

ANNUAL REPORT 2018

Market Development Facility



Impressum

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ANNUAL REPORT 2018

Purpose of This Report

Objective

This Annual Report 2018 (AR18) is designed to give readers insight into MDF's performance across all MDF countries (Fiji, Pakistan, Papua New Guinea, Sri Lanka and Timor-Leste) between January and December 2018.

It provides readers with information on results from all active interventions over the past year. For details on the indicators against which MDF measures its performance, readers should refer to country chapters.

Audience

This report has been written for members of DFAT's Agriculture, Food and Security (AFS) team in Canberra, for DFAT staff at Post in MDF's countries of operation (Fiji, Pakistan, Papua New Guinea, Sri Lanka and Timor-Leste)

and for MDF staff. As a published report, it is also intended to communicate MDF's key results to interested members of the public.

Reporting Period

This Annual Report covers the period between 1 January and 31 December 2018. As such, it covers only the activities that MDF completed during this period. It does not include information on MDF's plans for future reporting periods, although it does discuss work that will continue into future reporting periods.

On 14 June 2019, MDF will submit its Annual Strategic Plan (ASP9) for the period between 1 July and 31 December 2019. On the 30 November, it will submit ASP10 for calendar year 2020. At that point, the reporting periods for the Annual Report (which looks backwards) and the Annual Strategic Plan (which looks forwards) will be aligned.

Abbreviations and Acronyms

ACIAR	Australian Centre for International Agricultural Research			
ADB	Asian Development Bank			
ADR	Aggregate Development Results			
AMT	Additional Market Transactions			
ASX	Australian Stock Exchange			
AUD	Australian Dollars			
ВА	Business Adviser			
ВРО	Business Process Outsourcing			
CLT	Core Leadership Team			
DCED	Donor Committee of Enterprise Development			
DFAT	Department of Foreign Affairs and Trade (Australia)			
DMO	Destination Marketing Organisation			
FAO	Food and Agriculture Organization of the United Nations			
FDI	Foreign Direct Investment			
FEO	Field Extension Officers			
FJD	Fijian Dollar			
FTE	Full-Time Equivalent			
FY	Financial Year			
GDP	Gross Domestic Product			
НАССР	Hazard Analysis and Critical Control Points			

ICT	Information Communications Technology				
IFC	International Finance Corporation				
КРО	Knowledge Process Outsourcing				
MDF	Market Development Facility				
MFEE	Market Development Facility Fiji Enterprise Engine				
MIS	Management Information System				
MOU	Memorandum of Understanding				
MRM	Monitoring and Results Measurement				
MSD	Market Systems Development				
MSME	Micro, Small and Medium Enterprise				
PBB	Pacific Bed Bank				
QI	Quality and Inclusion				
SME	Small and Medium-sized Enterprises				
SPTO	South Pacific Tourism Organisation				
TC Winston	Tropical Cyclone Winston				
UNDP	United Nations Development Program				
USD	United States Dollars				
WEE	Women's Economic Empowerment				
WHO	World Health Organization				

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FACILITY OVERVIEW

Introduction

Facility-wide achievements in the reporting period

This year has seen significant changes in the way MDF operates. A largely new leadership team has settled in, and momentum and energy have been restored after a testing transition from Phase I. A key aim of the leadership team has been to develop the program's experimental culture to one that is more strategic, while retaining its innovative character.

Refining our approach to systemic change has been at the core of this transition. In practical terms, this has led to us tightening up our analysis, strategies, interventions, partnerships and measurement, as well as our internal organisation and external communications.

We now define the market systems in which we work more clearly: at a 'lower,' less macro level and with clearer delineation of market boundaries, targeted populations and market functions to be changed. Clearly defining the market systems that we work in makes it easier to define the impact that we want to achieve – and to demonstrate that we have achieved it.

For example, in Pakistan one of our key market systems is machinery for production of animal feed (silage). By helping to make silage production equipment more readily available (though a variety of methods) and disseminating information about the benefits of more nutritious feed, the supply of and demand for silage expands. In turn, this has had an impact on the farmers and enterprises in the arable sector that produce fodder, and on the farmers and enterprises in the livestock sector who have more productive cattle.

In Fiji, after a successful Phase I partnership with Standard Concrete to produce and sell agricultural lime for soil conditioning, we learned that a key constraint to wider uptake of productivity-enhancing agricultural inputs is their availability in outlying regions. At the same time, farmers struggle to get their produce to distant markets. There is a connectivity problem. We therefore define the market system as the logistics providers for distribution of agricultural inputs and products throughout the country. In this way, we aim to take our initial innovation to scale to achieve a broader systemic effect (rather than continuing to partner with just one enterprise).

This strategic transition has resulted in a variety of practical changes across the program, in terms of a heightened focus on building portfolio quality, developing capacity and strengthening internal processes to support high quality delivery.

We have undertaken an intensive process of portfolio reviews to sharpen MDF's focus on high-potential sectors, build upon successful partnerships and ensure that all our interventions are focused on unlocking key drivers that will improve sector competitiveness and inclusivity. The first cycle of portfolio reviews is almost complete. Based on this first cycle, a standardised set of portfolio review tools is being developed to allow country teams to conduct portfolio reviews in a routine, structured manner.

The CLT Shared Resources team has intensified its support to country teams. We have enhanced the rigour of our internal processes and tools for strategy development and intervention design and management. Emphasis has been placed on using data for decision-making, streamlining strategy and intervention documents, and measuring systemic change and value for money.

Recognising the centrality of measurement and inclusivity to everything we do, we are building up the facility-wide Quality and Inclusion (QI) function. Two new positions are being created to provide dedicated technical support at a regional level; an Asia Regional QI Specialist and a Pacific Regional QI Specialist. At the same time, the results aggregation system has been automated and will form the core of our Management Information System going forward. A new QI Director has been recruited to replace the outgoing Director and it is intended that, as a member of the shared resources management team, she will play an increasingly important role in more effectively utilising MDF's comprehensive evidence base to guide our strategies and our management decisions.

We have also invested in improving facility-wide communications. The recently completed Communications Strategy has provided clearer direction to enable and enhance the visibility of MDF as an Australian Government funded initiative, and to support the Australian Government's bilateral agenda in each MDF country. Greater focus on understanding the communication needs of each Post has helped us to fine tune our messaging. Responding to DFAT and internal feedback, a new concept and style for the MDF website has been created; development will take place in the first quarter of 2019. Finally, we have renewed our focus on gleaning lessons and insights from teams to

improve cross-country communication. Sharing these in interesting, easily-digestible formats with DFAT to enhance learning remains a priority for 2019.

We have made marked progress in 2018 towards making operations a more effective enabler of program outcomes. A job profiling review provided recommendations for ways the operations team structure could better align with MDF's ambitious change agenda for 2019. These are currently being implemented and include restructuring the Central Operations team and relocating it from Pakistan to Brisbane. We are also bolstering in-country operations to ensure that it is sufficiently resourced to support routine transactions with a greater degree of autonomy. Bedding down these new arrangements will remain a central focus for MDF operations throughout 2019.

The development of the Management Information System (MIS) advanced, with the MRM Core module being tested and rolled out as part of the preparation of this report. The Compensation and Reward Review and Performance Excellence projects likewise made significant headway, and recommendations have been drafted. It is intended that a new pay structure for locally engaged staff will be in place for each country by May 2019. The new Operations Manual, designed to make all processes easier for teams to understand and use, and to safeguard stakeholder interests progressed, as did recruitment for the new Central Operations Team. Together, these actions combine to form a steady foundation on which MDF can depend.

Managing scale

MSD programs tend to be resource intensive and operate best at scale. Larger scale allows a program to build a diverse portfolio of activities, spread risk and take successful interventions to scale. In most MDF countries, this kind of scale is either not feasible or cannot be actively supported by smaller posts with limited resources. A second benefit of scale is the capacity to build a high-quality implementation team by recruiting talented graduates and mid-career professionals from different corners of the economy. In most MDF countries, particularly the small island economies, the labour market is insufficiently developed to provide an ongoing supply of high-quality candidates. A third benefit of scale is that it affords the country program the capacity to specialise – such as the capacity to access specific sectoral expertise or to best practice results measurement systems.

As a multi-country program MDF helps offset some of the problems associated with insufficient scale in individual countries by offering a pool of specialists that provide strategic support, management guidance and technical backstopping that would otherwise not be viable. The program has actively invested to ensure that this very MDF-specific value addition is being fully realised. Some examples of these efficiencies include:

 The capacity to have highly specialised internal technical advisory inputs (through the MSD panel and the Senior Adviser) in a discipline that requires contestability in order to succeed.

- The ongoing development of a best practice Monitoring and Results Measurement (MRM) system that provides a wealth of highly relevant management information that a standalone country program would not have the resources to build or maintain.
- The ability to implement an internal staff development agenda that provides local staff opportunities to engage with other country programs, develop their skills and apply international lessons to a local context, along with an ongoing series of DFAT-focused learning events.
- A range of high-quality research outputs that provide insights at both a practice and country specific level – for example the Women's Economic Empowerment and Agency paper, Fiji Yachting and Community Engagement papers, Sri Lanka visitor flow study and the Timor-Leste internet connectivity research.
- The ability to pool results at a program-wide level, demonstrating value for money and effectiveness across a larger portfolio of standardised results indicators – which helps offset the risks associated with smaller portfolios at the country level.

Relevance

Apart from scale, a second challenge for aid programs (in a rapidly changing policy context) is to find and retain relevance. Having an MSD program as part of the aid portfolio provides access to a group of industry stakeholders who operate in different spheres to DFAT's traditional interlocutors. In most instances MDF is the only program in a country portfolio that works directly with a diverse array of businesses across the private sector community, and MDF provides a platform for accessing local industry stakeholders, many of whom are influential players in local policy reform initiatives or who have business links with Australia and the region. Some examples include:

- Facilitating policy dialogue between Mr. Andrew Fairley, former Deputy Chair of Tourism Australia, The Australian High Commissioner and senior Sri Lankan tourism officials and industry representatives.
- Championing assessments of the MSME landscape in Fiji and participating as a full member of the Fiji National Financial Inclusion Taskforce. MDF Fiji has also facilitated DFAT engagement at a number of major private sector events such as the TOPEX conference, the largest gathering of private sector leaders in the country.

- MDF Timor-Leste sponsored a major research exercise in collaboration with Monash University on the economic benefits of fast reliable internet, which received considerable attention from local policy stakeholders.
- Supporting private sector development in Pakistan's borderlands by working with the Agha Khan Development Network's Accelerate Prosperity and FAO in Pakistan.
- On World Food Day this year, MDF PNG organised a workshop involving key market authorities from the four regional centres of PNG (National Capital District, Lae, East New Britain and Goroka) on fresh produce trade, challenges and opportunities.

We are also working to build links with other development programs in the region to leverage greater impact, such as a staff exchange between the Timor-Leste country program and the Promoting Rural Incomes through Support for Markets in Agriculture (PRISMA) program in Indonesia. This important initiative explores the opportunity to strengthen business linkages between Timor-Leste and Indonesia; an area where other development programs have struggled to achieve traction.

Major priorities for the coming year

Having successfully effected the strategic realignment of the program (described above) we are turning our attention towards a range of other tasks to ensure the program is well placed to perform over the coming years. A comprehensive refresh of our human resource management framework, including an enhanced internal skills development program, is underway. This will be complemented by initiatives to ensure our locally-engaged staff are given opportunities to move into management positions (the localisation strategy). It also includes implementing a plan to devolve greater decision-making authority to country programs in an effort to improve our responsiveness to local demands,

while retaining the important benefits of MDF as a multicountry program.

We will continue to build facility-wide operations functions and the QI team. We will maintain support for strategy development, ensuring technical quality, and management decision making that is based on robust evidence. This will be particularly important as the programs prepares to potentially expand its operations to a sixth country, Nepal. The coming twelve months will be a busy and important period for MDF.



MDF's strategic direction in Fiji



The Market Development Facility (MDF) in Fiji works with partners to identify and invest in the drivers of future economic growth. Fiji is an upper middle-income country where the projected growth rate has settled at an average of 3.6

per cent to 2020. Tourism and construction are the major contributors to this growth.

However, the performance of most of the other parts of the economy are performing well below expectations. This is a critical juncture for the economy. Attaining higher levels of sustained growth is necessary to generate more incomes and jobs and to reduce poverty and inequality for women and men in Fiji. Repositioning Fiji's enterprises towards a more profitable trajectory through investments and improvements in competitiveness, as well as developing promising new service sectors, can provide the growth opportunity needed.

The program works in the key sectors of agriculture and tourism to improve their competitiveness and has recently

expanded into the emergent Outsourced Services (OS) sub-sector. OS is an untapped area of growth in which Fiji enjoys a strong competitive advantage over regional rivals when it comes to catering to demand from the nearshore markets of Australia and New Zealand. MDF is working with public and private sector stakeholders to promote Fiji its OS companies to overseas clients and is exploring new ways to attract more business for the country.

In agriculture, MDF invests in connecting Fijian agriculture products and commercial and semi-commercial producers to markets where demand is higher and growing. In tourism, the program has an influential portfolio of partnerships, focused on increasing the overall yield from tourism by attracting more higher-end tourists into niche destinations and exposing them to more Fijian-made products and experiences.

