



# 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

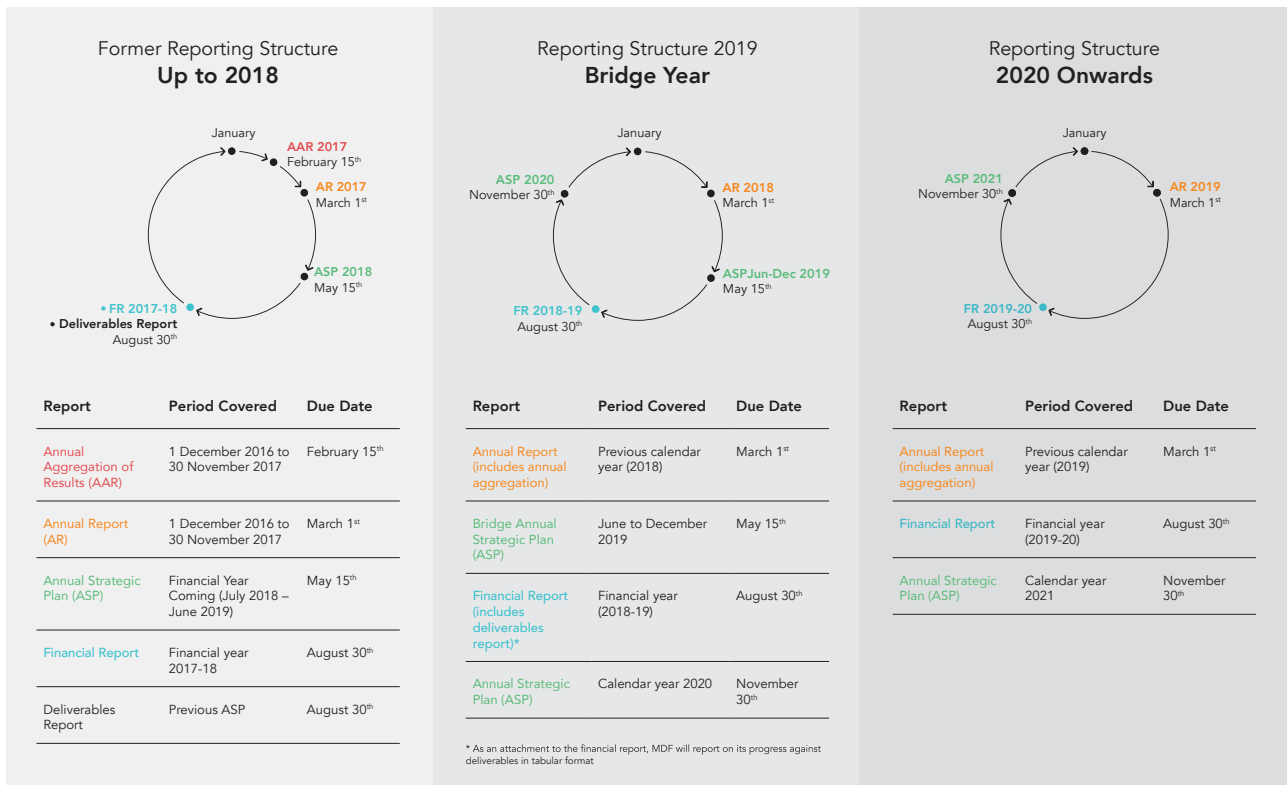
This report is a public document designed for MDF stakeholders and/or members of the public with an interest in Market Systems Development. The report has been written specifically to address the information needs of DFAT's Climate Resilience and Finance Branch (CLB) and Office of the Pacific (OTP) in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







## 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)

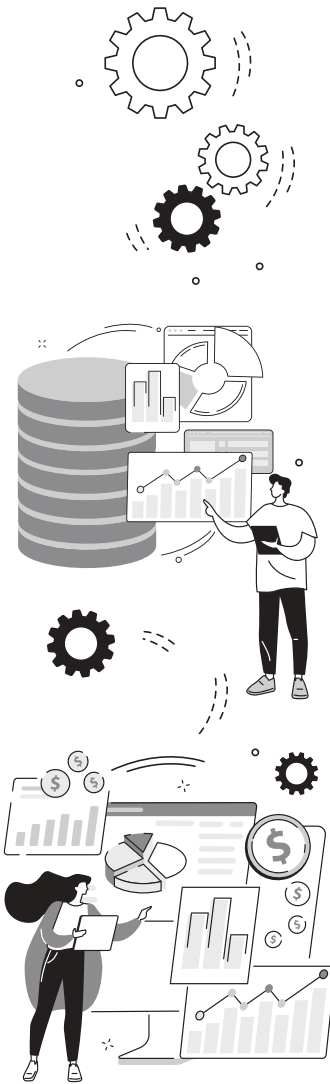
Progress marked against DFAT ADRs is included.

### 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

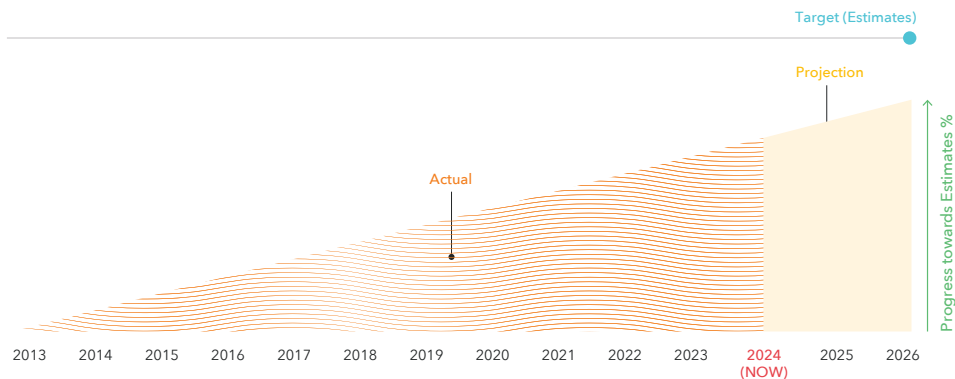
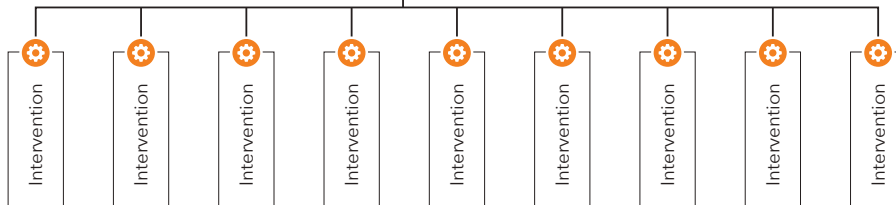


### Private sector investment leveraged

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



# Abbreviations and Acronyms

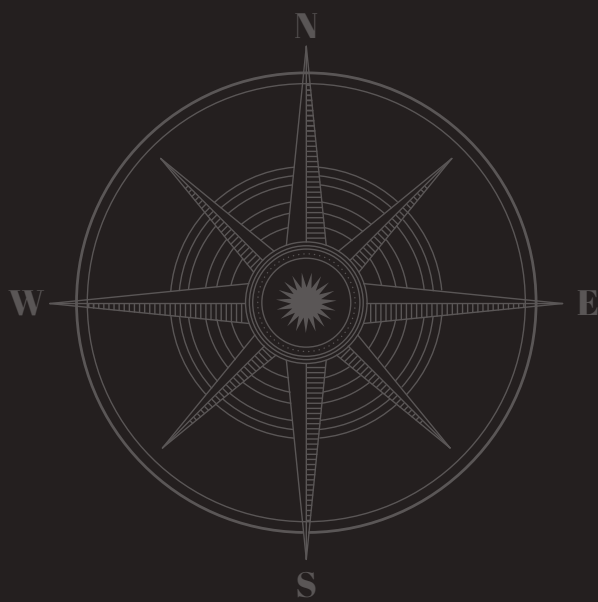
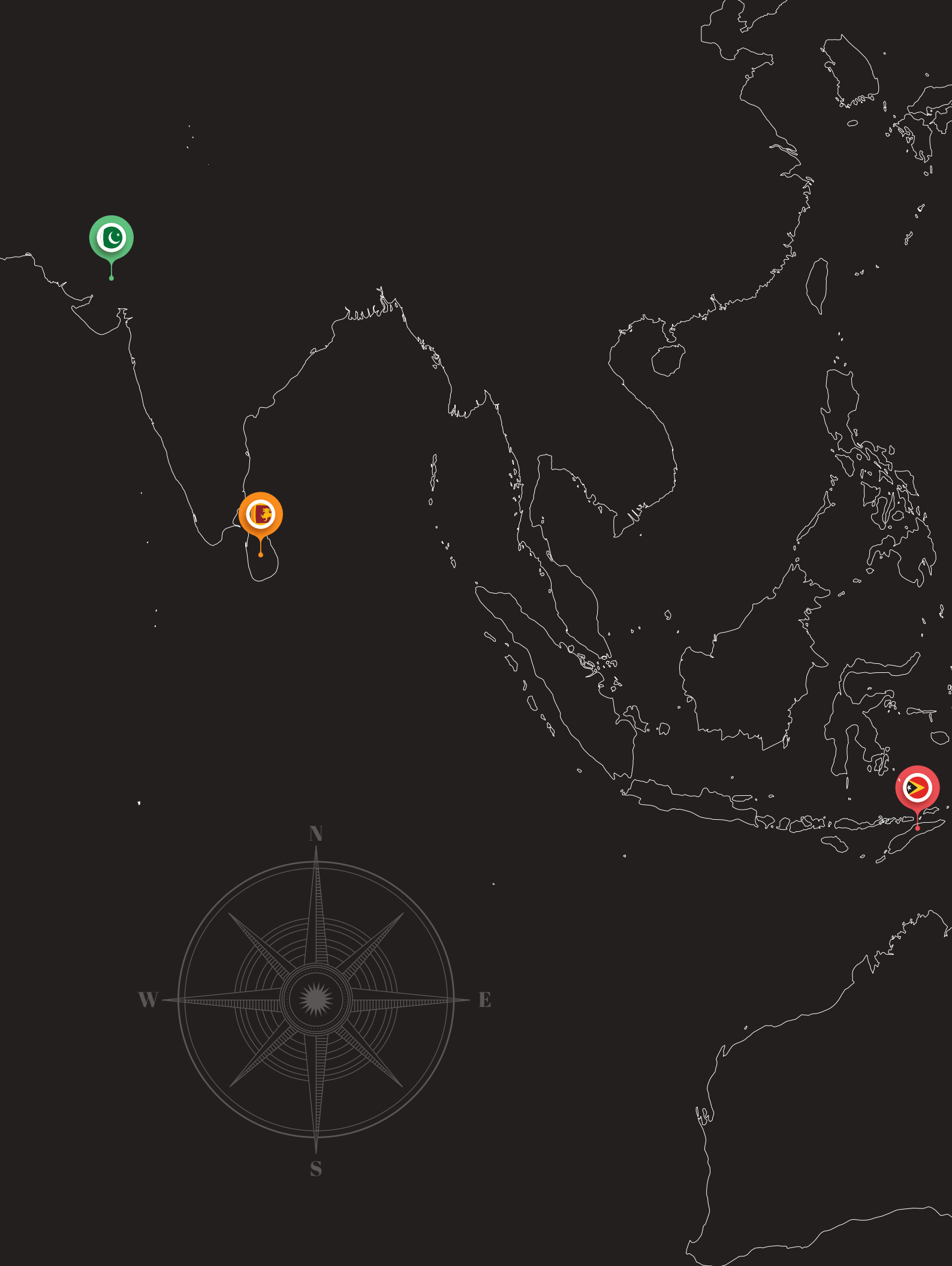
<b>ACIAR</b>	Australian Centre for International Agricultural Research	<b>IDP</b>	International Development Policy
<b>ADB</b>	Asian Development Bank	<b>IFC</b>	International Finance Corporation
<b>ADR</b>	Aggregate Development Results	<b>ILO</b>	International Labour Organization
<b>APCP</b>	Australia Pacific Climate Partnership	<b>IMF</b>	International Monetary Fund
<b>ASOP</b>	Annual Strategic and Operational Plan	<b>LKR</b>	Sri Lankan Rupee
<b>AUD</b>	Australian Dollars	<b>MDF</b>	The Market Development Facility
<b>BA</b>	Business Adviser	<b>MFAT</b>	New Zealand Ministry of Foreign Affairs and Trade
<b>BPO</b>	Business Process Outsourcing	<b>MIS</b>	Management Information System
<b>CLB</b>	Climate Resilience and Finance Branch of DFAT	<b>MOU</b>	Memorandum of Understanding
<b>CLT</b>	Core Leadership Team	<b>MSD</b>	Market Systems Development
<b>DFAT</b>	Department of Foreign Affairs and Trade (Australia)	<b>MSME</b>	Micro, Small and Medium Enterprise
<b>DMC</b>	Destination Management Company	<b>MSS</b>	Market System Strategy
<b>EI</b>	Engagement and Influencing	<b>OPD</b>	Organisations for people with disability
<b>EOPO</b>	End-of-Program Outcomes	<b>OS</b>	Outsourcing Services
<b>EV</b>	Electric Vehicle	<b>OTP</b>	Office of the Pacific
<b>FAO</b>	Food and Agriculture Organization of the United Nations	<b>PGK</b>	Papua New Guinean Kina
<b>FCEF</b>	Fiji Commerce and Employers Federation	<b>PHAMA</b>	Plus Pacific Horticultural and Agricultural Market Access Program
<b>FEE</b>	Fiji Enterprise Engine	<b>RIMI</b>	Research, Impact Measurement and Inclusion
<b>FDI</b>	Foreign Direct Investment	<b>SAT</b>	Samoan Tala
<b>FJD</b>	Fijian Dollar	<b>SME</b>	Small and Medium-sized Enterprises
<b>FTE</b>	Full-Time Equivalent	<b>TOP</b>	Tongan Pa'anga
<b>FY</b>	Financial Year	<b>UNCDF</b>	United Nations Capital Development Fund
<b>GDP</b>	Gross Domestic Product	<b>USD</b>	United States Dollars
<b>GEDSI</b>	Gender Equality, Disability and Social Inclusion	<b>VAMT</b>	Value of Additional Market Transactions
<b>HACCP</b>	Hazard Analysis and Critical Control Points	<b>VUV</b>	Vanuatu Vatu
<b>ICT</b>	Information Communications Technology	<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)**



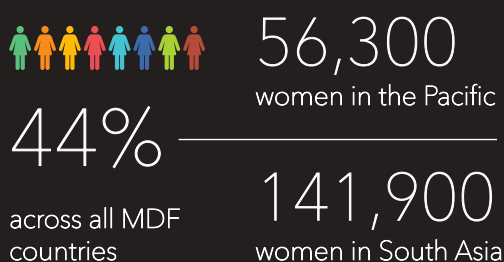
**Risk appetite is increasing; businesses are increasingly willing to cost share on innovative business models**

**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.

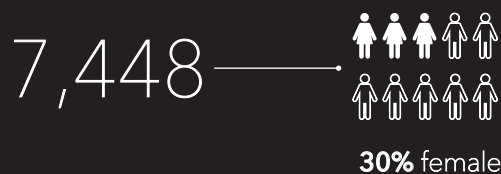
In Sri Lanka, despite a lack of easy access to finance and high interest rates, businesses continued to invest and adopt MDF-supported business models. Notable private investments included establishing imports; developing and distributing high-quality inputs, such as seeds and fertiliser; and coffee 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**



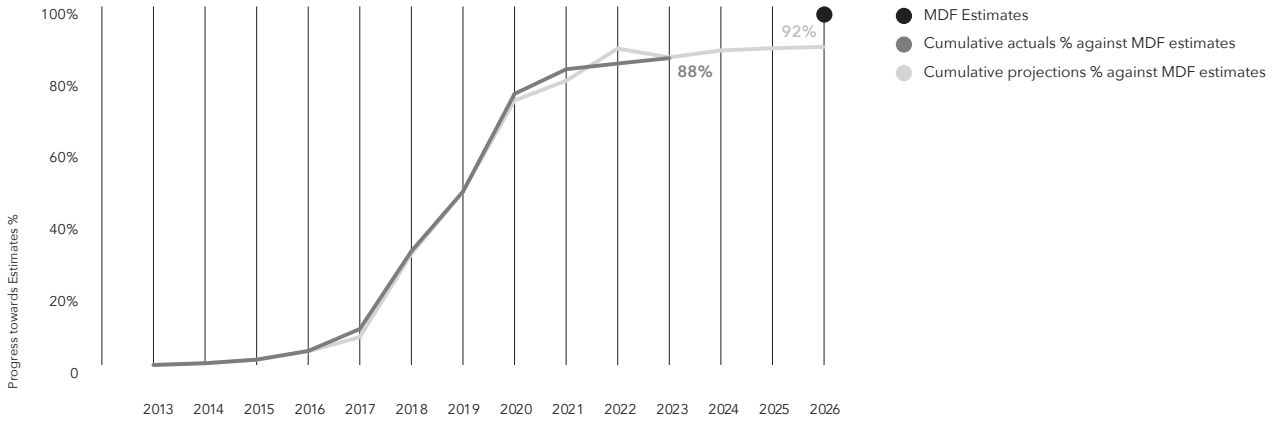
In 2023, MDF's work in outsourcing services, early-stage exports, chicken and agriculture resulted in the creation of 697 new jobs, 64 per cent of which were filled by women. MDF observed new trends in job creation that are being used to inform portfolio composition and inclusive growth strategies.



