables access to more islands but communities living in the outer islands will need to build capacity to meet increased tourism demand.

In 2023, MDF engaged with cruise agents about investing in community preparedness training; supporting improvement in customer service and tourism offerings such as arts, crafts and food; and ensuring child protection and good environmental practices when hosting tourists. This work will be implemented in 2024 with cruise agents, the TTFB and the government.

## Yachting tourism

According to MDF's *Economic Impact of International Yachting in Fiji*, the yachting industry contributes approximately FJD60 million (AUD41 million) annually to Fiji's economy. During the 2022-23 season, 591 yachts and 30 superyachts visited Fiji, mainly from New Zealand, the UK and the US. While revenue data for the season has yet to be collected, growth is forecast for 2023-24.



Yachts berthed at Vuda Marina outside Lautoka city, Viti Levu

The Blue Lanes initiative provided the impetus for the government to recognise yachting as a valuable tourism segment. It eased yacht charter legislation to make it easier for foreign-flagged vessels to charter in Fijian waters. Tourism Fiji provided marketing funds to the industry to participate in international boat shows and position Fiji as a premiere yachting destination.

In 2023, MDF focused on the industry coordination and marketing functions, working with stakeholders to support development of community-based tourism. MDF also initiated discussions with New Zealand-based yacht agents to plan an eco-regatta-based destination marketing campaign. This is expected to be implemented in 2024.



### Maritime mapping

MDF is working with stakeholders to improve industry coordination to ensure Fiji's hydrographic maps are updated. Local ownership of mapping, by government or the private sector, is vital to ensure the sustainability of this function.

In 2023, MDF engaged with the private sector and the government about mapping new routes. The government's de-prioritisation of funding delayed progress, so discussions shifted to supporting remote island communities with skills and service development, which is crucial to maintaining quality experiences and return cruise calls. Work will continue in 2024 with iTaukei stakeholders, cruise agents and communities

### Industry coordination

With the rebound in tourism, there is increasing demand from yacht and cruise tourists to visit new island ports and experience a broad range of activities. Expanding to the outer islands requires the engagement of iTaukei resource owners and communities in the development of new products. Supporting the livelihoods of iTaukei communities is also a key government priority. However, there is little coordination between government, tourism businesses and iTaukei leaders.

In 2023, MDF began consultations with iTaukei resource owners, government, businesses and conservation organisations on the development of sustainable, community-based tourism products and experiences. MDF will support several community-focused interventions in 2024.

### Marketing

Yachting and cruise tourism arrivals from new markets are growing, including from European countries. Expedition vessels and superyachts have also registered interest in new island ports and experiences. Fiji will need to strategically market its tourism offering to this higher-yielding nautical tourist segment, to maximise the emerging demand.

In 2023, MDF initiated work with Islands Cruising for Fiji to host an international yachting regatta targeting a yachting rally from New Zealand. The event will market Fiji as a yachting destination. MDF also leveraged the Pacific Regional team's relationship with the South Pacific Sailing Network (SPSN) to initiate discussions about Fiji's representation at international marketing events facilitated by SPSN.



Hospitality, cruising and yachting activity at Port Denarau Marina in Nadi



# High Value Agriculture





## Sector on a Page

# High Value Agriculture

17,361

Effective outreach

USD 25.3m

Additional income

USD 1,459

Additional income per beneficiary

47%

Female participation (8,080 women)

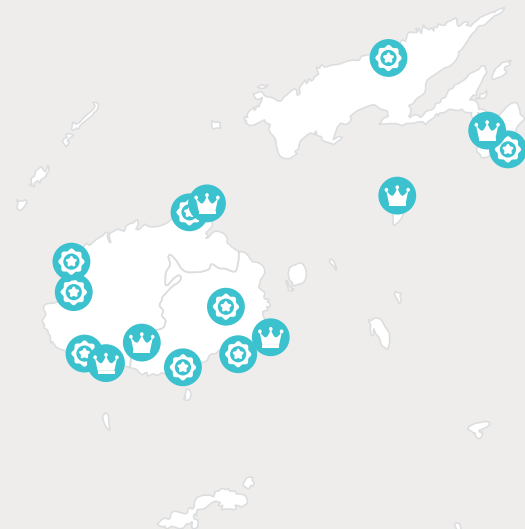
## Vision of change

- Farmers have access to affordable, quality agriculture inputs, such as soil conditioners, seeds, and small farm equipment, and information on how to use them. This allows them to increase yields, grow off-season crops and diversify into high-value crops.
- More local agricultural processors develop premium, branded Fijian products.
- Agricultural processors and farmers, especially those in remote communities, are aware of—and can access—affordable, reliable, and efficient certifications for premium markets.
- Exporters and various stakeholders recognise the importance of effective community engagement, including non-cash incentives and building trusting relationships with farmers.

## Constraints

- There is limited availability of quality agricultural inputs, such as soil conditioners, seeds, and farm equipment, as well as limited information regarding these inputs.
- Sector actors have insufficient knowledge and skills relating to input application and yield increase.
- Supply chains, which link crops with local processors, are inefficient and unreliable.
- Fiji agri-exporters struggle with market intelligence and quality controls, including certification, which is necessary to establish premium brands in international markets.
- Few established agricultural logistics service providers are dedicated to tailored transport and pricing for agri-businesses.

## Interventions



- Quality Agriculture Inputs
- Premium Agriculture Products

## Climate risks

Agriculture is highly vulnerable to climate change, particularly warming temperatures and unpredictable weather patterns. These conditions affect productivity, yields and threaten livelihoods and food security.



# 1

## Market System

# Quality Agricultural Inputs

## Market on a Page



In Fiji, **83%** of farming is predominantly subsistence, with each grower utilising less than one hectare of farmland.



Diminishing soil health, intensive monocropping, increasing labour costs, climate change and the limited availability of quality inputs continue to be obstacles to improving crop yields and income.