The strategic direction of MDF Fiji is well aligned with DFAT priorities in-country, as well as the priorities of the Government of Fiji.

MDF's strategic direction in Pakistan



Pakistan's economic performance accelerated to reflect a growth rate of 5.8% in financial year 2017-18 on the back of strong performance in agriculture, services and manufacturing. Despite observing the highest growth rate in over a

decade, this still remains low when compared to similar South Asian countries. While inflation was contained, the country faced one of the highest trade deficits in history. Pakistan saw a consistent decline in poverty over the last 14 years as the national poverty line fell to 24 percent in 2015 from 64.3% in 2001. Rural areas continue to experience higher rates of poverty - with Baluchistan accounting for the highest - and urban areas face higher inequality.

Within this context, MDF's strategic position in Pakistan is relevant to the Government of Pakistan's objectives. These focus on achieving sustained, indigenous and inclusive growth across key sectors. MDF's focus remains on promoting productivity and efficiency gains through improved supply of inputs and information services to small farmers within the Horticulture, Dairy and Meat sectors, against the backdrop of a growing population and

changing consumption patterns. MDF's work in agriculture will also focus on addressing substantial issues related to water access and efficiency. These sectors also align with Australia's priorities and other investments in-country to ensure development efforts are matched towards water, agriculture and food security. In order to address not only rural but also urban poverty, MDF will continue to explore the adoption of new ways of recruiting and retaining female workers in the Leather sector.

MDF's portfolio will encompass a balanced strategy to address constraints in the Borderlands where the incidence of poverty is higher. This includes working with both national level businesses that have the muscle and strength to deliver greater impact, and also with rural and regional entrepreneurs that have the local expertise and community networks to encourage greater uptake of high-quality agriculture practices. Models may need to be tested in Punjab and Sindh to enable a more gradual expansion.

MDF's new office in Karachi, Pakistan's premier financial and trade hub, provides an opportunity for better, more efficient collaboration with the business and farming communities in Sindh and Balochistan.

MDF's strategic direction in Papua New Guinea



With eight million people across 600 islands, Papua New Guinea is one of the most diverse countries in the world. Rich in natural resources such as oil, gold and copper, in the last

decade, extraction revenues resulted in high government spending and a construction boom. However, the country suffers from endemic corruption and a weak legal system, which has prevented the emergence of more sustainable and broad-based growth. After natural resources, agriculture, forestry and fisheries are the most important sectors of the economy. Palm oil, coffee, cocoa and copra are important agricultural export commodities. Agriculture makes up 20 per cent of PNG's GDP and 25 per cent of the country's formal employment.

Approximately 38% of Papua New Guineans are considered to lie below the international line of extreme poverty of \$1.90, while 65.6% lie below the relative poverty line of \$3.2¹ More than 85% of the population live in rural areas. Most of the poor live in the Highlands, while the incidence of poverty is highest in Momase. The majority of the households are subsistent in nature and informal agriculture has traditionally formed the basis of that subsistence, but the absence of sufficient cash to purchase nutritious food, essential nonfood items or invest in income-generating activities can contribute to the poverty levels of households.

Informed by internal research from 2015-2016, in the early stages of implementation MDF focussed on four inter-related strategic engagement areas (logistics and ICT, local value addition, rural input supply and tourism and hospitality). These areas were identified as crucial for driving sustainable economic growth in PNG. However, results over the years have suggested that MDF's approach of broad-based interconnected engagement areas and its selection of partners was not a successful strategy.

In 2018 therefore, MDF undertook a comprehensive portfolio review and restructured its engagement in PNG. This involves moving away from the four interconnected engagement areas to focus primarily on agribusiness, where it has been easier to understand demand patterns, domestic consumption and where there is a level of private sector investment and dynamism.

Given the relatively good infrastructure, concentration of agribusinesses and high percentage of poor people in Momase and the Highlands, MDF has been strengthening its presence in these regions by developing a number of agribusiness partnerships in fresh produce, coffee, animal feed, honey and cassava. MDF will further increase its presence in the region by positioning one or two full-time staff in Lae in the next financial year, and continuing to pursue a coherent set of interventions in a number of closely connected agricultural sectors. This will allow the program to maintain a diverse portfolio of activities while focussing in on a set of market systems in which we can reasonably expect to see changes during the second phase of the program (2017-22).



 $^{^{1}\} https://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global_POVEQ_PNG.pdf$

MDF's strategic direction in Sri Lanka



MDF Sri Lanka operates in Tourism and Related Sectors under the Economic Opportunities for the Poor pillar of the Aid Investment Plan 2015-19 of the Australian High Commission in Sri Lanka. MDF's goal is to work in Tourism and Authentic Sri Lankan Goods and demonstrate innovative and inclusive practices which create

changes in market systems. These lead to sectors growing more sustainably and inclusively, benefitting disadvantaged people in Sri Lanka. This causal change - from demonstrations to system change to inclusive growth - is what underpins all of MDF Sri Lanka's activities.

In Tourism, MDF aims to increase arrivals and yields by following a three-pronged approach: better coordination at the national level, a better-functioning tourism ecosystem and diversifying destinations. Based on results achieved so far, MDF's Tourism portfolio is in the early stages of market demonstration. On the national coordination front, there was some traction from the Sri Lanka Tourism Development Authority (SLTDA), but with election year settling in and

leadership transitions within SLTDA, coordination has taken a back foot. On eco-systems, MDF activities show slightly more promise, with work on a virtual tour app, collaboration with The Hotels Association of Sri Lanka (THASL) on attracting and retaining workers, and partnerships working to populate Eastern Sri Lanka with new authentic experiences. Lastly, on developing new offers, MDF has been focusing on a few pilots which show impact but still lack an effective pathway to reach scale.

In Authentic Sri Lankan Goods, MDF has already contributed to transformative change in certain market segments, leading to sizeable impact for disadvantaged people in Sri Lanka. The central aim of this engagement area is to have vibrant and effective supply chains that link high-quality and in-demand products (such as seafood, coffee, spice and herbs) to tourism and export markets. As mentioned earlier, in fisheries, MDF's work in crab, together with other investments made by DFAT, has helped create a premium value chain where poor and vulnerable fishing households are benefitting from increased prices. In the other two segments, coffee and organic spice, MDF is at an exploratory stage, undertaking pilots.

MDF's strategic direction in Timor-Leste



Timor-Leste is making good progress with many of its development challenges. However, the economy remains undiversified and almost

entirely reliant on government expenditure financed through the petroleum fund. With economic diversification arguably Timor-Leste's biggest development issue, in the face of declining oil revenues, MDF remains highly relevant.

Because of the importance of economic diversification and the lack of depth in most economic sectors, MDF Timor-Leste continued to work across a broader range of markets and sectors than MDF in other countries. MDF continued to work in agribusiness, tourism and manufacturing, and complemented this with a few interventions in other areas.

MDF continued to work with entrepreneurs to build new markets, products and services. MDF also sought to deepen its engagement and encourage further investment in markets and sectors where pioneers have proven success is possible, such as coffee and agricultural input supply.

The key strategic challenge for MDF Timor-Leste will be to match a broad and diversified portfolio with a more concerted effort in one or perhaps two deeper markets. While there are a range of possibilities, bringing good interventions through to fruition remains a challenge. This will be the key focus of the country team going forward.

MDF's Progress in 2018

Graph key: Actuals / Estimates Example: 50 100

Estimates are similar to targets and are calculated at the start of each phase. They express what the whole program can achieve during one phase. MDF Phase II began in mid-2017 and will finish in 2022.

USD 59.9m

Additional revenue for business partners (Value of Additional Market Transactions, VAMT)



The business innovations resulting from our investments yielded USD 59.9m in additional revenue for our business partners in 2018. These gains were made possible by improving business performance through innovation, filling under-served market segments, and responding to opportunities. As businesses see greater revenues, they will not only last but invest further to expand.

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Market Actors

For every partner that MDF works with, they in turn work with a host of other market actors. These businesses benefit indirectly from MDF's support and mean that the changes MDF stimulates do not rest narrowly on a few advantaged actors.

- There are more market actors in South Asia than in the Pacific, partly because the economies are larger.
- Market actors in the Pacific tend to require a more intensive approach, meaning that the Pacific will always require more MDF input per intervention than in South Asia.
- Within the Pacific region, Fiji has made the most headway with market actors because they have a more formalised private sector and better regulated economy.

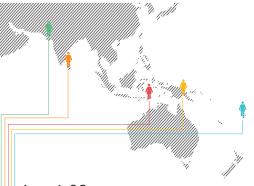


97,970

People positively impacted by MDF's work (Effective Outreach)

97,970 592,600

Across the Facility, MDF is starting to see the benefit of understanding women's access and agency. It has helped MDF work with market partners to identify the business case for better serving or employing more women, and has helped mitigate the risks of excluding or disenfranchising them.



1 to 1.02 Ratio of men to women who are benefitting from MDF's activities in the Pacific.

In the Pacific, the number of women benefitting has surpassed the number of men benefitting for the first time. Reaching women has always been a challenge because their roles are often less visible and they are often not at the point of transaction. Women have started to enter professions previously dominated by men (beekeeping in PNG, root crops in Fiji) and are thriving.

25,710 Women benefitted in South Asia from MDF's activities in 2018.

Cultural norms can restrict female participation in employment and can make it difficult to reach women at scale. Despite these challenges, more than a third of total MDF's beneficiaries are disadvantaged women. This is significant as it represents new economic space for women and contributes towards new norms that economically empower women.

USD 61.3m

Additional income generated in 2018 for those living below the poverty line

61.3m 287,2m

Just as businesses continue to invest more in innovations and grow, the reach of our impact will also grow. As poor and vulnerable households earn more income, they become more secure. With that comes the freedom to invest more in productive assets, improve farm performance, lessen their reliance on debt, and invest in better nutrition, education and healthcare.

USD 9.5m

Total program budget

Across five countries, MDF operated with a budget of USD 9.5 million in 2018. This is largely made up of our support to market partners (interventions) and, crucially, our teams on the ground, who understand the context of local economies, analyse opportunities, identify innovations, and work closely with market partners to make them a reality.

Notes

- Figures expressed in millions have been rounded to one decimal place to aid readability in infographic form. The exact figures can be found on page 11.
- By South Asia, we refer to Sri Lanka and Pakistan.
- Figures listed here are for 2018 only and are not cumulative.



How MDF Defines and Analyses Markets Systems



MDF begins by identifying specific **sectors** (e.g. agriculture) that have the greatest economic potential to impact on the livelihoods of disadvantaged people and contribute to a country's inclusive economic development. It does this based on the country context, macroeconomic data and trends, development challenges and host government and DFAT priorities.

The sector is then analysed to ascertain:

Whether it could perform above its current trend (i.e. more competitive, more inclusive).

Whether MDF has the capacity to influence the factors that are preventing the sector from reaching this potential.

This involves establishing:

The economic case

The opportunity for the sector; the current trajectory versus the potential trajectory if something were to change.

The developmental case

The role of poverty-stricken people in the sector (as workers, entrepreneurs or consumers) and how their position might be improved.

The feasibility case

The likelihood that the sector's performance could change.

This analysis considers sector structure (value chain, players involved, nature of competition) and dynamics (the growth trajectory over time, level of performance compared to other sectors) to identify constraints to the sector's growth, and opportunities to address them inclusively. This results in:

A thorough delineation of the sector (sub-sector or segment, e.g. livestock or arable crops.)

A tighter definition of the targeted population and expected impact on their livelihoods.

A stronger focus on priority constraints and the functions associated with them (e.g. animal growth is below the norm, as a result of insufficient or inappropriate feed and fodder).

These are the key components of MDF's vision of change for a sector and the strategy for achieving change. This is explained in a **sector strategy**.

Market systems

In poorly performing markets, critical functions such as information, technology, infrastructure, finance, skills, standards and regulations are either absent or not working as they should. Instead of supporting sector performance, they inhibit it. These functions and rules need to change if a sector is to perform better. In practical terms, it is these 'supporting functions' that MDF seeks to influence - to make them more supportive of sector competitiveness and inclusivity. They are the point at which change is measured.

These supporting functions typically involve an array of different market players (e.g. the silage market system is made up of functions such as raw materials, equipment, packaging materials, distribution, information and finance). Detailed analysis of their structure, dynamics and the market players involved is required to understand why they are underperforming.

When MDF refers to **systemic change**, it is describing improved performance of a market's supporting functions, and the ways these contribute to improved sector performance and inclusivity, including:

- Specific functions and rules to be changed
- The expected effect on sector performance if a function or rule is changed
- The types of market player involved
- The desired change in the function or rule, and in market players performing them.

These elements are captured in the **market system strategy**, which MDF uses to assess whether or not market systems are changing in a sustainable, pro-poor way.



How MDF Measures Systemic Change

MDF measures changes in market systems based on the program's current set of indicators, along with a range of other intermediate or proxy indicators. For example:

Adoption and continuation of new business models and practices by market players supported by MDF.