# 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.

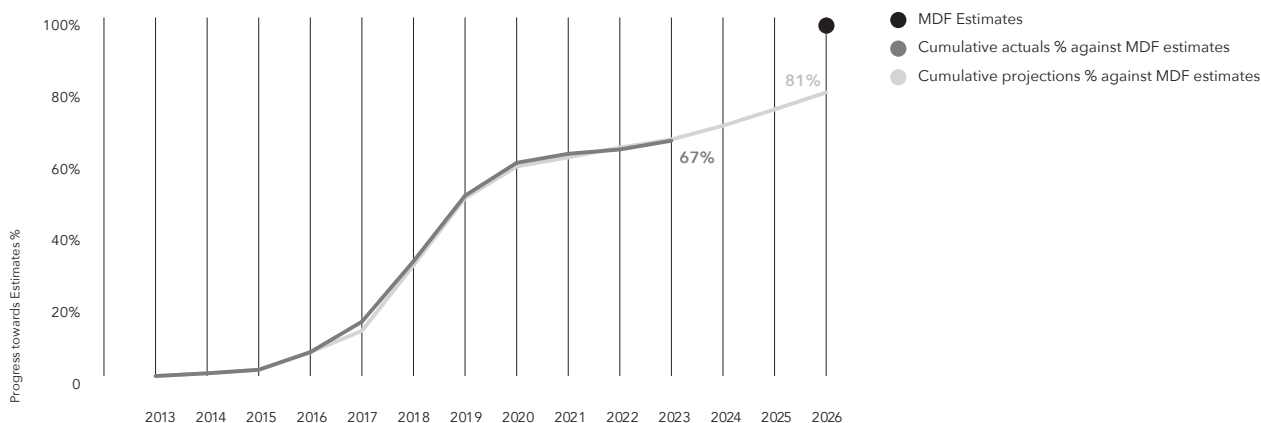
MDF's data aggregation protocols are guided by rigorous standards that prevent reporting the same beneficiary twice. This year, market saturation in thin market economies, such as Fiji and Timor-Leste, required that MDF discount a significant portion of 2023 impact. In Timor-Leste, more than 50 per cent 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.



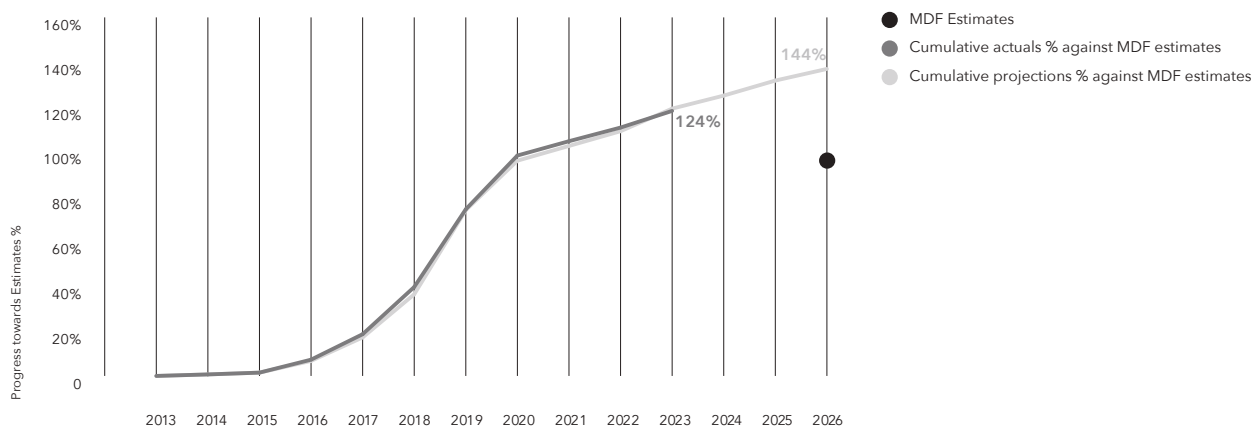
☑ Coffee rehabilitation visit by DFAT, Timor-Leste

## 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.

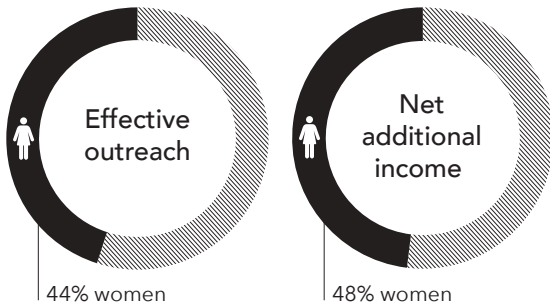
# Summary of MDF results as of December 2023

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

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



### Pacific



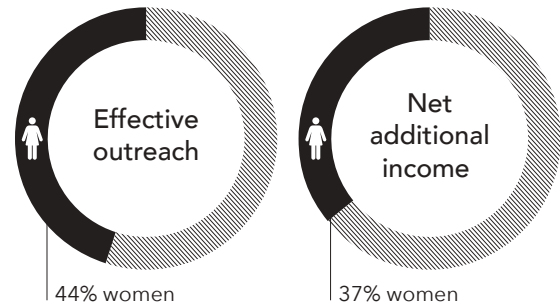
Effective outreach: 126,335  
Net additional income: USD \$50m

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

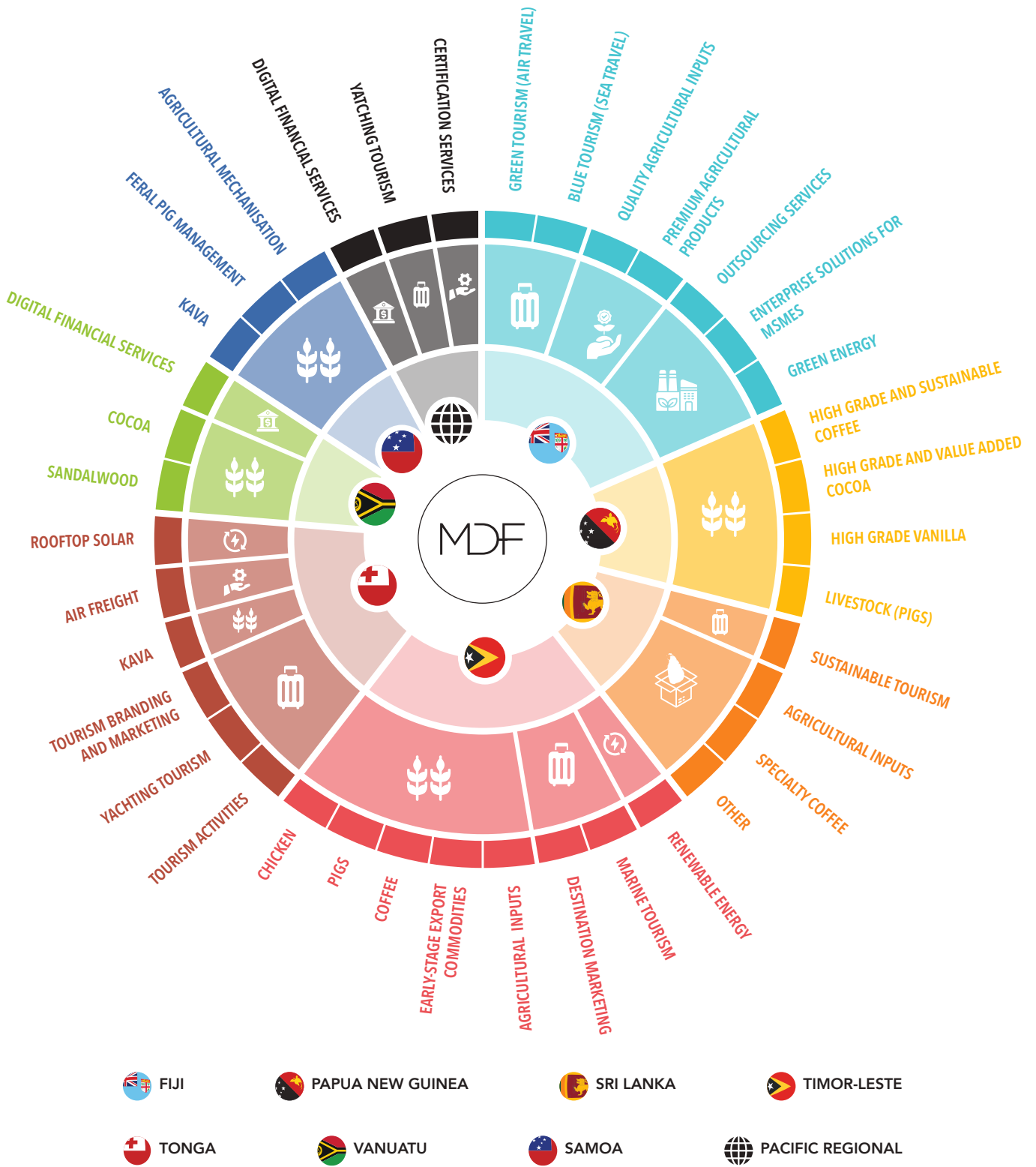
 Pacific Regional<sup>8</sup>

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.

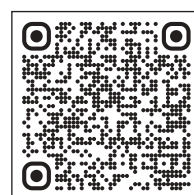


Climate change content in MDF's communication and engagement activities was enhanced, including a collaborative brief with PHAMA Plus on enhancing agricultural market resilience and facilitating a private sector panel at the 2023 Australasian Aid Conference. MDF's investments in organic soil conditioner 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.

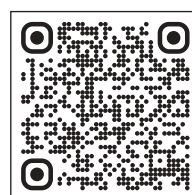


Climate change indicators, observations and baselines were integrated into Research, Impact Measurement and Inclusion activities, including a focus on understanding the effects of climate change on smallholder farmers.

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.

The image shows the cover of a joint brief. On the left, there is a QR code with the text 'Click/scan the QRs to read the publication' below it. The main cover features logos for MDF, Australian Aid, and the Pacific Horticultural & Agricultural Market Access Plus Program. The title is 'Enhancing the resilience of agricultural market systems to climate change in the Pacific Islands Countries and Timor-Leste'. Below the title, it says 'A joint brief from PHAMA Plus and MDF'. At the bottom of the cover is a photograph of four people standing in a field of green plants.

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.



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.

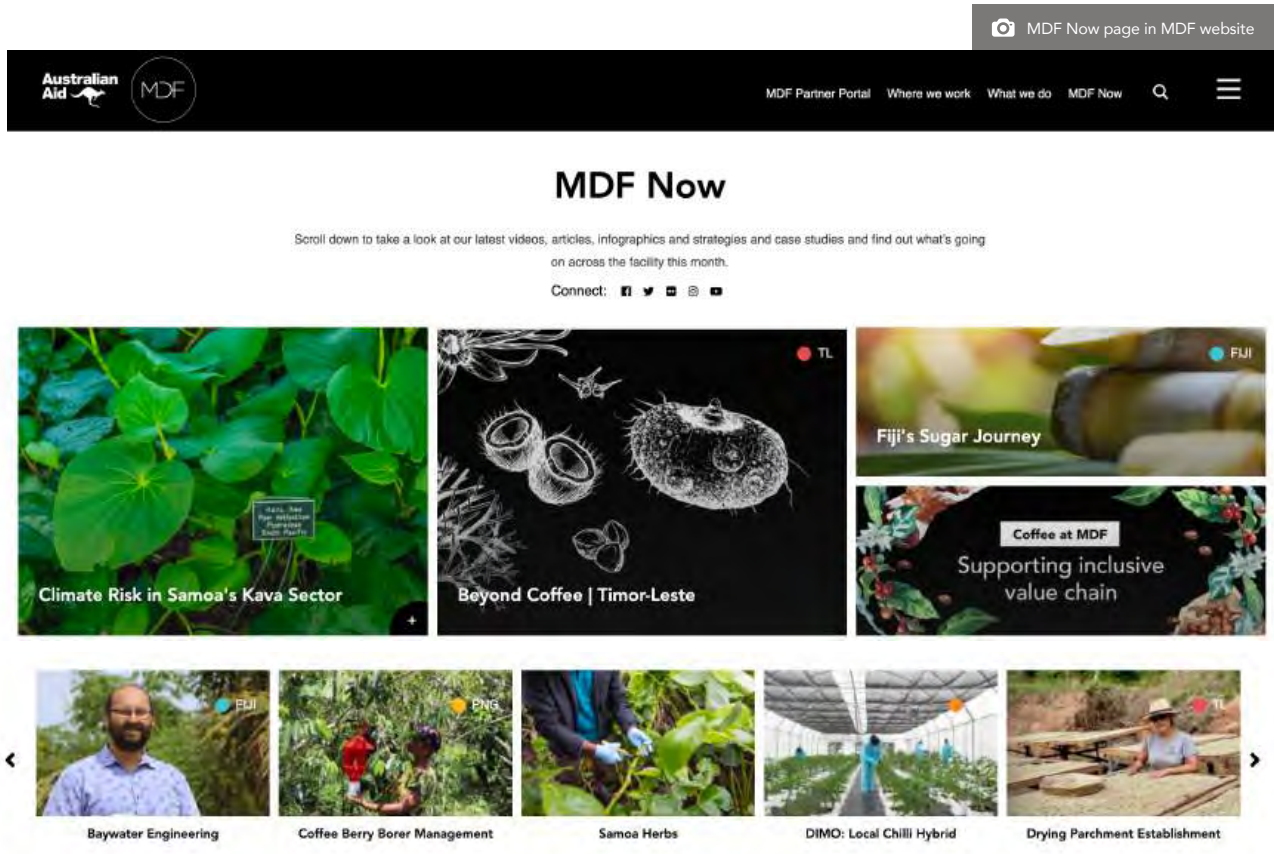
## Climate communication

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 Naglgi 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







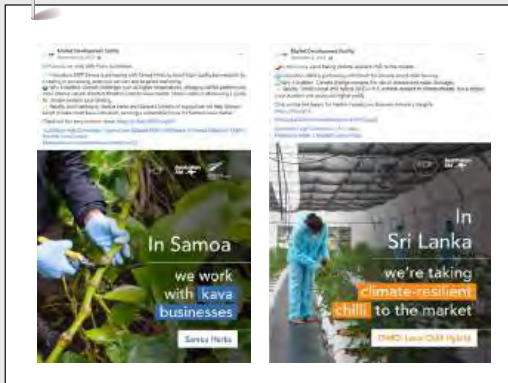
Top social campaigns in 2023:

# 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.

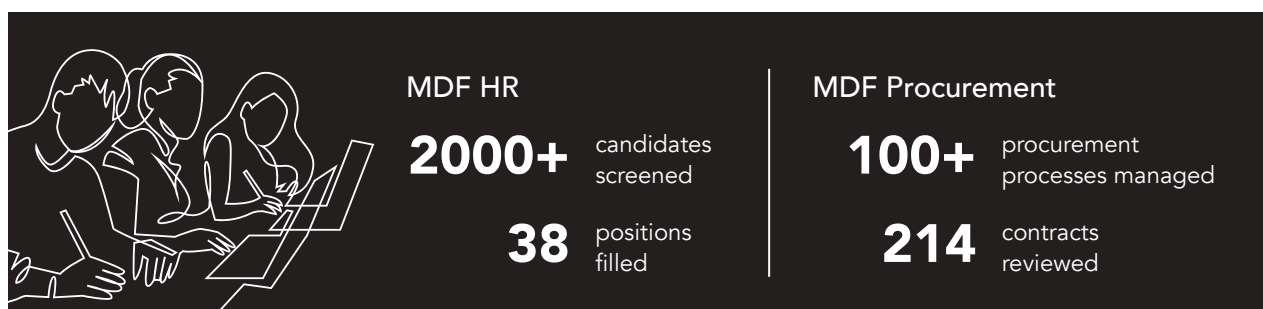
### MDF Finance

**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



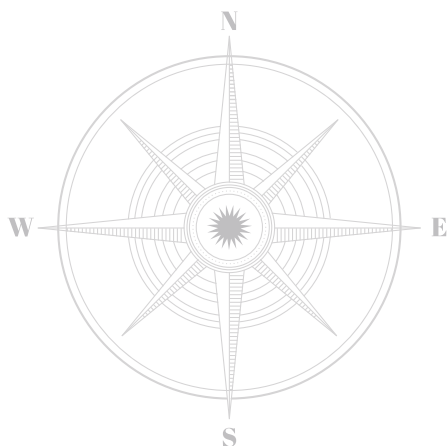
### Tourism

Sustainable Tourism	3
---------------------	---



### 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
------------------	---



## Vanuatu

### Financial Services

Digital Financial Services	1
----------------------------	---

### Agriculture

Cocoa	1
Sandalwood	1

## Pacific Regional

### Tourism

Yachting Tourism	2
------------------	---

### 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
-------------	---

### Agriculture

Kava	1
------	---

### Renewable Energy

Rooftop Solar	1
---------------	---

### 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

# Pacific Regional



## Samoa

### Population

222,382

 Urban: **18%**

 Rural: **82%**

Population growth rate: **1.6%**

### Official languages

Samoaan and English

### GDP

 **833** million

### Key GDP contribution sectors

 Agriculture and fisheries: **10%**

 Industry: **11.4%**

 Manufacturing: **5%**

 Services: **70.5%**

### Labour force participation rate

 Female: **41%**

 Male: **66%**

# Tonga

## Population

106,858

 Urban: **23%**


 Rural: **77%**

Population growth rate: **0.8%**

## Official languages

Tongan and English

## GDP

 **469** million

## Key GDP contribution sectors

 Agriculture, forestry and fisheries: **16.3%**

 Industry: **15.9%**

 Manufacturing: **5%**

 Services: **49.7%**

## Labour force participation rate

 Female: **41.1%**

 Male: **58.9%**

# Vanuatu

## Population

326,740

 Urban: **26%**

 Rural: **74%**

Population growth rate: **2.4%**


## Official languages

Bislama, English, French

## GDP

 **1.06** billion

## Key GDP contribution sectors

 Agriculture, forestry and fishing: **21.2%**

 Industry: **10%**

 Services: **59.8%**

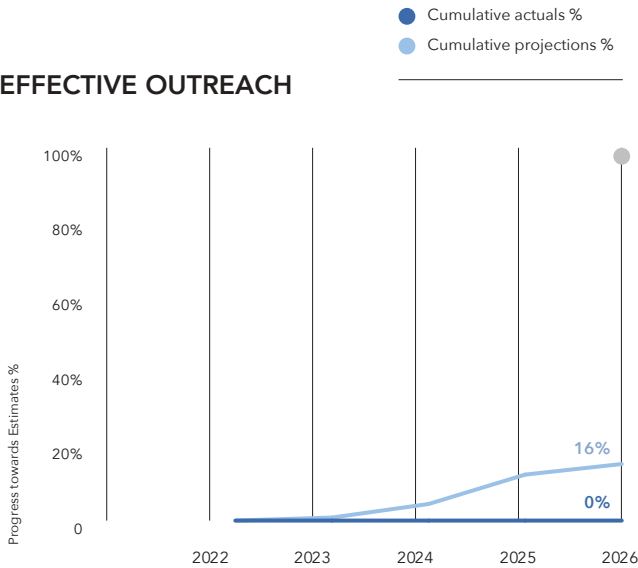
## Labour force participation rate

 Female: **44.2%**

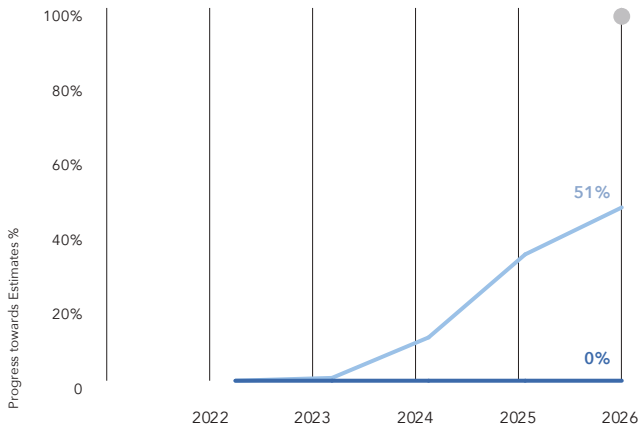
 Male: **55.8%**

# Highlights

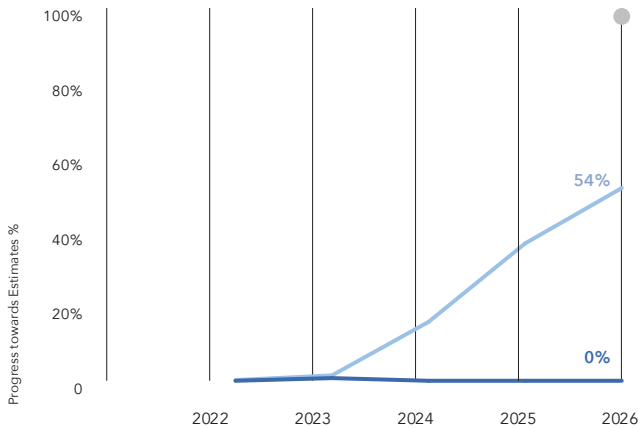
## EFFECTIVE OUTREACH



## NET ADDITIONAL INCOME (USD)



## VALUE OF ADDITIONAL MARKET TRANSACTIONS



- Country projections for Pacific Regional continued to increase, with significant expansion of the portfolio. Early country results (actuals) started materialising in 2023 for value of additional market transactions (VAMT, or additional private sector revenue), reaching USD70,000 (AUD105,940). Projections for 2023 are significantly higher, at more than USD140,000 (AUD211,870), and are pending verification.
- Other indicators are expected to materialise in early 2024. The current portfolio is projected to achieve 51% of income estimates and 54% of VAMT estimates. Interventions in agriculture—primarily feral pig management and agricultural mechanisation—and digital financial services contribute to this healthy results trajectory. With portfolios expanding in Tonga and Vanuatu, MDF expects to boost the effective outreach projections and close the gap between projections and estimates.
- While activities to support regional yachting and regional certifications started in 2023, projections for effective outreach, net additional income and VAMT are yet to be included because there are several unknown variables. The completion of the Economic Impact Study for Yachting in Vanuatu and Tonga, as well as certification workshops across Samoa, Tonga and Vanuatu will produce relevant data for projections. These projections are anticipated to improve the results trajectory from 2024 onwards.





# Overview of Progress in 2023

Global macroeconomic changes had less of an impact on the Pacific Regional component in 2023 than in 2022. The re-opening of MDF's three focus countries (Samoa, Tonga and Vanuatu) to international travel in mid-to-late 2022 revived economic activity in 2023 by allowing an influx of Pacific diaspora many of whom had not been able to return home due to COVID-19 restrictions.



MDF's technical work was organised under four workstreams – Regional, Samoa, Vanuatu and Tonga. The intervention portfolio grew rapidly, with active interventions rising from 10 in 2022, to 23 in 2023. This was based on 16 new interventions commencing in 2023, a considerable increase from 7 new interventions in 2022. The new interventions included:

- **Regional:** Digital financial services, yachting tourism and certification services.
- **Samoa:** Kava, agricultural mechanisation, cocoa, food manufacturing, and business and economic policy research.
- **Vanuatu:** Yachting tourism, cocoa, kava and economic research.
- **Tonga:** Tourism branding and marketing, and air freight.

Across the four workstreams, MDF created a portfolio aligned to priorities of host governments and donors.



## Regional

The Regional workstream is oriented around development issues that lend themselves to regional solutions. This aligns with the 'resources and economic development' and 'climate change and disasters' thematic areas of the 2050 Strategy for the Blue Pacific Continent (PIFS). In 2023, MDF commenced a collaboration with a new Pacific fintech app for savings, payments and investment. Excellent results were achieved through an intervention on credit scoring. Several new ideas were developed in certification services, air freight, expedition cruise tourism and e-commerce.



## Samoa

The intervention portfolio grew rapidly during the first half of 2023, such that MDF now has a 'full' program of work for the available budget. There was strong government interest in the impact of feral pigs on agriculture, so MDF devoted significant time to engaging with senior government officials on a collaborative approach to tackle the problem. Two interventions were implemented related to kava and one on agricultural mechanisation. There was some exploratory work on food manufacturing and a standalone collaboration with an organisation on business and economic policy research.



## Tonga

There was strong government and donor interest for MDF to get involved in the tourism sector, so many of MDF's initial interventions were in tourism. MDF initiated multiple collaborations with the Tongan Government on yachting tourism. MDF also commenced a major intervention with the government on tourism branding and marketing. Stemming from donor interest, MDF also assessed the solar photovoltaic (PV) market.



## Vanuatu

Government priorities changed during 2023 due to many changes of government. MDF was requested by the Government of Vanuatu and DFAT to recommend options for key economic sectors, so MDF conducted significant research into agricultural and tourism markets including cocoa, sandalwood, shipping and freight, fisheries and livestock. MDF also engaged extensively with the two Vanuatu government tourism agencies, commencing collaborations on yachting tourism and value chain data.

Using practical research to develop a strong understanding of economies, sectors and markets is a key foundation of MDF's success. MDF invested heavily in building networks across all focus countries, particularly in the new countries for 2023 (Vanuatu and Tonga). In each of these countries MDF completed consultations with over 100 businesses, government departments and other market actors. Technical teams in each focus country commenced or completed a very large number of market assessments. including:

- **Regional:** Air freight, certification services, e-commerce, yachting tourism, expedition cruising, solar skills and digital financial services.
- **Samoa:** Kava, cocoa, feral pigs, garment design and manufacturing, agricultural inputs, agricultural mechanisation, rooftop solar, and electric vehicles.
- **Tonga:** Kava, vanilla, tourism activities, tourism branding and marketing, rooftop solar, and electric vehicles.
- **Vanuatu:** Inter-island freight and shipping, cocoa, sandalwood, cattle, rooftop solar, fisheries, and aggregation.



## Climate change

Pacific Island countries (PICs) are among those most vulnerable to the impacts of climate change. Climate change continued to be considered at key stages in MDF's intervention cycle, including research, intervention design and contracting. The Pacific Regional team commenced market research into rooftop solar PV and electric vehicle markets in all focus countries. Much of this research was completed by the end of 2023 and four connected interventions were in conception. MDF also found several opportunities to integrate climate change adaptation activities into interventions, particularly those related to agriculture.





## Gender equality and diversity

MDF continued to focus on understanding the different roles of men and women in markets and considered the potential to influence gender equality at the intervention design stage. For example, MDF's intervention on credit risk scoring identified gender-based differences in loan applications that could influence lending decisions. Agricultural mechanisation can help women and people with disability via labour-saving technologies. New digital financial technologies can help people with limited mobility access services remotely.



Vegetable sellers in Port Vila, Vanuatu

## Operations

MDF's Pacific Regional team and portfolio grew quickly over the course of 2023, and the scale of operations changed markedly. Most significantly, MDF hired its first staff and began operations in two new countries: Vanuatu and Tonga. The operations team was extremely busy supporting the procurement and set-up of three new office spaces in Vanuatu, Tonga and Samoa. This included procuring agents, phones, internet, computers, peripherals, vehicle hire, hotel accommodation, office furniture, appliances, office consumables, and medical insurance.

The recruitment of ten new staff enabled the Pacific Regional team to almost double in size over the course of the year, from 12.5 full-time equivalent (FTE) staff to 20 FTE, with more commencing in early 2024. When current recruitment processes are complete, the team should include 26.5 FTE staff. Individual onboarding was provided for 10 staff, and significant time was invested in providing learning opportunities for both new and existing operational and technical staff.

In-country operations in Vanuatu commenced in January, initially with a team of three ni-Vanuatu staff, increasing to a team of five by the end of the year, including a Country Coordinator. The start-up in Vanuatu was augmented by two, three-month placements of experienced MDF staff from Fiji and Sri Lanka. Aside from work in Efate, the team completed scoping missions to three other island groups over the course of the year: Malekula, Santo and Tanna.

In-country operations in Tonga commenced in July, following government approval earlier in the year. MDF commenced with a team of three Tongan staff and start-up support

provided by Fiji-based staff on visits and placement. In addition to work in Nuku'alofa and around Tongatapu, the team completed scoping missions to two other island groups in late 2023: Vava'u and 'Eua.

Although operations in Samoa started earlier than the other two countries, it was still a busy year for the operations team. MDF moved offices during the year and procured many items to support this. Three recruitments were completed to replace staff departures and slightly increase the team size. MDF also began the process of aligning to standard MDF financial and contractual systems instead of working through an agent.

Operations for the regional team were relatively stable. There was a sharp increase in travel arrangements to support MDF's set-up in the two new countries and to provide technical support in Samoa, Tonga and Vanuatu. This included three placements, as well as many visits from senior technical and operations staff. Significant collaboration between MDF's Pacific Regional and Fiji operational staff ensured good value for money for both components.

## | The Results Story

# Start-up in Vanuatu and Tonga and fast-growing portfolio bolster healthy projections



© An MDF staff conducts interviews in Malekula, Vanuatu

The Pacific Regional component expanded into Vanuatu and Tonga in 2023. Teams across all three expansion countries completed ten major field visits, including to many outer islands. Market assessments conducted during these visits will pave the way for future interventions. The team also generated crucial market intelligence, such as freight market changes in a post-COVID world, and observed the impact of climate change on agriculture, capturing farmers' feedback on preparedness for extreme weather events in an El-Niño cycle.

In 2023, the Pacific Regional component leveraged USD188,000 (AUD288,622) in private sector investment in areas such as forestry, financial services and agriculture, and over USD70,000 (AUD107,400) in private sector revenue

(value of additional market transactions). Limitations in staffing prevented full data collection. But with staff now present in all expansion countries, MDF will conduct further verification and be able to record higher figures in 2024.



## Machinery in demand by farmers

In Samoa, where MDF Pacific Regional established its first country office, MDF observed a high interest in mechanisation. A collaboration with a machinery supplier on demonstration days had a turnout of over 200 participants, 47 per cent of whom were women. Early feedback from farmers who had purchased new hand-tillers revealed how the small farm machinery helped to improve the convenience of farming by reducing the time and manual labour required for land preparation. Following engagement with MDF, Samoa's Ministry of Agriculture and Fisheries has indicated its intention to promote private sector machinery solutions in its extension services. Early sales of machinery are reported as additional market transactions for 2023, while effective outreach and net additional income are expected to be reported from 2024 onward.



## Feral pigs continue to impact farmers and exporters: farmers claim up to 30 per cent losses

In Samoa, MDF conducted baseline research in May 2023 to understand the impact of feral pigs on agriculture and to inform the design of trials to reduce their impact. Farmers shared information on the control methods they employed, including guard dogs and snares. Over 50 per cent of farmers interviewed mentioned the lack of a collective response at community level, and many have stopped planting crops altogether as a result of the damage caused by feral pigs. MDF's preliminary estimate of the value of losses to agricultural production caused by feral pigs is around USD11 million (AUD17 million). Negotiations on the next steps to trial prevention and management measures took time but were largely completed by end-2023. The intervention is conservatively projected to benefit over 600 farmers who are anticipated to save a cumulative USD460,000 (AUD706,000) across three years.



## Improved logistics and digital financial services show regional impact potential

MDF's observations about freight limitations led to support for a pilot of air freight packaging for agricultural exports from Tonga to New Zealand, as an alternative to sea freight. The pilot resulted in 29 tonnes of watermelon being air freighted. The successful trial led the exporter to invest an additional USD76,000 (AUS116,600) and to increase air freight exports of horticultural produce, including taro and squash. MDF received interest from other exporters to include air freight in their logistics options due to the early success of the pilot. MDF is in negotiations with other logistics service providers on solutions for exporters in other Pacific countries.

In Tonga and Samoa, where access to finance is a challenge for MSMEs and individuals, MDF successfully helped a company pilot a psychometric credit scoring tool for the National Bank of Samoa and the Tonga Development Bank. Negotiations are underway to continue providing services to these banks.



## Interventions in economic research and digital financial services drive inclusion and climate change support

The current regional portfolio is projected to benefit over 1,845 farmers, workers and entrepreneurs. Women represent 47 per cent of projected effective outreach numbers and through MDF support are anticipated to earn addition incomes of USD570,000 (AUD875,000). Interventions in digital financial services have shown the potential to unlock access to financial services at scale for women in rural and remote populations in Tonga, Samoa and Vanuatu. These interventions – in digital savings, mobile wallets and credit scoring services – contribute 44 per cent to MDF's current portfolio in female effective outreach, and new projections are anticipated to be added in 2024.

Climate change impact is already felt in the Pacific, and MDF Pacific Regional integrated adaptation and mitigation activities across many interventions. In Samoa, MDF invested over USD35,700 (AUD54,800) to establish a research unit within the Samoa Chamber of Commerce and Industry, to produce climate change relevant analysis for members. Future results from climate change investments are expected in certification services in agriculture and solar technology.



# Regional

## Country and Portfolio Strategy

MDF's Pacific Regional component works differently to the more established MDF countries.

In addition to implementing economic development interventions specific to a single country, the Pacific Regional component also has interventions that relate to regional issues and benefit more than one country. MDF's strategy for the regional workstream is oriented around finding opportunities that align with one of the following:

- Markets where there is a strong regional dimension.
- Markets that are reasonably distinct for each country, but where there are common constraints across multiple countries.
- Markets where there is a common, international connection or element, particularly a customer or supplier.
- Markets that have a limited number of key market actors operating similar business models across multiple Pacific countries.

This strategy did not change significantly in 2023 other than adding some new markets and market functions that MDF was well positioned to address. This

included e-commerce, certification services and expedition cruise tourism. Most of these markets are of interest to the economic development priorities of multiple Pacific governments, and in many cases, donor strategies.

### ➔ Digital financial services

The Pacific is one of the least banked regions in the world and service provision has strong regional elements to it, including key suppliers operating across multiple Pacific countries (telecommunications operators and some banks).

### ➔ Certification

Demand for certification (e.g. organic) is growing globally but there are few service providers based in the region, making it costly. Some certification services also have a link to climate change mitigation and adaptation, such as those associated with organic produce.

### ➔ Yachting tourism

Yachting tourism has strong growth potential in the Pacific region. The market has a strong regional dimension, with most yachts coming to the Pacific to visit multiple countries.

### ➔ Expeditionary cruising

There is growing tourist demand for expeditionary cruising and opportunities to create new services in the region due to its multi-island geography.

### ➔ Destination marketing

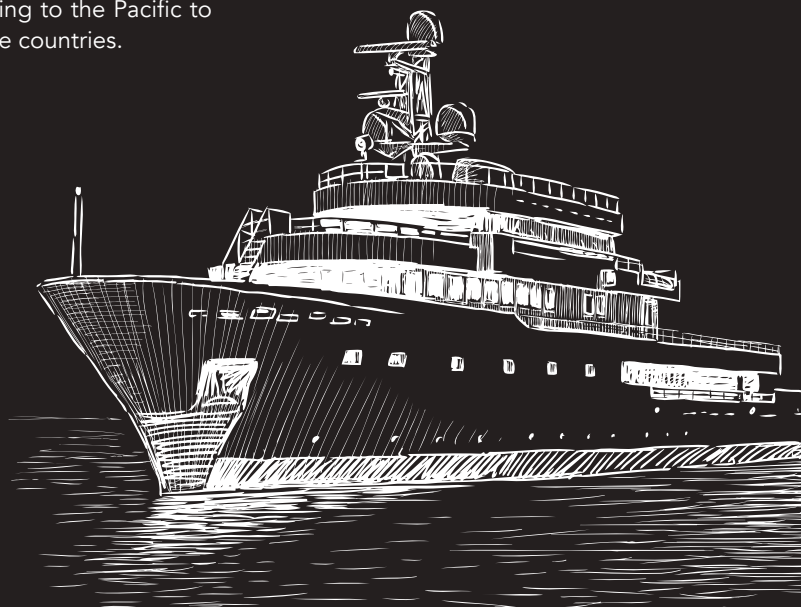
Successful destination marketing is critical to tourism growth and there are market actors able to influence its effectiveness across multiple Pacific countries.

### ➔ Freight, shipping and logistics

The geographical remoteness and small populations of PICs mean that shipping services are infrequent and costly throughout the region. Most PICs have many islands and so face issues with inter-island shipping and freight.

### ➔ E-commerce

The Pacific is missing out on export opportunities due to limited engagement with global e-commerce services.



