



Annual Report

2023

Market Development Facility

Impressum

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

Graphic Design: Stella Pongsitanan

Editor: Amelia Taylor

Market Development Facility

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

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

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



ANNUAL REPORT

2023

Purpose of this report



Objective

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

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



Audience

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



Reporting period

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

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

Former Reporting Structure Up to 2018

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

Reporting Structure 2019 Bridge Year

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

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

Reporting Structure 2020 Onwards

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



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)

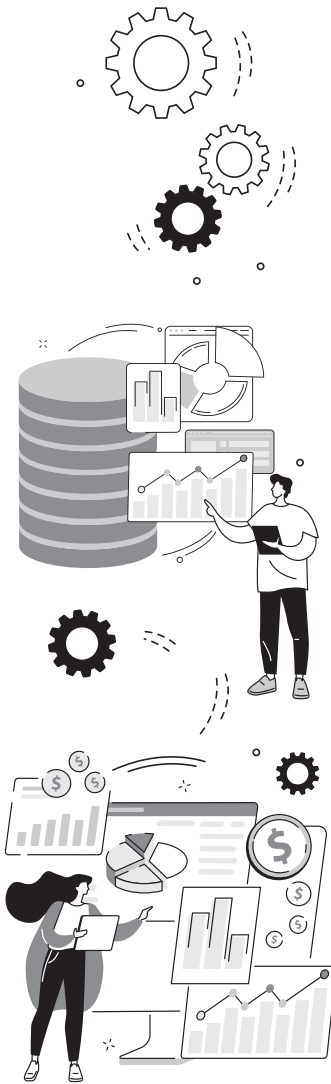
Progress marked against DFAT ADRs is included.

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

	Estimates	Projections	Actuals
Meaning	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
Calculated	At the start of the phase	At the start of an intervention	At the end of the year
Measures	Expectations of country and program achievement over the phase	Expectations of an intervention	Intervention results
Updated	Mid-term review only	Bi-annually	Annually
Timeframe	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:

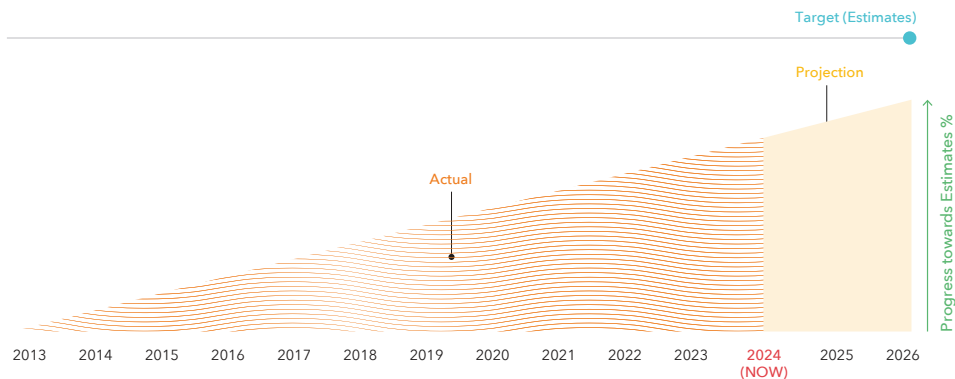
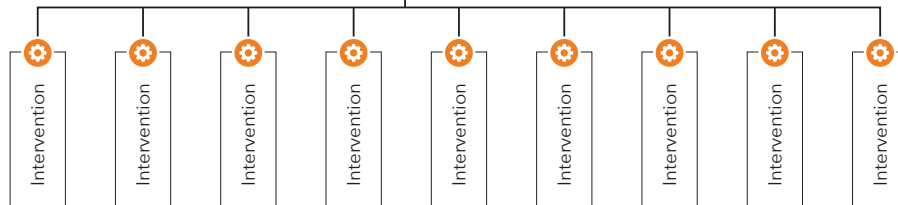
Allows us to check how our activities are resulting in additional end market sales for businesses

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



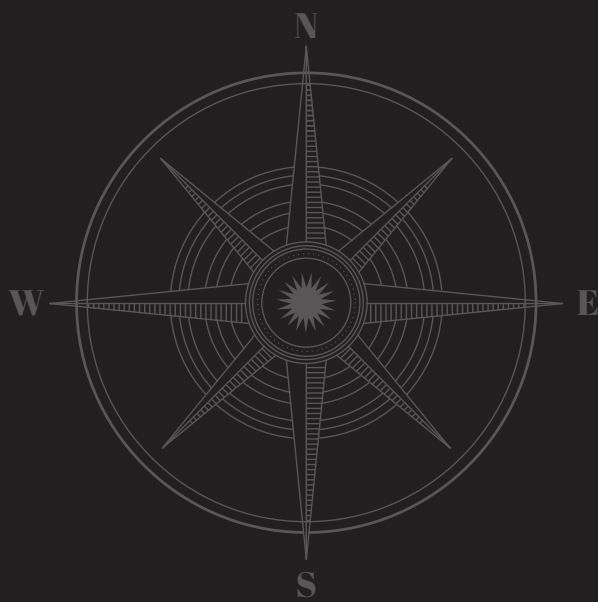
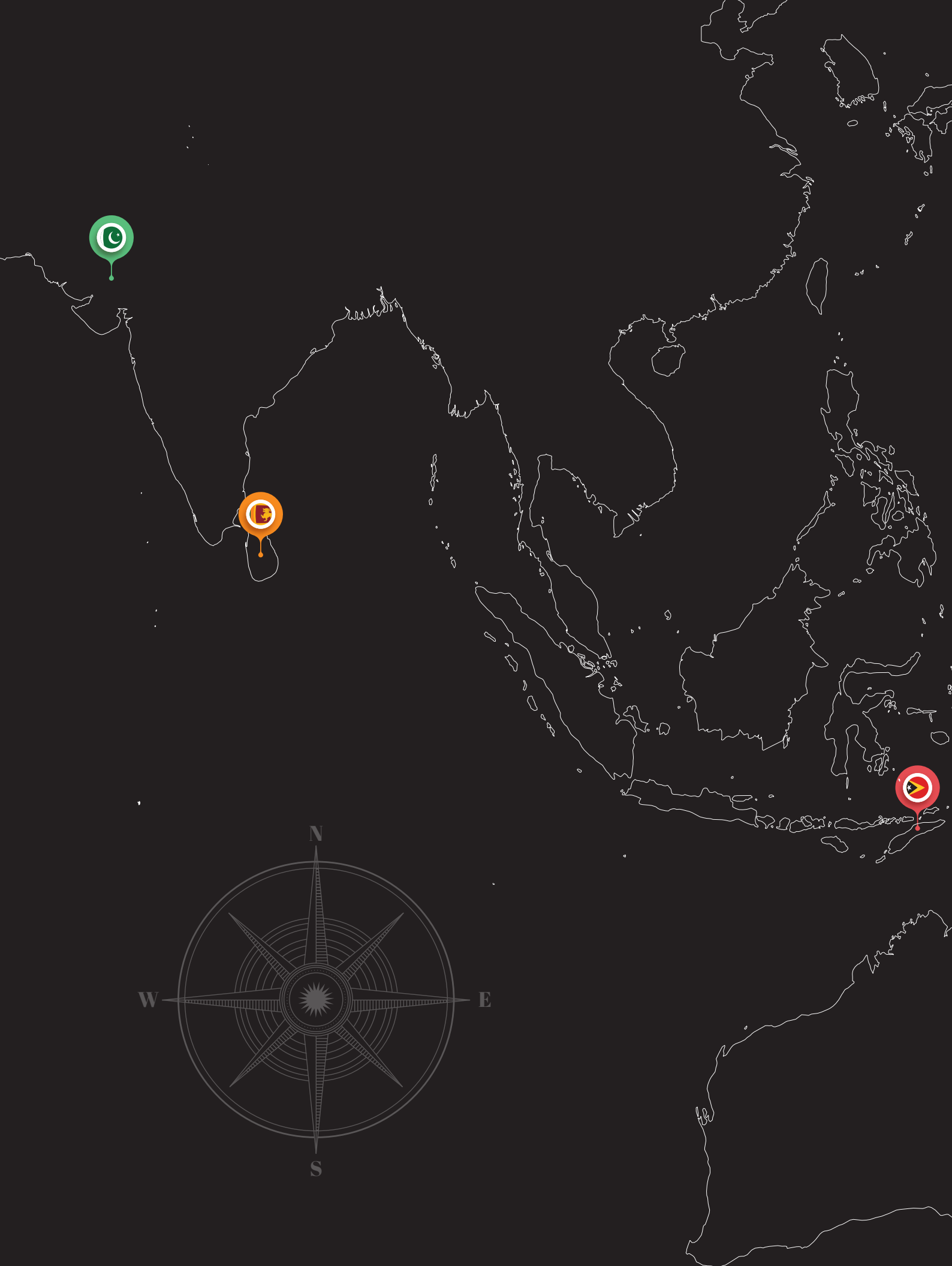
Abbreviations and Acronyms

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

Table of Contents

Purpose of This Report.....	4
How to Read This Report	6
Reporting Indicators.....	8
Abbreviations and Acronyms.....	9
FACILITY WIDE	12
MDF's Progress in 2023.....	14
Highlights	16
Summary MDF Results as of December 2023	18
MDF Results 2023.....	19
MDF Highlights 2023.....	24
Market Context.....	26
Portfolio Strategic Direction	27
Systemic Change	29
Climate Change.....	30
Economic trends and market insights.....	33
Collaboration.....	34
Research, Impact Measurement and Inclusion	37
Communications	42
Operations.....	46
PAPUA NEW GUINEA	50
Quick Facts	51
Highlights	52
Overview of Close-Out and Post-Implementation Monitoring.....	54
The Results Story	56
Sector and Market Systems	58
Lessons from the Country Program	64
Acknowledgements.....	66

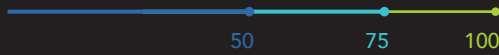






Facility Wide

MDF's Progress in 2023

Graph key: **Actuals** / **Projections** / **Estimates¹** 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.