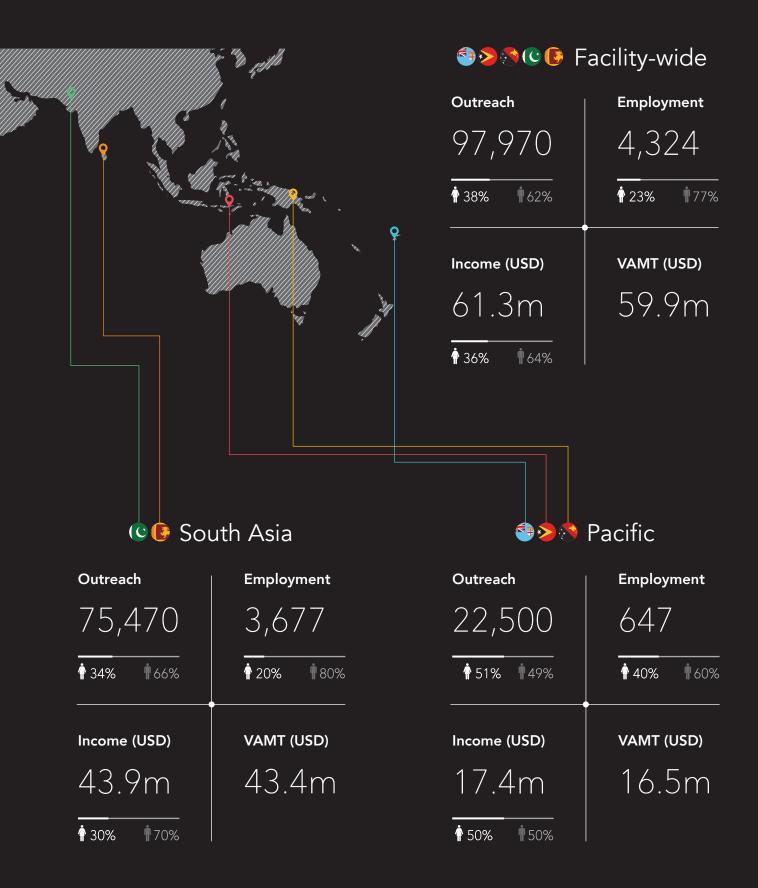
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Investment and value of additional market transactions by market players supported by MDF, and by other players; an indication of overall change in the commercial performance and growth of the market system. Uptake of those models and practices by other market players: an indication of the extent to which MDFsupported innovations are penetrating the market system and achieving a critical mass.

The target population's access to and use of new goods and services provided by market players that result in additional income for the target population; an indication of broader change, if sufficiently widespread.

MDF uses these metrics before, during and after intervention. When planning interventions, they are used to define a pathway to change (a results chain). During interventions, they are used to capture early signs of change that would suggest the system is moving in a positive direction, and to adapt interventions that are not proving effective. After interventions finish, the metrics are used to capture the extent to which a system has changed, and assess MDF's contribution to that change.

Summary of 2018 Results



Summary of 2018 Results

Results as of 2018	Actuals			Projections			Estimates	Progress Towards Estimates
MDF Investment (USD)	4,397,000			N/A			N/A	N/A
Private Sector Investment Leveraged (USD)	14,235,000			N/A			26,747,000	53%
MDF to Private Sector Investment Leverage Ratio	3		N/A			N/A	N/A	
Value of Additional Market Transaction (VAMT, in USD)	59,875,000			183,996,000			211,721,000	29%
	Female	Male	Total	Female	Male	Total		
Total Effective Outreach	37,110	60,860	97,970	172,280	200,910	373,190	592,600	17%
Outreach from Employment	990	3,334	4,324	1,240	8,121	9,362	N/A	N/A
Additional Income (USD)	21,954,000 39,373,000 61,327,000		69,305,000	69,305,000 111,802,000 181,108,000		287,202,000	21%	

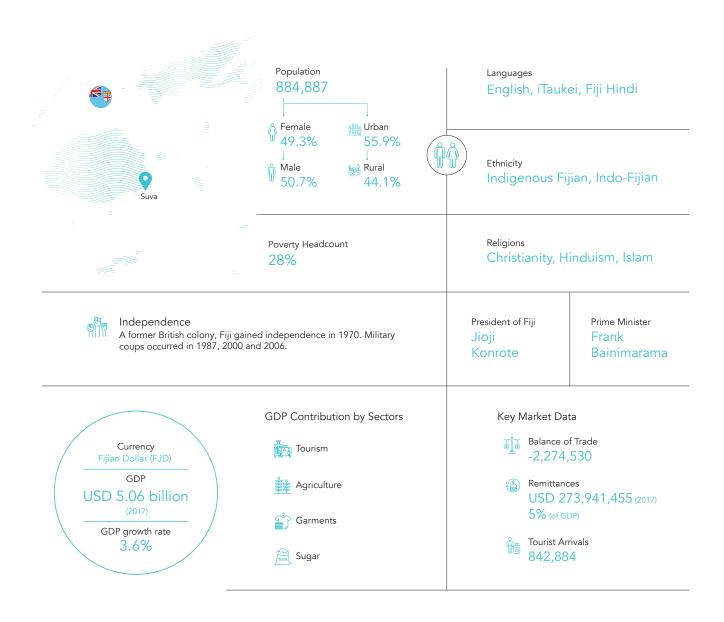
Actua	ls

DFAT Aggregate Development Indicators	Female	Male	Total	
Number of Poor Women and Men who Adopt Innovative Agricultural and Fisheries Practices	21,040	23,690	46,720	
Number of Poor Women and Men with Increased Incomes	25,370	48,560	73,930	
Value of Additional Agricultural and Fisheries Production (in USD)			6,556,000	
Value of Exports Facilitated, Including New Exports (in AUD)			20,129,000	
Value of Private Sector Investment Leveraged (in AUD)			3,683,000	



FIJI

Quick Facts



Mathematical Key MDF Focus Areas



High Value Agriculture (HVA): Improving farmers' access to quality inputs and enabling them to supply the right quantity and quality of high value agricultural produce for processing and exports.



Tourism: Developing an inclusive and diversified tourism industry by promoting niche destinations, and increasing tourism yield through buying and selling more Fiji-made business and services.



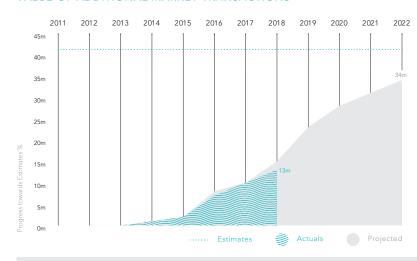
Urban Industries: Increasing the formal employment opportunities for the urban poor by promoting and strengthening selected urban industries, such as business process outsourcing services (OS) and local manufacturing.

Mighlights

MDF Timeline

2011	2012	2013	2014	2015	2016	2017	2018	2019
•	-	-	-	-	-			-
Fiji	Timor-Leste	Pakistan		Sri Lanka & PNG		Phase II		

VALUE OF ADDITIONAL MARKET TRANSACTIONS

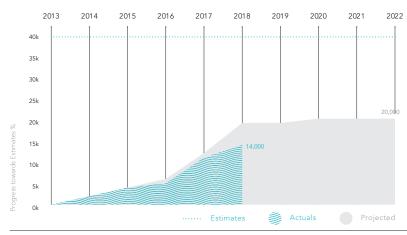


- The current portfolio has achieved 30% of its VAMT. Once all of the partnerships in the current portfolio mature, MDF will have generated 80% of the VAMT target for the program.
- MDF is working with Fiji Sugar Corporation, Rosie Holidays, and some of the largest outsourced services (OS) companies in the country. These interventions will have an impact at the sector level (for agriculture, tourism and OS respectively) and generate significant VAMT. For example, our work with FSC will contribute to a fourfold increase in profitability of each tonne of sugar sold, which will result in a strong jump in VAMT.
- MDF Fiji is on track to deliver more VAMT than expected by the end of 2022.



Before MDF can measure Outreach and Income, beneficiaries need to have applied and benefitted from the new product or service offered by the business. As a result, they begin to demonstrate progress later than VAMT, which is an earlier sign of progress.

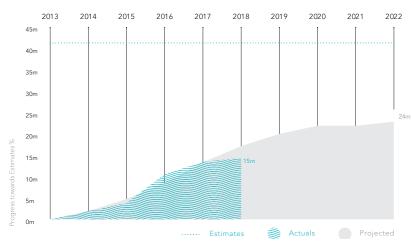
EFFECTIVE OUTREACH



- MDF Fiji's current portfolio of interventions is already delivering 35% of its EO targets. The projected outreach for the current portfolio of partnerships is expected to contribute to 50% of outreach targets for the program.
- In the second phase, MDF is working with prominent industry level partners, as well as some of the largest companies in agriculture, tourism and outsourced services. These interventions will generate significant breadth of impact by reaching a large number of poor individuals in urban and rural areas in Fiji. These new, larger partnerships will help reach the remainder of the targets effective outreach.



ADDITIONAL INCOME (USD)



- The current portfolio has generated 34% of the additional income targeted for the end of 2022. As the portfolio matures, the suite of partnerships will contribute to 55% of the program's targets for additional income by 2022.
- The interventions involving processing and adding value to high value crops and formal, salaried jobs in outsourced services will also create depth of impact, as these partnerships are likely to generate high additional incomes per beneficiary compared to other interventions. These new interventions will help deliver impact in line with additional income targets for 2022.



Country Strategy

Fiji is an upper middle-income country with a population of 905,502 and a GDP per capita of USD5,589.² Most residents live in urban centres on Viti Levu. Fijian cities are growing at a rate of 1.7 per cent per year, mainly due to rural-urban migration, particularly amongst the young and better educated.^{3,4} This is creating a youth bulge in Fijian cities and towns while rural/agricultural areas are depopulating.

Twenty-eight per cent of the population exist below the national poverty line of USD2.90 per day. A third of this group are concentrated in urban settlements, particularly in Suva, Nadi and Lautoka.⁵ Extreme poverty is rare in Fiji with an estimated 1.4 per cent of the population falling below the USD1.90 per day level. However, rural households, especially those who rely on subsistence agriculture or mono-cropping, or are far from markets, remain vulnerable.⁶ Poverty is more widespread in the Northern and Eastern divisions compared to the Western and Central divisions, which have better proximity and connectivity to markets.

Over the last five years, Fiji's international port and airport capacity improved significantly, increasing trade and tourism. Since 2011, the cost to export decreased by half.⁷ However, internal connectivity remains a challenge. Firms are disconnected from farms, who in turn are disconnected from markets. In sharp contrast, telecommunications and internet technology have grown exponentially and are available in all parts of Fiji. There are 114 mobile phones for every 100 Fijians and internet usage stands at 46 per cent of the population.⁸

Women play an active role in the economy, especially in horticulture, urban industries (such as ready-made garments manufacturing or outsourced services) and in tourism. As in other countries, women in Fiji face the double burden of productive and reproductive workloads. Women make up 35 per cent of the labour force as well as 74 per cent of all unpaid family labour. Outside economic activities, women face other challenges in the form of high levels of domestic violence and low representation in decision-making at the household or community levels.

The economy suffers from many of the competitiveness challenges that characterise the small Pacific Island Countries. Still, despite many years of global economic headwinds, natural disasters and political instability, the economy remains relatively diversified. Tourism, remittances and agriculture represent the largest share of the economy, but Fiji retains some manufacturing capacity (garments) and acts as a Pacific hub in the services sector (e.g. financial services) and is well connected regionally. While growth is expected to continue at a healthy rate of 3.6 per cent until 2020, Fiji's economy remains particularly vulnerable to natural disasters, which have disproportionately large effects on two of the country's main export earners: tourism and agriculture.

Tourism has grown steadily over the last five years and, along with remittances, is seen as the key driver of economic growth. While horticulture and high value agriculture exports have increased year-on-year, declining competitiveness for the main commodity crops (sugarcane, taro and copra) have led to an overall decline in agricultural exports.



Based on this analysis, MDF identifies the major development challenges in Fiji where MDF can make a difference as:

- A lack of economic diversification and persistent vulnerability to shocks (political shocks, natural disasters and fierce competition in Fiii's traditional export markets)
- Ongoing vulnerability at the household level, and insufficient income earning opportunities outside of farming
- Limited off-farm employment opportunities for a young and increasingly urbanised workforce
- Concentration of economic activity in relatively few geographic locations
- Poor representation of women and indigenous Fijian entrepreneurs in an already narrow entrepreneurial base.

² Census, 2017; WB 2018.

³ WB, 2017

⁴ Youth literacy rate is 99.5 per cent; WB Country Diagnostic Study, 2017.

⁵ ADB, 2018

⁶ MDF Fiji Household level analysis of poverty and gender, 2013.

⁷ Doing business index, 2018

⁸ WB, 2017

 $^{^{\}rm 9}$ There is a large range of data on this indicator. This data is from the NSDP from RBF.

¹⁰ WB Country Diagnostic Study, 2017



Sector selection, rationale and focus

MDF promotes inclusive markets for Fijian businesses, with the goal of generating more income and jobs and helping reduce poverty and inequality. Because Fiji has a small population, opportunities for business development and growth in domestic markets are limited. Therefore, a major focus for MDF is on markets that have export potential.