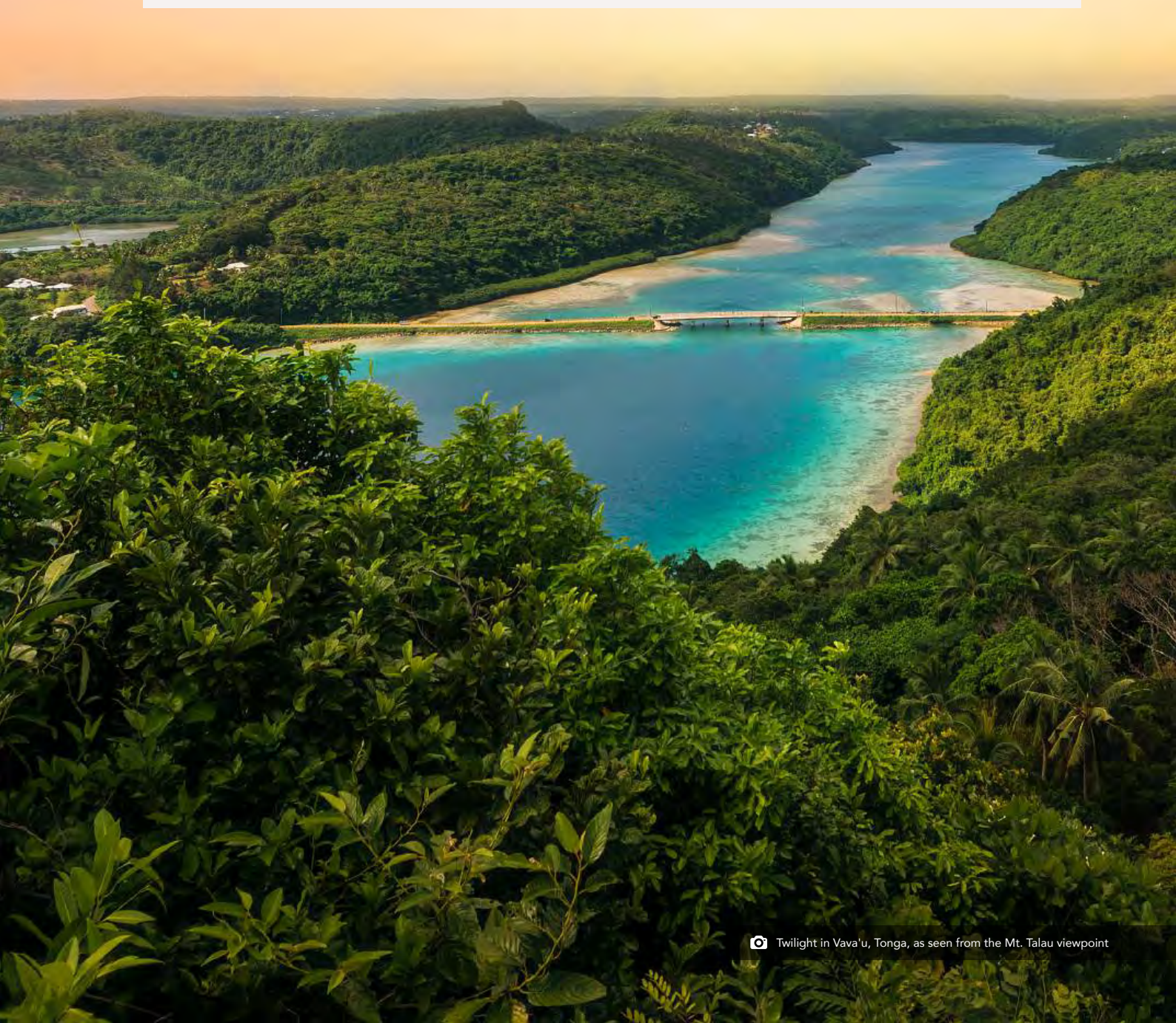


## Climate change

The Pacific region is particularly susceptible to the effects of climate change. MDF is ensuring that climate change risks and opportunities are factored into Pacific Regional's sector and market selection, analysis, strategy development, intervention design and contracting. MDF used climate change risk assessments for the focus countries to inform proposed interventions throughout 2023.

Most support for climate change mitigation and adaptation within the Pacific Regional component was driven by interventions in the focus countries. However, there were also some climate-relevant interventions implemented in 2023 within the Regional workstream:

- Certification services present diverse opportunities to influence climate change mitigation and adaptation, because many certifications will directly or indirectly result in climate change mitigation and adaptation (e.g. organic production or carbon emissions) and reward compliant businesses with premium prices and better market access.
- Digital financial services can assist with recovery from climate-linked natural hazards and disasters, enabling rapid and transparent financial transfers to vulnerable communities.





# Financial Services



Australian Aid

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FOREIGN AFFAIRS & TRADE  
New Zealand Coat of Arms

MDF

@MDFGlobal

@marketdevelopmentfacility

Market Development Facility (MDF)

marketdevelopmentfacility.org

Presented by Palladium in partnership with Swisscontact

Palladium  
POSSIBLE

swisscontact

📷 Sole CEO, Mereia Volavola, at the announcement of the granting of the payment service license by the Reserve Bank of Fiji, in Suva, Fiji



# Financial Services



A fintech business successfully trialed a new credit assessment tool with banks in Samoa and Tonga.



A new, Pacific-owned and made fintech business launched an app for savings, payments, transfers and investment.



A telecommunications provider continued activities to increase the adoption of its e-wallet service in Vanuatu.

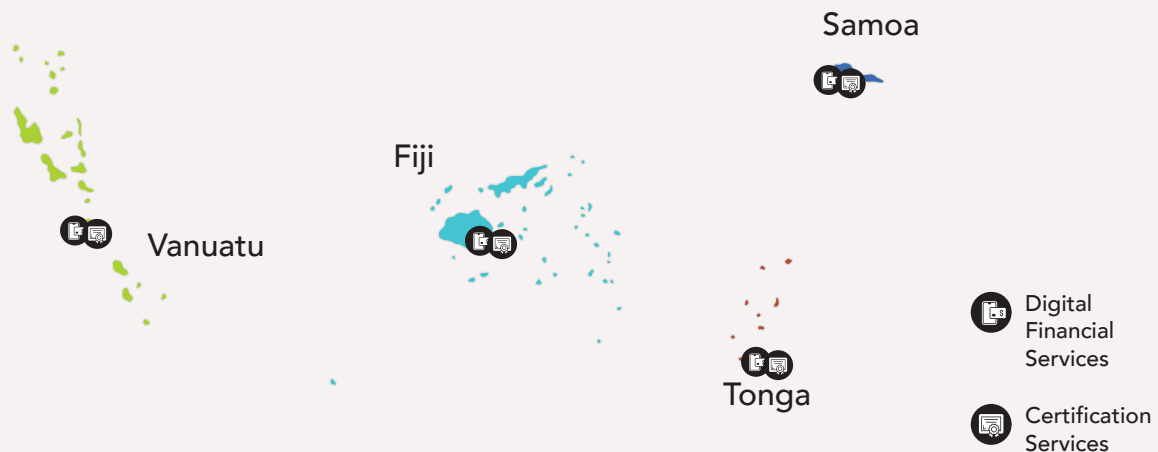
## Vision of change

- More people utilise affordable and accessible formal financial services.
- Consumers and businesses can access savings and loans suitable for their needs, even if they do not have a formal banking history.
- Consumers and businesses can sell and pay for goods and services using digital platforms.

## Constraints

- A lack of competitive, formal financial services, with informal options based on accessibility, convenience and interoperability.
- Limited credit scoring and security options to allow access to loans.
- Variable financial literacy and low levels of trust for electronic forms of payment.

## Interventions



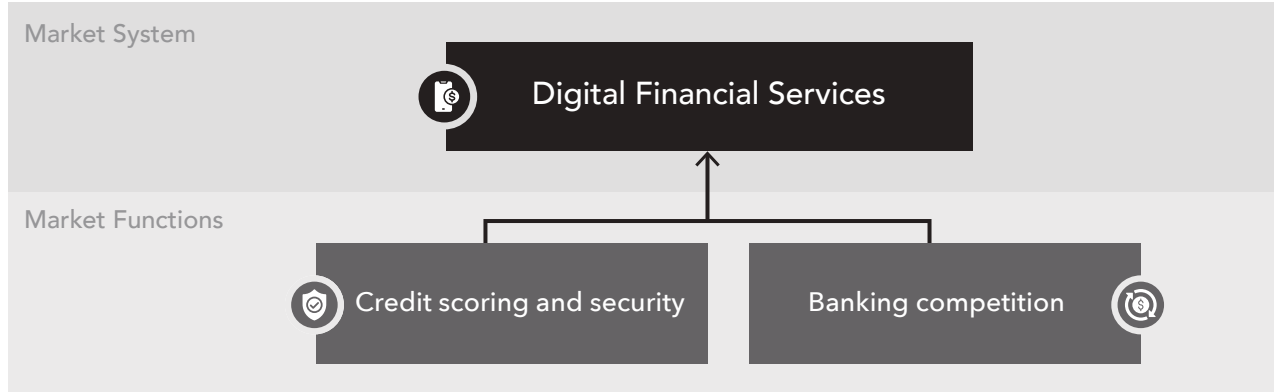
## Climate risks

Increasing intensity of storms, cyclones and rainfall may damage infrastructure, resulting in disruptions to financial service businesses. Insurance premiums might also be driven up.

# 1

## Market System

# Digital Financial Services



### Status of the market system

Emerging

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

1. Introducing a new Fintech solution for the Pacific Region (Sole Ltd).
2. Pacific Islands Fintech Innovation Challenge/Enabling credit scoring for small loan applications (UNDP and Global Psytech Ltd).

### Summary of performance

MDF's support to improve digital financial services through pilot initiatives with two fintech companies has been received positively in the market. Both these models started to gain traction in 2023 and are expected to generate significant private sector investment leveraged in 2024.

The pilot of a psychometric analysis tool with Global Psytech to provide an alternative credit scoring approach was used to assess over 900 applications with financial institutions in Samoa and Tonga. Negotiations with these institutions for adoption of this tool are ongoing and, if the tool is adopted, it is expected to trigger results for effective outreach and additional revenue by 2025. The primary partner has also received interest from other financial institutions in the region to trial this service.

MDF observed indications that marketing initiatives to drive social media engagement resulted in a doubling of registrations and transactions for Sole, the pilot savings and investment fintech application. Sole is currently being piloted in Fiji, and the business case for this solution will inform roll-out to other PICs, including Samoa and Vanuatu, likely by 2025. Projections may be revised to capture scale-up once data points can be verified.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
768	0	USD488,835 (AUD737,197)	0	USD113,447 (AUD171,086)	0	USD1,419 (AUD2,140)	<div style="display: flex; justify-content: space-around; align-items: center;"> <span style="color: red;">●</span> <span style="color: orange;">●</span> <span style="color: green;">●</span> </div>

## Market on a Page



Digital financial services include any financial service accessed digitally, including payments, credit, savings, remittances and insurance.



The Pacific is one of the least banked regions in the world; only half the population has access to some type of formal financial service.



Digital financial services can overcome the challenges of distance and small populations.



Remittances are a key part of Pacific economies, particularly in Samoa and Tonga.

Many Pacific country citizens face challenges in fully benefitting from the access and use of financial services. This is a long-term problem that will take significant effort to resolve. MDF supports selected opportunities to expand or improve digital financial services. In 2023, MDF continued to see incremental improvements in service options across the Pacific.

## Market Functions

### Credit scoring and security

It is difficult for banks to verify a person's creditworthiness in many PICs, due to issues with land ownership and credit bureaus. In 2022 and 2023, MDF collaborated with the Pacific Digital Economy Programme (PDEP) on the Pacific Island Fintech Innovation Challenge. MDF was responsible for one challenge; as part of this, a credit assessment tool was successfully trialled by a fintech in Samoa and Tonga in 2023. There are reasonable prospects for commercial adoption by Pacific banks. More information is available in the Business Focus Story on page x.

### Banking competition

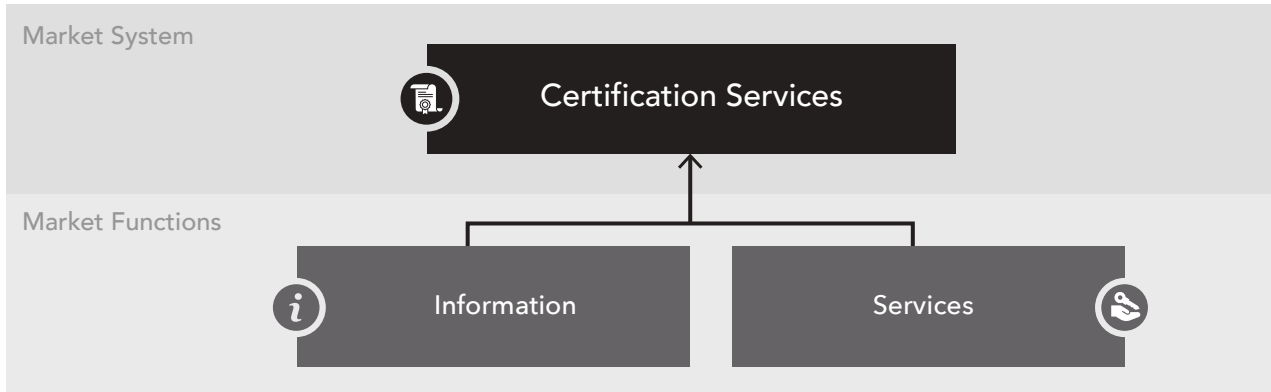
There is limited banking competition in the Pacific region. In 2023, MDF commenced an intervention to increase competition for digital financial services including savings, transfers, payments and investment. MDF is supporting a new, multi-purpose fintech app, designed in the Pacific, for Pacific people. The start-up was successful, and the company was awarded a licence in mid-2023. There has been strong initial customer interest (more than 17,000 sign-ups), more than FJD1 million (AUD680,000) in transactions and good interest for merchant onboarding. Prospects also look good for collaborations with remittance providers and a community digital village pilot in Fiji.



An illustration of mobile banking

# 2 Market System

## Certification Services



### Status of the market system

Emerging

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

1. Improving awareness of and access to certification services for the Pacific region (Credit Union).

### Summary of performance

MDF scoping into common challenges faced in agriculture value chains across the region highlighted the challenges faced by agri-exporters to access new and premium markets due in part to the lack of awareness and affordability of internationally recognised certifications.

As a first step to unlock this market system, MDF has partnered with an international certification service provider. They began holding information workshops across the region, starting with Fiji in November 2023. MDF support includes incentives for private sector to de-risk uptake of the certification services, including climate change-linked certifications, and will use the learnings to build the business case to inform future interventions in this market system. Relevant projections will be developed for this intervention once data points can be developed and verified.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
0	0	0	0	0	0	0	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="width: 10px; height: 10px; background-color: red; border-radius: 50%; margin-bottom: 5px;"></div> <div style="width: 10px; height: 10px; background-color: yellow; border-radius: 50%; margin-bottom: 5px;"></div> <div style="width: 10px; height: 10px; background-color: green; border-radius: 50%;"></div> </div>

## Market on a Page



Certification can allow products to be sold at higher prices or enable improved access to international markets.



Consumers are increasingly interested in where products come from, how they were produced and their quality. Certification helps to address these concerns.



Certification is used in many sectors, including agriculture, forestry, fisheries, tourism, food manufacturing and textiles.



In the Pacific, understanding and use of certifications is limited. For those that are aware, it is costly to secure internationally-accredited certifications.



Certification is an important driver of more environmentally sustainable practices and can influence climate change mitigation and adaptation.

In the Pacific, understanding and use of most certifications is limited. For those that are aware, it is costly to secure internationally accredited certifications because certifiers frequently need to be flown in from overseas. MDF began working in this market system very late in 2023, so it is premature to discuss market changes.

## Market Functions

### Information

In the Pacific, there is limited understanding of the value of certifications and the international markets and premium prices that can be accessed through them. While organic certification and the Hazard Analysis and Critical Control Point (HACCP) system are gaining traction, many Pacific agricultural exports still go to low-value, bulk commodity markets. In 2023, MDF began working with a major international certification service provider to improve awareness of certification through information workshops. The first workshop was held in Fiji in November.

### Services

High prices are one reason for the limited adoption of certification in the Pacific region. Flying in expertise from other regions often makes the cost unviable without external support. In 2023, MDF began working with a major international certification service provider to establish a permanent presence in the region, with the aim of reducing costs and increasing investment in certification and/or pre-certification advisory support. The first promotional workshop was held in December.



Exploring underwater caverns while diving in Tonga



# Tourism





# Tourism



National tourism organisations in Tonga and Vanuatu have become more aware of the potential for yachting tourism.



Regional yachting tourism stakeholders are looking at new customer markets and developing better information services to assist marketing.

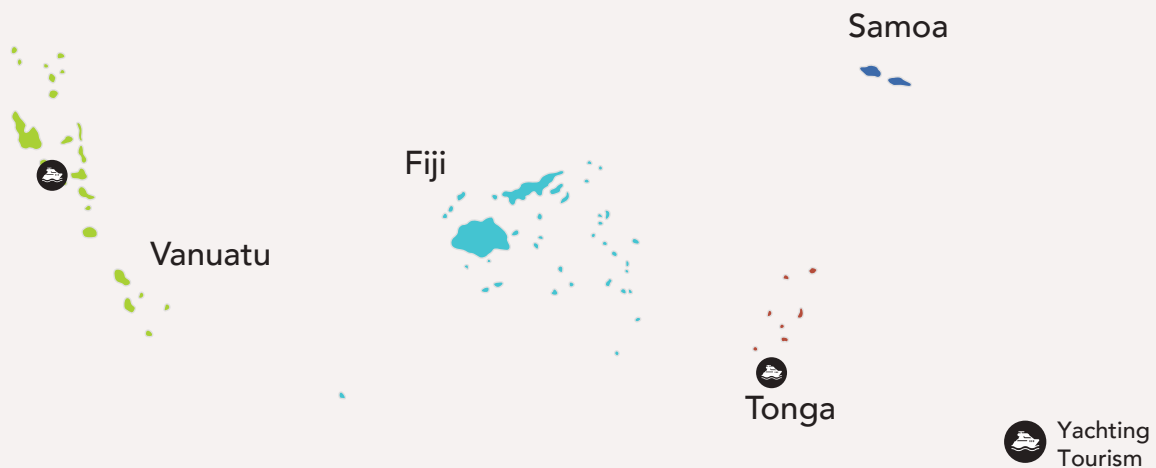
## Vision of change

- Improved destination marketing materials and methods attract more tourists to the region.
- Collaboration between national tourism organisations, hotels, airlines, tourism operators, activity providers and airlines enables improved package development and higher-quality tourism services.
- Pacific tourism stakeholders have access to quality data and use this information to better market their destinations and develop suitable services.