¹ 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)



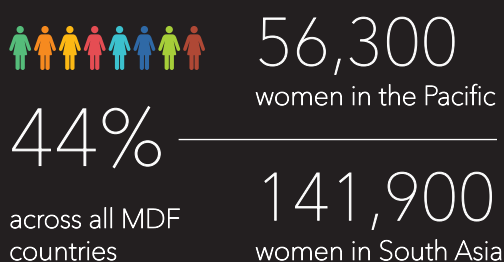
Risk appetite is increasing; businesses are increasingly willing to cost share on innovative business models

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.

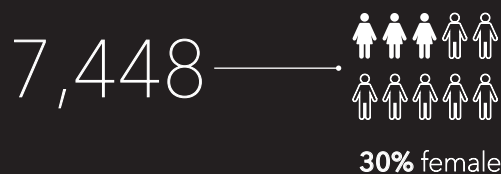
In Sri Lanka, despite a lack of easy access to finance and high interest rates, businesses continued to invest and adopt MDF-supported business models. Notable private investments included establishing imports; developing and distributing high-quality inputs, such as seeds and fertiliser; and coffee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



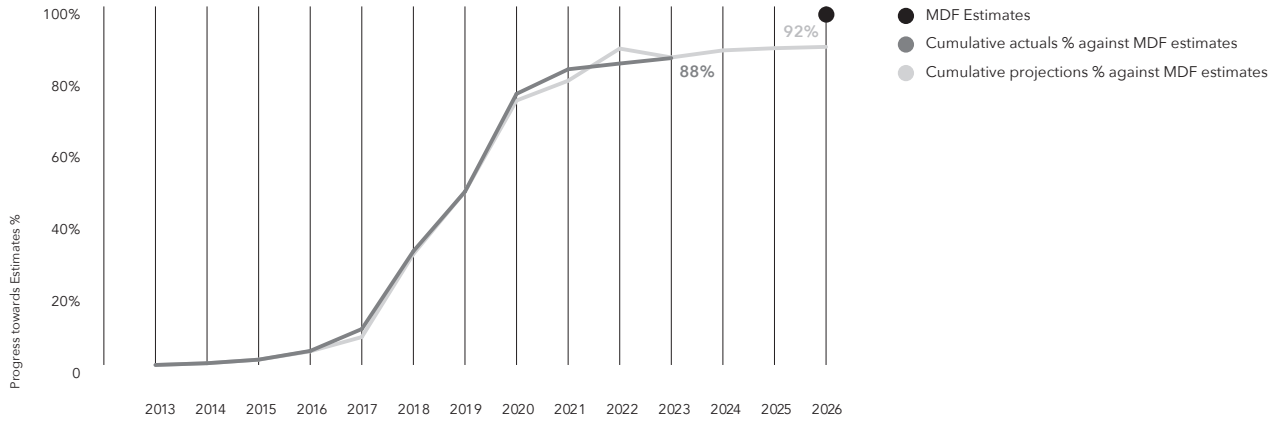
In 2023, MDF's work in outsourcing services, early-stage exports, chicken and agriculture resulted in the creation of 697 new jobs, 64 per cent of which were filled by women. MDF observed new trends in job creation that are being used to inform portfolio composition and inclusive growth strategies.



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.

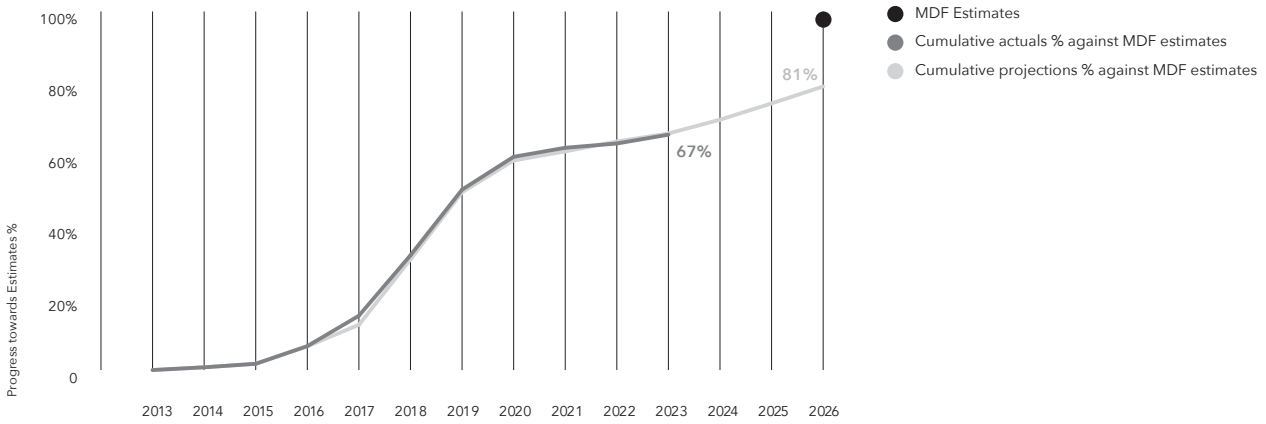
MDF's data aggregation protocols are guided by rigorous standards that prevent reporting the same beneficiary twice. This year, market saturation in thin market economies, such as Fiji and Timor-Leste, required that MDF discount a significant portion of 2023 impact. In Timor-Leste, more than 50 per cent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



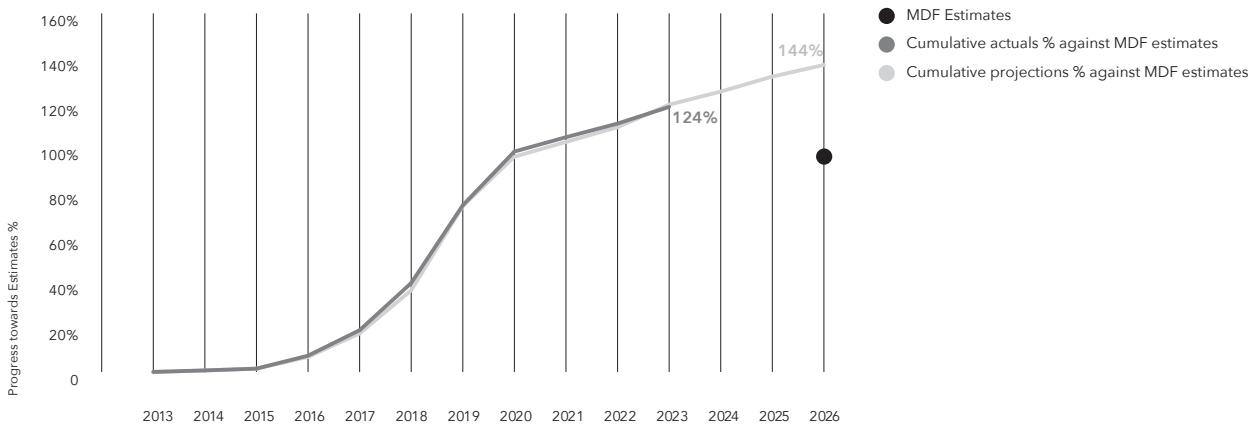
☑ Coffee rehabilitation visit by DFAT, Timor-Leste

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.

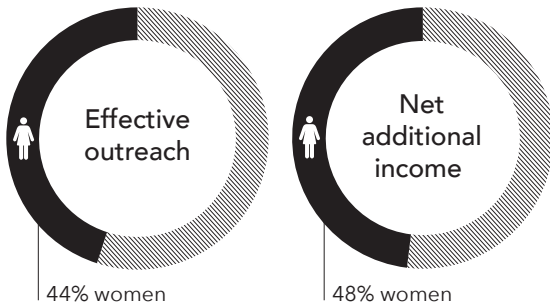
Summary of MDF results as of December 2023

Facility-wide²

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



Pacific



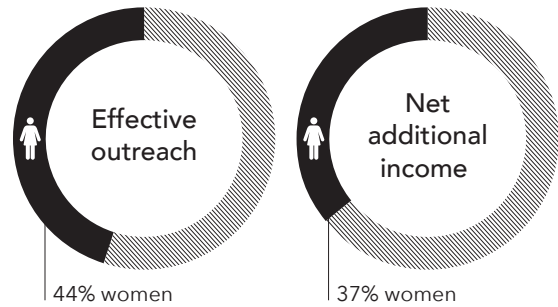
Effective outreach: 126,335
Net additional income: USD \$50m

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.