Increasing exports improves Fiji's trade balance, earns foreign exchange, and contributes to economic diversification and growth. To achieve this goal, MDF has selected areas of focus based on several considerations:



Demand

Goods and services for which there is currently strong, growing and/or unmet demand in international markets, which Fiji might supply.



Competitiveness

Goods and services where Fiji has a clear comparative or competitive advantage over both regional and international peers.



Feasibility

Goods and services that are suited to the unique characteristics of Fiji. These are:

- Value rather than volume-based, given Fiji's high cost structure and the difficulty of achieving scale
- Distinctive to Fiji as a location with a strong international identity
- Capable of being transported efficiently whilst maintaining quality, given Fiji's distance from end markets and limited domestic storage and cold chain facilities
- Exploiting the advantages of Fiji's geographic position as a logistical hub for other Pacific islands and Fiji's well-educated, Englishspeaking workforce
- Contributing to a more diversified export basket that spreads risk, particularly in relation to shocks.

Based on Fiji's development challenges and the MDF country team's experience, future interventions will focus on the export of high value agriculture products, the export of outsourced services and tourism.



Gender and Inclusion

In 2018, MDF generated USD61.3 million in additional income for poor women and men, and for the first time, the number of women benefitting surpassed the number of men benefitting in the Pacific region. In Fiji, all of MDF'S partnerships have positively impacted women's empowerment. This impact is not just limited to increased economic opportunities for these women, but have addressed the complex issues of agency and in some cases, the frequently overlooked constraint that women in Fiji face: time poverty. For example, through the introduction of mechanical harvesters to sugarcane farming households, one of MDF Fiji's partners Charan Jeath Singh (CJS), reduced the workload of women in these households by 90 per cent. The women used the time saved to rest more and help their children with their education, while also investing some time in managing other crops.

Through MDF Fiji's interventions in Tourism, more than 1,300 women in traditional Fijian communities have benefited from additional income - to the tune of USD800,000. Historically, women in Fijian communities dedicate time and other resources to supporting community-run economic activities, but rarely get compensated. MDF, through thoughtful design, has developed communitybased models with Fijian tourism companies which ensure that women's efforts are amply rewarded. Rewarding women's efforts has been a win-win for the communities, the households and the businesses. As women have continued to earn incomes from MDF partnerships, they have contributed to sustained high quality service to tourists, increased investments into the wellbeing of their families and increased contributions towards their community obligations.

Summary of sectors and objectives in Fiji

Sector	Key Objectives		
High Value	Improved connectivity between firms, farmers, and markets		
Agriculture	Reaching new markets through value added Fijian products		
	Promote more tourism in niche destinations		
Tourism	Introduce more Fijian made products and experiences for tourists to enjoy		
Outsourced	Attract more OS orders into Fiji from the nearshore markets of Australia and New Zealand		
Services	Invest in skills to develop more sophisticated OS products.		







HIGH VALUE AGRICULTURE



Beneficiaries







Additional Income per Beneficiary



50%

Participation

1 9
ale Partnerships

*These results are cumulative from 2011

SECTORAL CONSTRAINTS

- Cost-effective logistics and distribution networks that connects firms to farms
- Allowing more farmers access to affordable quality agriculture inputs and mechanical harvestors
- High Value Agricultural produce for exports through certification, processing, value-adding and brand development
- Promoting products, services and business models that focus on sustainable supply chains

INTENDED CHANGES

IN THE MARKET

Labasa Savusavi Taveuni Rakiraki Tavua Koro Natov Lautoka Leyuka Ovala Farmers Land Sigatoka Sea Pacific Harbour 4

PARTNERSHIPS

- Bens Trading Ltd
- Biotec Ltd
- CDP Courier Services Limited
- Charan Jeath Singh
- Cinnamon & Spices Fiji
- Devesh & Bharos Farms
- Fijika
- Fiji Sugar Corporation
- Global Cargo Traders
- Herbex Limited

- Investment Fiji
- KKs Hardware
- Labasa Farm Fresh
- Magere Exports Ltd
- Ram Sami & Sons Limited
- Standard Concrete Industries
- Sai Yee Foods Ltd
- South Pacific Elixirs
- Wallson Foods Limited

Reaching new markets through value added Fijian products

Improved connectivity between firms, farmers and markets



KEY RESULTS



Over **8,600** farmers and firms across Fiji have improved access to agricultural inputs: aglime, seeds, seedlings, tissue culture, mechanical harvestor and poultry manure.



Over **2,500** farmers are benefiting through improved product development of Fijian agricultural exports for new markets: noni juice, noni capsules, virgin coconut oil, raw sugar, sea urchins, kava capsules, instant kava powder, processed taro, processed jackfruit, processed cassava, breadfruit, chillies and processed vegetables.

Sector Story

High Value Agriculture



Context

Fiji's competitiveness in exporting its traditional basket of agricultural products is declining. A narrow product mix, over-reliance on a few buying markets, and steady loss of market share in existing markets, combined with high costs of production and transportation are all contributing to this decline. The growth opportunity for agriculture in Fiji lies in shifting to high value agriculture (HVA). High value crops that can be processed and sold to higher priced markets would be better able to absorb higher production costs.

The HVA sector in Fiji is showing early signs of increased commercialisation. Since 2011, MDF and local partners have been an integral driver of this shift, creating positive examples around which other private sector players are starting to crowd in. Producers and suppliers are beginning to invest in their farms and use higher quality inputs. Specialists in input manufacturing, distribution and logistics are investing in business models that connect more firms, farms and markets to each other. However, the pace and the extent of change still lag behind their potential. Growth in exports of high value crops remain constrained by poor connectivity, limited processing of high value crops, and limited branding and marketing of Fijian produce.

MDF's Strategy

MDF's strategy in the HVA sector centres on growing the value of agriculture exports by pushing more high value agricultural products into new markets. MDF plans to achieve this by investing in two critical pathways: (1) improving connectivity between the various firms, farms, and markets that make up the high value agriculture market system; and (2) introducing more value-adding processes for local agricultural raw materials that generates greater returns for local farms and businesses.

MDF implements a portfolio of interventions that focus on four key functions in the HVA market system (explored below). Interventions include partnerships and MOUs with local companies and public stakeholders, and engagement and influencing events. To stimulate crowding in from other investors, MDF collaborated with the Ministry of Agriculture in 2018 to host an investors' forum in Nadi, contributing to discussions about attracting more foreign direct investment (FDI) into the HVA sector. In 2018, an MOU was also signed with Investment Fiji to collaboratively develop a comprehensive exporters' handbook. The handbook will be published towards the end of FY 2018-2019.



As of December 2018, MDF's interventions in HVA have generated over **USD7 million in additional** market transactions. The bulk of this has come through sales of products and services that have allowed farmers to improve the productivity of their farms. These goods and services have in turn resulted in an additional income of **USD13 million for 11,200 producers**, of which **51 per cent are women**. The current portfolio of interventions is expected to yield more results still. By 2021, MDF estimates that a further **USD2.8 million of additional income** will be generated for an additional **5,300 individuals**, the majority of whom are smaller farmers in remote locations around Viti Levy and Vanua Levy.

¹¹ World Bank MEC Data on Agriculture exports in Fiji, 2016.

Progress and results in the target market system



More cost-effective and efficient logistics and distribution networks that connect farms and firms.

MDF remains the only private sector development program that has invested in interventions that try to improve the distribution of critical inputs to commercial and semi-commercial farmers. Since 2015, MDF has worked intensively with some of Fiji's leading input manufacturers and hardware companies to improve distribution networks. Ensuring the right agricultural inputs reach export farmers across Fiji on time, in the right amounts, and at the right prices is paramount. These investments are starting to yield results: as of December 2018, 8,600 of the 38,000¹² commercial and semi-commercial farmers in Fiji have better access to input suppliers.

There are strong signs of crowding in as other companies are investing in the development of their own distribution networks to reach more farmers. Companies in Sigatoka valley are importing fine grain agricultural lime or are producing high-quality seedlings for sale to commercial farmers in the area. These businesses have been influenced by MDF partners Standard Concrete Industries and Devesh and Bharos farms.

Improved availability of high-quality inputs has also been a boon for farmers, who could previously only sell to local markets due to poor produce quality or inconsistent quantity. As these farmers now use better inputs that greatly improve the quality and quantity of their products, they can now sell to the relatively higher-priced markets in Suva and Nadi. In 2018 alone, more than 900 farmers in the Sigatoka area earned an additional USD142,000 by selling to these urban markets.

MDF will invest further in logistics and distribution to reach more commercial farmers in Viti Levu and Vanua Levu, and start working in Taveuni, a key export production centre.



Resilient supply chains and sustainable sourcing models in remote locations and traditional communities.

MDF implements a number of interventions that connect farmers and their high value agricultural products to processors and exporters. MDF focuses on supply chains that can engage with farmers in more isolated locations and within traditional Fijian communities. MDF's work

in community engagement has kick-started important dialogue between provincial authorities, companies and farming communities across Fiji. This dialogue is critical to bridging the gap between rural supplier communities and buyers from the private sector to deliver mutually beneficial commercial relationships.

Over 2,600 farmers in remote locations across Macuata, Nadroga, Naitasiri, Ra, and Serua provinces are now selling consistently to seven major exporters. This has resulted in USD6 million of additional household income. Over the next 12 to 18 months, MDF will invest further in partners to build ties with traditional Fijian communities.



Better demand matching and brand development to improve market access.

Historically, Fijian agricultural products have been sold solely to the Fijian diaspora; exporters knew little about demand beyond the diaspora or how to brand effectively for mainstream markets.

Recognising the potential of these mainstream markets, MDF works with key businesses who are investing in processing, branding, packaging and marketing techniques to reach more customers. Some of MDF's early partners – such as Ben's Trading Limited (BTL) and South Pacific Elixirs (SPE) – have spearheaded these changes. Indeed, SPE made history as the first Fijian company to trade on the Australian Stock Exchange (ASX) under its rebranded name Fiji Kava Limited. SPE currently buys from more than 280 farmers in remote locations in Naitasiri to meet growing demand for Fijian products. It also passes on the benefits of higher prices in new markets to the producers: the 280 farmers supplying SPE have earned a premium of USD180,000 over the course of the partnership, when compared to the prices offered by other kava dealers in Fiji.

The successes of these early partnerships in rebranding and reaching new markets were key factors that encouraged other prominent companies like the Fiji Sugar Corporation (FSC) to collaborate with MDF. The partnership with FSC focusses on rebranding Fiji Sugar to highlight its origin and high quality, with the aim of gaining access to higher yielding regional markets and leading the struggling Fijian sugar industry towards a more profitable business model. The partnership will also be a valuable example to producers of other commodities as they look to use quality or uniqueness of origin as an attractive selling point.

¹² Agriculture census 2017 and MOA Baseline Survey 2015/16 which says that 16 per cent of all farming households are involved in semi-commercial or commercial agriculture.



Introducing business advisory services targeting local agriculture processors to make them export ready.

There are a number of home-based food processors in Fiji processing a variety of local fruits and vegetables. However, they are often disconnected from export market demand and lack sufficient business and planning knowledge to grow effectively. MDF's experience with implementing MDF Fiji Enterprise Engine (MFEE) has shown that with appropriate business support services, micro-enterprise that process high value crops can enter export markets.

Over the next 12 months, MDF will invest in a private sector-led incubation system tailored specifically to HVA. Results from this initiative can be expected in FY 2020-2021.



Observations and Lessons

Some key lessons from 2018 are:

Chronic labour shortages continue to be a practical barrier to any kind of intensification of agriculture. Interventions that require farming households to intensify cultivation must keep the impact on workload and time poverty in mind, especially for women farmers.

MDF has helped specific partners develop successful supply chains with some traditional Fijian communities. In order to reach scale with this approach, MDF will need to work with stakeholders such as the iTaukei Land Trust Board (TLTB) and the provincial offices.

Natural disasters will continue to be a point of vulnerability for the agricultural sector. While some events cannot be mitigated completely, MDF will continue to explore ways of improving the resilience of supply chains, farms and exporters so that even when business is disrupted, it can quickly recover and supply chains remain functional. This could include promoting climate-smart agricultural techniques or promoting crops, such as cinnamon or turmeric, that are better able to cope with strong winds or floods.

Since 2011, MDF has worked with five local businesses that have introduced solutions for struggling export-oriented farmers. These solutions improve yields, enhance the long-term productivity of farms and mitigate the risk of natural disasters.

'Devesh and Bharos Farm's papaya seedlings are so well-developed and resilient to strong winds that after TC Gita in February, my papaya trees were still standing, while trees of seedlings from another source had collapsed. That season, I was one of the few farmers in the market supplying to exporters, and I got a good price too!'