## Constraints

- Reduced competition between airlines, poor reliability, frequency and connections and high flight prices.
- Impact of pandemic-related restrictions and management measures, including reduced competition, business debt and facility maintenance.
- Reduced availability of skilled labour due to layoffs during the pandemic, and high rates of turnover associated with migration schemes.

## Interventions

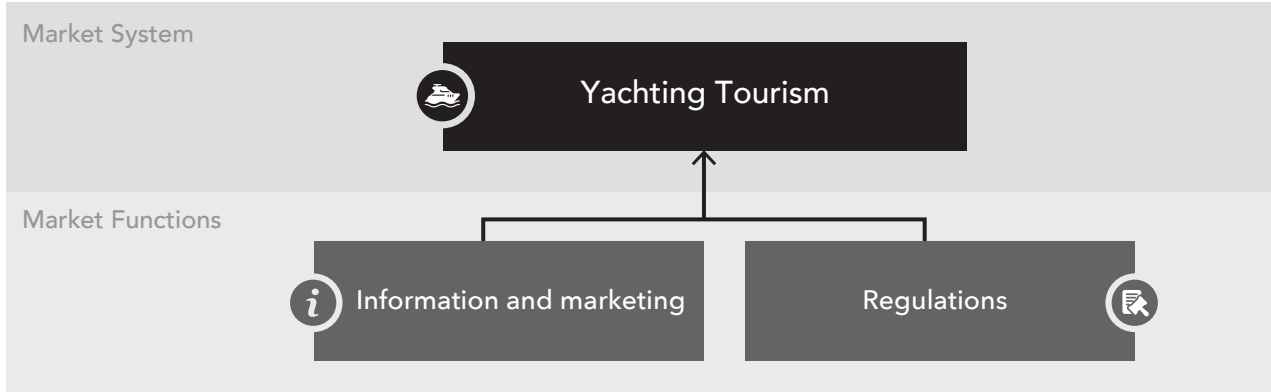


## Climate risks

Increasingly intense storms and cyclones could result in damage to tourism facilities, increased insurance costs and interruptions to supply chains. Rising sea levels can also result in coastal erosion, loss of beach areas and increased costs to protect tourist attractions.

# 1 Market System

## Yachting Tourism



### Status of the market system

Emerging

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

1. Growing regional yachting tourism through public-private collaboration and international marketing [Tonga Tourism Authority (TTA), Vanuatu Tourism Office (VTO), South Pacific Sailing Network (SPSN)].
2. Studying yachting tourism and its economic impacts in the Pacific region (AMSTEC, TTA, VTO).

### Summary of performance

Regional yachting poses an opportunity to widen the spread of tourism gains to rural and remote regions. However, the industry faces numerous challenges, including a lack of industry coordination and regulations that undermine the potential of the sector.

MDF pursued several partnerships in 2023 and invested in building engagement between tourism bodies in Tonga and Vanuatu with yachting marinas, as well as regional bodies, as a first step to improving information sharing and coordination in the industry.

MDF supported TTA, VTO and SPSN delegates to attend a yachting conference in New Zealand and a yachting regatta in Tahiti, to gain exposure to the international yachting market. This has resulted in better recognition of the market among tourism bodies in Tonga and Vanuatu. MDF’s support for a yachting tourism study in Tonga and Vanuatu is anticipated to inform new interventions with the potential for significant effective outreach and net additional income for entrepreneurs and the communities supporting this premium tourism market. Relevant projections will be developed for this intervention once data points can be developed and verified.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
0	0	0	0	0	0	USD10,770 (AUD16,242)	<div style="display: flex; justify-content: space-around; width: 20px;"> <span style="color: red;">●</span> <span style="color: yellow;">●</span> <span style="color: green;">●</span> </div>

## Market on a Page



Yachts visiting the Pacific usually come from the Americas, Australia, Europe and New Zealand.



Yachts crossing the Pacific Ocean from the Americas first reach the Marquesas Islands, then may visit the Cook Islands, Tonga, Fiji, Vanuatu and New Caledonia before exiting to New Zealand or Australia.



Yacht owners and crew spend money locally on equipment, food, fuel, permits, maintenance, transfers, recreation and the crew's living needs.



Studies in Fiji and French Polynesia have found that yachting tourism contributes tens of millions of dollars to their economies annually, often to remote islands that lack conventional tourism infrastructure and services.

The Pacific region is an ideal destination for yachting tourism, given its scattered and idyllic islands.

MDF made a preliminary assessment of this market system in 2023 and identified key constraints to growth. MDF made solid progress in engaging with key market actors, including a regional association and national government agencies in Tonga and Vanuatu. There are opportunities to take this work in several directions, subject to the outcome of a more detailed yachting study commenced in 2023 and concluding in mid-2024.

## Market Functions

### Information and marketing

Information and marketing are important factors in attracting yachts to the region, ensuring they visit multiple countries and islands and increasing their length of stay. There is a lack of coordination between yachting stakeholders to ensure that timely and accurate information is available to yacht owners contemplating a visit to the Pacific region. Pacific Island governments mainly focus on promoting air tourism.

In 2023, MDF worked to improve information and marketing by influencing the interest and behaviour of public and private stakeholders. MDF helped the regional association, the South Pacific Sailing Network (SPSN), with selected marketing opportunities. Interventions were designed to develop yachting guides and maps for Tonga and Vanuatu. Once the yachting study is completed it will be utilised to improve information and marketing, particularly by National Tourism Organisations.

### Regulations

Government policies and regulations, such as immigration and customs, affect the likelihood of yacht visits and the duration of their stays. In 2023, MDF sought to understand how these could be improved for Kiribati, Tonga and Vanuatu through a regional study, which should be completed by mid-2024. As a result of regular engagement on this topic, MDF has seen increased interest among governments in the Pacific in yachting tourism. The Government of Vanuatu asked to collaborate further with MDF to develop a national yachting strategy. The Government of Tonga recently created a yachting tourism committee.



Yachts and boats in the bay of Neiafu, Vava'u Islands, Tonga



## LESSONS/OBSERVATIONS

There are definite opportunities to grow this market through private sector business models. However, some critical constraints to growth relate to government policy. MDF found that governments have been more willing to contemplate support for this market if they understand it better. This has been increased by exposure to peers in Australia, Fiji, French Polynesia and New Zealand. MDF engaged regularly with the Governments of Vanuatu and Tonga, supporting information sharing and learning opportunities.

# Other market systems

## Destination Marketing

Many Pacific tourism stakeholders, such as the South Pacific Tourism Organisation (SPTO), have identified the paucity of quality, up-to-date marketing content as an impediment to tourism growth. In 2022, MDF began negotiations with an airline,

national tourism organisations and tourism businesses to develop new marketing content for selected PICs. This intervention was delayed for various reasons, so there was only limited preparatory activity in 2023. This included negotiations with the

Vanuatu Tourism Office, which sees the potential for this content for marketing Vanuatu internationally. Although much delayed, this collaboration is expected to proceed in the first quarter of 2024.

## Expedition Cruising

Demand for expedition cruising is increasing. Like yachting, this form of tourism offers economic opportunities for remote islands and communities because it does not require substantial infrastructure investment, and it has a smaller ecological footprint than

large cruises. In the Pacific, expedition cruising currently only operates out of French Polynesia. In 2023, MDF designed an intervention with a Fijian domestic expedition cruising operator that is looking to offer regional cruises for the first time, to Samoa and Tonga.



## Shipping and Logistics

Since the onset of COVID-19, MDF has compiled and shared market intelligence related to freight, shipping and logistics. Although global shipping prices have fallen significantly since the peaks experienced during the pandemic, the Pacific continues to

face high costs and limited services. In previous years, MDF has analysed this market at a regional level. This research yielded some intervention opportunities, potentially to create new regional freight business models. In 2023, MDF explored opportunities

to provide regional solutions to freight and shipping constraints and designed one intervention that should be implemented in 2024 for a new regional air freight service.

## E-commerce

E-commerce provides consumers and businesses with access to online channels for buying and selling goods and services. E-commerce is becoming popular with Pacific consumers but uptake by the region's businesses is lagging because many have low

levels of digital literacy. Many firms struggle to set up websites, link with online payment gateways, use social media marketing and integrate logistics and fulfilment services. E-commerce is a policy priority for many Pacific governments and DFAT, who are

implementing e-commerce initiatives, including through the Pacific Islands Forum Secretariat. In 2023, MDF designed an intervention that should be implemented in 2024, to facilitate market entry of a global e-commerce platform for Pacific businesses.

## Inclusion Story

### Growing better: Supporting agricultural innovation in Samoa

Agricultural machinery, essential for modern farming, remains expensive in Samoa, with costs reaching up to USD40,000 (AUD61,000) for second-hand excavators and USD14,000 (AUD21,000) for tractors. Rental or service options are sometimes available but are inefficient or informal. Both farmers and businesses suffer from a lack of awareness about the range of available machinery and services, as there is little advertising. This gap in market knowledge, especially among businesses predominantly focused on construction, results in risk aversion and missed opportunities to meet the evident demand. MDF research indicates that while only a few farmers currently use such machinery, there is a significant interest among the wider farming community. Labour migration is also affecting Samoa's agricultural households, with many women now taking on the bulk of agricultural work, where husbands have joined seasonal labour schemes.

Click/scan the QR code to read the full story



## Climate Change Story

### Brewing resilience: Navigating climate challenges in Samoa's kava industry

Samoa's climate projections indicate a future marked by climate change. Rising temperatures, more frequent episodes of extreme rainfall and increasingly intense cyclones are expected to impact the economy, with agriculture likely the most severely affected. Crops like kava, the Samoan variety of which is known as 'ava', typically thrive in conditions that are not excessively hot or dry; and extreme rainfall and cyclones can lead to waterlogging and damage to kava trees. Kava processing is also at risk, as unseasonal rainfall can impact root drying, and kava washing requires access to water.

Click/scan the QR code to read the full story



## Business Focus Story

### Financial inclusion in the Pacific: The power of collaboration and technology

Access to credit remains a significant hurdle in Pacific Island Countries (PICs), complicated by regional challenges, such as communal land ownership and the absence of traditional credit bureaus. This further restricts the financial flexibility of individuals and businesses alike. In Samoa, almost half of the population lack access to formal finance, and savings rates are lower than comparable PICs.

In response to these challenges, in 2021 started working to improve the availability of digital financial services in the Pacific. Collaborating with the United Nations Capital Development Fund's (UNCDF) Pacific Digital Economy Program (PDEP), MDF and partners set up a 'fintech innovation challenge,' to promote financial inclusion in Fiji, Tonga, Samoa and the Solomon Islands. The MDF Samoa team supported the design and implementation of the challenge in Samoa.

Click/scan the QR code to read the full story





# Samoa

## Country and Portfolio Strategy

Samoa's economy is still suffering the after-effects of the COVID-19 pandemic, with many tourism businesses in debt and unable to update facilities.

Samoa's inflation was higher than most other Pacific countries in 2023 due to persistent increases in import prices. However, with the increase of visitor arrivals and domestic demand there was some recovery in 2023. A recurring issue for Samoa is labour shortages and skills drain, connected with permanent migration to places like New Zealand and Australia and the temporary loss of seasonal workers. Samoan Government representatives initiated further public debate on this topic during 2023, following on from similar discussions in 2022.

Samoa was the only MDF Pacific Regional country that had a team in place at the start of 2023, which means MDF's work in Samoa is more mature. Stemming in part from placements of experienced staff, MDF was able to quickly grow the portfolio in early 2023, so that it reached 'full size' based on the available budget in 2023. MDF began six new interventions in Samoa in 2023, in kava, cocoa, agricultural mechanisation, food manufacturing and business and economic policy.

MDF's approach in Samoa aligns with several elements of the Pathway for the Development of Samoa (2021-22 to 2025-26). Most of MDF's work related to Key Strategic Outcome 2: Diversified and Sustainable Economy, but some related to Key Strategic Outcome 4: Secured Environment and

Climate Change. Under Outcome 2, MDF's work in 2023 largely pertained to Key Priority Area 7: Agriculture, Fisheries and Aquaculture Productivity, with some activities related to Key Priority Area 9: Business Innovation and Growth.

### → Agriculture

Agriculture is a key sector in Samoa. The 2019 Agriculture Census found that 94.3 per cent of Samoa's 28,516 households grew crops or raised livestock. In 2020, agriculture generated 8.3 per cent of GDP, mostly via subsistence production. Given the sector's economic significance, its connection to climate change, and the fact that many non-agricultural sectors were hampered by the pandemic, the bulk of MDF's current interventions in Samoa relate to agriculture. MDF researched and started investing in several agricultural markets, including kava, feral pigs, agricultural mechanisation, agricultural inputs and cocoa. Many farmers and agricultural firms have been impacted by migration-induced labour shortages, and many farmers are affected by feral pigs.

### → Food manufacturing

MDF works in food production because of its potential for value addition and growth, based on domestic agricultural production. MDF has been utilising an experienced food technologist to understand the dynamics and potential of the industry.

### → Business and economic policy

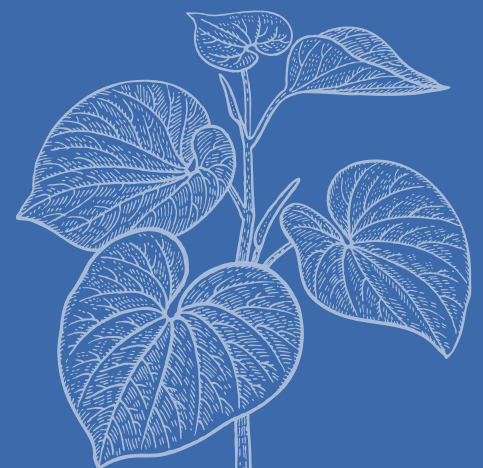
Many market actors in Samoa have told MDF about the lack of information flowing between goods and service providers and consumers, and between industry and government. In mid-2023, MDF began working with a business chamber to make business and economic policy research a permanent function. MDF hopes this can contribute to more informed economic and business development policy discussions.

### → Rooftop solar

Investment in rooftop solar can contribute to climate change mitigation, reduce costs and increase reliable power supplies for households and businesses.

### → Electric vehicles

Increasing the use of electric vehicles is a climate change priority of the Government of Samoa. There are opportunities to catalyse this market, which in its infancy.





## Climate change

Samoa is vulnerable to the effects of climate change. Tropical cyclones are predicted to be less frequent but more intense due to the changing climate. The flash flooding that accompanies storms will damage infrastructure, property and crops. There will be little change in mean annual rainfall, but there will be more extreme rain events. Annual mean temperatures and daily temperature highs will continue to rise. Sea levels are expected to continue to rise at a higher rate than the global average, increasing the risk and impact of storm surges and coastal flooding.

In 2023, MDF identified the following opportunities to mitigate climate change and increase climate resilience and adaptation:

- Kava is susceptible to climate change-induced weather events. In 2023, MDF's partner, Samoa Herbs, developed a kava growing guide, which help farmers cope with anticipated climate-related changes.
- MDF amended its agreement with a kava exporter to incorporate activities that will help it better manage climate adaptation, including investing in solar drying houses and a water reservoir.
- MDF completed market assessments on rooftop solar and electric vehicles. There are opportunities to assist Samoan households and businesses to access suitable products and services. These interventions will help Samoa meet its climate mitigation and adaptation targets laid out in their NDC and NAP, including their aim to generate 100 per cent of electricity from renewable sources by 2025.
- MDF is working on an intervention to expand organic fertiliser production with the use of animal manure. The fertiliser could improve soil health and reduce the use of imported chemical fertiliser.



# Agriculture





## Sector on a Page

# Agriculture



An MDF agricultural machinery partner sold its first shipment and ordered more stock. This machinery will allow farmers to prepare land more efficiently for planting.



The Scientific Research Organisation of Samoa, the Samoan Ministry of Agriculture and Fisheries, and MDF are collaborating to address the issue of feral pigs, starting with trials of trapping technology.

## Vision of change

- New agricultural business models increase farmer awareness, access and usage of agricultural machinery products and services.
- More high-quality kava is exported, allowing farmers to sell higher volumes and earn additional income.
- The scourge of feral pigs is better understood and addressed, reducing crop losses for farmers and incentivising agricultural investment.

## Constraints

- The supply of rural labour is decreasing due to migration and farmers have limited access to labour-saving machinery products or services.
- Samoa is missing out on the growing international demand for kava due to limited production and processing capacity.
- Despite the damage done by feral pigs, no significant research has been done on the extent of the problem and there are no substantial control plans.

## Interventions



- Kava
- Agricultural Inputs
- Feral Pig Management

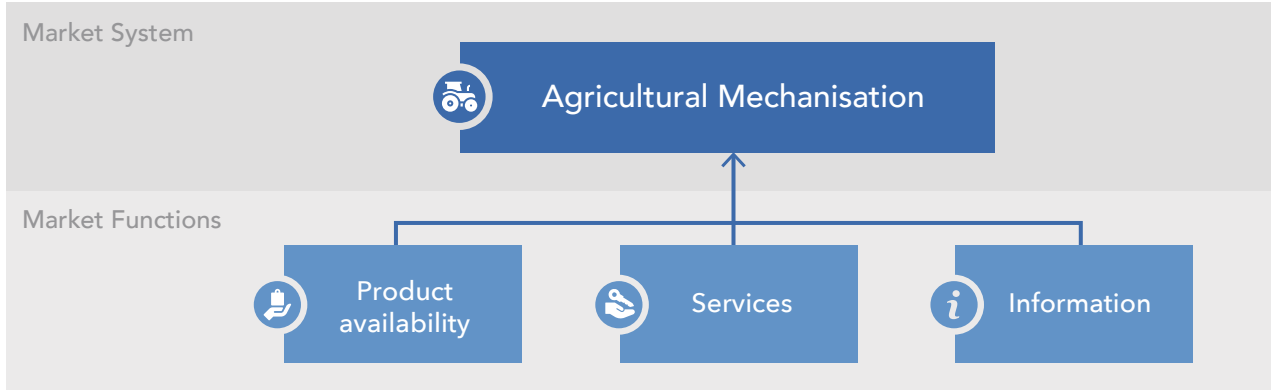
## Climate risks

Multiple changes to Samoa's climate are predicted and present risks for agriculture. These include higher air temperatures, increasing intensity of storms and cyclones, unusually heavy rainfall, changes in rainfall that cause drought, and faster-than-average sea level rise.