² 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	22,832	12,707	12,097	24,804	NA
Usage outreach	11,423	10,872	22,295	12,298	11,721	24,019	NA
Effective outreach	11,237	10,705	21,942	12,003	11,444	23,447	45,000
Outreach from employment	1,039	679	1,718	1,190	808	1,998	NA
Net additional income (USD)	18,259,384	18,929,795	37,189,179	23,341,790	23,630,938	46,972,728	61,000,000



📷 Jone Dansey, a Fijian farmer

³ All numbers are cumulative, starting 2013.

 Pakistan⁴

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	369,325	NA	NA	NA	NA
Usage outreach	145,469	164,860	310,329	NA	NA	NA	NA
Effective outreach	136,786	156,177	292,963	NA	NA	NA	298,827
Outreach from employment	548	3,780	4,329	NA	NA	NA	NA
Net additional income (USD)	40,286,362	58,300,750	98,587,112	NA	NA	NA	133,092,212

 Papua New Guinea⁵


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	42,295	9,592	32,703	42,295	NA
Usage outreach	3,204	21,780	24,984	3,204	21,780	24,984	NA
Effective outreach	3,123	17,292	20,415	3,123	17,292	20,415	9,000
Outreach from employment	34	89	123	34	89	123	NA
Net additional income (USD)	343,525	1,379,963	1,723,488	372,548	1,536,034	1,908,582	4,050,000

⁴ 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.

⁵ 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	50,415	16,275	63,783	80,058	NA
Usage outreach	6,086	28,009	34,095	14,232	44,826	59,058	NA
Effective outreach	5,116	25,752	30,868	9,748	32,280	42,028	55,600
Outreach from employment	337	137	474	368	230	598	NA
Net additional income (USD)	2,412,418	15,037,627	17,450,045	6,794,254	31,934,083	38,728,337	31,807,000



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

⁶ All numbers are cumulative, starting 2016.

 Timor-Leste⁷

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	271,343	136,859	136,934	273,793	NA
Usage outreach	74,982	74,997	149,979	76,078	76,102	152,180	NA
Effective outreach	41,968	42,031	83,999	42,985	43,050	86,035	90,000
Outreach from employment	315	490	805	315	493	808	NA
Net additional income (USD)	5,550,505	5,718,414	11,268,919	5,833,173	6,044,129	11,877,302	12,800,000

 Pacific Regional⁸

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	246	3,577	3,704	7,281	NA
Usage outreach	0	0	0	1,184	1,298	2,482	NA
Effective outreach	0	0	0	819	933	1,752	11,300
Outreach from employment	0	0	0	3	36	39	NA
Net additional income (USD)	0	0	0	561,112	1,571,759	2,132,870	4,164,700

⁷ All numbers are cumulative, starting 2014.

⁸ All numbers are cumulative, starting 2022 for Samoa, and 2023 for Vanuatu and Tonga.

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 2022.⁹ Timor-Leste grew at around three per cent,¹⁰ 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.



⁹ World Bank

¹⁰ 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.¹¹ 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

¹¹ '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.¹² 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.¹³ 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.



¹² 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

¹³ 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.¹⁴ 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.

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



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

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



Sri Lanka's coffee cherry



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

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



Feral pig in Samoa

Climate change

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

Integration of climate change across MDF's program cycle



Analysis and strategy development

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



Intervention design

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



Measurement, learning and communications

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

Building resilience of agricultural market systems

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





Agribusiness investment in value chain adaptation

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

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

The business case for emissions reduction

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

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

Resourcing MDF's climate change agenda

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

Key achievements in 2023 include:



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



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



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

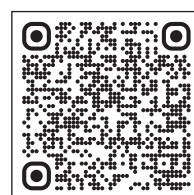


Climate change content in MDF's communication and engagement activities was enhanced, including a collaborative brief with PHAMA Plus on enhancing agricultural market resilience and facilitating a private sector panel at the 2023 Australasian Aid Conference. MDF's investments in organic soil conditioner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

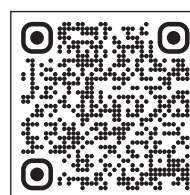


Climate change indicators, observations and baselines were integrated into Research, Impact Measurement and Inclusion activities, including a focus on understanding the effects of climate change on smallholder farmers.

Click/scan the QRs below:



A collaborative brief with PHAMA Plus.



MDF Fiji's investments in organic soil conditioners.



MDF's climate change portfolio

- Agriculture
- Non-Agriculture

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



Agricultural inputs

17 interventions

Mitigation

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

Adaptation

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



Agricultural exports and import substitution

33 interventions

Mitigation

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

Adaptation

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



Tourism

6 interventions

Mitigation

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

Adaptation

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



Green Energy

9 interventions

Mitigation

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

Adaptation

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

Economic trends and market insights

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

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

Collaboration

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

Collaboration with PHAMA Plus

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

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

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

Collaboration on GEDSI

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



Click/scan the QRs to read the publication










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

A joint brief from PHAMA Plus and MDF



Country and regional collaboration

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

	Fiji	PHAMA Plus and MDF collaborated to assist the Navurevure Organic Ginger Farmers group to access the New Zealand market.
	Samoa	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.
	Papua New Guinea	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.
	Timor-Leste	The programs continued to share information on biosecurity concerns and good practice animal health management to inform farmer preparedness.
	Vanuatu	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.
	Tonga	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.
	Pacific Regional	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)¹⁵

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"> Government institutions, organisations, and systems Civil society organisations Private sector organisations 	<p>Government institutions: 5</p> <p>Private sector organisations: 7</p>	<p>In Fiji, 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 Samoa, 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 Sri Lanka, Fiji and Timor-Leste, MDF worked with multiple coffee processors to support the recruitment and retention of women and people with disability.</p>
Total	AUD100,680	<p>Fiji: AUD33,610 to Tourism Fiji, MCTTT and Investment Fiji.</p> <p>Pacific Regional: 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.	39	Support ranges from agribusinesses to outsourcing services firms, to enter new markets.
Additional private funds leveraged to support sustainable development.	AUD4,756,000	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.	1,494	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.	23	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>4,053 people</p> <p>50 partnerships</p> <p>AUD857,000</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>

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

Communications

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

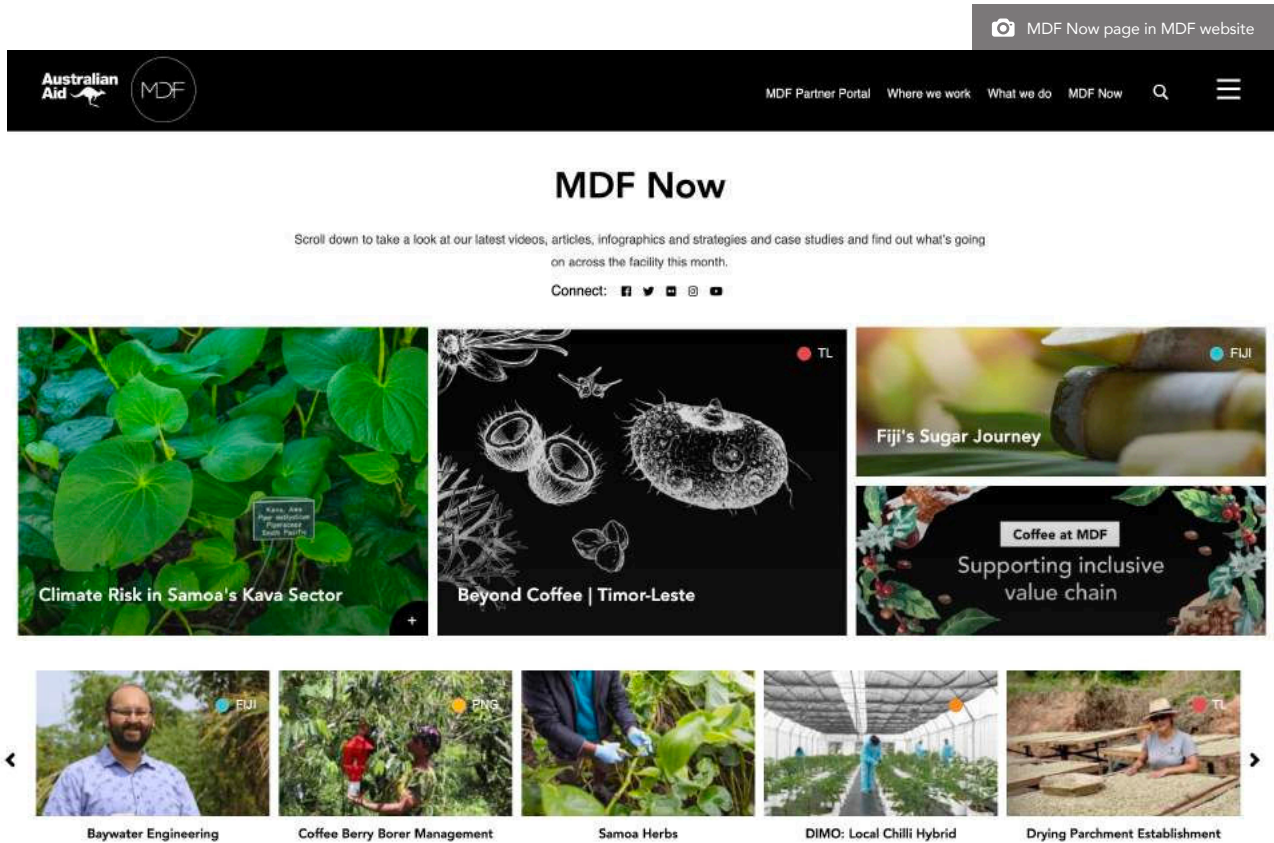
Climate communication

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

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

Supporting public diplomacy

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



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

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

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

Media engagement

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

Digital media growth

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

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

Supporting country portfolios

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



Alleu Coffee festival, Timor-Leste



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



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

Communications recap

January - December



High-level Australian engagement in partner countries

29 field/partner visits by DFAT Heads of Missions

11 in Fiji



Farmer field day in Navua

11 in Timor-Leste



Aileu coffee festival

6 in Sri Lanka



UCB wetmill launch

1 in Pacific Regional



Partnering with MTED to establish MDF Tonga

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



MDF in the media

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

11 organic mentions

Click/scan the QRs to view publications:

The Sri Lanka coffee festival returns



MDF in the Pacific



MDF promoting co-working spaces in Fiji



Timor-Leste's new travel expedition





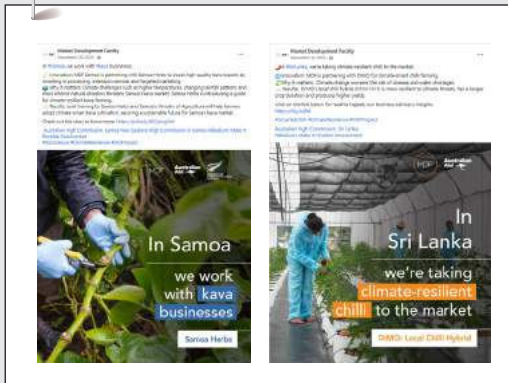
Top social campaigns in 2023:

Climate change

220,446 people reached

402 new followers on Facebook

415 new followers on LinkedIn



Top mentions on social media:

Australia in Fiji shared post on Wasa ni Tadra



4,523 Facebook users reached

Social media highlights



Market Development Facility
Today



40,514

Facebook users reached organically



1,268,656

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



474,037

LinkedIn users saw MDF content in 2023



www.marketdevelopmentfacility.org



@marketdevelopmentfacility



@MDFGlobal



@MDFGlobal



Market Development Facility

Operations

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

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

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

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

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

Pacific Regional expansion

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

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



MDF Vanuatu staff

PNG country program closure and APEP transition

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



MDF PNG staff on a field assessment

Financial management

MDF spent 93.2 per cent of its approved budget for FY2022-23 and 100 per cent against its final forecast.¹⁶ 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.



MDF HR

2000+

candidates screened

38

positions filled

MDF Procurement

100+

procurement processes managed

214

contracts reviewed

	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	

¹⁶ 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



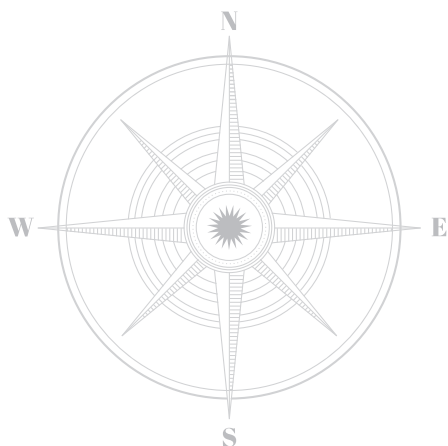
Tourism

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

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

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

Quick Facts

Papua New Guinea



Population

10.38 million

 Rural: **88%**

 Urban: **12%**

GDP

USD 30.6 billion

GDP per capita (USD): **\$3,427**

Official languages

English, Tok Pisin, Hiri Motu
(and 800+ unofficial languages)

Labour force participation rate

 Female: **46.4%**

 Male: **47.7%**



Key focus areas



Coffee

- Increase the supply of certified coffee for export through certification and financing.



Cocoa

- Upskill producers in how to add value to their cocoa products, allowing them to enter new regional and export markets, increase demand for high-quality cocoa, and build stronger relationships between the private sector and supply chains.



Vanilla

- Upskill farmers to improve the yield and quality of their vanilla, resulting in consistent, high-quality supply and access to better international markets.



Livestock

- Improve the productivity of smallholder pig farmers and mitigate the spread of African Swine Fever.



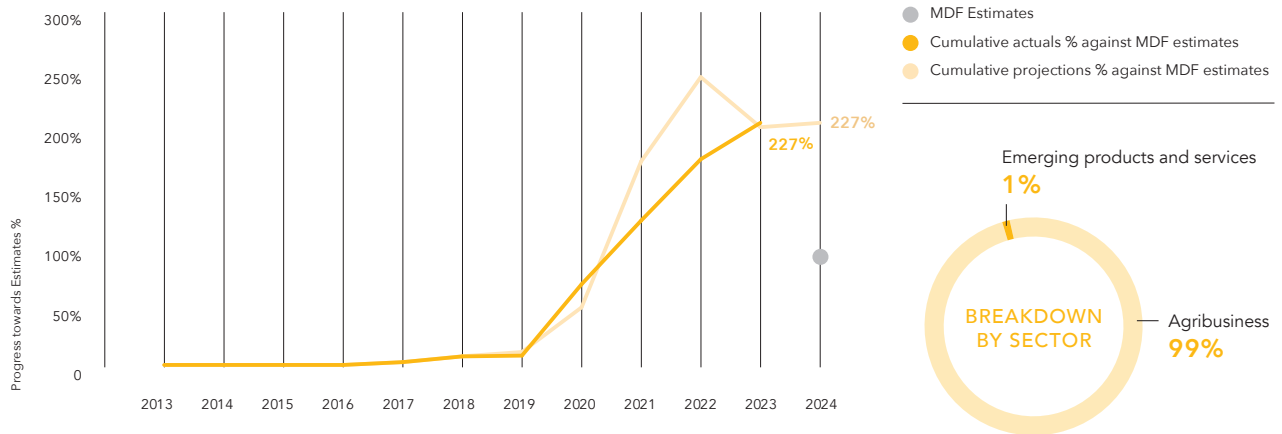
Climate change impact

PNG is ranked 51 on the Global Climate Risk Index 2021, significantly higher than its Pacific counterparts. Exposure to hazards is substantial and expected to escalate. Many rural communities reside in flood and landslide risk areas, while coastal communities and infrastructure face exposure to sea-level rise, potentially exacerbating future storm surges.



Highlights

EFFECTIVE OUTREACH



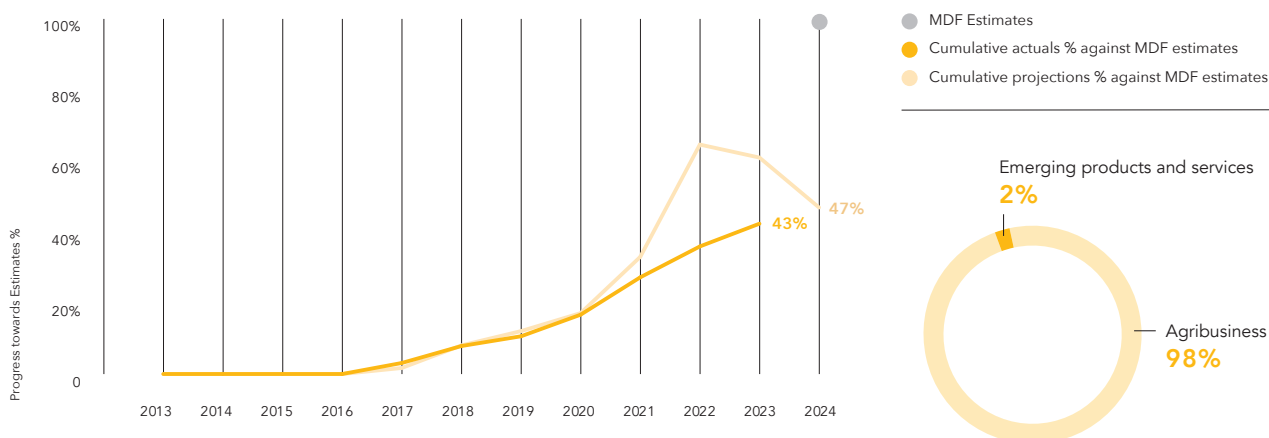
MDF's work in coffee helps outreach surpass estimates

- MDF's work benefitted more than 3,000 additional people in 2023 alone, bringing total effective outreach to 20,415, or 227% of estimates. These results reflect the program's strong performance despite the absence of new interventions since 2022 and planned activities not materialising.
- Coffee accounted for all additional effective outreach. MDF was not able to conduct monitoring visits after the program closed in June 2023, affecting the team's ability to validate results. For vanilla, MDF was able to conduct a short survey in Madang in April, to collect information on additional access and usage numbers. According to the partner, new provinces were added to the value chain, projecting access for 12,000 farmers. However, as MDF was not able to conduct an impact assessment, these numbers cannot be added to effective outreach for 2023.
- Similarly, through work to prevent the spread of the coffee berry borer (CBB) pest with Sustainable Management Services and Monpi Coffee, MDF confirmed that more than 300 traps were distributed to households. However, MDF was not able to validate whether the households used the traps, benefitted from them, or were able to increase coffee yield.
- MDF decided to reduce its projections and reduce the monitoring period for most interventions to 2023. The only intervention which remains projected forward is the CBB intervention, as activities were just completed during 2023.