Papaya farmer in Sigatoka









URBAN INDUSTRIES



46

FTE Jobs from 2016



Total Additional Income



USD 2,426

Additional Income per Beneficiary



78%

Female Participation



7

Partnerships

*These results are cumulative from 2011

CONSTRAINTS ADDRESSED

- Limited awareness of global demands
- Lack of skill matching and development
- Inadequate advocacy to promote industry

78% of urban population in Suva and Nadi/ Lautoka areas 1.6% urbanisation rate 56% living in urban areas

OPPORTUNITIES

- Formal jobs for women and associated benefits of stable income, safety at the work place
- Increased salaried and wage employment opportunities for the urban poor
- Increased income opportunities for the youth

- Mark One Apparel
- United Apparel (Fiji) Limited

PARTNERSHIPS

- Danam (Fiji) Limited
- Hydra Sports (Fiji) Ltd
- DHL Express (Fiji) Limited

Urban industries are based out of the population centres namely Suva to Nausori corridor in the central region

and Nadi to Lautoka Corridor in the west.

- Fiji Exports Council
- Reserve Bank of Fiji

WAY FORWARD



Promote Fiji as an BPO destination for quality service through marketing and brand development



Skill alignment and enhancement through curriculum development and specialized training



Business advisory services for ICT professionals





Sector Story

Urban Industries



Context

The 2017 national census revealed that, for the first time, Fiji's urban population has outgrown its rural population. The cities – particularly Suva, Nausori, Nadi and Lautoka – house 56 per cent of all Fijians and are growing at an annual rate of 1.6 per cent. Official data shows that urban unemployment is 5.7 per cent, nearly double that of rural unemployment. MDF sees potential to address this issue by investing in selected urban industries. So far, we have invested in ready-made garments (RMG) and internet and communication technology (ICT) interventions. The exact mix of sectors MDF decides to work in will be determined after further analysis of exploratory interventions currently underway.

MDF's strategy

Trends in urbanisation and urban unemployment point to the opportunity for a growing and diverse set of industries in Fijian cities. MDF's first foray into urban industries was through investments in RMG businesses in Fiji. The results of this first set of investments have been mixed, but have yielded sufficient insights, experience and contacts to suggest to MDF that focusing on job-creating urban industries (beyond RMG) is valid and feasible.

MDF intends to adopt an exploratory approach over the next 12 months, to identify the highest potential urban industries where MDF might make a difference. This exploration will combine analysis and pilot interventions, beginning in the ICT sector. If promising opportunities arise in other urban industries, MDF might investigate these, subject to resources available, and progress in existing sectors. Any opportunistic investments will be guided by a strong demand scenario, a focus on Fiji's competitive advantage, the ability to deliver strong pro-poor impact and the availability of private sector interest and investment. They will also be supported by targeted research to identify the most promising urban industries.

MDF is currently exploring investments with ICT companies that specialise in providing business process outsourcing (BPO) services. ICT is a relatively young industry which has the potential to grow if helped to connect to the growing global demand for various ICT services including BPO and Knowledge Process Outsourcing (KPO). The investment with DHL Fiji Ltd. to establish a BPO department serving clients in Australia and New Zealand has created 22 jobs, primarily taken up by women, over two years. This highlights the job creating potential of this industry, especially for educated but semi-skilled youth who are increasingly migrating into cities across Fiji.

Results to Date



MDF's Phase I partnerships in RMG have created **46** new full-time jobs.



125 individuals in RMG factories and call centres in Suva and Lautoka have benefited from a net additional income of **USD330,000**.



These new jobs are filled **mostly by women** - providing not only a formal job opportunity, but a stable income and the prospect of improving their skills. For example, female workers in Danam Ltd. have earned more than USD58,000 in additional income after their training in manufacturing specialised garments. These skills are transferable and have impacted not only the retention of the staff in the company but also opened up other opportunities in the industry as a whole. Additionally, amenities such as child care for working mothers have supported female involvement.



MDF's RMG partners have also benefited from an increase in competitiveness, operational efficiency and better trained staff. MDF's RMG partners have seen extra orders in their factories reach **USD1.4** million to December 2018.



Lastly, MDF commissioned a study on the MSME landscape in Fiji with the Reserve Bank of Fiji. The study has been instrumental in MDF becoming a full member of the National Financial Inclusion Taskforce (NFIT) of RBF. It has also triggered a number of other investments from government and development partners to help form the upcoming national SME Corporation, a key agenda for the current government.

Observations and Lessons

Urban industries, such as RMG, ICT, and manufacturing are dominated by a few large companies. These actors are resistant to change, even when presented with negative outlooks for their industries. The incentive to invest in and diversify urban industries lies with small to medium-sized enterprises. However, progress will be slow as SMEs face an array of common constraints to business expansion and growth, including financial resources, managerial capacity and over-reliance on a single decision-maker.

In supporting the BPO association and promoting Fiji as an ICT destination, MDF can draw on important lessons from similar efforts to develop niche destinations in the tourism sector namely, having a dedicated secretariat who ensures that all advocacy efforts are well-organised and executed.











2,600

Beneficiaries



Total Additional Income



Additional Income per Beneficiary



Female Participation

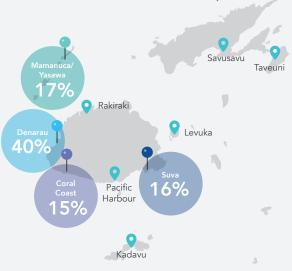


Partnerships

*These results are cumulative from 2011

• Concentration of Tourism is 88% in 4 key areas, Denarau, Coral Coast, Mamanuca/Yasawa and Suva

Source: IVS - *2016 International Visitor Survey



- The state of tourism and the state of the st
 - = Niche destinations
 - Tourism leakage Lack of locally/ Fijian made products and services in the tourism sector

INTENDED CHANGES IN THE MARKET



Increase tourist yield from Fijian branded products and experiences



Promoting niche destinations through better air and sea connectivity



INTERVENTION AREAS AND PARTNERSHIPS



- Vuda Marina
- Port Denarau Marina
- Savusavu Tourism Association



Sustainable Community Business Engagement

- Tifajek Mudpool and Hot Springs
- Rise Beyond the Reef

Product Development,

- Talanoa Treks
- Nama of Fiji



- Pacific Bed Bank
- Tour Managers Fiji
- Tourism Kadavu
- Tourism Suncoast • Cover Story Limited
- **Placement**
 - Adi Chocolates

Branding and

- Bula Coffee
- Vou (Dance) Fiji
- Fiji Museum
- Coconut Kids Fiji
- Southern Solutions
- Essence of Fiji



KEY RESULTS



Development of niche destinations marketing initiatives, including new destination videos for Kadavu, Savusavu and Rakiriki ("Suncoast") and improved flight scheduling to Vanua Levu



Support for the introduction and growth of 6 new locally made tourism products into the tourism market: coffee, chocolate, handicrafts, toys and clothes and blast frozen fish

Sector Story

Tourism



Context

Fiji has the largest tourism industry in the South Pacific after Australia and New Zealand. The industry generates USD800 million annually and provides direct employment for over 40,000 people. However, the benefits generated by the industry are not inclusive. Up to 88 per cent of tourism remains concentrated in the four key regions of Denarau, the Mamanuca and Yasawa Islands, the Coral Coast in Sigatoka and Suva. The majority of the country's diverse tourism destinations remain under-visited and contribute minimally to the tourism industry earnings.

The opportunity to grow tourism in Fiji includes promoting the lesser-visited tourism sites around the country and targeting higher yielding tourists from USA, Europe and Asia, as well as the traditional, proximate markets of Australia and New Zealand. Further opportunities exist in promoting off-season and nautical (yachting and cruise) tourism.

MDF's strategy

MDF would like to see a growing, diversified and inclusive tourism sector in Fiji. This vision can be delivered through a portfolio of investments that is organised around two pathways: (1) promoting tourism in niche destinations; and (2) introducing more authentic Fijian goods and services tourists – in existing and niche destinations. As of December

2018, MDF partnerships have helped 2,600 female and male Fijians generate USD1.6 million in additional income. Over the next two years, the net additional income generated is expected to double to more than USD3 million and benefit more than 3,100 individuals cumulatively.

The results reported above are from investments that have introduced more Fiji-made goods and services to tourists in existing areas. The bulk of the work in this pathway connects supplier and producer communities around Fiji to tourism enterprises and tourist markets. There is relatively little time lag between when an intervention helps introduces a new product and when targeted beneficiaries see an impact. For example, MDF partners Rise Beyond the Reef (RBTR) was able to benefit 297 women across two provinces within the first year of completion of activities.

Conversely, promoting niche destinations is a more complex implementation challenge. It requires significant investment in time-consuming activities focused on advocacy and coordination between national tourism stakeholders, and the global marketing of niche destinations to potential visitors. Over the last three years, MDF has been committed to achieving this and there are some early signs of tourism numbers increasing, but the bulk of the anticipated results are yet to be realised. MDF expects advocacy, coordination and marketing efforts to yield results in the coming high season in FY 2019-2020.

¹³ Fiji Government 2021 National Tourism Development Plan, MITT

Progress and results in the target market system



Increasing the variety and visibility of authentic Fijian goods and services to tourists

Many of MDF's partners in the tourism sector are pioneers in delivering authentic Fijian products, services and experiences. They are however in the minority as the largest retailers to tourists still promote imported goods and services. Poor product offers and limited marketing contribute to this situation. Regardless of the challenging circumstances, our partnerships have resulted in more than USD3 million in additional market transactions. With the opening of exciting new offers such as Vou's cultural tourism packages or an expanded menu of spa products from Essence of Fiji, this figure is expected to increase significantly. MDF's emphasis on authentic Fijian products and services ensures that the bulk of the additional market transactions go back into Fijian communities. For example, out of the USD600,000 of additional sales of MDF partners to tourists, half went back to the source communities as additional community. This is in contrast to imported souvenirs that are conventionally sold to tourists in Fiji, where the majority of the profits remain with the importing companies.

Identifying high quality investments in this area remains resource intensive. It requires customised strategies for engaging with communities, and commercial partners who are committed to working with communities. Partners such as RBTR and Walks and Trails are testament to these investments paying off: product variety, volumes and consistency of the goods and services have all increased. For example, over the last two years, Bula Coffee have doubled their revenue through introducing five new products. They have also expanded their sourcing footprint from eight to 18 communities in response to this growing demand for their products.



Improving air connectivity for tourists traveling to niche destinations

Fiji can be an expensive country to reach because of its remote location. This is compounded by the relatively limited flight options available to visitors. Domestic travellers face the same restrictions, especially regarding niche destinations. Influencing air travel policies and flight pricing is challenging and politically sensitive, but MDF has identified opportunities to boost travel to niche destinations, particularly during low season when occupancy rates are lower.

Promoting off-season travel requires investment in developing the readiness of niche destination stakeholders to engage with industry stakeholders, as well as in improving awareness among tourists. Uncoordinated efforts to get tourists to new locations in the off season can lead to issues like inadequate transportation or generic activities, which could harm the perception of the destination in the minds of tourists irreparably.

There are early signs that advocacy, coordination and marketing efforts are having an effect: MDF's work with Tour Managers Fiji to promote Savusavu to Chinese travellers during Chinese New Year has resulted in an additional 436 arrivals over the last two years. It has generated an additional seven jobs and over USD200,000 in additional sales revenue for accommodation providers. In 2018 MDF worked with Fiji Airways and Northern Airways to coordinate a Melbourne-Nadi flight routing that links to the domestic Nadi-Savusavu connection. With a shorter waiting time between flights, MDF anticipates a 30 per cent increase in tourist arrivals from Melbourne.



Promoting greater nautical tourism to niche destinations through better marketing and improved marine infrastructure.

The impact of marine tourism in Fiji has so far been limited to budget cruise ships visiting Suva and Lautoka. Higherend cruise ships do yet not visit the Yasawas, Rotuma or Lau, and yachts tend not to explore the niche destinations.

In 2018, MDF worked with marina partners in Vuda and Denarau to complete a well-received study on the economic impact of yachting tourist arrivals. Released towards the end of 2018, it has received widespread attention from local and international media, as well as from major tourism stakeholders in Fiji. The South Pacific Tourism Organisation (SPTO) is planning to upgrade the economic impact study by creating a regional yachting strategy for 17 countries. Tourism Fiji and the Fiji Bureau of Statistics are also aiming to include yachting tourism in key marketing and data collection efforts respectively.

MDF currently implements a set of interventions with local marinas and service providers to stimulate growth of the nautical tourism sector. Investing in disaster proofing and "cyclone certification" of key local yachting marinas, introducing cyclone insurance in Fiji, and improving the marine charts around niche destinations will encourage more yachts to stay and travel within Fiji throughout the year. This will further increase the economic contribution of the industry over the next three years through more jobs and local spending.



Improving the quality and standard of tourism services in the niche destinations

Outside of the established tourism enclave of Denarau. most other authentic Fijian experiences available to tourists are of inconsistent quality. The Fiji museum in Suva is an apt example of how a potentially attractive tourist location remains unexplored due to a lack of basic services such as guided tours or tourist amenities. MDF has invested in a few businesses, such as Tifajek Mud Pools, Essence of Fiji, and Talanoa Treks, to improve the quality of the services offered to tourists. The resulting positive changes in service quality have attracted more tourists to visit these businesses and have contributed to the long-term sustainability of these enterprises. For example, MDF invested in Tifajek to improve the infrastructure around the mud pools as well as in the training of masseuses within the business. This has resulted in more than 12,000 additional tourists visiting the site over the last two years, and demand remains high.