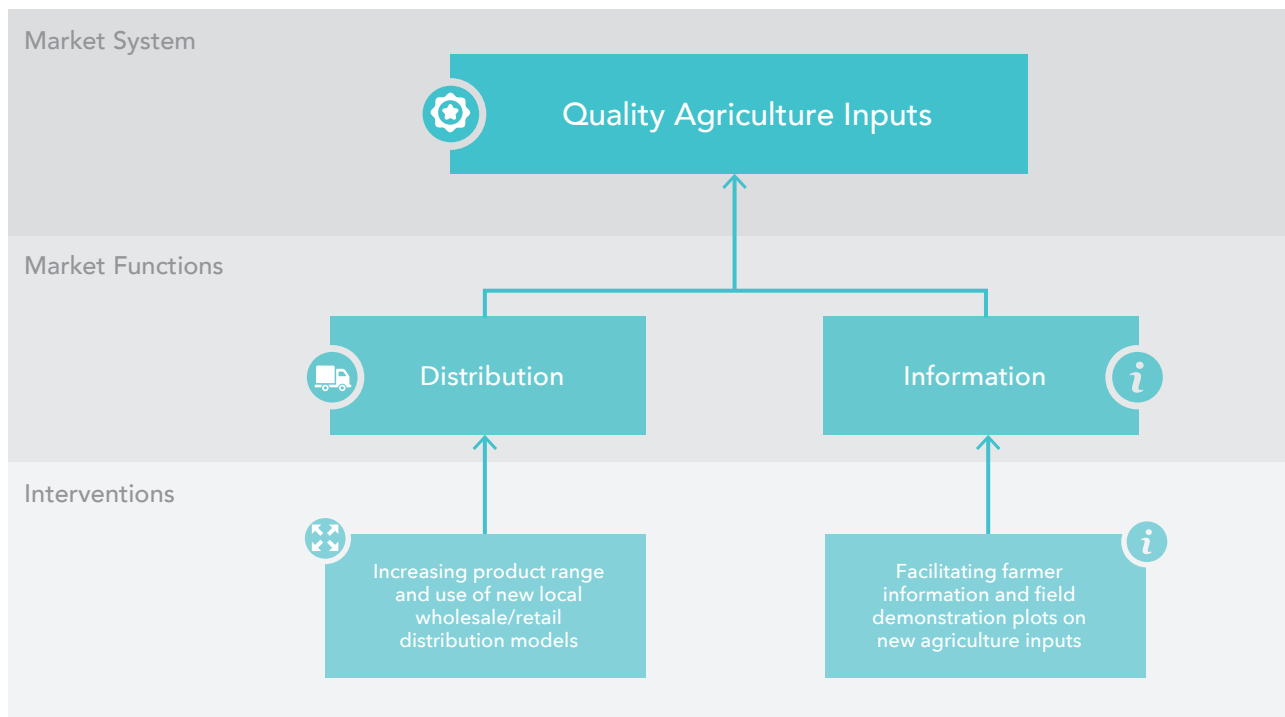


Agriculture is slowly shifting to incorporate sustainable farming practices and environmentally friendly inputs.



MDF supports both existing and new market actors to introduce and improve the availability and affordability of quality agricultural inputs, including soil conditioners, climate-resilient seeds and small farm equipment.





### Status of the market system

Developing

### Interventions (active and/or monitored in 2023)

1. Introducing soil and yield-enhancing inputs (poultry manure) and high-quality seeds to Fijian farmers.
2. Improving information and distribution on quality agricultural inputs: rotavators, vertical farming, locally produced liquid fertiliser; crop advisory through ICT.

### Summary of performance

In 2023, MDF continued interventions to improve information and access to handheld small farm machinery, vertical farming and locally produced liquid fertiliser. Field visits indicate that using small farm machinery made farming more convenient by quickening land preparation and reducing farmer workloads. Farmer interviews revealed changes in fertiliser practices, from using imported synthetic fertiliser to Baywater's locally produced organic liquid product. This switch, and associated changes in cost, will be investigated in early impact assessments in 2024. Due to internal and external factors, progress slowed down in other partnerships including work on poultry manure and distribution of quality seeds.

MDF signed a new partnership with marketing services provider Mogul Marketing to develop commercially viable marketing strategies for input suppliers. MDF also signed with Digicel Fiji, a major telecommunications player, to conduct research on farmers' needs and preference around receiving information on their mobile phones. These interventions are informed by years of MDF observations of the challenge of marketing agricultural inputs and providing access to information in this market system.

While this market system has historically contributed the most to Fiji's results, slow progress in 2023 reduced results comparatively in effective outreach, additional income and additional market transactions. MDF is scoping to deepen work in seeds, fertiliser and farm machinery in 2024, which will include 'women friendly' demonstration activities targeting women's access and use of quality inputs.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
14,962	13,948	USD 20,609,614 (AUD 31,080,703)	USD 18,233,250 (AUD 23,905,983)	USD 6,390,581 (AUD 8,667,962)	USD 5,756,361 (AUD 7,600,929)	USD 6,537,928 (AUD 8,550,192)	<div style="display: flex; flex-direction: column; align-items: center; gap: 5px;"> <span style="color: red;">○</span> <span style="color: yellow;">●</span> <span style="color: green;">○</span> </div>



Agricultural inputs can boost productivity by increasing crop yields, reducing losses; and enhancing the quality of produce.

More effective use of agri-inputs will be vital to expanding Fiji's production of higher-value crops, as well as promoting climate-resilient farming and strengthening food security. Fiji's agriculture sector also struggles with an ageing farmer population and significant labour migration of young male farmers, which are reducing productivity. This creates opportunities to introduce small-scale agricultural equipment for female farmers who have taken over farming activities.

In Fiji, agricultural inputs have historically been heavily regulated, subsidised and dominated by a few large, inefficient firms with little incentive to change the status quo. In the case of the seeds market, this has led to a monopoly supplying low-quality seeds with frequent shortages, especially during shoulder seasons. Recently, there have been signs of increased private sector interest and investment in agri-inputs, in response to new agricultural export opportunities and government concerns about food security.

In 2023, MDF continued to work with market actors to improve farmers' access to quality inputs, and to address soil fertility, climate resilience and labour shortages. This work includes improving information to farmers and expanding distribution channels to reach more remote areas.



Navua Women Farmers Association member participating in the KFI farmer field day

## Market Functions

### Distribution

MDF continued to support agribusinesses to improve the availability of quality inputs. Through its partnerships, MDF has observed that large firms in Fiji have become more interested in selling climate-resilient seeds, small farm machinery and domestically produced soil conditioners. This presents an exciting opportunity.

Progress on several partnerships slowed in 2023 including Ram Sami, owing to a reprioritisation of activities. The team continued to deepen the work in seeds, fertiliser and small farm machinery by scoping opportunities with Goodman Fielder International, Vision Investments Limited, and other suppliers. These initiatives would include demonstration plots that target female farmers. Collaboration with Baywater Engineering continued to support the firm to distribute its domestically produced organic liquid soil conditioner, which utilises local waste material.



OrganicPlus Liquid Compost is uses discarded organic material to make an environmentally sustainable and affordable soil conditioner.


### Information

MDF's earlier work in information, such as demonstration plots and social media marketing, attracted interest from input suppliers committed to strengthening farmer relations and influencing sustainable farming practices. In 2023, MDF partnered with Mogul Marketing, a dedicated marketing services provider, to develop a commercially viable model for input suppliers. MDF also signed a memorandum of understanding with Digicel to undertake market research to determine the information needs of farmers across several regions in the country.

In 2023, MDF worked with Krishan Farm Implements (KFI) to provide farmers with information on good farming practices and cost-effective agricultural technology to improve farm productivity and resource efficiency. MDF's support enabled KFI to promote vertical farming practices using trellis netting, which allows for year-round crop cultivation, reduces water usage and improves plant quality, all while using a smaller area of land and minimising the need for pesticides and herbicides. Trellis netting practices and small farm machinery, such as rotavators, have proven extremely convenient for women as seen from KFI's all-women field day.





 Serana Bogilima cleans harvested ginger at Naivurevure village in Naitasiri



# 2

## Market System

# Premium Agricultural Products

## Market on a Page



Processed and semi-processed agricultural products are not subject to the same quarantine regulations as fresh produce exports and have a longer shelf life.