A coffee farmer

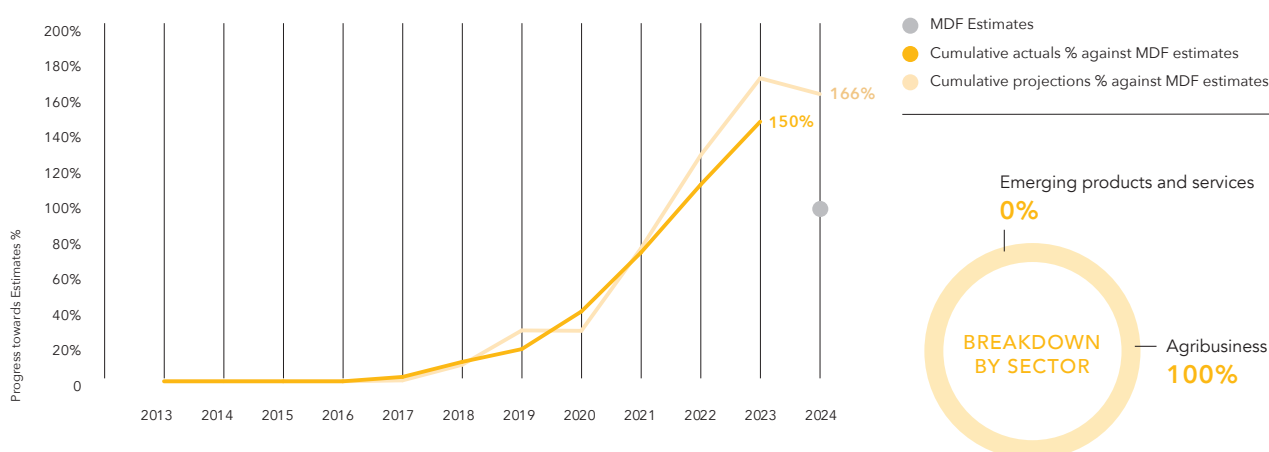
NET ADDITIONAL INCOME (USD)



Support for coffee certification drives income

- The portfolio achieved 43% of net additional income (NAI) estimates in 2023, up from 36% in 2022. MDF's support to certify coffee value chains drove income growth: despite coffee prices reverting to their average low in PNG, MDF interventions enabled farmers to fetch high returns. The premium for certified farmers varied based on province, averaging PGK1-2 (AUD0.41-0.82) per kg of premium, certified coffee.
- The gap between actuals and projections is visibly high because there was no fieldwork to allow MDF to validate assumptions and report results from other interventions. MDF anticipated significant impact on NAI in 2023, as vanilla and coffee prices remained in flux. Similar impact was also expected in emerging work in livestock, but MDF was unable to conduct interviews with workers sent to Australia through labour mobility schemes.
- With no further measurement work planned, MDF cut its going-forward projections. The PNG portfolio is now projected to reach 47% of NAI estimates.

VALUE OF ADDITIONAL MARKET TRANSACTIONS



Certified coffee and value chain financing increases business revenue

- The portfolio exceeded expectations and reached 150% of value of additional market transactions (VAMT) estimates in 2023. Businesses continued to switch from commodity to certified coffee, often fetching more than PKG5 (AUD2) per kg of green bean. VAMT was also bolstered by partners purchasing and exporting more coffee via MDF-supported value chain financing (revolving funds) and certification.
- The inability to conduct fieldwork resulted in MDF revising down its projections. Nonetheless, the PNG portfolio is expected to achieve 166% of estimates.

Overview of Close-out and Post-Implementation Monitoring



📷 A vegetable seller on the streets of Port Moresby

After seven years of program development and delivery, MDF's country program in Papua New Guinea closed in June 2023, transitioning parts of its activities to the Australia-PNG Economic Development Partnership (APEP). The program improved the lives of thousands of Papua New Guineans through work in the coffee, vanilla, cocoa and livestock sectors. In the last six months of 2023, besides completing a close-out strategy and plan, MDF conducted monitoring visits, and captured results and program lessons.

A PNG transition close-out plan was delivered by MDF in 2023, transitioning staff and activities to APEP. The country team ensured seamless closure of partnerships, and all commitments made to partners and APEP were honoured. Up until program closure on 30 June 2023,

MDF continued engaging with DFAT, APEP and other stakeholders to achieve the ambitious close-out plan, complete all transition activities, manage risk and ensure timely reporting.

At the beginning of 2023, MDF had 14 active interventions in coffee, cocoa, vanilla and livestock and three pipeline interventions, which MDF transferred to APEP in January 2023. By the end of April 2023, all activities were transferred to APEP, and some MDF staff transitioned to APEP between January and April 2023.

From April to June 2023, MDF operated with a small team consisting of the Country Director, Operations Manager and Country Team Coordinator, who led on transition, knowledge management, communications and research activities. MDF completed three key communication outputs in this period:

A social media campaign on the coffee berry borer



Click/scan the QR code to see the campaign



A documentary on the coffee berry borer



Click/scan the QR code to watch the video



A social media story for International Women's Day



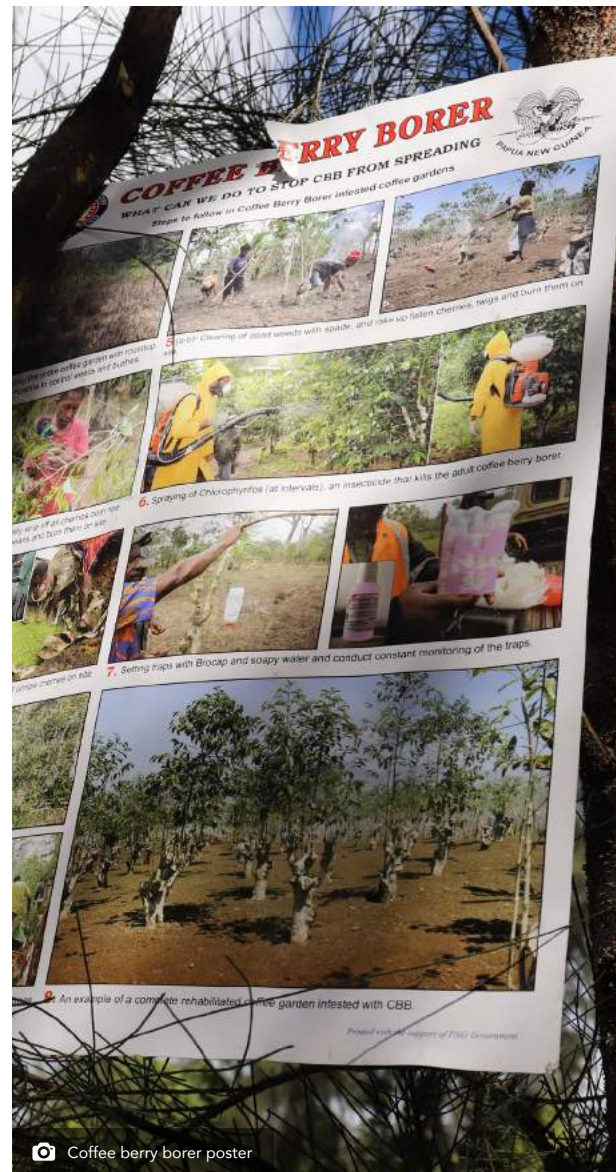
Click/scan the QR code to read the story



The Country Team Coordinator led field assessments of three key interventions. The team also produced two analytical papers reflecting on the program's experience in coffee and vanilla. The findings from these activities are included in this country chapter.

MDF's interventions in PNG will continue delivering results for several years after implementation. When MDF exited Pakistan, it was able to put in place arrangements for post-implementation monitoring to be able

to validate and report on intervention impact in subsequent years. Unfortunately, it has not been possible to secure resources to do this in PNG, so the full value of MDF's impact in PNG over the next two years cannot be validated or accurately reported.



The Results Story

Portfolio exceeds expectations, driven by adoption of sustainable practices

Total number of partnerships (2013-2023)

40

Provinces impacted

10

Total private sector investment leveraged

USD 1.8 million


Number of women benefiting from MDF interventions

9,500

Total additional income generated for women

USD 340,000



 A pig farmer in PNG

MDF Papua New Guinea exceeded outreach estimates, reaching 227 per cent. Outreach continued to increase in 2023, with an additional 3,000 beneficiaries bringing the cumulative figure to 20,415 people.

MDF achieved significant progress in agricultural interventions in 2023. Effective outreach grew 20 per cent year-on-year, with income and private sector revenue growing 17 per cent and 32 per cent, respectively. MDF completed three field assignments to capture impact on

coffee and vanilla farmers and implemented the remaining activities in these sectors before MDF PNG transitioned to the Australia-PNG Economic Development Partnership (APEP).



Coffee certification bolsters results

MDF worked with partners Sustainable Management Services (SMS) and Monpi Coffee Export Limited (MCEL) to combat the coffee berry borer pest, which is a significant threat to coffee crops in PNG. The partners used innovative technology developed by CIRAD (French Agricultural Research Centre for International Development), including awareness and training, 'Brocap' traps and the application of the beauveria bassiana fungus as a means of biological control. Brocap traps were distributed to more than 300 farming households across six districts in Eastern Highlands, Western Highlands and Jiwaka. Initial observations suggest that the traps will be more than 90 per cent effective. MDF also ensured that partners prioritised the inclusion of women in these areas.