MDF will capitalise on the lessons learned from these early partnerships and increase the level of investment to enhance the skills and knowledge of Fijian tourism service providers to improve the quality of their offers. Where appropriate or feasible, we will also work with international training providers to introduce quality certifications to specific segments, such as spa tourism, that will encourage more tour operators to send tourists to these service providers.



Building the capacity of regional tourism destinations to engage national tourism stakeholders

MDF is optimistic about the value of strengthening regional tourism associations and promoting niche destinations. Niche tourism destinations are gaining recognition as a potential driver of a more diversified tourism sector in Fiji. MDF helped revive these dormant associations and improved their capacity in designing effective marketing strategies and developing high quality content that can be used for promotions and marketing. The Savusavu, Rakiraki and Kadavu regional tourism associations have successfully implemented their targeted and coherent digital marketing strategies. These included creating destination videos to share on social media platforms and reached millions worldwide. Fiji Airways incorporated these videos into their own international marketing channels in key source markets where they have reached an estimated 12 million people. The Ministry of Industry Trade and Tourism (MITT) has recently shown a significant interest in developing niche destinations and supporting regional marketing organisations. MDF looks forward to cooperating with the ministry to implement the National Tourism Strategy, especially on the parts of the strategy relevant to development of niche destinations.

MDF believes that supporting regional tourism associations is essential to fundamentally changing the way niche destinations are included in the national tourism agenda, but it can be very time intensive. It is expected that these initiatives will gain traction in the next tourism season. Therefore, MDF will continue to pursue a multi-faceted approach, combining support for regional associations, partnerships with the private sector, and wider engagement and influencing activities in the sector.



Observations and Lessons

Promoting niche destinations requires significant investment of time and effort, both by MDF and partners, as well as the alignment of interests of public and private sector players. A robust Quality and Inclusion (QI) system is imperative, presented by a favourable political economy, to help converge political will on particular topics.



Inclusion Interview

Marilyn Visiloni, MDF Q&I Specialist Adimaibole Waqainabete, Business Adviser in the Tourism team



First formalised in 2015, MDF's WEE framework is critical to understanding how women take part in supply and value chains. More than 'cash-in-hand', MDF's approach to WEE includes understanding and improving well-being, access to information and services, employment and other opportunities.

In Fiji, Q&I Specialist Marilyn Vilisoni and Tourism Business Adviser Adimaibole Waqainabete explain how they incorporate the WEE framework into their work and what that means for Fijian women.

Market Development Facility (MDF): Can you explain MDF Fiji's approach to Women's Economic Empowerment (WEE)?

Adimaibole Waqainabete (AW): We approach every project with the understanding that women are an integral part of the economy, so all investments we make are evaluated through a Women's Economic Empowerment lens. We use the MDF in-house WEE framework to guide our thinking about how women may contribute to, and benefit from, economic growth. In our projects, we are particularly concerned with engaging women in traditional Fijian communities, supporting small businesses to build women-friendly policies and practices and supporting women's roles in ensuring greater agricultural resilience.

Marilyn Vilisoni (MV): My team works with Quality and Inclusion and we constantly try to better understand the role of women in the supply and value chains, incorporate WEE into each project and enhance agency in every intervention. Our monitoring and results measurement (MRM) system investigates and assesses inclusiveness. We don't just consider the monetary impact of our interventions on women, but also the non-financial gains that materialise through the implementation of our partnerships. In Fiji, empowerment is more than cash in hand – it's about security in the workplace, openness and transparency, freedom of speech and representation.

MDF: How do you select projects to make this a reality?

AW: Before we sign a partnership agreement, we consider the roles of women in the value chain as suppliers, consumers and employees. The Quality and Inclusion team works closely with Business Advisers (BAs) to formulate and ask questions to better understand women's interests and needs and how this will support the business bottom line.

MV: We also try to ensure buy-in from the private sector and through our MRM assessments. We show potential partners how supporting women can positively impact their turnover. Making the business case for WEE is critical, so making sure that our results, WEE and our intervention activities all interact and work together is central to shaping our work.

MDF: What does that mean in practice?

MV: It means that we collaborate with women in traditional Fijian communities. For example, a recent MDF partnership needed to procure large volumes of sea grapes from a remote location in the country. To assess the partnership's feasibility and the community's ability to sufficiently supply this increased volume, our team conducted a baseline study. The study found that women were the main suppliers of sea grapes and they spent up to six hours a day, at least three days a week at sea during low-tide to supply the existing market. The proposed partnership would increase the workload of women in the village since they would need to spend more harvesting time in the sea to meet the increased demand for sea grapes.

AW: In this project, our team determined that this increased workload would require the female harvesters to expose themselves to the chill of the sea and the sun for longer periods of time and that this could adversely affect the women's health. To address this, we recommended that the sea grape purchaser supply these women with proper open water equipment, such as wetsuits, snorkels, goggles, reef shoes and buoys, and instructed the partner to consider procuring a boat to service their supply. Whilst the women were pleased with the proposed wage offer, they needed more than money to safely execute this project. So we explained to the partner that providing the women this equipment was a vital aspect for the sustainability of the supply chain given that the health and well-being of the women could be at risk in the long-run.

How did MDF's intervention impact WEE in this situation?

MV: In this instance, the BAs used the findings from the baseline study to formulate the intervention with the partner and to ensure that there wouldn't be any added workload for the women. This should enable them to be more empowered to make decisions that best benefit their needs. To truly align project reality with WEE goals, our results measurement and implementation teams collaborated closely. In a recent independent DCED audit on our MRM systems in November 2018, we scored 97 per cent.

MDF: How do communities react to MDF's inclusive approach?

AW: We've had really positive responses. It's so rewarding when we come back to a community after a year and we're welcomed as friends because we listened and tried to help. We don't treat any community with a 'one-size-fits-all' approach. We hear stories of women in some of these communities being more independent and getting more recognition within their communities due to MDF assistance. Recently, one woman became a successful kava agent – typically a man's job. To see changes like this, and role models develop, really drives us to do more. It empowers us as staff.

MDF: What are some of the key lessons from your work?

AW: Our work helps us track women-led businesses progress in the MDF Fiji Enterprise Engine (MFEE), a business incubation program. The monitoring system found data that supports our notions that when women get the right investment and the right type of support, they are able to scale up the businesses quickly, as in the case of MDF partner VOU (Dance) Fiji and Rusiate Charcoal, who diversified their product range thanks to female involvement. We are also partnering with the Fiji Commerce and Employers Federation (FCEF) to help establish the country's first private sector led business incubation program to offer advisory services to its members in the Women Entrepreneur and Business Council (WEBC) and the Youth Entrepreneurs Council (YEC).

'We've learned that our work impacts women beyond income and employment. Women's Economic Empowerment is about social advancement and well-being as well and that helps our projects be truly inclusive.'

Marilyn Visiloni, MDF Q&I Specialist

MV: For example, in one program, women had more opportunity to learn their traditional history to complement their work as trekking guides in Walks and Trials. In another project with CJ Singh, women could get more rest time on farms because of a mechanical cane harvester. In the Mark One Apparel partnership, the company introduced a child care service. Our community engagement studies helped the team better understand iTaukei women's dual roles as homemakers and income-earners in village settings. All of this experience helps us to create better interventions and improve inclusivity.



Pro-poor Growth Story

Paradise found: how Savusavu turned tourism around



Savusavu is an idyllic town situated on Vanua Levu, Fiji's second largest island. Known as the 'hidden paradise,' Savusavu is a popular stop for international yachts and home to some of the world's finest cultured pearls. Once a haven for European settlers, Savusavu's multicultural society hosts some of Fiji's best accommodation options - from exclusive boutique hotels to backpacker hostels.

Even though Savusavu lies beyond the main tourist belt in Viti Levu, it is a tourism hub on Vanua Levu. Belonging to the leading destination in the North, the Savusavu Tourism Association (STA) was developed by hoteliers in 2000. Its primary objective was to lobby domestic airlines to increase the number of flights to the area and persuade the government to upgrade the airport.

However, the STA had very little involvement with the national tourism groups, including Tourism Fiji (TF) – formerly the Fiji Visitors' Bureau - or the Ministry of Industry, Trade and Tourism (MITT). Like many other smaller local tourism associations, the operations of the STA were also marred by personal differences between members, making it difficult to reach consensus on how best to support tourism growth in the region.

'A lot of our hotels and businesses took a big hit during Tropical Cyclone Winston and we are keen to rebuild and repopulate our town with tourists. More tourists means more business and more business means more job security.'

Justin Hunter, former President of the STA



The partnership between MDF and the STA started in August 2016, with a focus on supporting STA in the aftermath of Tropical Cyclone Winston. The category 5 cyclone had wreaked havoc in Savusavu, halting business and crippling tourism. Some hotels were closed for three to four months.

The need for businesses and hotels to work together to bring tourism and business back to their little town was critical. As part of MDF's assistance, an international destination marketing consultant was contracted to work with the STA on a strategic plan and charter to provide clear purpose and operational guidelines for the association. Updated marketing materials also helped STA upgrade its image.

As Savusavu re-opened for business, STA focused on attracting more domestic attention. The association hosted visits by the TF Chief Executive Officer, MITT Director of Tourism and Fiji Airways Senior Management Staff. This engagement resulted in the incorporation of STA's new marketing materials into the Travel Fiji and Fiji Airways on-line promotions.

A breakthrough in the STA's efforts came with the announcement in 2017 of a second airline, Northern Air, being granted a licence to fly directly from Nadi to Savusavu, providing much needed additional seat capacity and competitive pricing for tourists wanting to fly direct. Northern Air has acknowledged the importance of the

support letter by the STA in their application and approval for the new route.

The air links to Savusavu were further bolstered with the announcement in 2018 that Fiji's largest domestic airline, Fiji Link, would increase the number of available seats on its Nadi to Savusavu route by 25 per cent from the previous year. According to Robert Rounds, Regional General Manager for Fiji Link and the South Pacific, this came in response to the STA's request for additional seat capacity to the region.

Following MDF's work with Northern Air and Fiji Airways, a working group formed between the STA and Fiji Airways to explore better scheduling and pricing models for flights to Savusavu. Starting in 2019, Fiji Link flights from Nadi will be rescheduled to decrease the waiting time for visitors arriving from Melbourne. According to Bartholomew Simpson, Manager of the award-winning eco-tourism resort Jean Michel Cousteau in Savusavu, 'Melbourne is a key source market for us and the improved flight schedule will have a significant impact on our sales.'

With increased tourist numbers from Melbourne anticipated to grow by 30 per cent as a result of MDF's work with the STA, the improvement Savusavu tourism can act as an example to other niche destinations in Fiji.

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 ${\sf MDF}\ {\sf Fiji}\ would\ like\ to\ thank\ the\ following\ organisations\ and\ individuals\ for\ their\ support\ and\ collaboration\ over\ the\ past\ year:$

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Cynthia Rach, General Manager of Port Denarau Marina	Ministry of Industry, Tourism and Trade
	National Financial Inclusion Taskforce
DFAT Frontier Innovators Program	Pacific Rise
Edubytes Research Service Provider	Peter Gee, General Manager of GPH
Fiji Airways	Peter Mazey, CEO Sports Commission
Fiji Commerce and Employers Federation	ProAnd Associates: Jon Marlow, Winifred Perkins and Simon Cole
Fiji Development Bank	
Fiji Island Bureau of Statistics	Provincial Offices of Nadroga and Navosa, Ba, Bua, Namosi and Ra.
Fiji Island Revenue and Customs Authority	
Fiji National University	Reserve Bank of Fiji
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Investment Fiji	Sipiriano Nemani, Director Fiji Museum
iTaukei Land Trust Board	The Australian Centre for International Agricultural
John Philp, Consultant	Research
- <u></u> -	The Difference Incubator (TDI)
John Ross, Marketing Consultant	Tourism Fiji
Kenua Fiji	Vuli Tukana, Senior Town Planner Suva City Council
Litiana Loabuka, CEO Fiji Sports Council	

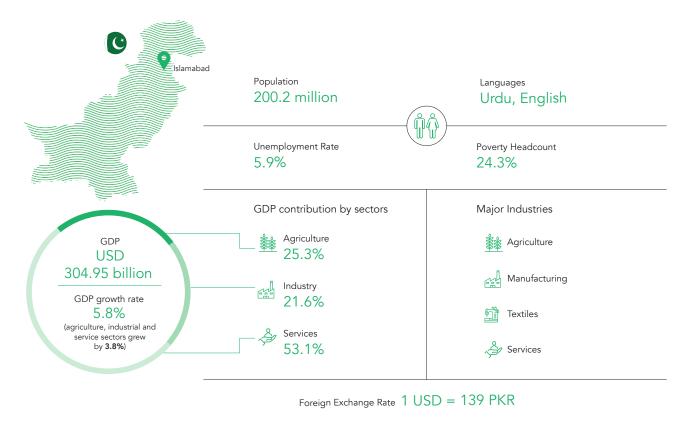
MDF would also like to extend its thanks to all of its partners in Fiji, without whom the team's achievements would not have been possible.