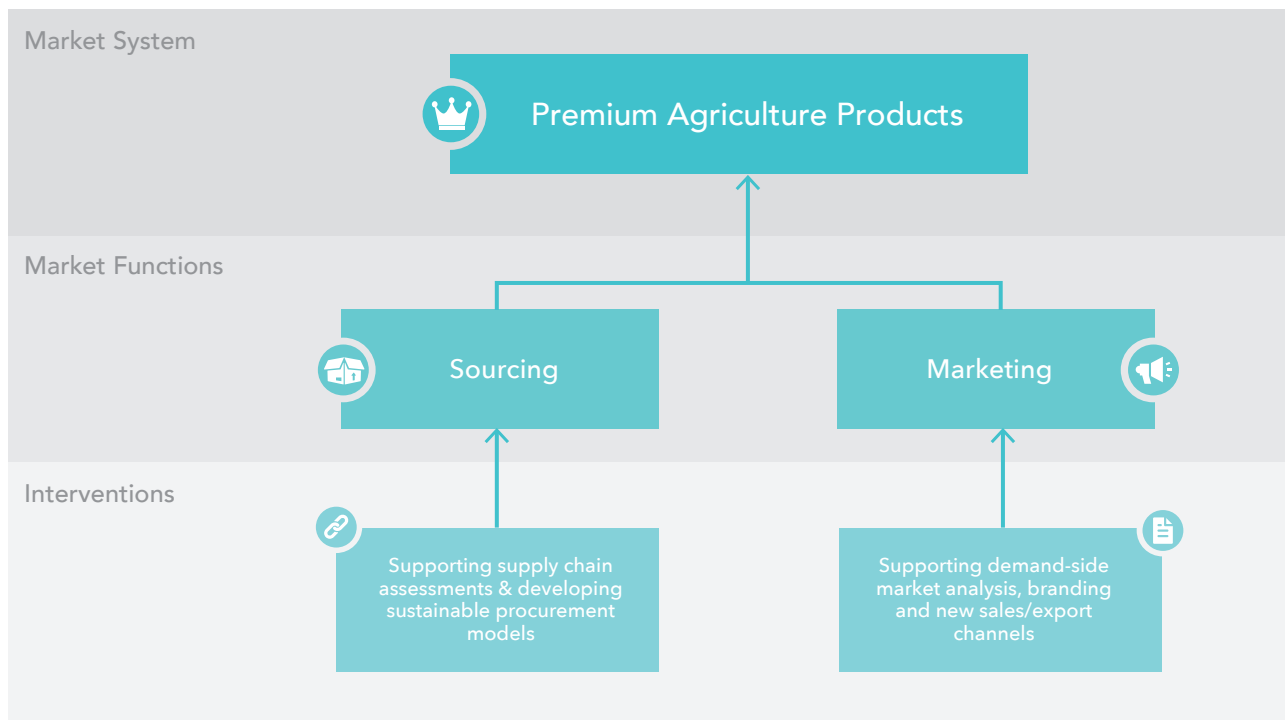
Ineffective branding, packaging and distribution for niche premium markets, combined with inefficient and logistically challenging local supply chains, pose obstacles to growing and processing high-quality local crops.



There is high potential for Fijian-sourced and -branded products to be developed from endemic crops, such as spices, mineral water, sugar and those used in nutraceuticals, such as kava, turmeric and ginger.



MDF is supporting agricultural processors and exporters to connect more effectively with export markets, strengthen their local sourcing models and increase awareness of cost-effective certifications.



### Status of the market system

Emerging

### Interventions (active and/or monitored in 2023)

1. Inter-island sourcing and cold storage supply chain solutions.
2. Sustainable sourcing of certified organic turmeric for export to new markets.
3. Trialling organic ginger certification and community engagement.

### Summary of performance

MDF concluded work on agri-logistics with CDP and sourcing organic turmeric with Island Magic due to business reasons and changes in market conditions. Despite some early success and a strong business case for inter-island logistics services for agriculture during COVID-19, agri-exporters and farmers saw the services as too costly post pandemic.

In 2023, MDF signed a new partnership with Vinaka Farms to trial third-party group certification of ginger farms and build farmer engagement as ways to improve sourcing of premium agricultural produce. MDF, through its work in the wider Pacific, also worked closely with a certification body, Control Union, to hold workshops in Fiji on the benefits afforded by different certifications. Although MDF ended its work in turmeric sourcing and revised projections accordingly, a new intervention on organic certification of ginger farms is expected to drive future results.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
3,525	3,413	USD 7,268,999 (AUD 9,543,724)	USD 7,094,523 (AUD 9,250,180)	USD 12,135,047 (AUD 16,577,041)	USD 11,212,638 (AUD 15,025,149)	USD 2,477,517 (AUD 3,278,932)	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 5px;">○</div> <div style="margin-bottom: 5px;">●</div> <div style="margin-bottom: 5px;">○</div> </div>



The success of well-known international brands—such as Fiji Water and Pure Fiji—along with Fiji’s image as a tropical paradise with a pristine environment, have helped to position premium Fijian agricultural commodities in global market for food and beverages, pharmaceuticals and health supplements.

However, state-owned enterprises, such as the Fiji Sugar Corporation, Rice Company of Fiji, Fiji Dairy Limited and Coconut Millers, have dominated agricultural sourcing in Fiji, selling largely into low value commodity markets and failing to capitalise on Fiji’s competitive edge. This makes it difficult for private processors and exporters to enter new, premium markets and secure long-term contracts. Strict export requirements, expensive certification, and inconsistent quality and volume are other long-standing challenges.

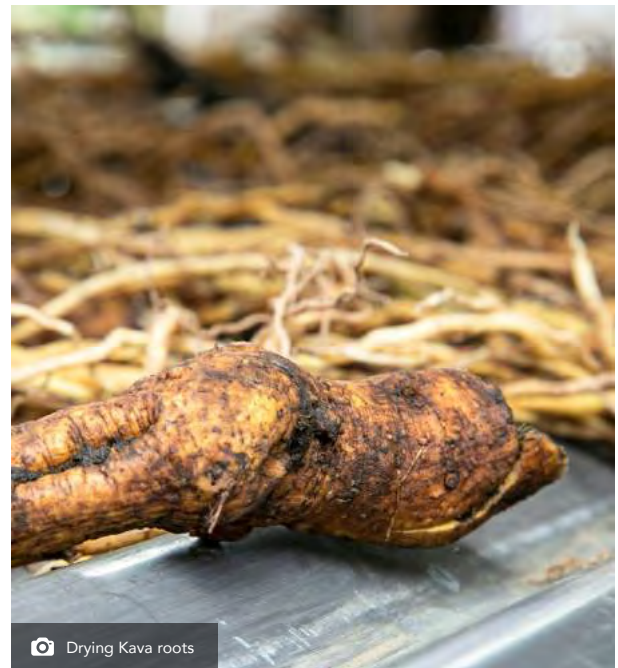
Despite these challenges, Fiji’s agriculture exports have experienced a growth trajectory in recent years. From January to September, Fiji’s agriculture exports stood at just over FJD106 million (AUD 72million), dropping slightly from FJD107 million (AUD73 million) for the same period in 2022. This is mainly due to a small but growing volume of high-quality niche agricultural commodities, including certified ginger products, fresh turmeric and kava.