MDF supported coffee certification through partnerships with Niugini Coffee Tea and Spices (NCTS) and Sucafina Exports. NCTS continued to expand its certification network in Morobe province, working with over 2,900 farmers. Sucafina expanded to Enga province, which is more than 300km away from its current sourcing province. These certification activities are important for international market compliance and significantly contribute to the income of rural farmers.



Revolving funds continue to provide vital value-chain liquidity

MDF conducted field visits and meetings to assess the impact of a newly established revolving fund with Kosem Exports. Kosem implemented the fund with seven farmer groups across three districts in Jiwaka province, purchasing 24 tonnes of parchment from 3,000 farmers. The fund's structure involved dispatching money through supply chain aggregators to purchase cherries, processing them into parchment and selling it to Kosem. The parchment price offered by Kosem was above the market price (approx. AUD0.68 per kg or higher). The fund continued revolving in 2023, with Kosem using its own funds to increase it to PGK500,000 (AUD200,000) for Jiwaka province. Funds were further supplemented in Morobe province in late 2023 with APEP funding. MDF also assessed the progress of processing interventions with Kenta Mill that included establishing drying beds and providing training on coffee processing.

MDF also assessed the impact of its interventions on vanilla farmers, as well as the challenges faces by the farmers. As a result, MDF was able to validate crucial assumptions, such as poor connectivity, low levels of literacy and limited sales channels. MDF assessments also validated that, cumulatively, over 3,000 people had registered on MDF partner Kamapim's farmer database through a mobile-based registration system. Kamapim trained these farmers on sustainable practices, climate change management and financial planning. Over 50 per cent of the farmers trained were found to have implemented the new practices, while many other farmers who had not received the Kamapim training were found to have replicated practices observed from neighbours or household members. Farmers new to vanilla farming, in particular, are expected to see an increase in income as a result of this training.



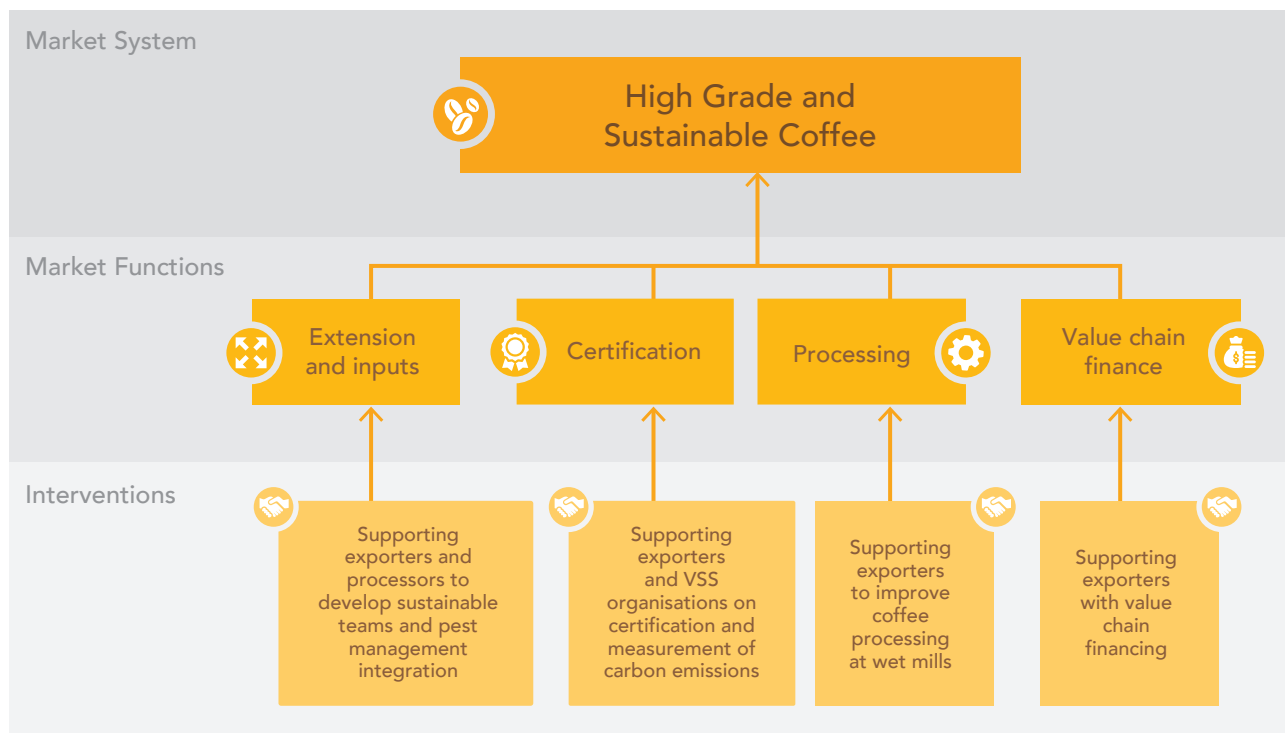
Lower-than-expected results due to program close-out and halted monitoring

MDF delivered good aggregate results in PNG; on MDF's exit, the PNG portfolio had a healthy results trajectory. However, MDF PNG's reported numbers in 2023 are lower than expected because of the close of the country program in June 2023. Planned year-end field assessments (normally conducted in November and December) could not be conducted as hoped. MDF does not report numbers that have not been verified through monitoring. Low response rates from partners, particularly coffee businesses, also affected results. The impact of program close-out is most apparent in results reported for income and value-added market transactions.

Agriculture



High Grade and Sustainable Coffee



Status of the market system

Developing

Interventions (active and/or monitored in 2023)

1. Growing extension and sustainability teams, developing training content and certifying smallholder farmers.
2. [New Guinea Highlands Coffee Exports (NGHCE), PNG Coffee Exports (PNGCE), Sucafina, Sustainable Management Services (SMS), Monpi and Nuigini Coffee Tea and Spiece (NCTS)]
3. Launching Fairtrade-Organic dual certification program in PNG. (Fairtrade, NAASA)
4. Improving partner capacity and supply chain liquidity to increase sourcing of sustainable and high-quality coffee. (Kosem, NCTS, NGHCE, Outspan)

Summary of performance

In 2023, MDF completed activities in coffee, finalised payments and transferred activities to APEP. MDF also conducted field assessments for NCTS and PNGCE.

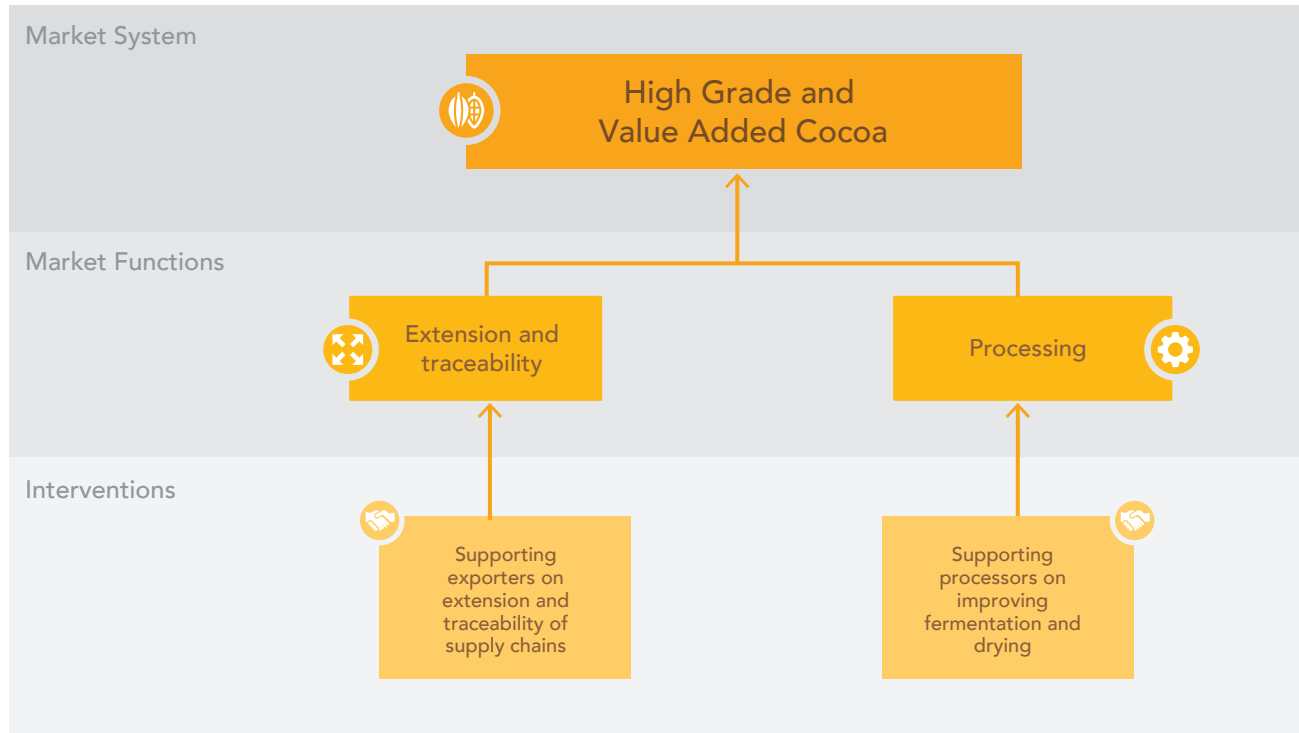
NCTS expanded its certification activities in 2023 and increased sourcing from four supply chains. These remote farmers received factory-door price at the farm gate. This positively impacted the general market price for coffee in the locality. PNGCE continued to source high-quality coffee for premium markets in 2023 and attributed 60 per cent of the increase to MDF support.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expended	Progress (Traffic Light)
14,444	14,444	USD1,322,000 (AUD2,028,700)	USD1,137,000 (AUD1,744,800)	USD4,838,000 (AUD7,424,000)	USD4,219,000 (AUD6,474,000)	USD717,800 (AUD1,101,500)	<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>