# 1

## Market System

# Agricultural Mechanisation



### Status of the market system

Developing

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

1. Increasing agricultural mechanisation through introduction of new products (Bluebird Lumber).

### Summary of performance

Work in this market system is informed by MDF field assessments, which indicate a strong interest in agricultural machinery. MDF supported Bluebird to collaborate with farmer associations to conduct farmer demonstration days, which attracted over 200 farmers, 47 per cent of whom were women. Despite an increase in farmer awareness about machinery, adoption remained low at the end of 2023. Nevertheless, early feedback from farmers who had purchased machinery indicates that the machinery made farming more convenient by reducing the time and manual labour required for land preparation.

Building on its work in 2023 with Bluebird, MDF will conduct field assessments in two farming regions to understand the constraints faced by farmers when purchasing machinery. The findings will inform MDF and private sector discussion with financial service providers on developing new financial products related to machinery purchase. MDF is also negotiating with other businesses that could supply machinery and farm access road services. Other verification exercises will inform reporting for projections and actuals for effective outreach, net additional income and value of additional market transactions in 2024.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
0	0	0	0	USD60,958 (AUD91,929)	USD3,714 (AUD5,601)	USD42,027 (AUD63,381)	<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>

## Market on a Page



Most farmers surveyed by MDF grow root crops, either taro or ta'amu (giant taro).



Around **70%** of farmers interviewed by MDF mentioned that they use labour for land preparation and harvesting but that sourcing labour is becoming difficult due to migration.



Every farmer interviewed by MDF expressed an interest in agricultural machinery, if available at the right price, including excavators, tractors and hand-held tillers.



Some firms have provided machinery on an ad hoc basis to farmers but there are no established business models for supplying agricultural machinery.



Agricultural production in Samoa is labour intensive, with limited use of machinery for land preparation, crop maintenance, harvesting and transport

Limited mechanisation and Samoa's rocky and mountainous terrain mean that labour is vital for agricultural production. However, migration is causing labour shortages, hampering production and increasing the burden on women in agriculture. Samoa's agriculture sector is also vulnerable to climate change, yet measures to improve productivity and resilience can help offset losses caused by changing weather conditions and more frequent extreme weather events. MDF made progress over the last year, introducing a new type of machine for land preparation from a retailer.



Farmer plowing the soil with a tractor

## Market Functions

### Product availability

Some products geared towards farmers are available in Samoa, such as brush-cutters, knapsack sprayers and basic hand tools. However, there are few providers of agricultural machinery. Those that do supply machinery tend to have a limited range of products, which do not fully meet farmer requirements. Due to the hilly and rocky terrain in Samoa, atypical solutions will often be required, including transportation (tractors and quad bikes). In 2023, MDF began an intervention with a hardware retailer to introduce a hand tiller, helping them market the new product through demonstration days. The firm sold out of its first order and has ordered a second shipment from its supplier.

### Services

Large agricultural machinery, such as tractors or excavators, are available in Samoa but are often too expensive for smallholder farmers to purchase outright. Only a limited range of agricultural machinery services are available, provided on an ad hoc basis by government and the private sector. These are not formalised, efficient or able to meet demand. In 2023, MDF designed an intervention involving two potential service providers. Negotiations were delayed but MDF anticipates supporting new machinery services in early 2024.

### Information

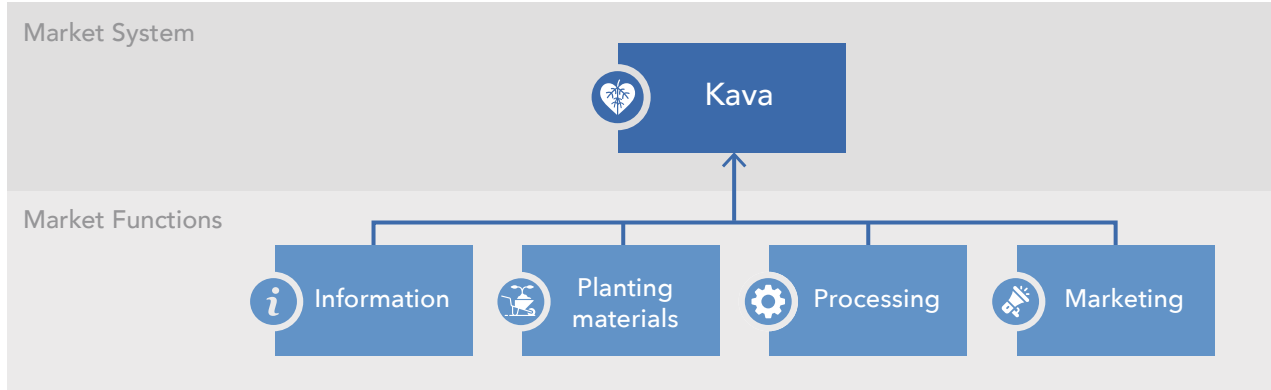
Most firms involved in this market system are focused on construction and have limited awareness of the agricultural sector. Businesses do not have access to information about the number of farmers wanting to purchase or rent machinery, their location, the type of equipment they need or the purpose. This lack of information has made businesses risk averse to, or unaware of, opportunities for new business models catering to this demand. Farmers are frequently unaware of options for hiring or purchasing machinery where they do exist. In 2023, MDF supported a company to supply selected machinery, combined with outreach and marketing activities to improve information for farmers.

## LESSONS/OBSERVATIONS

There is strong farmer demand for machinery products and services. While services can generally be bought at affordable rates, product purchase is more difficult because of high up-front costs. A government district development funding scheme offers some potential for initial uptake of machinery sales. Longer-term, sustainable financing solutions will be important to drive wider adoption.

# 2 Market System

## Kava



### Status of the market system

Developing

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

1. Analysing kava varieties, distribution and kavalactone content (Scientific Research Organization of Samoa – SROS).
2. Increasing exports of high-quality kava from Samoa (Samoa Herbs).

### Summary of performance

In 2023, MDF began a research exercise with the government-established SROS to test the kavalactone content of kava from different locations. The results from this study, due to be completed around April 2024, will be used to inform farmers, processors and exporters on how to improve the quality and quantity of kava production and exports.

MDF supported Samoa Herbs to send samples to kava retailers in export markets. To build up sourcing and increase production capacity for anticipated demand, future activities with Samoa Herbs will focus on improving extension services and expanding processing infrastructure. While activities are ongoing, MDF anticipates results in effective outreach, net additional income and value of additional market transactions in 2024.

Although, the Samoan kava industry is domestic-market focused, MDF’s work is intended to improve information, extension relationships and processing capacity, resulting in greater supply and access to export markets.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
81	0	USD67,389 (AUD104,283)	0	USD410,903 (AUD635,866)	0	USD8,538 (AUD12,876)	<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>

## Market on a Page



Kava is a popular social and cultural ceremonial drink in many Pacific countries, and global demand is growing.



Some kava is exported as a powder for consumption by the Pacific diaspora and a small but growing number of non-Pacific Islanders.



Samoa’s production and export of kava lags other Pacific countries, which are capturing the bulk of export sales.



Samoa does not have many firms with the capacity to produce and export high-quality kava.

The kava sector in Samoa is domestically focused and decentralised.

Most kava farmers grow and process their own kava and then sell it directly to local retailers. Kava tends not to be exported. Any kava that is exported is undifferentiated from the domestic product and there has been little interest in investing in supply chains to improve quality. However, global demand for kava is growing. MDF began working with a high-potential exporter in 2023. Progress was slower than expected due to delays in finalising a farmer growing guide. With the guide completed by the end of the year, MDF anticipates more momentum in early 2024. MDF also began working with the Scientific Research Organisation of Samoa (SROS) on the kavalactone content of Samoan kava varieties to support export and marketing efforts. PHAMA Plus is also active in the Kava market system, so MDF liaised with them regularly, including on discussions about a broader Samoan strategy for kava.



Farmers harvesting kava during SROS collection and analysis of kava varieties in Savai'i

## Market Functions

### Information

Exporters are unable to procure sufficient supplies of kava to meet demand because farmers do not understand its potential value and are reluctant to grow a crop that takes several years to mature. Among farmers that do grow kava, MDF has found that there are misperceptions about where kava can be grown, limiting interest in expanding production. MDF's intervention with a kava exporter incorporates information provision, including a kava growing guide, which was completed in 2023 and will be disseminated widely.

### Planting materials

Farmers report that they lack access to planting materials, which is a barrier to growth. There is no kava nursery in Samoa, so farmers either use cuttings from their own plants or from other farmers. Cuttings tend to be slower growing and lower quality than other planting materials. In 2023, MDF scoped opportunities to increase the availability of planting materials.

### Processing

Kava processing is decentralised in Samoa. Most farmers wash, dry and pound their own kava, resulting in inconsistent quality. If growth in exports is sought, it is likely that some of the quality issues other countries have faced, such as contamination from washing in dirty water, may emerge. Unpredictable rainfall can also hamper drying kava. MDF is working on centralising processing with one kava processor-exporter, which is an important way to ensure quality. In 2023, MDF negotiated a major amendment in its agreement with the processor to integrate climate adaptation into its processing, particularly to mitigate intensive rainfall and droughts by using drying houses and a water reservoir.

### Marketing

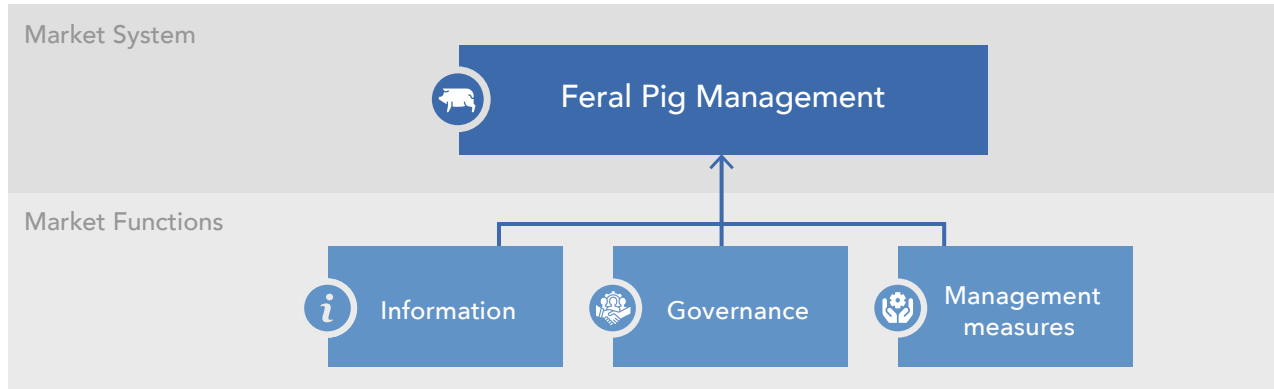
Because so little Samoan kava is available overseas, little is known about its strengths and varieties, and no exporters are currently marketing their products internationally. Samoan kava exports are either informal to family and friends or they go to food distributors serving the diaspora. Capturing the growing non-diaspora market will require more marketing of Samoan kava and connections with international buyers. To this end, in 2023 MDF commenced a research intervention with SROS, primarily analysing kavalactone content, which will be used in marketing by Samoan exporters. During 2023, SROS collected samples from Savai'i, with plans to finalise collection in Upolu in early 2024.



# 3

## Market System

# Feral Pig Management



### Status of the market system

Developing

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

1. Understanding and tackling the impacts of feral pigs on agriculture [Scientific Research Organisation of Samoa –(SROS), Jack Crow (consultant)].

### Summary of performance

In May 2023, MDF conducted preliminary baseline research into the impact of feral pigs in Savai'i. MDF estimates feral-pig-related agricultural production losses at as much as USD11 million (AUD16.6 million), nationwide. MDF negotiated with SROS and the Ministry of Agriculture and Fisheries to trial methods of prevention and management. The trials were delayed for several reasons but should commence around March 2024.

Historically, the feral pig problem has not been continuously monitored, and control measures appear to have been informal, ad hoc and decentralised. MDF's work in this market system is intended to improve coordination between government, communities and the private sector to address the national issue of feral pigs.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
646	0	USD468,247 (AUD706,148)	0	USD468,247 (AUD706,148)	0	0	<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>

## Market on a Page



The damage caused to crops by feral pigs is a topic that is consistently raised by farmers during consultations.



Pigs eat taro or other root crops and farmers say up to **30%** of planted areas are affected.



Little information exists about the extent of the problem in Samoa, including its economic impact or biological and ecological characteristics.



There are many possible control and prevention measures, including hunting, capture, poisoning and fencing, but these are not being employed consistently.



MDF's analysis revealed feral pigs to be the second-most common challenge identified by Samoan farmers after labour availability, and that the problem is becoming more acute.

Feral pigs cause losses by destroying crops, especially taro, and disincentivise agricultural investment, reducing productivity. Feral pigs contribute to environmental damage and climate change by disturbing soil and vegetation, which releases carbon dioxide into the atmosphere. There has not been a coordinated response to feral pigs, but some individuals are taking action. In 2023, the Samoan police reported a sharp increase in firearm licence applications from frustrated farmers.



Samoa - MAF officer with a feral pig trap



## LESSONS/OBSERVATIONS

Feral pig management is commonly practised by farmers, who typically use fencing, hunting and snares. However, there is an important role to be played by government bodies if systemic solutions are to be employed. As this is a new function for the Samoan Government, MDF has been learning the importance of finding a negotiated solution involving all interested parties.

## Market Functions

### Information

A paucity of information is the first impediment to effective feral pig management. The problem has not been thoroughly researched, making it difficult to garner sustained attention by the appropriate change agents. MDF is implementing a multi-stepped research-based intervention to address this issue. In 2023, MDF completed research on Savai'i that revealed substantial impacts: around 74 per cent of farmers interviewed reported that their crops were damaged and 55 per cent said that damage had increased in recent years. Preliminary estimates based on replanting costs and the sale price of taro suggest that farmers are on average losing WST3,211.5 (AUD1,755) annually to feral pig damage. MDF found that many farmers were forced to relocate their farms or even give up farming altogether due to substantial losses caused by feral pigs.

### Governance

Government involvement is essential to reduce the impact of feral pigs in the long term. Samoa would benefit from government action at the national and local level, especially village councils. MDF's intervention has facilitated a small increase in planning and implementing prevention and control measures. After a delay due to intra-government negotiations and to allow time for detailed risk management planning, arrangements for the next steps of MDF's intervention on trials, involving the Ministry of Agriculture and Fisheries (MAF) and SROS, were almost complete at the end of 2023.

### Management measures

The impact of feral pigs can be reduced by prevention or control measures (e.g. hunting, trapping, poisoning and fencing) through a variety of agents (farmers, village councils, hunters, agribusinesses, MAF and SROS). MDF is planning joint trials with the Samoan Government, the results of which could be used by the national government or other governance bodies, such as village councils, to decide which measures should be rolled out. In 2024, MDF should be able to proceed with at least two trials, with additional trials subject to further negotiations and planning. Based on the preference of the Samoan Government, the involved parties will start with trials of trapping. MDF is also considering some complementary, commercial intervention ideas on trapping supply and trapping services, which were at the design stage at the end of the year.

# Other market systems

There are other market systems that MDF researched or worked in during 2023. Subject to progress and signs of further potential, MDF may invest further in these markets.

## Economic policy research

MDF’s work in Samoa has consistently revealed the issue of disconnected channels of information, resulting in government, firms, farmers and consumers missing opportunities. One organisation involved in business and economic information is the Samoa

Chamber of Commerce and Industry (SCCI). In mid-2023, MDF began working with SCCI to make business and economic policy research a permanent function of the chamber. Work has been delayed by slow recruitment of new staff, but key activities will

be implemented during 2024. SCCI was able to recruit a climate change officer, who will contribute towards the climate change adaptation activities of its private sector members.

## Food manufacturing

MDF believes that there may be value addition and growth potential in food manufacturing. In 2023, MDF completed an intervention to scale up the manufacturing of muesli using locally-produced fruit. MDF supported

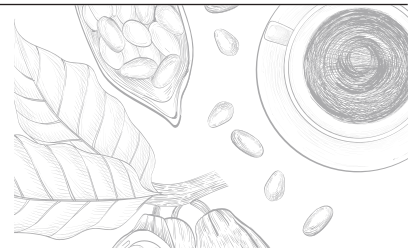
the partner to purchase new equipment that reduced the roasting time for their muesli ingredients, from 12 hours over 3 days to 2 hours per day. This allowed the firm to double output and sales and employ more workers. In

late 2023, MDF also commenced an intervention with the Samoa Association of Manufacturers and Exporters (SAME) to provide advice to manufacturers from a food technologist on other entry points into this market system.

## Cocoa

MDF assessed the cocoa market extensively in 2023, including liaising with other donor-funded work (two projects funded by NZMFAT, soon to conclude). In 2023, MDF began collaborating with an Australia-based

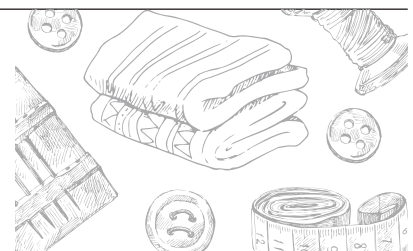
company using Samoan cocoa to help it improve marketing and sales. The firm has increased sales and expanded its product line to include cacao tea, body scrubs and other products.



## Fashion design and manufacturing

Samoa is a leader in the Pacific for some cultural businesses, including fashion design and textile manufacturing. This industry employs almost exclusively women. Some Samoan entrepreneurs have been successful in growing their

businesses internationally. In 2023, MDF conducted a market assessment and identified opportunities to support business development and employment.