Demand for these commodities is driven by Australia, Canada, Germany, the Netherlands, the United Arab Emirates and the US. Fiji’s turmeric, for example, is recognised for its quality and has increasing demand from the US. Due to Fiji’s pristine growing conditions resulting in low heavy metal content, Fijian turmeric and ginger exporters have successfully created a competitive advantage for themselves in the global market. In 2023, MDF partnered with Vinaka Farms to increase organic sourcing and certification of organic ginger farmed by local smallholder farmers. Recognising the growing participation of women in farming, Vinaka Farm supports an all-women ginger farming cluster.



From left to Right: Karch Deng (CEO, Vinaka Farm), Erna Taloga Rasovanivalu (Business Advisor, MDF), Lily Liu (Director, Vinaka Farm), Carline Bentley (Business Advisor, MDF)

Commercial import of kava into Australia began in December 2021, generating significant interest from Fijian exporters and farmers. To date, 250 Fiji kava processors and exporters have shipped nearly 50 tonnes of kava worth FJD4 million (AUD2.72 million) to Australia. Anticipating high demand, the kava market in Fiji became oversupplied causing farm gate prices to fall from FJD100 (AUD68) per kg to FJD50 (AUD34) per kg. In 2023, following the end of its partnership with Lami Kava, MDF paused its work on kava and closely observed the impact of the price changes in the kava market. While the farm gate price for kava reduced by 50 per cent, there was an increase in the value of exports of kava, partly due to the diaspora market. The erratic nature of the kava export market presented MDF with an opportunity to scope the kava-based pharmaceutical/nutraceutical market which will continue into 2024.



Drying Kava roots

Over the past few years, MDF has worked with agricultural processors and exporters to improve sourcing models and penetrate export markets. While MDF has had some success, it has been a challenge to gain traction. Fijian exporters can often earn premium prices in international markets simply because produce comes from Fiji, not because of a discernible difference in quality. Consequently, premium prices do not automatically translate into higher prices for farmers, because there is no defined standard against which they can be rewarded. This reduces farmers’ motivation to invest in cultivating higher value crops.

In 2023, MDF focused on supply chains for premium agricultural products that have a growing global demand driven by an emphasis on quality and sustainability, including certification. Internationally recognised standards provide a transparent basis for making premium payments, providing incentives for farmers to upgrade their performance.

### Sourcing

Fiji's agricultural root crops such as taro, cassava and kava have traditionally been exported in bulk to the Pacific diaspora market, with no additional price tied to quality. Exporters therefore have little reason to invest in improving their sourcing models, including incentivising their farmers to improve quality. As a result, farming techniques remain inefficient, and farmers receive low incomes.

In 2023, MDF partnered with Vinaka Farm to trial third-party group certification, improved farmer engagement and non-cash incentives to improve the sourcing of premium agricultural produce. MDF worked closely with a certification body, Control Union, to test the business case for establishing an office in Fiji to reduce the cost of certification for Fijian and regional businesses. Through the partnership, Control Union will hold a series of workshops to increase awareness of the benefits of certifications.

### Marketing

Despite increasing private sector interest, it has proved difficult for high-quality Fijian agricultural products to penetrate fiercely competitive global markets. Businesses lack understanding of consumer preferences, marketing know-how and premium brands.

MDF supports firms to expand into premium markets through market research, branding, packaging and market entry strategies. In 2023, MDF continued to scope marketing and branding opportunities in new markets and distribution channels. MDF conducted a feasibility study on Fiji's nutraceutical and medicinal agriculture sectors to understand the value chains in which Fiji has a competitive advantage and the marketing initiatives required to unlock these opportunities.



Farmers harvesting cassava



# Urban Industries





## Sector on a Page

# Urban Industries

USD **8.99m**  
Additional income

**1,192**  
Jobs created

**67%**  
Female participation



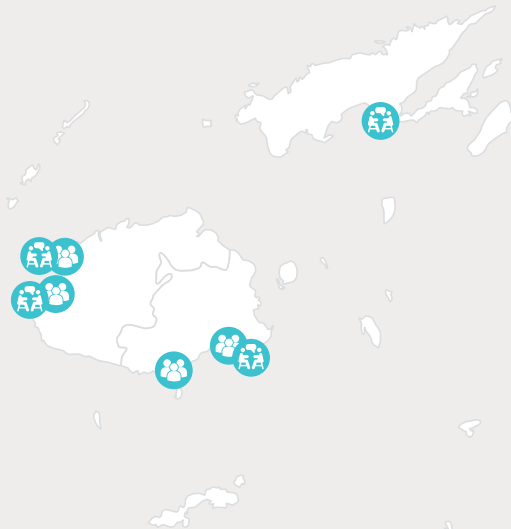
## Vision of change

- Fiji is an alternative premium outsourcing services (OS) destination in nearshore and offshore markets.
- There is increased industry coordination and collaboration among relevant OS stakeholders.
- Fijian OS companies take a proactive approach to marketing that results in a successful wide-ranging portfolio of services offered to the international market.
- Outsource Fiji becomes a fully functional and financially sustainable council, which results in a wide range of member services and advocacy to the government for its members and the industry.
- The availability of quality and skilled human resources improves, enabling Fijian OS companies to win international tenders and continue to grow.
- MSMEs achieve sustained growth as proactive business advisory and support services, such as accelerators and coworking spaces, become available and affordable in more locations in Fiji.

## Constraints

- There is minimal industry coordination and collaboration among the relevant OS stakeholders.
- Fijian OS companies lack strategic marketing and are unaware of potential international client needs.
- Staff are not yet trained to cater to international markets.
- There is no holistic business support system or business enabling environment for MSMEs.
- There are limited effective, affordable and commercially viable business development service providers in Fiji.

## Interventions



- Outsourcing Services
- Enterprise Solutions for MSMEs

## Climate risks

More frequent and intense natural disasters, rainfall and higher temperatures can impact OS infrastructure, staff productivity and Fiji's ability to market itself as an attractive OS destination.

# 1

## Market System

# Outsourcing Services

## Market on a Page



The outsourcing services sector employs **8,000** people and generates USD47million annually.