PAKISTAN

Quick Facts



(Source: Labor force statistics and Economic Survey of Pakistan 2017-18)

Material Key MDF Focus Areas



Horticulture: Improving farmers' access to inputs (seeds, pesticides, nutrients, tools and machinery), services (finance, soil testing and insurance) and information to help them supply the right quality and quantity of produce required for domestic, urban and export markets.



Dairy and Meat: Improving farmers' access to quality inputs (seeds, fodder and vaccines), services, and information for better quality and greater quantity of meat and milk to supply formal buyers, leading to higher incomes.



Leather: Increasing the employment of urban poor in leather factories by (1) improving access to quality inputs and services, skilled labour and foreign markets to increase the export competitiveness of the finished leather goods industry, (2) improving employment conditions in factories for engaging more female workers and people with disability.



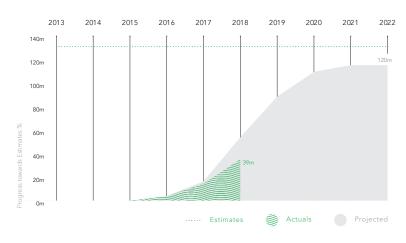
Sustainable Technologies: Developing the production and visibility of technological solutions by investing in localised solutions, the ancillary industry and improving skills.

Each of these sectors will also focus on improved dialogue between the public and private sector policy makers.





VALUE OF ADDITIONAL MARKET TRANSACTIONS



- In this graph, the value of additional market transactions (VAMT) is shown growing on a trajectory that would see MDF more than exceed its projections for the second phase (2015 to 2022).
- Cumulative additional market transactions have been steadily growing over a number of years, suggesting a high degree sustainability of partner business models (i.e. they continue to drive sector performance).

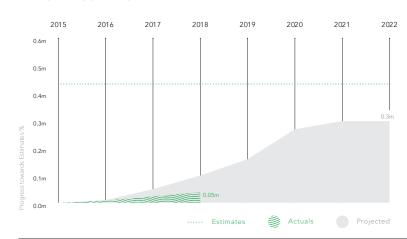
Export-oriented partnerships (Oasis, Servis, Hashwan) and crowding-in of silage initiatives contributed to the upward results trajectory.

 Out of a total of 53 partnerships, 45 partnerships contribute to projected VAMT, while 28 partnerships contribute to actual VAMT. In other words, 28 partnerships are currently contributing to additional VAMT while 45 are expected to contribute in the short to medium term. As monitoring visits and nnologies 0.3% assessments are completed and activities progress, the impact from additional interventions will be captured and reported. This will bridge the gap between



Before MDF can measure Outreach and Income, beneficiaries need to have applied and benefitted from the new product or service offered by the business. As a result, they begin to demonstrate progress later than VAMT, which is an earlier sign of progress.

EFFECTIVE OUTREACH



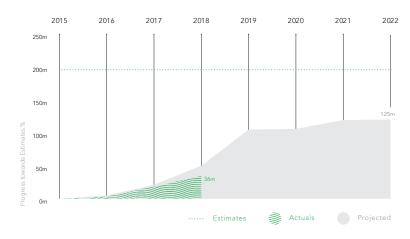
- Cumulative effective outreach increased during 2018 to 46,807 from 22,900 an increase of over 100%.
- Major contributors to this growth are Silage crowding-in, ICI, Ali Akbar Group-2 (AAG) and Magnus Khal Seeds (MKS).

actuals and projections.

- Projected outreach sees a sharp rise during 2019, with strong expectations of further crowding-in on the silage model, as well as signing of more scaled partnerships in finance and ICT.
- · Actuals have been consistently in line with projections over the years. MDF Pakistan is confident that it can achieve its Phase II estimates.



ADDITIONAL INCOME (USD)



- · Cumulative additional income is increasing and is expected to meet estimates as new partnerships are signed.
- 25 partnerships out of 53 contribute to currently contributing to actual additional income results. With the exception of three slow partnerships (Farm Dynamics Pakistan (FDP), Kashf, and Shakarganj Phase 3) the remainder are expected to start contributing actual results in the next twelve to eighteen months following monitoring visits.
- In addition to silage partnerships, additional income is is being observed for interventions where a change in practice has occurred, such as with Shakarganj, KSC, and AAG 1, where the depth of change is high.



Country Strategy

In 2017-18, economic performance in Pakistan was robust, with GDP growth in FY18 at 5.8 per cent—its highest level in 11 years. However, while inflation remained below target, the fiscal deficit continued to expand on the back of weak revenue growth, large increases in recurrent spending and the largest trade deficit registered in Pakistan's history, accentuated the country's vulnerabilities. Also, with the sixth largest population in the world and generational lack of investment in health and education, Pakistan had one of the lowest scores on the Human Development Index in the South Asia region.

Although poverty and inequality has declined across Pakistan in 2018, poverty incidence in rural areas remains twice that of urban areas, and is particularly high in Balochistan. Also, the generally favourable trend in poverty and inequality masks underlying weaknesses, with about half of the population living on USD2 per day and slow progress towards achieving the Sustainable Development Goals. Pakistan is ranked 146th globally in terms of the economic participation of women. The economic role and empowerment of women in Pakistan varies from region to region, and is affected by traditional values, ethnicity and poverty levels. In spite of prevailing cultural norms, women are significant contributors to farming households, but their participation is often hidden and therefore unrecognised by the private sector. In nonagricultural sectors, current employment opportunities and working conditions inhibit women's participation.

Pakistan is at a crossroads today and the country's future growth and prosperity depend acutely on facing a number of complex issues. Many of these issues are grounded in the persistent challenges of reducing poverty, improving food security, and fostering broad-based economic growth throughout the country. The solutions that MDF seeks to deliver focus on sectors and investments that serve the millions of poor, rural households and food-insecure urban households.

With almost 68 per cent of Pakistan's rural population involved in agriculture, MDF's selected sectors of Dairy and Meat and Horticulture allow for the promotion of rural and regional inclusiveness for a large proportion of the poor population. Pakistan enjoys competitive advantages in these sectors and MDF can support export competitiveness by strengthening linkages between businesses and producers. Each sector involves women in production activities and value chains and aims to strengthen inclusivity as part of its strategy. With the introduction of the cross-cutting Sustainable Technologies sector, MDF is seeking to introduce energy and water innovations within the portfolio. There is a strong

relationship between high energy prices, water shortages and agricultural productivity, food security and environmental outcomes. The Leather sector contributes five per cent to the manufacturing GDP of Pakistan. Moreover, this sector is labour-intensive and provides employment to more than 500,000 people, although it is currently performing below potential and has the capacity to provide significantly more inclusive employment opportunities.

MDF's choice of sectors is consistent with the Government of Pakistan's overarching policies and Vision 2025, which focuses on balanced and sustainable growth by promoting the private sector and transforming productive sectors—such as agriculture—towards value addition through innovation, enhanced quality and productivity. These sectors are also aligned with other Australian investments in Pakistan, particularly ACIAR and AusABBA in Balochistan.



MDF Pakistan has made significant progress in 2018, with parts of the portfolio showing strong signs of systemic change. **53** interventions have impacted **46,807** beneficiaries and realised a more than 100 per cent increase in actual beneficiary outreach over the previous year. Crowding-in improved significantly. About **1,300** market actors including partners, franchises, retailers and agents were impacted through MDF's initiatives. By 2022, MDF is projected to positively impact the lives of **304,485** poor women and men.

Summary of sectors and objectives in Pakistan

Sector	Key Objectives
High Value Agriculture	Increasing access to low-cost, nutritious fodder
	Expanding availability of inputs
	Connecting producers to formal or growing markets
	Improving access to finance for inputs consumption and reinvestment
Tourism	Increased access to high quality agricultural inputs
	Improved market connectivity
	Investments in local processing and value addition
Outsourced Services	Strengthening access to inputs, ancillary components and testing services
	Connecting to end markets
	Improving the working environment for women to secure more skilled labour
Sustainable Technologies	Providing clean energy
	Developing sustainable agricultural practices for smallholder farmers



Gender and Inclusion

Interventions facilitated by MDF Pakistan are creating income earning opportunities for women and contributing towards their strengthened agency. There was a steady growth in the number of jobs created for women - from 68 in 2017 to 304 in 2018. Women also earned more than their male counterparts: on average, employed men earned USD1,437 compared to approximately USD2,024 earned by women. This is because women are mostly gaining employment in the urban sector, whereas men earn agricultural income as day labourers and as machine operators.

Within the dairy and meat sector, MDF designed and facilitated interventions that created employment opportunities for women and connected remote regions to formal markets. MDF identified three female champions of change that exemplified the leading role women can play as entrepreneurs by setting positive examples for the men and women around them. Through a tri-party arrangement, these female champions are working closely with Pioneer Seeds to grow hybrid maize for silage production. They also intend to employ female extension workers to promote the 60kg baled model to smallholder famers in the region. This will enhance their decision-making power and make their household contribution more significant.

MDF creates strategic alliances which improve the availability of labour, skills and retention to support the expansion of high-quality leather production. This is exemplified through the partnership with Servis, a leading footwear manufacturer, who with MDF's support, set up two women-led stitching lines, a daycare centre and safe transport for its female employees. This generated 98 new jobs, reaching 147 jobs through autonomous investment.

MDF Pakistan acknowledged the vibrant private sector that is present in Karachi and the role that the actors can play in enabling better access to Sindh and Balochistan. MDF Pakistan has therefore opened an office in Karachi, and the team is working to identify new opportunities in the region.







DAIRY AND MEAT



34,555

Beneficiaries



658

Jobs Created



USD 811

Increased Income per Beneficiary



49%

Female Participation



39

Districts

CONSTRAINTS

- · Limited access to quality inputs
- Limited access to information and production know-how
- Lack of access to formal finance
- Lack of access to formal markets

INTERVENTIONS



Inputs

→ Fodder → Seeds

Machinery Providers
Animal Health



Market Connectivity

Milk Collection Centres
Feedlot

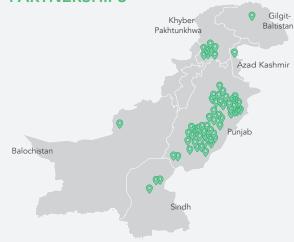
information Services

\$ Finance

Women Economic Empowerment



PARTNERSHIPS



Input Providers

- Pioneer Seeds
- ICI Pakistan
- Maxim International
- Farm Dynamics Pakistan
- Mustafa Brothers
- Cattlekit

- Al-Saffah Feedcom
- Silage Balochistan
- Silage Gilgit Baltistan
- Female Silage
- Entrepreneurs
- Azm Foundation

Processors

- Shakarganj Foods
- Fauji Foods
- Oasis Farms

Financial Institutions

- Kashf Foundation
- Khushali Microfinance Bank
- Bank Alfalah





98 small-baled silage production units have been established all over Pakistan, benefitting **27,014**

farmers and creating 443 additional jobs



Due to adopting nutritious fodder (i.e. silage), farmers have experienced increase in milk yields of **2-4** litres per animal per day



A total of 115 milk collection chillers have been established all over Pakistan by Shakarganj, benefitting 2,397 farmers and creating 63 jobs



5 silage influencing and engagement events took place in different regions, reaching out to 1,100 farmers to help them establish small silage making units

Sector Story

Dairy and Meat

Context

Livestock is a major source of income for over 60 per cent of the rural population with the majority of these held on small farms with a herd size of less than five animals. This translates to 40-55 million people dependent on livestock as part of a mixed income livelihood. Demand for livestock products on the domestic market is increasing as a result of population growth, urbanisation and changing consumption patterns. Domestic supply cannot meet this demand. Livestock is retained as an asset and usually sold when farmers require liquidity rather than being bred for commercial purposes.

The dairy market remains largely informal. Only six per cent of milk is processed. Small farmers tend to sell only to local, informal markets. In 2018, Pakistan imported USD124 million worth of dairy products, such as cheese, butter and powdered milk. Domestic dairy production is low and small farmers often lack the knowledge and resources to maximise production.

The lack of formal markets makes it difficult for dairy processors, retailers and exporters to secure their supply chains and maintain quality. The resulting shortages mean that processors often turn to imports. Because farmers are not active in formal markets, they lack the know-how and inputs to upgrade, and the incentives to upgrade. It is too costly to meet requirements of more sophisticated markets which often do not have collection points in rural areas.

At the same time, meat exports have consistently grown at a rate of four per cent per annum over the last five years, ¹⁴ resulting in a 35 per cent increase in meat exports over that period. However, production and supply remain disconnected from formal markets despite the increase in demand. Additionally, supply was affected by low yields, prevalence of disease and fragmented supply chain.

Despite growth in both dairy and meat value chains, input companies and service providers tend to focus on providing to larger commercial livestock farmers, and lack widespread distribution arrangements. Formulated feed, fodder including silage and veterinary inputs which improve animal husbandry, health and nutrition are only available in areas where formal processing takes place. This means majority of small farmers do not have access to inputs and information services to maximise their livestock's health and productivity.

MDF's strategy

Based on this analysis, there is no single intervention that will radically change the disconnected, fractured nature of the meat and dairy value chains. Concerted effort is required at multiple points in the value chain. The limited availability of high-quality inputs and information prevents farmers from investing in more productive livestock farming. At the same time, a lack of formal markets and quality standards means there is less incentive for farmers to seek better solutions for livestock management.