2

Market System

High Grade and Value-Added Cocoa



Status of the market system

Emerging

Interventions (active and/or monitored in 2023)

1. Upgrading processing equipment, improving marketing, extension services and traceability. (PFL)
2. Expanding to new supply chains using revolving fund. (Outspan)
3. GRAFT challenge. (Beanstalk)

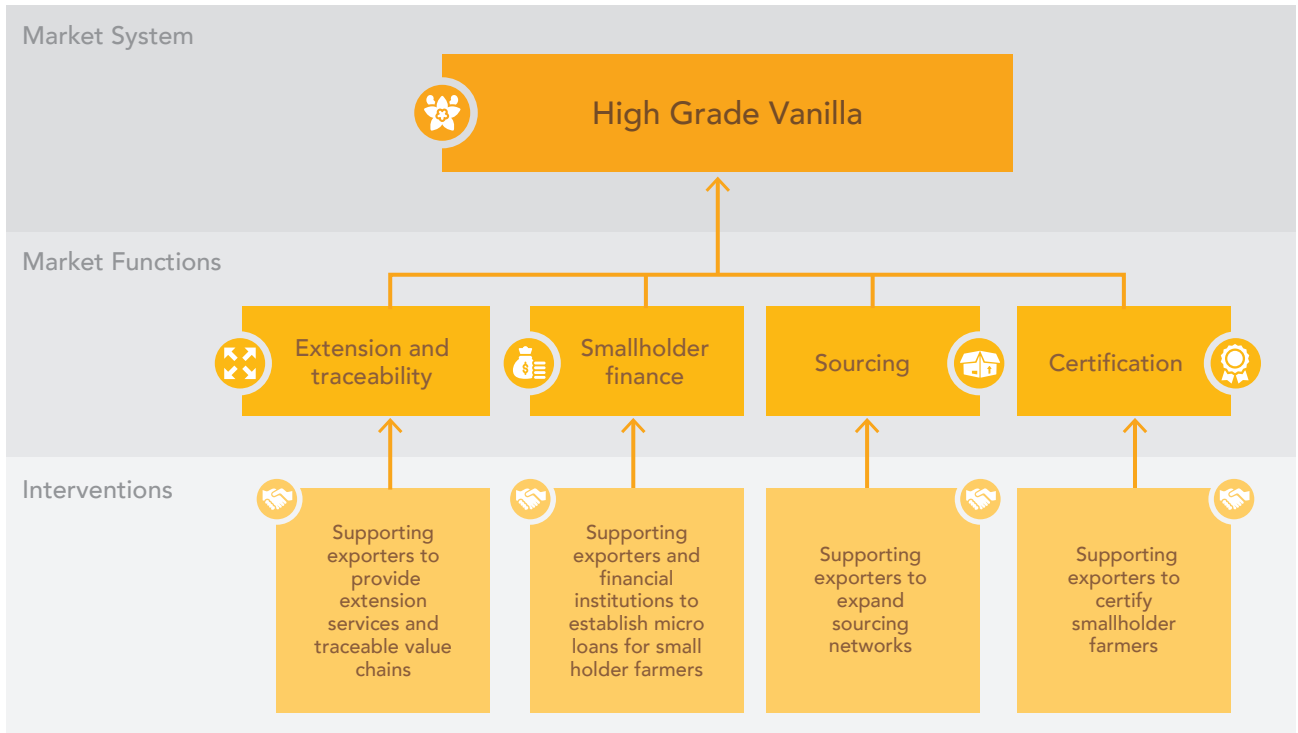
Summary of performance

In 2022, MDF entered a partnership with Beanstalk AgTech, an Australian agri-technology incubator, to establish a GRAFT challenge. In 2023, Beanstalk worked with the industry to find innovative solutions to the identified challenges.

Plans to develop further interventions within this market system were terminated due to the close-out of the country program. All interventions were measured and concluded in 2023.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
1,215	1,215	USD7,170 (AUD11,000)	USD7,170 (AUD11,000)	USD466,500 (AUD715,800)	USD438,900 (AUD673,500)	USD89,450 (AUD137,200)	○ ● ○

High Grade Vanilla



Status of the market system

Emerging

Interventions (active and/or monitored in 2023)

1. Improving marketing and extension services, traceability, and credit access. (Kamapim, GSMA/MiBank)

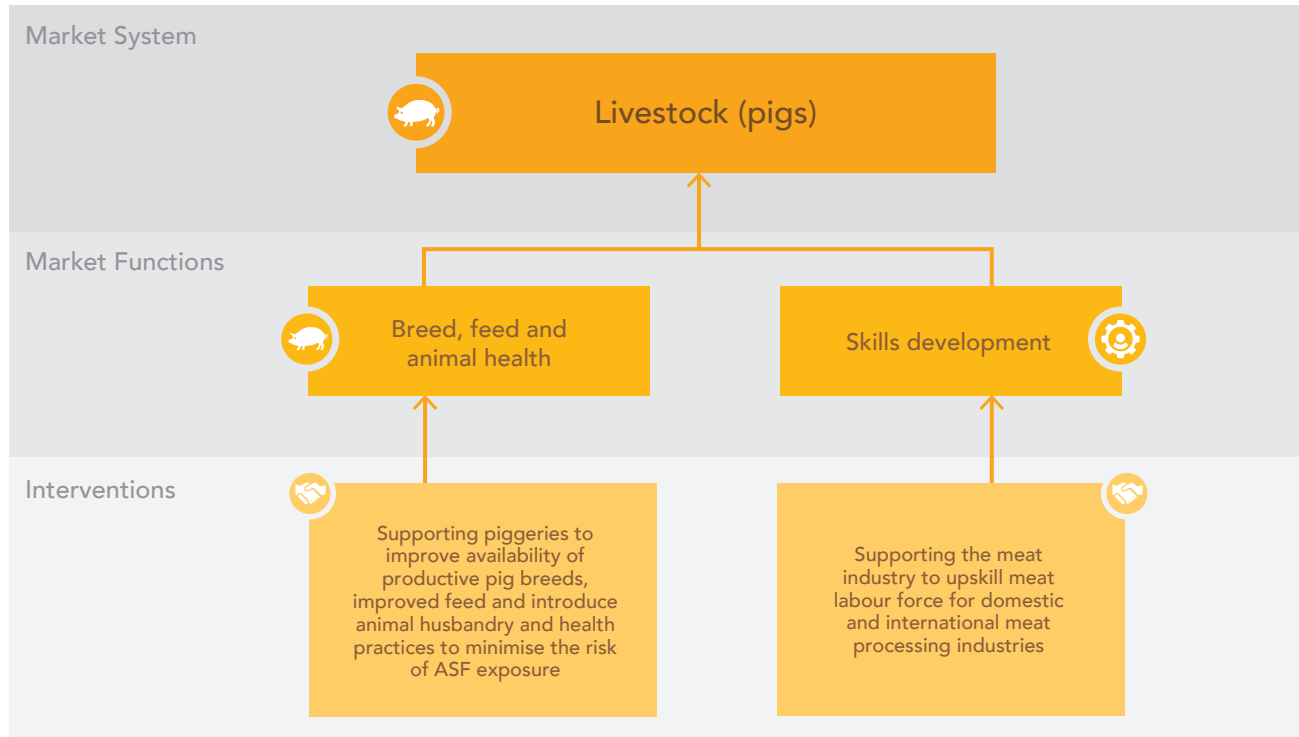
Summary of performance

In 2023, Kamapim was consistent in sourcing vanilla and provided a stable market for farmers. MDF supported Kamapim by piloting a speed loan with its vanilla farmers. It was the first activity of its kind, and the outcomes will be incorporated into future work.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
3,932	3,932	USD362,023 (AUD555,500)	USD127,313 (AUD195,000)	USD826,275 (AUD1,267,900)	USD468,148 (AUD718,400)	USD58,435 (AUD89,600)	<div style="display: flex; flex-direction: column; align-items: center; gap: 5px;"> ○ ● ○ </div>

4 Market System

Livestock (pigs)



Status of the market system

Emerging

Interventions (active and/or monitored in 2023)

1. Supporting biosecurity and piglet production. (Kale Piggery)
2. Upskilling the meat industry in collaboration with the Pacific Labour Mobility scheme. (Madang Butchery)

Summary of performance

In 2023, Kale Piggery continued its breeding business and supplied piglets to nearby communities while using its biosecurity infrastructure.