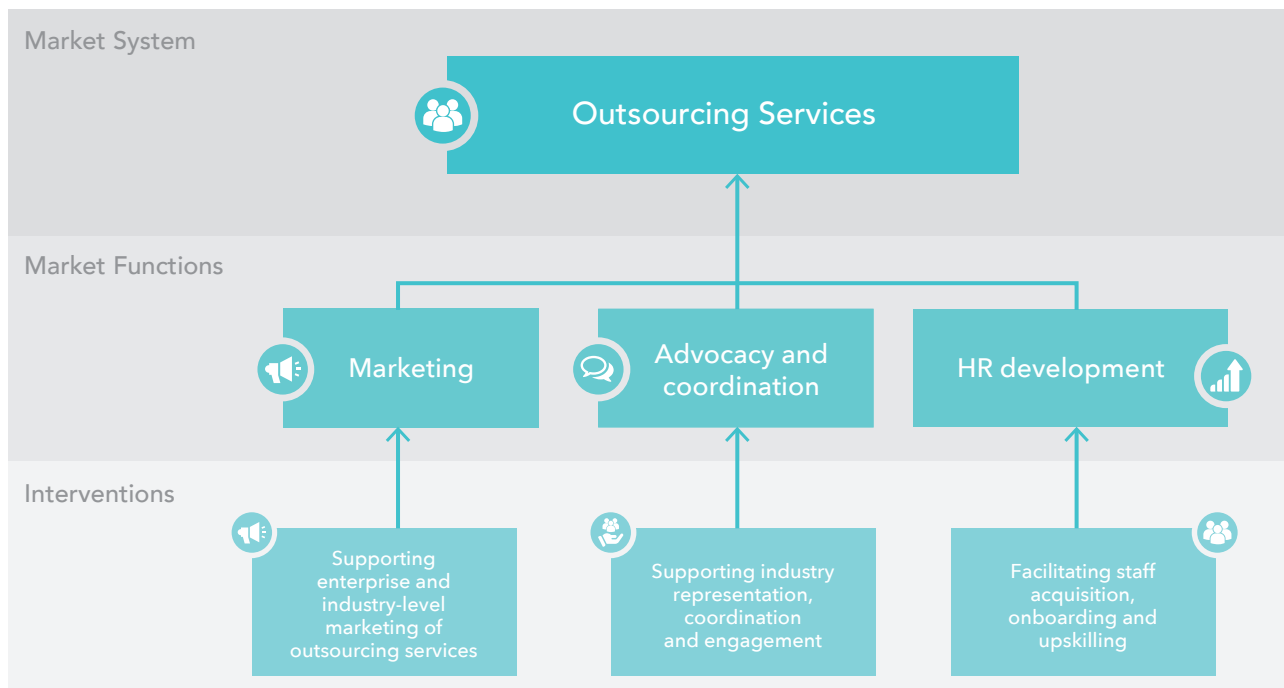
Outsource Fiji (Business Process Outsourcing Council of Fiji) aims to employ **25,000** people by 2025.



Fijian-based Business Process Outsourcing (BPO) enterprises have a **36%** conversion rate (successfully contracting potential clients)—nearly double the global average.



MDF is actively promoting Fijian BPO and Knowledge Process Outsourcing (KPO) services to the nearshore markets of Australia and New Zealand while supporting Outsource Fiji to raise awareness in the United States and European markets.



## Status of the market system

Mature

### Interventions (active and/or monitored in 2023)

1. Direct marketing of Fiji OS providers.
2. Marketing Fiji as an OS destination and facilitating advocacy.
3. Attracting foreign direct investment.
4. Staff onboarding and apprenticeship.
5. Feasibility study for retirement villages in Fiji.
6. Feasibility study of an after-school care programme for an outsourcing company.

### Summary of performance

Outsourcing Services (OS) overtook High Value Agriculture as the key contributor to outreach in 2023. It contributed over 90 per cent of actuals and new projections in net additional income (NAI), value of additional market transactions (VAMT) and private sector leverage. OS absorbed projection revisions from other market systems and bolstered the Fiji portfolio. Women represented over 65 per cent of effective outreach and NAI.

Direct marketing by firms, as well as industry-level marketing of Fiji, continued to be successful. Companies took on marketing modalities initially supported by MDF, such as digital marketing campaigns and recruiting business development managers. Firms engaged in lead generation and conversion without MDF support. Outsource Fiji continued to attend outsourcing events in new markets and facilitate webinars by the leading regional OS matchmaker service, following successful MDF initiatives. Business recorded new client enquiries, client conversions and new hires, directly translating to increased revenues and staff incomes in 2023.

MDF's research on systemic change validated impact, including 'crowding in' by the private sector, which resulted in 270 new jobs and over USD3million (AUD4.5 million) in VAMT. Firms adopted and adapted MDF-led HR development initiatives to maintain a pool of work-ready staff to secure and deliver new contracts. Firms are exploring other initiatives to support staff retention, including childcare services. MDF pivoted focus towards a more systemic approach by supporting the development of a panel of marketing and matchmaking service providers for the industry. OS is expected to generate 300 new jobs for the portfolio in the next two years: projections relating to HR and scoping will be added as interventions mature.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
1,571	1,297	USD 15,162,326	USD 8,117,647	USD 30,908,681	USD 21,770,833	USD 2,172,531	○
		AUD 22,865,821	AUD 12,389,718	AUD 46,612,398	AUD 32,390,168	AUD 3,195,615	●



## Outsourcing services companies in Fiji historically relied on personal networks and word-of-mouth marketing.

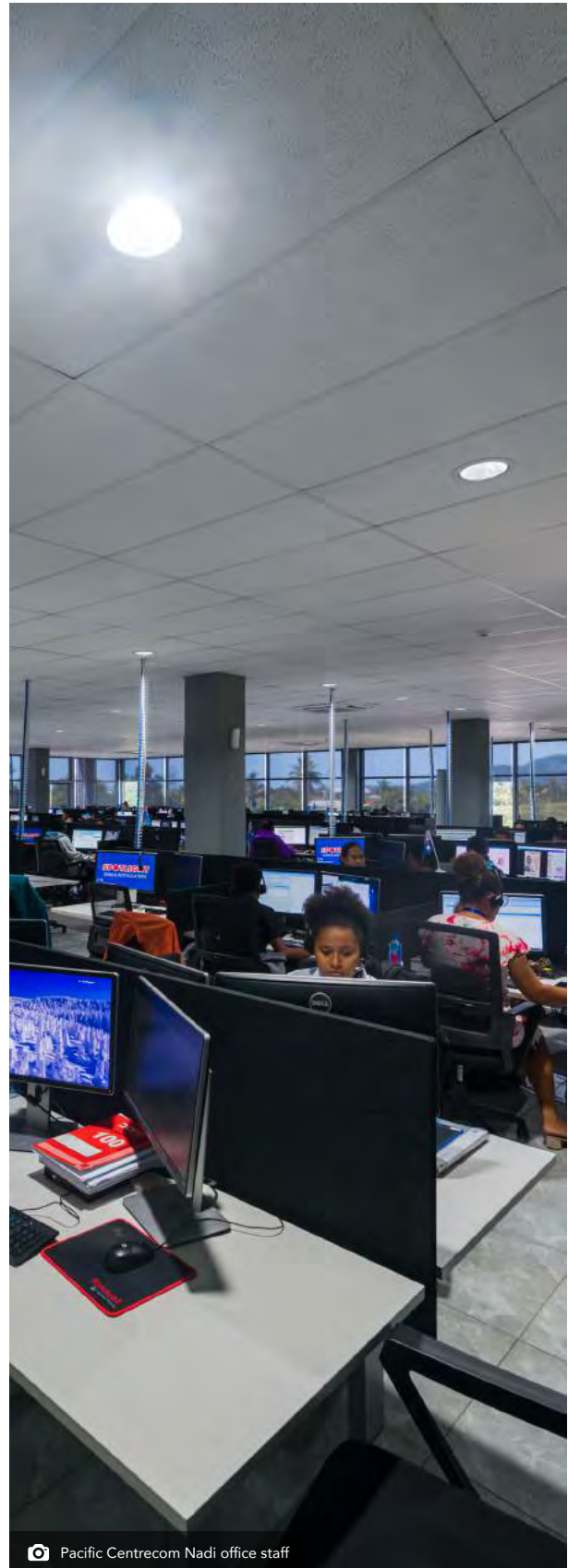
Firms were risk averse and reluctant—or lacked the technical capacity—to try new marketing approaches. Fiji did not brand or position itself as a premier outsourcing services destination.