## Rooftop solar

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Samoa's rooftop solar market is in its infancy. Products such as solar hot water, air conditioning and solar lights are available for sale, but solar photovoltaic systems that connect and share power back to the grid are rare.

Samoa's Electric Power Corporation (EPC) has a target of 70 per cent renewable energy by 2035 and plans to leverage private sector investment to achieve this goal. In 2023, MDF completed a preliminary market

assessment and started to explore commercial opportunities to boost the uptake of solar energy generation by households and businesses.

## Electric vehicles


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According to Samoa's latest National Greenhouse Gas Inventory (2020), the road transport sector, largely dependent on fossil fuels, is the country's largest emitter of carbon dioxide, accounting for 27.4 per cent of

greenhouse gas emissions. Increasing the availability and use of electric vehicles instead of internal combustion powered vehicles could help reduce the burden of fossil fuel dependency and reduce emissions from the road

transport fleet. EPC piloted 10 electric vehicles for its fleet in 2022. In 2023, MDF conducted a market assessment and began to identify commercial opportunities to increase the uptake of electric vehicles with car dealerships.



 The staff at Living Koko are processing cocoa beans into chocolate bars



# Vanuatu

## Country and Portfolio Strategy

Vanuatu experienced multiple natural disasters and political instability in 2023, which disrupted the country's post-COVID recovery and lowered projections for economic growth.

Multiple cyclones and limited national airline capacity hampered the recovery of the tourism sector, which had been expected to be a major driver of growth. Persistent labour shortages due to migration and the increasing consequences of climate change reduced agricultural productivity. Incoming remittances from migrants proved important for maintaining domestic consumption in otherwise challenging economic circumstances. Recognising these challenges, MDF designed interventions that promote growth, build climate resilience, and—where possible—test business models that address labour constraints.

MDF began its operations in earnest in Vanuatu in January 2023. The country team scoped a range of sectors and markets to identify opportunities suitable to MDF's objectives. This included agriculture, livestock and fisheries, renewable energy, tourism and inter-island shipping.

MDF has developed a strong pipeline of activities in these sectors, which are consistent with donor and government priorities and policies, particularly the DFAT-Ministry of Trade and Commerce's 'Economic support package: trade and agriculture supply chain strengthening and the tourism sector.' MDF's current work falls into two sectors: agriculture and financial services.

### ➔ Financial services

Improving access to formal and digital financial services is essential to promoting growth and inclusion in Vanuatu's economy. Formal financial inclusion is limited: as of 2018, less than half of adults had a bank account or used other formal financial services. As increasing numbers of ni-Vanuatu people work overseas on labour mobility programs, it is important that their families have access to formal, affordable remittance channels. Increased uptake of digital financial services is also vital for enabling timely payments between islands, a foundational step towards sustainably expanding access to finance to rural and remote communities.

### ➔ Agriculture

Around 87 per cent of households in Vanuatu are involved in agricultural production, and the sector provides incomes to communities across every island, from remote to peri-urban areas. Production in key commodity crops, including copra and cocoa, has been declining over several years due to labour shortages, low global prices and climate change. Kava production has boomed in the same period because it is less labour intensive. These challenges present an opportunity for Vanuatu's agriculture sector to adapt by testing new business models that overcome labour shortages, integrating climate adaptation measures, and diversifying production to make farmers more resilient and increase their income. MDF continues to scope opportunities and innovations in this market.







## Climate change

Vanuatu is vulnerable to the impacts of climate change, including rising temperatures and sea levels, unpredictable rainfall and intensifying cyclones. The country is one of the most disaster-prone in the world and experienced several major natural disasters in 2023. Vanuatu aims to transition to close to 100 per cent of its electricity generation from renewables by 2030 as part of its Nationally Determined Contribution (NDC). In its NDC, Vanuatu also aims to have 20 per cent biodiesel blending in diesel by 2030.

In 2023, MDF identified the following opportunities to mitigate climate change and increase climate resilience, and hopes to commence new interventions in these markets in 2024:

- Sandalwood and cocoa: There are opportunities to improve extension advice to farmers to support more effective adaptation to climate change.
- Renewable energy: There are opportunities to increase access to finance or more efficient payment systems that enable uptake of solar products, including rooftop solar PV systems, particularly on outer islands.
- Inter-island shipping: High diesel costs prevent operators from expanding services or lowering freight rates. MDF is negotiating a partnership with one operator to develop coconut biodiesel to lower costs and avoid using fossil fuel.



# Financial Services



# Financial Services



MDF's intervention with Vodafone Vanuatu resulted in 700 market vendors in Efate, Santo and Tanna being registered with Vodafone's e-wallet service, m-Vatu.



MDF's scoping of the renewable energy sector revealed that access to finance was a key barrier. MDF began negotiations with a bank on developing solar loans and will scope the use of digital payment tools to increase solar uptake.

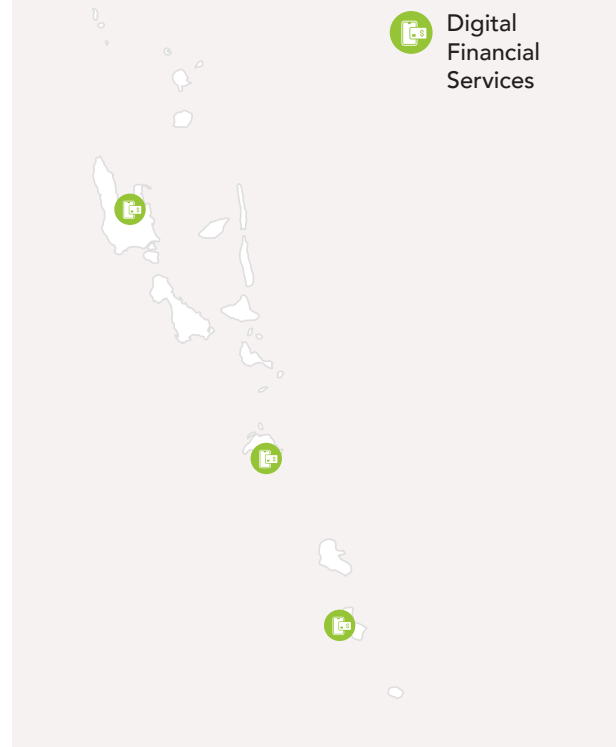
## Vision of change

- Improve understanding of the benefits of digital financial services, such as mobile wallets, and increase their uptake.
- Increased use of digital financial services enables more people, particularly those in rural areas, to have access to cheaper and faster ways to receive money from family members participating in seasonal work.
- More widespread use of mobile wallets and other digital financial services enables more people to enter the formal financial sector to save and borrow.

## Constraints

- Consumers in Vanuatu have limited trust of digital payment methods and low digital literacy, preferring cash.
- There are limited opportunities to use mobile money payments, which constrains customer uptake. Encouraging investment to set up the infrastructure is difficult when customer uptake is low.

## Interventions



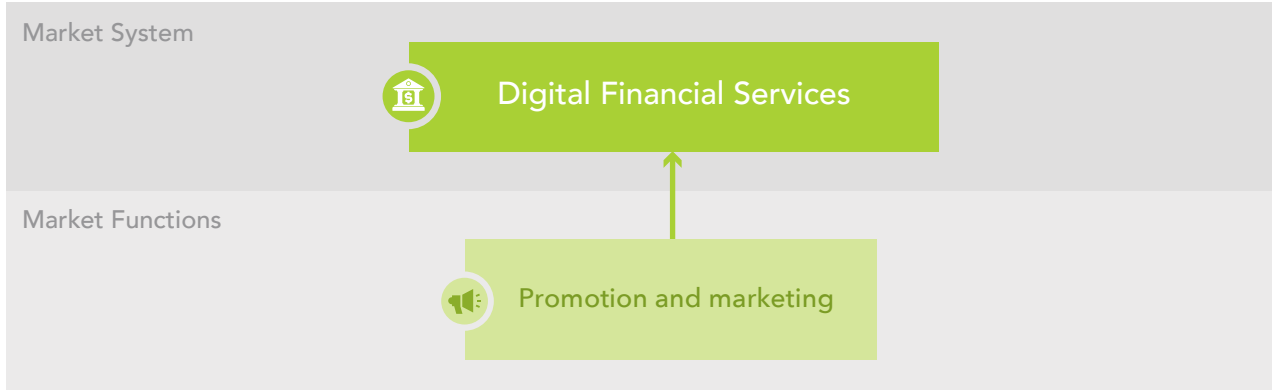
## Climate risks

Increased severity of natural disasters, particularly cyclones, are a threat to the physical infrastructure needed for digital financial services, such as telecom infrastructure.

# 1

## Market System

# Digital Financial Services



### Status of the market system

Emerging

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

1. Increasing the use of digital financial services in Vanuatu (Vodafone Vanuatu).

### Summary of performance

With only a third of adults registered for formal banking services in Vanuatu and a significant investment required to reach customers in rural and remote regions, digital financial services have been identified as an option to scale up financial inclusion in Vanuatu.

In 2023, MDF implemented an intervention with a telecommunications company to incentivise uptake of their mobile money e-wallet service among market vendors and retail agents. While over 700 market vendors have been registered to the M-vatu app, the majority of whom are market mamas (female market vendors), usage has been slow. MDF will conduct research to investigate the experiences of these entrepreneurs, as well as other verification exercises, in 2024, prior to reporting projections and actuals for effective outreach, net additional income and value of additional market transactions. MDF will use these lessons to inform other such interventions in the region.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
0	0	0	0	0	0	USD31,616 (AUD47,680)	<div style="display: flex; flex-direction: column; align-items: center; gap: 5px;"> <span style="color: red; font-size: 1.2em;">●</span> <span style="color: orange; font-size: 1.2em;">●</span> <span style="color: green; font-size: 1.2em;">●</span> </div>

## Market on a Page



As of 2018, **32%** of adults in Vanuatu did not have access to formal or informal financial services.



As in much of the Pacific, small populations and large distances make it expensive to extend banking infrastructure, excluding a large portion of the population from access to timely, affordable financial services.



Digital financial services, including mobile wallets, can overcome these challenges and provide access to people in rural and remote areas, enabling affordable remittance channels.



To reap the benefits of digital financial services, effort needs to be made to build trust in digital payment systems and awareness of their benefits.



As in much of the Pacific, access to formal financial services in Vanuatu is limited, particularly in remote areas.

Digital financial services can help overcome the challenges of small population sizes and high infrastructure costs, so that more people are able to send, receive and save money affordably, reliably and quickly. Increased access to digital financial services may also support disaster recovery efforts, allowing financial transfers to vulnerable communities to be delivered quickly and transparently. Uptake of mobile wallet products is occurring gradually in Vanuatu, including to receive remittances. MDF is working with telecommunications companies to accelerate this growth.

## Market Functions

### Promotion and marketing

In Vanuatu, MDF is supporting a telecommunications company to increase use of its mobile wallet service through promotion, marketing and awareness campaigns for consumers and merchants. Incentivising market vendors and agents, many of whom are women, to use the e-wallet service should increase customer use. Implementation of these activities was delayed, but most onboarding was completed by the end of 2023. Experience suggests that the pathway to increased acceptance and use of new technology will be lengthy, particularly looking beyond innovators and early adopters.



## LESSONS/OBSERVATIONS

The adoption of mobile wallet products in Vanuatu remains slow, albeit growing. Data collected by MDF in 2023 showed that female market vendors in Santo who registered for the mobile wallet found it a useful way to store their cash earnings and felt more secure while working due to not carrying so much cash. MDF will continue working with telecommunications companies to understand how people feel these products can benefit their financial situations and to integrate this information into marketing materials to accelerate uptake.



📷 Farmers can easily access digital financial services on their phone



# Agriculture



# Agriculture



South Pacific Sandalwood was able to sell USD67,500 (AUD102,000) of sandalwood oil, produced from a tonne of wood bought with MDF support.



MDF completed market assessments of cocoa and inter-island shipping, particularly its impact on agricultural trade. Field research was conducted into cattle and sandalwood.



MDF began negotiations for interventions in cocoa and the aggregation of local produce for hotels.

## Vision of change

- Farmers have access to high-quality information and extension services, improving the quality of production and enabling them to become more resilient to the effects of climate change.
- More commodity exports from Vanuatu enter premium markets through strengthened aggregation models, earning firms and farmers higher incomes.

## Constraints

- Vanuatu is experiencing significant migration, causing labour shortages, particularly in agriculture.
- Climate change, including increasingly severe cyclones, rising temperatures and changing weather patterns, are affecting agricultural productivity; knowledge on how to adapt to these changes is inadequate.
- Poor inter-island connectivity, including unreliable services and inadequate storage facilities, limits the ability of farmers to trade their products.

## Interventions



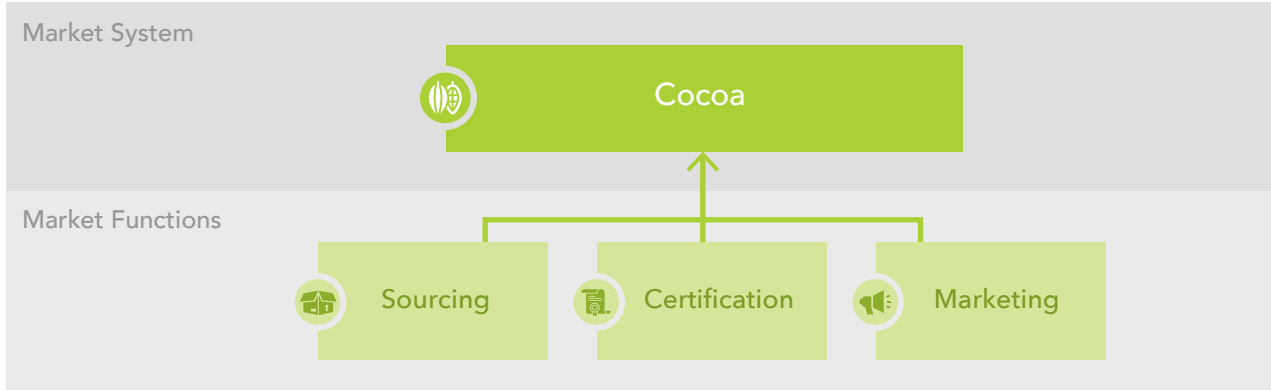
## Climate risks

Rising temperatures, rising sea levels, more extreme rainfall and increasing severity of cyclones threaten the resilience of agriculture in Vanuatu.



# 1 Market System

## Cocoa



### Status of the market system

Emerging

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

No interventions active yet.

### Summary of performance

MDF conducted a market assessment of Vanuatu’s cocoa sector in 2023. MDF identified several opportunities for inclusive market growth through improved farming practices, as well as access to new markets by leveraging improved marketing and certifications. MDF negotiated two interventions with chocolate producers in 2023 that should be signed in early 2024. In 2023, this market system had no active interventions.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

## Market on a Page



Cocoa is Vanuatu’s third-largest commodity crop. It is grown by around **6,000** households, who are concentrated in the northern islands.



Vanuatu’s cocoa exports are small, and the majority goes to a single bulk-grade cocoa house in Southeast Asia. This means there is limited price competition and no incentive to improve quality.



Low prices and labour shortages have deterred many farmers from harvesting their cocoa, resulting in an increasingly neglected and low-yielding crop.



There is high potential to expand the markets of premium buyers, allowing them to source from a wider range of cocoa growers.



MDF is supporting premium buyers to build a more reliable supply of high-quality cocoa and capture additional premium markets through improved sourcing models and certification.

Cocoa is grown by 6,000 households in Vanuatu, making it the third-most commonly grown commodity crop.

National production is low, at around 1,500 tonnes. It is mostly bought by a single commodity buyer, which depresses farmgate prices. However, there is a growing premium market that pays double the commodity price for high quality cocoa. Globally, poor growing conditions have caused supply deficits and driven cocoa prices up. This is making small producers like Vanuatu more attractive to buyers.

Vanuatu's cocoa crop has become neglected due to agricultural labour shortages and persistently low prices. High levels of rainfall over recent seasons have reduced yields. Women are not typically responsible for harvesting and processing of cocoa, but this is changing, partly due to labour migration. Stronger competition between buyers and improving farmers' knowledge about optimal growing practices will help farmers generate more income from their cocoa.



© Cocoa harvest ready to be sent to the factory

## Market Functions

### Sourcing

Sourcing of cocoa in Vanuatu tends to be ad hoc. Most farmers do not receive extension services from buyers. Often, a single buyer visits a village, making farmers price takers. In 2023, MDF negotiated a partnership with a premium buyer, Spencer Cocoa, to engage a local field agent. Although activities are yet to commence, this should help the firm build a more dynamic farmer network, in which farmers receive regular training to ensure their cocoa meets premium market specifications. In turn, this should help Spencer Cocoa source higher volumes of cocoa more reliably.

### Certification

Most cocoa farmers use minimal or no chemical inputs, but none are currently certified as organic. Gaston Chocolat has demand for organic cocoa and would source more cocoa if farmers were certified. In 2023, MDF negotiated a partnership with Gaston to access affordable certification through Control Union so it can buy and sell more premium cocoa, for which it will also pay farmers a premium.

### Marketing

Because Vanuatu only produces small volumes of premium cocoa, many buyers are unaware of its high quality. Premium cocoa from the Pacific is appealing to buyers in Australia and New Zealand because of faster shipping times and competitive prices compared to South American cocoa. More effective marketing of premium cocoa from Vanuatu, particularly certified organic cocoa, will help premium buyers sell greater volumes of wholesale cocoa beans and increase the volume of premium cocoa exported.