Madang Butchery continues to provide much-needed skill training to farmers from Madang Province and is also attracting interest from outside the province.

Plans to develop interventions within this market system were terminated due to the close-out of the country program. All interventions were measured and concluded in 2023.

EO Projected (cumulative)	EO Actuals (cumulative)	Income Projected (cumulative)	Income Actuals (cumulative)	VAMT Projected (cumulative)	VAMT Actuals (cumulative)	PSI Expensed	Progress (Traffic Light)
34	34	USD3,395 (AUD5,200)	USD3,395 (AUD5,200)	USD4,460 (AUD6,840)	USD4,460 (AUD6,840)	USD 4,130 (AUD6,730)	○ ● ○



Lessons from the Country Program

As part of its close-out strategy, MDF PNG conducted an analysis of its portfolio. Based on the findings, MDF produced analytical papers highlighting useful insights and lessons. This section provides a summary.



Vanilla

Supporting the private sector to source from “the last mile” (smallholder farmers)

North-west PNG possesses a unique environment for cultivating high value crops. Vanilla, the second-most-expensive spice in the world after saffron, has the potential to significantly contribute to PNG’s economy if it is grown, processed and marketed to meet quality standards.

However, vanilla is mostly cultivated on small plots by subsistence farmers, who often lack the knowledge and resources for production, curing, fermenting and drying. Value chains are fragmented, with buyers sourcing from aggregators who purchase beans from smallholders without assessing their quality, leading to a mixture of high value and commodity products. These aggregators prioritise margins and do not support farmers to improve their quality or quantity.

Despite being labour-intensive, vanilla offers similar or better returns to farmers than other crops in PNG. However, insufficient investment in capacity building and infrastructure hinders PNG’s ability to develop a sustainable vanilla supply chain.

MDF’s experience in vanilla resulted in several lessons:



“Last mile” producers (smallholder farmers) must not be overlooked.

PNG’s agriculture sector is dominated by smallholder production. The private sector has an incentive to provide smallholders with essential functions, such as extension, certification, traceability and finance, to access premium markets and achieve high returns.



Information communication technology can link smallholders to higher value markets.

Investing in initiatives with the private sector, such as credit scoring tools and microloans, can benefit remote smallholder farmers and reduce costs for all stakeholders. Lessons learnt from interventions in remote smallholder financial inclusion emphasise the need for mobile banking accounts, loan insurance and targeted training. Moreover, emerging price signals for low-carbon commodity crops, including vanilla, are encouraging investment in emission verification and reduction to align with consumer preferences, legislation and corporate commitments to sustainability.



Training needs to be tailor-made and inclusive.

Training should address the specific needs and constraints of farmers and incorporate behaviour change communication and practical demonstrations. Farmers should also be involved in supply chain decisions and governance processes to enhance their understanding and ownership of the crop.



Coffee

Working with the private sector for pro-poor growth

PNG is well-placed to supply coffee to Europe and the Asia-Pacific region due to its favourable climate and long history of cultivation. However, challenges such as selling low-grade coffee in low-value markets persist due to issues like remoteness, inadequate transportation and security problems. From 2017 to 2023, MDF PNG used the Market Systems Development approach, partnering with the private sector, to address these challenges. The approach showed that strategic investments in market functions can shift the industry from low-grade commodity coffee to high-quality specialty coffee. However, challenges remain, such as the coffee berry borer infestation and impacts of climate change.

MDF's experience in PNG's coffee sector suggests several practical considerations for program funders, designers and implementers.



Shifting to high-value products unlocks opportunities.

PNG's coffee exports need to transition from low-grade to higher-grade coffee to better compete in international markets, ensuring higher prices and enabling investment in training, processing, certification, finance and extension support.



Access to finance is key.

Financial constraints in the coffee supply chain, exacerbated by delayed payments and banks' reluctance to provide loans, can be alleviated through innovation. One example is revolving funds operated by exporters to improve liquidity and reduce risk.



Extension services must be market-focused.

Agricultural extension services should align with market preferences—not just productivity gains—to ensure that farmers adopt practices that maximise value while considering factors such as consumer preferences.



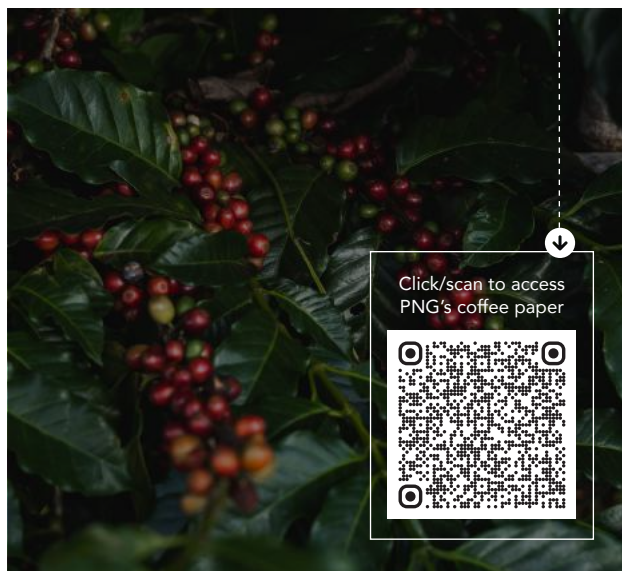
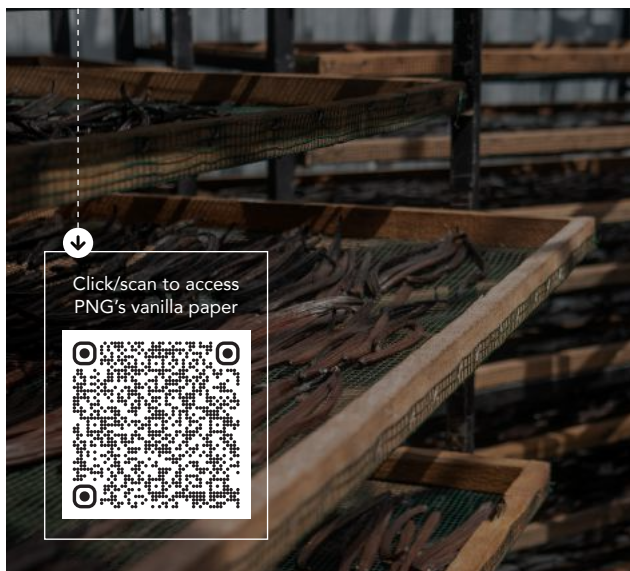
Climate change will continue to impact coffee.

PNG's coffee sector already suffers from altered crop cycles, pests and changing consumer demands. Farmers require support to adapt and diversify their livelihoods, especially with emerging demands for carbon-verified coffee in high-value markets.



Market System Development approach considerations.

The MSD approach proved effective in addressing challenges in thin markets with limited actors. By improving supply chains and quality, benefits flowed down from exporters to processors, aggregators and farmers, fostering innovation and growth.



Acknowledgements

MDF Papua New Guinea thanks the following organisations and individuals for their support and collaboration in 2023.

Australia Centre for International Agriculture Research (ACIAR)
Australia Consulate-General, Lae
Australia National University
Bright Life Farming
Business Council of PNG
Caltep Holdings Limited
Cocoa Research Institute
PNG Coffee Industry Cooperation Ltd
Craft Silicon
Digicel PNG
Food and Agriculture Organization (FAO)
Food Plant Solution
Fresh Produce Development Agency (FPDA)
National Agriculture and Quarantine Inspection Authority (NAQIA)
Pacific Trade Invest
PHAMA Plus
PNG Chamber of Commerce
PNG Cocoa Board
PNG Department of Agriculture and Livestock
STREIT Program - FAO
Sustainable Management Services
ThinkAg
United Nations Children's Fund (UNICEF)

MDF extends its thanks to all its partners in Papua New Guinea, 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: 2nd Street, Palm Business & Trade Centre, Surik Mas, Dili
- Fiji / Pacific Regional: Garden City Business Park, Grantham Road, Suva, Fiji
- Sri Lanka: No. 349, 6/1, Lee Hedges Tower, Galle Road, Colombo 03, Sri Lanka
- Samoa: Poinsettia House, cnr Ifilfi St & Moto'otua Rd, Moto'otua, Apia, Samoa
- Vanuatu: YumiWork, Lolam Building, Kumul Highway, Port Vila, Vanuatu
- Tonga: SCH Lawyers, Level 2, Fifita House, Mailetaha, Nuku'al, Tonga

This publication has been funded by the Australian Government through the Department of Foreign Affairs and Trade (DFAT) and co-funded by the New Zealand Government through the Ministry of Foreign Affairs and Trade (MFAT) in Samoa, Tonga and Vanuatu. The views expressed in this publication are the author's alone and are not necessarily the views of either government.

 www.marketdevelopmentfacility.org  [@marketdevelopmentfacility](https://www.facebook.com/marketdevelopmentfacility)  [@MDFGlobal](https://twitter.com/MDFGlobal)  [@MDFGlobal](https://www.instagram.com/MDFGlobal)  [Market Development Facility](https://www.linkedin.com/company/market-development-facility)



MDF is funded by the Australian government. It is implemented by Palladium, in partnership with Swisscontact