However, by the end of 2023, outsourcing services became an important part of Fiji's economic diversification. From being nascent less than five years ago, the industry is now worth around AUD150 million<sup>8</sup> and employs over 5,000 people.<sup>9</sup> Official records do not yet exist, but MDF conservatively estimates that in 2022 the OS sector contributed 1-2 per cent to Fiji's GDP and accounted for 5.4 per cent of its foreign exchange earnings. OS sector revenues and employment are projected to rise over 2023-2025.<sup>10</sup> The sector is not attracting new business and investment.

The industry is more effectively marketing itself through MDF's key partner, the industry body Outsource Fiji (formerly known as the Business Processing Outsourcing Council), to position Fiji as a competitive destination. In addition to Australia and New Zealand, new markets have opened in North America and Europe. The Government of Fiji increased its budgetary support for the sector to FJD1 million (AUD0.68 million) in 2023, with an additional FJD1.5 million (AUD1.02 million) allocated for expansion, recognising the industry's potential to be a major driver of growth.

Staffing has been a persistent constraint to the industry's growth. Firms opt not to bid for large business process outsourcing (BPO) contracts because of the difficulties finding and retaining enough skilled staff. In 2023, MDF increased its industry-level support, working with Outsource Fiji on human resource development and industry coordination and advocacy, in addition to destination marketing. MDF's work in green energy solutions, with pilot projects in solar energy and leasing of electric vehicles, may also benefit the industry.

In 2023, the Outsourcing Services market system generated USD5,164,557 (AUD7,788,504) in additional income and USD10,261,899 (AUD15,475,643) in value-added market transactions. MDF's partners alone are projected to generate an additional 300 full-time employment positions in the next four years.



Pacific Centrecom Nadi office staff

<sup>8</sup> Fiji Trade Commission Australia and New Zealand, December 2023.

<sup>9</sup> According to the World Bank, Fiji's labour force was 376,303 in 2022. With the sector employing 5,000-8,000 people, this equates to approximately two per cent of Fiji's work force

<sup>10</sup> The calculation of GDP contribution is based on a conservative industry estimate of 5,000 employees in 2022 and uses a simple income (profits + wages) calculation method. It does not include any multiplier effects (which can be as high as 4:1 in mature OS sectors). Foreign exchange earnings are based on industry sources.

### Marketing

Foreign direct investment (FDI) into the sector is increasing as Fiji builds a name for itself as a premier outsourcing service destination. MDF supported Outsource Fiji to capitalise on this interest through strategic marketing initiatives, including new markets.

In 2023, MDF supported Outsource Fiji to host its first international event in New Zealand. The Fiji Outsourcing Symposium & Expo (FOSE) was an opportunity for the Fijian industry to understand the workings of the global outsourcing services market and present Fiji's value proposition as an alternative, premier outsourcing destination for the European market.

MDF engaged Matchboard to conduct an analysis of US demand for outsourcing services in Fiji. Outsource Fiji will use the findings of the research to advise industry marketing efforts targeting the US market. MDF also supported Outsource Fiji to establish a panel of marketing service providers that members could access at subsidised rates. Outsource Fiji will deliver this initiative as an ongoing benefit to members if the pilot is successful.

Outsourcing service companies and Outsource Fiji continued to engage Matchboard and other service providers independently, generating new clients and increasing new hires in 2023. While the primary markets are still Australia and New Zealand, companies are looking to expand into new markets, including the US.

### Advocacy and coordination

Outsourcing services is a comparatively new industry in Fiji; government only recognised it as a separate sector in its Trade and Investment Strategy in 2022. The BPOC, now Outsource Fiji was established in 2017 with seven founding members, which grew to 36 in 2023. MDF has been a longstanding supporter of industry coordination, including professionalisation of the council and enhancing its capacity for policy advocacy.

MDF has pushed for concerted, collective industry action to resolve several obstacles impeding the development of the sector. In 2023, MDF supported a peer-to-peer learning activity between Investment Fiji and Austrade to help Investment Fiji staff learn to put the Trade & Investment Strategy into action, including sectors supported by MFG (Outsourcing services, tourism and high value agriculture). MDF also collaborated with Outsource Fiji to set up the outsourcing service Industry Development Fund (IDF).



### Human resource development

Labour is critical for the sector's growth. MDF works with outsourcing service firms to lower the risk of training and hiring large pools of work-ready staff, to enable them to win larger contracts. This is particularly important given the high level of labour migration from Fiji. MDF also supports partners to recruit more women and people with disability to expand their pools of available labour.

Building on MDF's support, Outsource Fiji launched a learning platform with Learning Planet in 2023, to train members, employees as well as the unemployed. This initiative was supported by the government.

Given competition for skilled labour in Fiji following the post-pandemic tourism recovery and spike in migration, MDF expanded its work on human resources management. Fijian outsourcing firms now offer ancillary benefits to employees to improve staff retention rates, such as medical insurance and travel benefits. They are also exploring other benefits such as childcare, since 70 per cent of the workforce are women. In 2023, MDF began discussions with Pacific Centrecom to conduct a feasibility study of afterschool childcare services for employees, to be conducted in 2024. Pacific Centrecom will use the findings to inform its policy on offering childcare solutions to employees to improve staff retention and productivity.



# 2

## Market System

# Enterprise Solutions for MSMEs



© Laisenia Seru, Co-Founder of Wasa Ni Tadra, at the company workshop

## Market on a Page



Micro, Small and Medium Enterprises (MSMEs) account for **18%** of Fiji's GDP and employ **60%** of the workforce.



MSMEs have struggled to sustain or increase growth because formal financing options and packaged business development support services are limited and expensive.