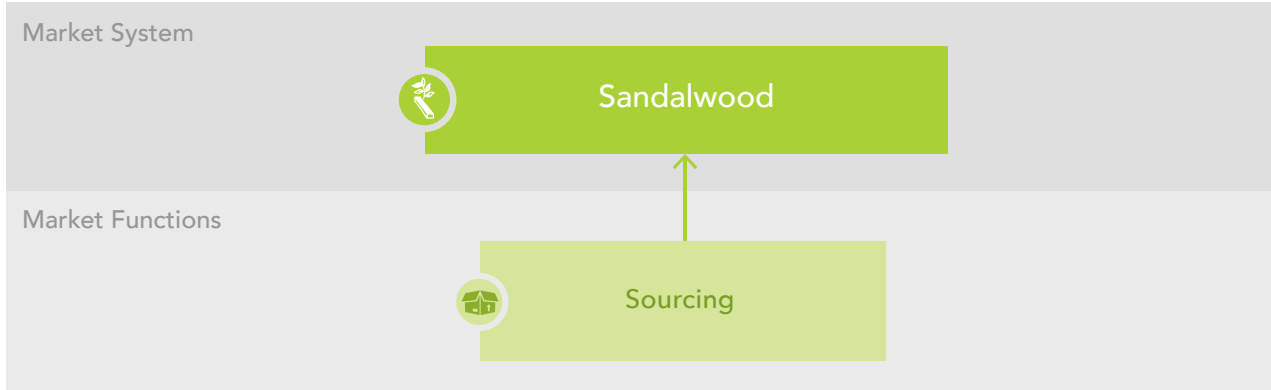


## LESSONS/OBSERVATIONS

- Farming communities are innovating to overcome agriculture labour shortages. This includes women harvesting from larger plantations and then selling back to owners to earn cash, and all farmers showing an increasing interest in selling wet beans to reduce labour requirements.
- There are several system-wide threats to cocoa in Vanuatu, including the proliferation of black pod disease and ongoing labour shortages. In 2024, MDF will explore ways of working with scale agents, such as bulk buyers, to address these challenges.

# 2 Market System

## Sandalwood



### Status of the market system

Emerging

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

1. Increasing sandalwood quality and smallholder incomes through contract farming and improved sourcing.

### Summary of performance

One-fifth of households in Vanuatu earn an income from the forestry industry, and Vanuatu’s native sandalwood variety is the most grown timber crop.

In 2023, MDF supported a local sandalwood exporter to pursue a new business model in sandalwood oil processing, by de-risking their work in connecting with, and purchasing from, local sandalwood farmers. While the partner incurred new costs to support the business model, they were able to earn new revenue from selling the processed oil; this revenue has been captured in this market system’s results. MDF anticipates that in 2024, once market prices for sandalwood stabilise, the farmers supplying to this partner will benefit from price premiums. MDF will conduct verification exercises prior to reporting new actuals in effective outreach and additional income. MDF is interested to leverage these lessons to assess the viability of the business model for community sourcing for sandalwood oil processing, which will inform new interventions in this market system.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
67	0	USD77,869 (AUD117,432)	0	USD122,780 (AUD185,161)	USD66,978 (AUD101,007)	USD46,518 (AUD70,152)	<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>

## Market on a Page



About **22%** of households in Vanuatu earn some income from forestry. Sandalwood is the most commonly grown timber crop. It is native to Vanuatu and is high quality.



Sandalwood has been overharvested in Vanuatu and is often harvested before it reaches maturity.



Farmers lack awareness of the prices they are entitled to, as well as knowledge about crop maintenance and climate adaptation techniques.



Sandalwood is exported in log form from Vanuatu. There are opportunities for oil distillation in Vanuatu, so that a higher value, lower volume product can be exported, improving returns for farmers and firms.



Sandalwood is widely grown in Vanuatu and global demand for sandalwood is growing.

The industry in Vanuatu has been characterised by limited buyer competition, a history of overharvesting and low prices. Prices are set by the Department of Forestry, but many farmers lack awareness of the government-mandated grades and therefore receive unfair prices from buyers. A lack of knowledge means that farmers often harvest their sandalwood too early or when they need cash rather than waiting until maturity. Many do not replant their sandalwood to ensure a steady flow of long-term income. Cyclones in 2023 affected many farmers, who lost their crops due to water damage.

## Market Functions

### Sourcing

MDF supports local sandalwood oil production to reduce export costs and increase profitability. This way, sandalwood businesses can invest more into their supply chains, including providing farmer training and planting materials. MDF's intervention with South Pacific Sandalwood Limited has so far focused on sourcing for product testing, but next steps will include supporting the development of sourcing arrangements that maximise benefits for farmers.



## LESSONS/OBSERVATIONS

Many farmers were forced to sell trees early because of damage from the cyclones Vanuatu experienced in 2023. There is an opportunity for government and private buyers to provide better advice to farmers on how to prepare for and respond to cyclones to minimise damage and protect their incomes. MDF will work with its sandalwood partner to implement farmer extension activities in 2024.



Ready-to-sell sandalwood product

# Other market systems

## Inter-island Shipping and Freight

Freight between islands in Vanuatu is expensive, unreliable and infrastructure is not fit for purpose. Cold chain infrastructure is limited, which makes the movement of goods difficult and reduces the ability of farmers to sell their produce. MDF has identified

opportunities to work with freight providers to test models that improve efficiency and support the development of fit-for-purpose infrastructure—such as small wharfs and ports—and to pilot the production of coconut biodiesel for use in inter-island freight vessels.

## Aggregation

Hotels in Vanuatu are interested in using more local ingredients. Increasing the volume of local produce used to cater for tourists would be an opportunity to reduce Vanuatu's reliance on imports and increase incomes for farmers and fishers. However, there are persistent challenges with aggregating local produce, particularly between islands, as well as with food storage

and preparation standards. Current sourcing arrangements are also ad hoc. In 2023, MDF began negotiations with a hotel to build the capacity of existing aggregators and implement efficiencies to increase sourcing volumes. This work has strong potential to contribute to women's economic empowerment, as many suppliers are women.

## Rooftop Solar

Vanuatu has low levels of electrification and relies on imported fossil fuels. There is growing demand for solar power, to allow businesses and residents to access electricity affordably and reliably. Barriers to the uptake of solar technology include high upfront costs and limited financing options for equipment purchase. In late 2023, MDF

completed an initial market assessment and explored commercial opportunities to boost solar energy generation by households and businesses. MDF identified opportunities to test new financing models with solar retailers and installers and financial service providers.

## Tourism

Vanuatu has multiple tourism development opportunities. Aside from the work on yachting tourism, MDF discussed a range of ideas for collaboration with the Department of Tourism and the Vanuatu Tourism Office. One of these is likely to be a

value chain study and an assessment of tourism's contribution to GDP. There are also opportunities linked to regional initiatives on destination marketing and marine tourism (e.g. expedition cruising), that will be explored in 2024.





# Tonga

## Country and Portfolio Strategy

MDF commenced operations in Tonga in the second half of 2023, with a small team comprising just two Business Advisers.

Accordingly, MDF has not made firm decisions on focus markets or developed associated market system strategies. The initial priorities for the MDF Tonga technical team included:

- 1 General economic research and analysis, including consultations with a diverse range of businesses and other market actors (around 100).
- 2 Scoping in three islands/groups ('Eua, Tongatapu and Vava'u).
- 3 Implementing a small number of interventions that were exploratory or based on a clearly identifiable opportunity.

MDF's research and emerging portfolio relates mainly to National Outcomes A and B of the Tonga Strategic Development Framework (TSDF 2015-2025), and somewhat to the climate change elements of Outcome F.

- **Outcome A:** A more inclusive, sustainable and dynamic knowledge-based economy.
- **Outcome B:** More inclusive, sustainable and balanced urban and rural development across island groups.
- **Outcome F:** More inclusive, sustainable and effective land administration and environment management, with resilience to climate change and risk.

### ➔ Tourism

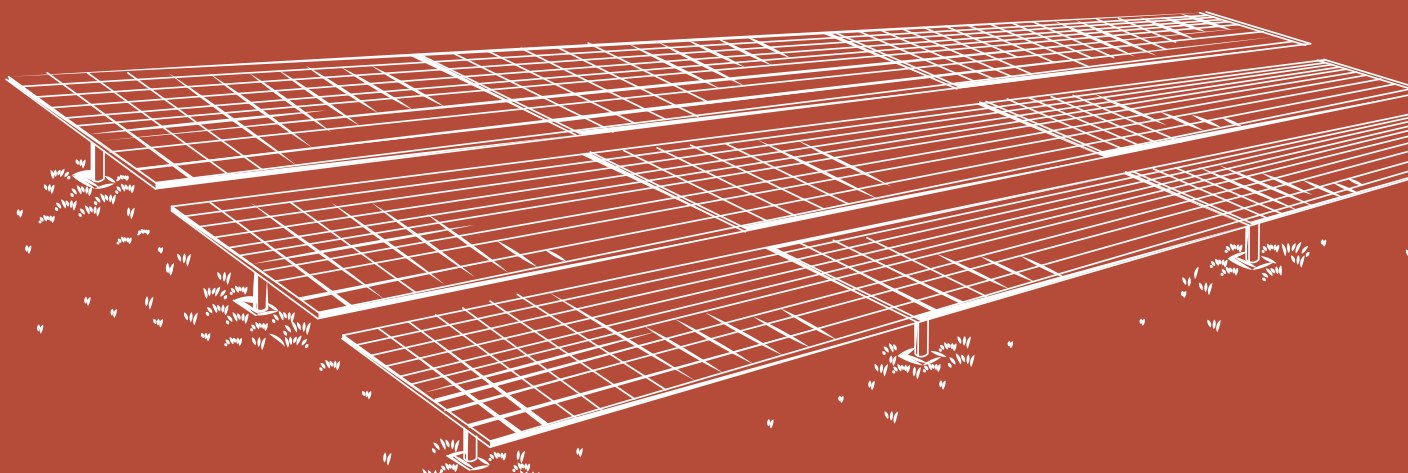
The Australian Government is keen for MDF to work in the tourism sector, so this will be one of the initial sectors of focus. MDF is collaborating with the Tonga Tourism Authority (TTA) on two distinct areas: yachting tourism and tourism branding and marketing. MDF is at the early stages of work on tourism activity development with the private sector, which is a priority for the Tongan Government.

### ➔ Agriculture

In 2023, MDF commenced an intervention in kava processing and export and is designing a second kava processing intervention. In MDF's initial agricultural assessment, market constraints and opportunities were identified in machinery, irrigation, vanilla and agricultural inputs. MDF conducted joint analysis of the vanilla market with Mainstreaming of Rural Development Innovation Tonga Trust (MORDI).

### ➔ Renewable energy

Many Tongan households and businesses find the cost of electricity very high. Tonga is exposed to year-round sunlight, making it a suitable location to install solar PV systems. However, little rooftop solar has been installed. MDF is exploring building on some rooftop solar market opportunities stemming from the Tonga Climate Change Fund, an initiative of the Government of Tonga and selected donors.







## Climate change

Tonga is frequently cited as one of the countries most at risk to the impacts of a changing climate. Extreme rainfall events are projected to become more frequent and more intense, and temperature highs will continue to rise, including sea temperatures, which will affect marine industries. Sea levels are expected to continue to rise above global averages, threatening agricultural production, infrastructure and human habitation. As part of its Nationally Determined Contributions, Tonga is targeting 70 per cent of its electricity generation to be from renewable sources (solar, wind and battery storage) by 2030.

In 2023, MDF identified the following opportunities to mitigate climate change and increase climate resilience and adaptation:

- Stimulating investment by businesses and households in rooftop solar to develop a domestic solar industry.
- Establishing a training course on solar installation and maintenance or informing similar work by others, such as the Tonga Australia Support Platform (TASP).
- Exploring opportunities to introduce electric vehicles (EVs) and related infrastructure.

# Market systems

Although MDF Tonga's strategic framework and initial intervention portfolio are still being developed, MDF pursued some intervention ideas in 2023. These early-stage activities are not yet fully developed 'market systems' and will evolve in 2024.

## 1

### Market System

## Kava

One of Tonga's most significant agricultural products is kava, which is consumed locally and exported. MDF began an intervention in 2023 to support a key kava processor and exporter on its quality processes. An expert in quality

processes visited the firm's production sites in late 2023, and the firm is now implementing the recommendations. MDF also began designing another intervention with two other kava exporters on quality and processing.

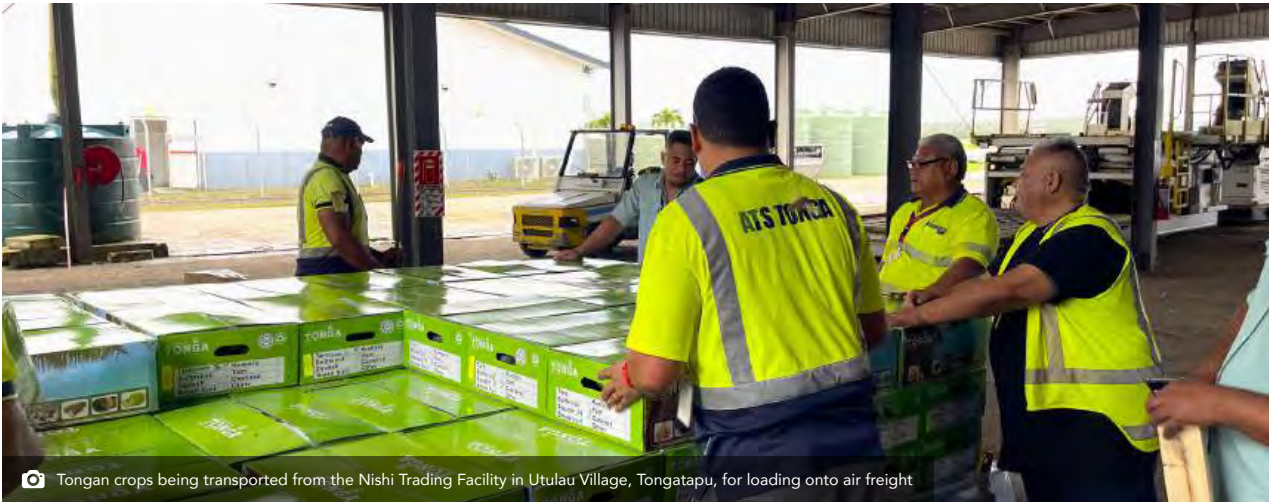
## 2

### Market System

## Air freight

Many Pacific businesses struggle with the cost and infrequency of freight services. To explore the potential for air freight innovations, MDF collaborated with a family-owned Tongan enterprise, Nishi Trading, which exports quality agriculture products. MDF helped it trial new cardboard packaging for watermelons and other horticultural produce. This packaging was designed to maximise space within air freight containers used by Air New Zealand, which shortened delivery times, improving freshness and reduced spoilage. The first order was used to package watermelons, taro, squash butternut and

pumpkin. Nishi Trading has since ordered an additional 9,000 cardboard cartons and has exported 30 tonnes of watermelon and 10 tonnes of taro using air freight. As a result of new packing and biosecurity measures for air freight, it has also hired four additional female staff who assist with washing and packing fresh produce into the cartons. Feedback from international buyers has been positive, stating that the fresh produce is well packaged and clean. The company hopes to increase exports to 500 metric tonnes of watermelons in the coming year.



Tongan crops being transported from the Nishi Trading Facility in Utulau Village, Tongatapu, for loading onto air freight

### 3 Market System

## Tourism branding and marketing

Tourism is crucial to Tonga's economy, contributing approximately 11 per cent to GDP and supporting 3,000 jobs. However, destination marketing and establishing a strong national brand have remained a challenge for the industry. An assessment by the South Pacific Tourism Organisation (SPTO) highlighted the need for modern marketing strategies and improved social media presence

by national tourism organisations in the Pacific. The Tonga Tourism Authority (TTA) is taking steps to revamp Tonga's tourism branding, which has remained unchanged for over a decade. MDF agreed to support TTA's rebranding efforts, with assistance from Tomahawk, a New Zealand marketing agency, in 2024.

### 4 Market System

## Yachting tourism

MDF is working on yachting tourism at a regional level, much of which relates to development in Tonga and Vanuatu. In addition to this regional work, MDF identified opportunities to work in yachting solely in Tonga in 2023. A concept was prepared to work with TTA on the development of a Tonga yachting cruising guide and maps, which will be implemented in 2024.

### 5 Market System

## Tourism activities

The Government of Tonga has identified a lack of suitable activities for tourists aside from whale-watching. It is trying to commission at least one new major tourism activity. MDF is exploring options for new or scaled-up tourism activities. Two clear opportunities have been identified thus far, and intervention design began late in the year.

### 6 Market System

## Rooftop solar

The Tongan electricity market shows strong potential for solar energy. The Government of Tonga, in collaboration with international donors, is setting up a Tonga Climate Change Fund, which will include a subsidy scheme for household rooftop solar installations, presenting a market

opportunity in the short term for solar PV system suppliers and installers. In late 2023, MDF agreed to work with a Tongan solar business on financial modelling and package development for businesses and households that might want to install rooftop solar to reduce electricity costs.

# Acknowledgements

MDF Pacific Regional thanks the following organisations for their support and collaboration in 2023.

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Mainstreaming of Rural Development Innovation Tonga Trust (MORDI)
Pacific Digital Economy Programme (PDEP)
Pacific Horticultural and Market Access Program (PHAMA Plus)
Samoa Association of Manufacturers and Exporters (SAME)
Samoa Ministry of Agriculture and Fisheries (MAF)
Scientific Research Organisation of Samoa (SROS)
Secretariat of the Pacific Regional Environment Programme (SPREP)
South Pacific Tourism Organisation (SPTO)
Tonga Ministry of Trade and Economic Development (MTED)
Vanuatu Ministry of Trade and Commerce (MTC)
Vanuatu Chamber of Commerce and Industry (VCCI)

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MDF extends its thanks to all its partners in Samoa, Tonga and Vanuatu, without whom the team's achievements would not have been possible.



# THANK YOU

MDF would like to thank the Australian Department of Foreign Affairs and Trade, the New Zealand Ministry of Foreign Affairs and Trade, Palladium, Swisscontact and all of our partners, suppliers and contractors for their hard work and support in 2023.

Last but not least, thanks should go to MDF's staff across the facility for their dedication and commitment.


















- Timor-Leste: 2<sup>nd</sup> Street, Palm Business & Trade Centre, Surik Mas, Dili
- Fiji / Pacific Regional: Garden City Business Park, Grantham Road, Suva, Fiji
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