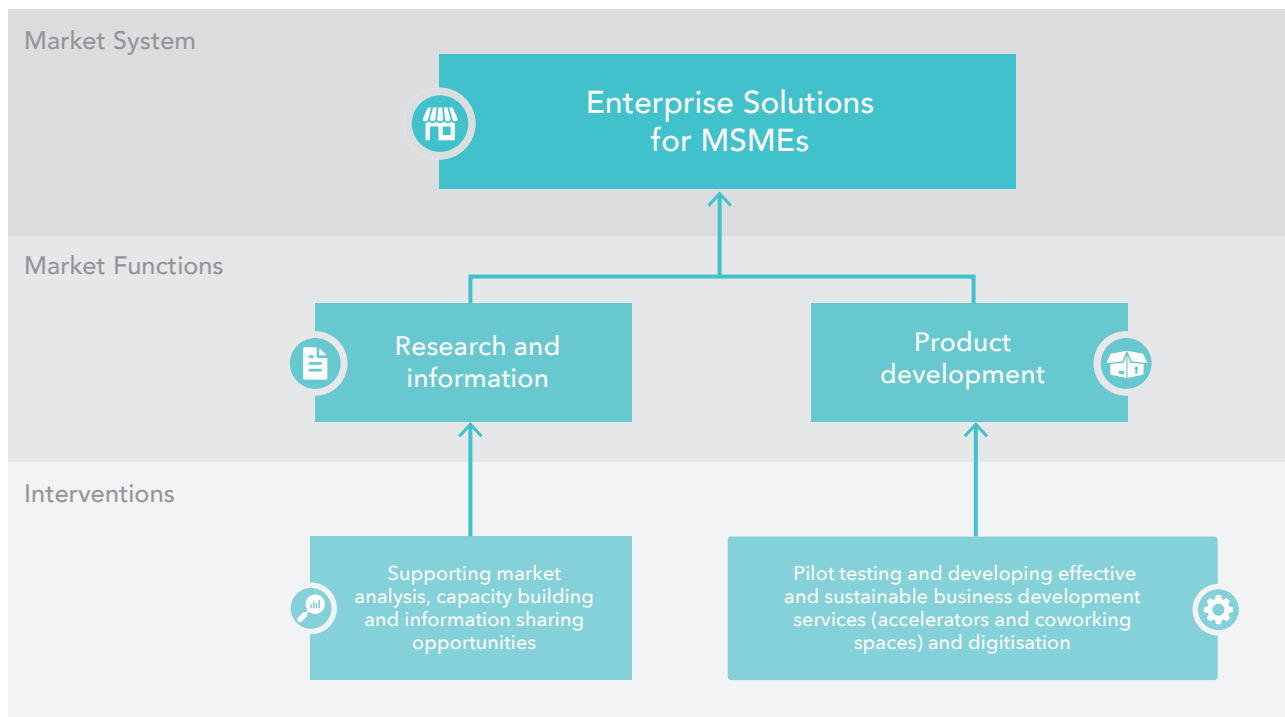


Business Development Services for MSMEs have traditionally been driven by government and development programmes. This results in quick-fix solutions and restricted private sector involvement or incentive to invest in these services.



MDF is supporting MSMEs in the sectors we operate in to enhance their commercial viability, including the setup of commercially sustainable coworking spaces.





### Status of the market system

Developing

### Interventions (active and/or monitored in 2023)

1. Supporting sustainable private sector-led business acceleration program and related webinars.
2. Establishing coworking spaces for creative industries and MSMEs.

### Summary of performance

MDF continued to implement the exit strategy developed for this market system as pilot initiatives showed signs of sustainability and indications of behaviour change among government, finance and the broader MSME sector. These changes included recognition of the value proposition of paid and quality business development services, and affordable work and collaboration spaces for MSMEs.

MDF completed monitoring of the Fiji Enterprise Engine pilot accelerator program, which was originally launched in 2019 and has since supported over 250 women entrepreneurs to access business training. Of this number, close to 80 women have benefitted from implementing the training to innovate, pivot and introduce new product lines, with the additional revenue invested in business expansion and increasing personal incomes; this included seven entrepreneurs in 2023 alone.

An MDF-supported coworking initiative launched in November 2021 continued to garner interest from MSME customers, supporting the financial sustainability of the model. In 2023, the coworking space reported modest results in cost savings and new income for a small number of MSMEs interviewed. More results are expected following a larger impact study to be conducted in 2024.

The impact of MDF's work in this sector will be detailed in a case study. As this market system's progress to scale is limited, the overall assessment is maintained at yellow.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
308	254	USD1,000,288 (AUD1,579,984)	USD875,126 (AUD1,210,303)	USD2,747,500 (AUD4,143,417)	USD2,439,125 (AUD3,432,678)	USD570,846 (AUD786,382)	<div style="display: flex; flex-direction: column; align-items: center; gap: 5px;"> <span style="color: red;">○</span> <span style="color: yellow;">●</span> <span style="color: green;">○</span> </div>

MDF aims to stimulate commercially viable, affordable business development services that respond to demand from MSMEs – for which they are willing to pay. MDF focuses on service delivery models with a realistic pathway to sustainability.

The support environment for MSMEs became crowded after the pandemic, with increased government and donor funding. Much of this support is short term and does not consider the business needs of MSMEs over the longer term.

In 2023, MDF continued to exit from this market system as supported business models showed signs of sustainability. The Fiji Enterprise Engine (FEE) was adopted by the Fiji Commerce and Employers Federation (FCEF), with funding from the RBF, TTFB, ILO, and MTCSME. Part of MDF's exit strategy has been to provide scholarships to women and people with disability to encourage their participation in FEE.

At the end of 2023, MDF had completed monitoring its accelerator pilot initiatives since the initial pilot of the MDF Fiji Enterprise Engine (MFEE) in 2016. Over seven years, the two pilot programs – MFEE (2016-2019) and FEE (2019-to date) – have cumulatively supported 257 women entrepreneurs to receive business training in strategic management, human resources management, accounting and financial management, branding and marketing, business compliance, and entrepreneurship and innovation. Market intelligence revealed that 118 women entrepreneurs were able to implement new learnings within their business to innovate, pivot or produce new product lines. This earned them additional revenues, enabling them to expand their business and increase their revenues and incomes, including seven in 2023.

By the end of 2023, MDF's work in enterprise solutions for MSMEs has benefitted 254 people, the majority of whom are Fijian entrepreneurs, and generated net additional income of USD875,126 (AUD1,319,750). Supported MSMEs generated an additional USD493,530 (AUD744,277) in additional market transactions in 2023 alone. Of the 254 people who benefited from MDF's work in enterprise solutions, 135 (or 53 per cent) were women.

## Market Functions

### Research and information

MDF's work in research and information is expected to inform product development and better connect demand with supply. The existing business development products—an accelerator and coworking spaces—were born out of MDF's 2018 MSME Landscape Study for Fiji in collaboration with the RBF and a 2021 business plan for the coworking space. In 2023, MDF began discussions with RBF to assess Fiji's accelerator and incubator landscape. This work will be implemented in 2024.

### Product development

**Accelerator:** In 2023, MDF provided FEE scholarships to the value of FJD30,000 (AUD20,400) for a Suva cohort and Nadi cohort (FJD15,000 for three participants per cohort). FCEF introduced FEE in Nadi and started with its first cohort in December 2023. MDF's final sponsorship of FJD30,000 (AUD20,400) will be paid in May 2024.

In a promising sign of sustainability, FEE received FJD218,000 (AUD148,200) in funding from the ILO, RBF, TTFB and MTCSME in 2023, compared with a combined FJD50,000 (AUD34,000) from MDF, TTFB and MTCSME in 2022.

**Coworking space:** In 2023, MDF continued to support Greenhouse Coworking to incentivise more MSMEs to purchase support packages and services. Greenhouse Coworking has been well received by MSMEs, especially the business-friendly design of its premises and its innovative packages. MDF also signed a new partnership with Mydesk, a Nadi-based accelerator program, to refine its coworking business model and promote coworking spaces to address some of the challenges faced by MSMEs in Nadi.



FEE 2023 cohort graduates with International Labour Organization in the Pacific Officer in Charge, Christian Viegelahn (backrow: 4<sup>th</sup> from left), Fiji Deputy Prime Minister, Manoa Kamikamica (backrow centre) and Australian High Commission Counsellor, Andrew Shepherd (backrow: 4<sup>th</sup> from right)

# Emerging market system

## Green energy

Fiji's current energy needs are met from hydro, diesel, wood, coal and petroleum products. Fiji's 20-year National Development Plan calls for all power to be generated from renewable sources by 2030. The country will require an additional 120MW of renewable energy to achieve this target. Renewable energy solutions such as solar, hydro and biomass have strong potential in Fiji. The government has established incentives to encourage investment in renewable energy generation and reduce reliance on fossil fuels.

MDF began scoping this market system in 2023, focusing on urban businesses and households that stand to benefit from affordable energy solutions. Specific market functions have yet to be determined, but in 2023 MDF began working in renewables and electric technologies given the market demand and alignment with government priorities. A more comprehensive market system strategy will be developed in due course.

### Electric technologies

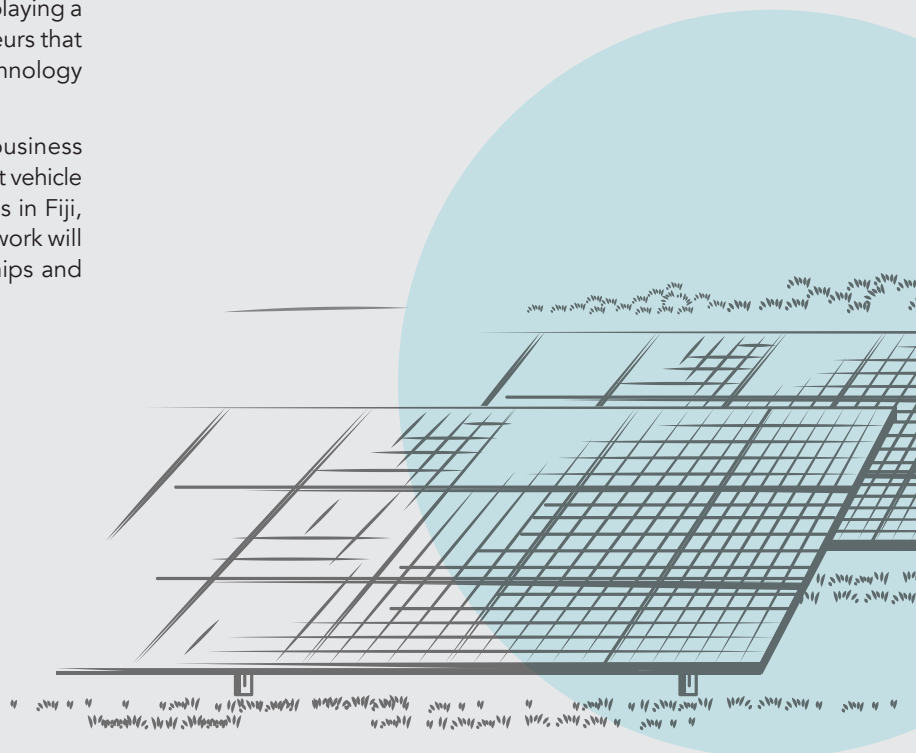
While still in its nascency in Fiji, there are opportunities in the electric vehicle sector. Electric vehicles can contribute significantly to climate change mitigation, as they replace internal combustion vehicles, thereby reducing the transport sector's carbon emissions. The electric vehicle market in Fiji and the wider Pacific is small. MDF envisages playing a catalytic role, working with first-mover entrepreneurs that are willing to invest in bringing the required technology and infrastructure to Fiji.

In 2023, MDF worked with ZekiTek to pilot a business model that combines off-grid power generation, fast vehicle charging and leasing commercial electric vehicles in Fiji, which has ambition to expand in the Pacific. This work will continue in 2024, building on existing partnerships and experience in tourism and logistics in Fiji.

### Urban solar energy

National investments in renewable energy in Fiji began with a rural electrification program that targeted the outer islands and remote communities with no access to the main power grid. Electricity was provided through power lines drawn to remote villages within reach of the grid. For less accessible locations, it was delivered by stand-alone diesel generators or renewable energy systems like solar and micro-hydro projects. The government's focus has been Fiji's rural population, highlighting an opportunity for MDF to tap into in the urban, business, and corporate markets.

In 2023, MDF assessed demand for solar energy solutions in urban areas. The research targeted both residential and business segments that might benefit by reducing energy costs, maintaining power during grid outages and generating revenue from selling power back to the grid. The research findings will inform MDF's support for marketing and developing financial models to encourage uptake.





# Acknowledgements

MDF Fiji thanks the following organisations and individuals for their support and collaboration in 2023.

Agricultural Marketing Authority	Kaitu Erasito, Consultant
Asian Development Bank	KPMG
Australian Centre for International Agricultural Research (ACIAR)	Krishan Farm Implements
Coconut Industry Development for the Pacific (CIDP)	Lily Liu and Karch Deng, Vinaka Farms
Control Union	Livai Tora, Consultant
Digicel Pacific	Sharon Melamed, Matchboard
Emosi Ratusaki, Farmer, Koro Island	Mereia Volavola, Consultant
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Face 2 Face Research Providers	Ministry of Trade Commerce, Co-operatives, Small & Medium Enterprises
Fiji Airways	Ministry of iTaukei Affairs
Fiji Commerce and Employers Federation	Ministry of Lands & Mineral Resources
Fiji Consulate & Trade Commission, Australia and New Zealand	Ministry of Sugar Industry
Fiji Enterprise Engine Alumni	Mogul Marketing
Fiji Enterprise Engine Coaches & Support Team:	Naivurevure Ginger Farmers Association
• Anishma Prasad, Fiji Commerce and Employers Federation Communications	Nalagi Hotel
• Ben Naiveli – Business Coach	Outrigger Fiji Beach Resort
• Jesse King – Business Coach	Members of the BPO Council of Fiji
• Jonetani Tonawai – Business Coach	Pacific Australia Labour Mobility Scheme
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• Watisoni Nata – Business Coach	Tanoa Group of Hotels, Fiji
Fiji Hotel & Tourism Association	Provincial Offices of Ba, Bua, Nadroga and Navosa, Namosi and Ra
Fiji Marriott Resort Momi Bay	Radisson Blu Resort Fiji Denarau Island
Fiji Museum	Reserve Bank of Fiji
Fiji National University	Dr. Richard Beyer, Consultant
Fiji Sugar Corporation	Robert Hay - Baywater
Filipe Waqavuka, Farmer, Koro Island	Rosie Holidays Fiji
Good Returns	Shangri-La Yanuca Island, Fiji
Grand Pacific Hotel	Sheraton Fiji Golf & Beach Resort
Hilton Fiji Beach Resort and Spa	Society of Fiji Travel Associates
Holiday Inn Suva, an IHG Hotel	The Westin Denarau Island Resort & Spa, Fiji
Insurance Holdings Pacific (IHP)	Tourism Fiji
InterContinental Fiji Golf Resort & Spa, an IHG Hotel	Tourism & Hospitality Management, University of the South Pacific
International Finance Corporation (IFC)	Transam Fiji
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International Labour Organization (ILO)	Vodafone (Fiji) Ltd
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iTaukei Trust Fund Board	
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