MDF's strategy is to tackle the problem from multiple entry points. These include increasing access to nutritious fodder, expanding the availability of inputs, connecting producers to formal markets, improving access to finance and improving access to information. By encouraging a shift towards markets that reward farmers for quality, while enhancing the access of farmers to key inputs (i.e. fodder, feed, medicine, finance) and information on their appropriate use, the objective is to create market linkages that incentivise farmers to convert to more commercial livestock farming practices. By initially focussing on activities that help farmers see an immediate increase in income (i.e. more nutritious fodder) we hope to commence the process of changing the attitudes of farmers from seeing livestock as a store of wealth to an investment that can provide a reliable return.

As of 2018, MDF's Dairy and Meat portfolio has increased the incomes of 34,555 farmers, and 658 adults have benefitted from full-time or part-time employment. In total, all the beneficiaries have earned an additional household income of USD28 million.



has increased the incomes of **34,555** farmers, and 658 adults have benefitted from full-time or part-time employment. In total, all the beneficiaries have earned an additional household income of **USD28** million.

¹⁴ Rehman et al. (2017). Livestock production and population census in Pakistan: determining their relationship with agricultural GDP using econometric analysis. Available at: https://www.sciencedirect.com/science/article/pii/S2214317316301123

Progress and results in the target market system

In 2018, MDF dairy and meat activities expanded to remote regions of Punjab, Balochistan, Gilgit-Baltistan and Khyber Pakhtunkhwa. MDF explored potential collaborations for silage manufacturing and distribution, finance models and access to other inputs.



Increasing access to low-cost, nutritious fodder

Silage business model

Addressing the issues faced by small dairy farmers in Pakistan (see Systemic change in silage box), MDF partnered with Pioneer Seeds to introduce a new, small bale silage business model.

The initial partnership with Pioneer Seeds was phased. The business model was demonstrated to be profitable within 12 months, and farmers recognised the benefits of feeding silage to their livestock, which not only enhanced the daily milk yields, but also contributed to the well-being of their animals. The model was then spread to 12 silage entrepreneurs over a period of five years.

The silage model has now expanded into the remote regions of Gilgit Baltistan and Balochistan. MDF promoted it through events called Silage Baithaks, which involved Pioneer Seeds, CattleKit, Bank Alfalah and successful silage entrepreneurs, so that more farmers could learn about the silage business model.

MDF is also working on other fodder types such as Rhodes and Rye grass with Farm Dynamics Pakistan. While an assessment for this partnership is expected to take place in 2019, monitoring indicates that farmers bought over 30,000kg of seeds. Based on this initial progress, another development partner picked up the model and distributed small seed packages to 5000 farmers.



Expanding availability of inputs

The lack of inputs results in animals with growth rates below those required by both domestic and international buyers. During fodder-less seasons, farmers are forced to rely on low-quality alternatives such as wheat straw and bread pieces. This has low nutritional value and results in animal disease. Veterinary inputs, such as de-wormers, improve animal growth rates by reducing the incidence of disease. Concentrated/formulated feed could produce the same growth in half the time. MDF raises the awareness of concentrated/formulated feed benefits, and encourages feed suppliers to enhance their distribution networks so that cost effective and nutritious feed is available to small



Systemic change

Small dairy farmers in Pakistan face a shortage of nutritious fodder. This shortage is especially acute in extreme summers and winters. During these months, farmers are forced to feed their animals substandard fodder which results in low milk yields and reduced income. Silage, a fermented fodder, has the benefit of being storable and its high nutritional value makes it an effective input throughout the year.

However, historically silage has been produced and sold in 1,000 and 300 kilogram bales, a size that is neither affordable nor practical for smallholder farmers. MDF with Pioneer Seeds identified and supported rural entrepreneurs to set up a small bale (60kg) silage business model, with customised distribution channels.

The successful silage business models created room for other players to enter the market including financial institutions, private and public sector players. With over 98 units now operating throughout the country, the model has reached over 28,000 farmers. Punjab Livestock and Dairy Development Board and other key market players, such as ICI and Engro, have also ventured into 60kg bales for small farmers. Other entrepreneurs replicated the model through autonomous investments. Due to greater visibility and advocacy by MDF partners, the State Bank of Pakistan included silage machinery in its agriculture machinery portfolio, resulting in a low interest rate for potential silage entrepreneurs. The silage journey continues as MDF creates more awareness of the business model through media and influencing events.

farmers. MDF is working with input and feed companies to hire private extension officers to conduct outreach and awareness activities for farmers.

In 2017, MDF supported Al Saffah, a company providing a suite of services to feedlots and small farmers raising meat animals, to successfully train around 200 female farmers and 150 male farmers on how to raise meat animals in a more profitable manner. Al Saffah has also trained seven female entrepreneurs to become sales agents. Three of these are now selling more than 100 bags of formulated feed per month and are on average earning USD72 per month. Previously, these women entrepreneurs were not engaged in any significant business activity.

MDF also supported ICI to develop a marketing plan and an information delivery mechanism to increase the uptake of its formulated feed and de-wormers, which resulted in a 20 per cent sales increase during the year. ICI has strengthened its operations in Khyber Pakhtunkhwa and continues to add more workers to its team on ground.



Connecting producers to formal or growing

Dairy supply chain

Demand for milk consumption is on the rise against the backdrop of a rapidly growing population. However, due to low supply and quality, dairy processors rely on milk powder imports. Farmers also remain disconnected from formal markets, only selling to local informal milk aggregators and shops. The lack of formal markets on the offtake side is mirrored on the input and information side and farmers lack access to quality inputs, best practice know-how and incentives to upgrade their livestock businesses.

MDF is working with small and medium dairy processors to expand milk collection networks that can help solve this problem and provide farmers with extension services and construct more organised and reliable routes to formal markets. The partnership with Shakarganj Food Products established 40 milk collection centres. Following the positive uptake and supply of milk, the processor installed 50 chillers at his own cost. Building on learnings from this model, MDF signed a second partnership with Fauji Foods Limited to establish 20 milk collection centres in Layyah and Muzzafargarh. The partnership includes educating farmers about husbandry practices and the benefits of de-worming and vaccination. The collection centres are now operational and sourcing milk from farmers in the region. The partner also conducts female and male farmer best practice training.

As a result of working with Shakarganj, 2,460 farmers have benefitted by a cumulative increase in income of USD4.9 million. The MDF team will capture impact from the Fauji partnership in 2019.



Improving access to finance for inputs consumption and reinvestment

Leveraging financial resources to livestock farmers

Rearing livestock is typically performed by women which involves a variety of tasks from feeding to milking. However, due to mobility constraints and cultural norms which discourage interaction between genders, women are excluded from market transactions. Women remain largely invisible to private sector partners, as they only deal with the male actors, who often ignore the contribution of women. As a result, women's participation in and value addition to the sector isn't reaching its potential.

Farmers (both male and female) generally lack access to appropriate financial services, impeding their ability to invest in their livestock and increase productivity of their animals. As noted above, this sees livestock being treated as a store of wealth rather than a productive asset, limiting milk and meat yields and overall sector performance.

A partnership with Kashf Foundation, a microfinance institution which specialises in providing services to urban women, aims to address the cultural constraints around female engagement in the livestock industry. Women not only lack access to markets and finance, but also to information and basic numeracy and book-keeping skills. In order to address these constraints, Kashf designed new loan products to cater to the different needs of its rural clients. They developed a solid lending process and risk assessment for loan disbursement, which transpired into a less than one per cent default rate. So far, 2,579 loans have been disbursed to women and plans are in place to expand operations through 12 additional branches in South Punjab - creating over 180 new jobs.

MDF explored another financial model for rural markets in partnership with Khushali Microfinance Bank. This partnership promotes loans for livestock farmers through a mobile banking model. Results of this partnership will be monitored in the coming year.

Arfa Sarfaraz, a teacher and a community influencer, illustrates the success of the Khushhali business model by speaking about the convenience of these loan options to other women in nearby villages. The Khushhali partnership highlighted that most women apply for agri-business as a group rather than individually. In a recent monitoring visit, program evaluators determined that these women could now influence household spending decisions. This program engaged with approximately 800 farmers and disbursed 1000 loans with 100 per cent repayment.



Observations and Lessons



Improving access to information and extension services: MDF Pakistan's work is complemented with relevant, practical and useful information on animal husbandry practices, input use and animal management. Project leaders learned that, of all the delivery mechanisms for information that, one-on-one and repeat messaging is the most effective. It is now included in the design of all interventions



Influencing events are most effective when they are led by the local private sector: MDF has successfully conducted engagement events both within the dairy and leather sectors with differing outcomes. The "Silage Baithaks" that provided a prominent role for the private sector proved the most successful. A sizeable and targeted audience, which included progressive farmers, banks, input companies, machinery providers, milk processors and public sector representatives, attended the event. However, when MDF tried conducting similar events for leather manufacturers with some support from a consultant, the event's participation was low and unable to attract relevant stakeholders. Private sector connections and industry linkages are key to conducting successful influencing and engagement events to showcase innovative models.



Get the business model right, and scale up follows: MDF helped Al-Saffah scale up its suite of services to meat farmers by expanding to specialised feed mix, feed plans and assistance in the sale and purchase of animals. This helped the brand achieve greater visibility and attracted the interest of Engro Corporation, one of the largest conglomerates in the country. Engro then acquired Al-Saffah to set up a social enterprise, which now provides fodder solutions to thousands of livestock farmers in the country. For a venture which started small, the right business model, product quality, distribution and awareness turned it into a national brand.



Alignment of incentives of different stakeholders is difficult but vital: working in a tripartite arrangement can be challenging. Incentives may not align and delays can hinder of tangible results. MDF's partnership with Bank Al-Falah and Cattlekit to promote a first of its kind silage financial product likewise took a couple of years to show results: both organisations' management and field staff were not familiar with the product, lacked the incentive to promote it, and didn't coordinate their sales and marketing efforts. In response to these challenges, Bank Al-Falah ensured that their staff understood the small bale silage model by promoting active participation with MDF by hosting silage influencing and engagement events. Despite the challenges in developing a loan product for machinery, Bank Al-Falah abenefitted from the partnership and were able to give out more loans for silage and expand other areas of the fodder value chain.



Right product for the right market: a well-researched and customised loan product for dairy and meat farmers is likely to have a greater uptake compared to a generic product. With support from MDF, Kashf Foundation engaged a consultant to study the local market and develop a customised/targeted product for female livestock farmers which was then rolled out through its first rural branch. After the success of its first rural branch, Kashf is now working on a major expansion plan.









443

Jobs Created



USD 2,438

Increased Income per Beneficiary



USD 13.1m

Additional Value of Exports



49%

Female Participation

CONSTRAINTS ADDRESSED

- Limited access to quality ancillary components and inputs
- Lack of product testing services
- Limited access to markets
- Lack of skilled labour and inclusive workplaces for female workforce
- Limited access to export markets



PARTNERSHIPS

- Intra-Systek
- Tabraiz Mold Engineering
- Servis
- Footlib
- Inter Connect Global
- Textile Testing International Laboratories
- Women Economic Empowerment Workshops



INTERVENTIONS



Improve access to ancillary components and inputs



Improve compliance through better availability of testing services



Improve export market access



Improve efficiency through skills development and inclusive workplaces for female workforce





Women friendly work environments, opportunities for upward mobility and income generation for women in the leather industry by facilitating dedicated female units.



Autonomous investments of USD 787,228 (Autonomous USD 446,675 plus Crowding-in Investment USD 340,553) by MDF partners and other businesses through expansion in the leather sector.





Day care facility

ATM service

Logistics



Quicker order turn-around time through local availability of key inputs for leather products.



Crowding in of new businesses in the leather sector leading to job creation of **50 additional employees**.

Sector Story

Leather



Context

Leather plays an important role in Pakistan's foreign exchange earnings, contributing to almost five per cent of the country's total exports and providing almost one million skilled and semi-skilled jobs.

The sector in Pakistan has grown gradually over the past few years. Leather apparel and clothing exports increased by 12 per cent, leather gloves by 27 per cent, and leather footwear by 17 per cent in the financial year 2017-18.

The government supports leather as an export industry and it is one of the five sectors that is supported through rebates, subsidies and reduced tariffs. The 2019 finance bill allots-interest free revolving credit, reduced duties on raw materials and reduced the tax rate to 20 per cent for small business in the industry. The industry is concentrated in three distinct clusters: Sialkot, Lahore and Karachi. A Cluster Development Initiative by the Government of Punjab aims to increase export competitiveness in these three areas in line with Vision 2025.

Leather is a by-product of meat animals, bought by tanneries and processed into finished leather. Most of the finished leather is exported. China currently dominates global conversion of leather into finished retail goods. However, with rising labour costs, production is shifting to lower cost countries. Pakistan is well positioned to capture some of this market shift due to finished leather availability and competitive labour costs. Pakistan exports over USD1 billion

of leather and leather goods per annum and could generate considerable additional export revenue by converting more of these exports to finished products.

However, growth has been restrained by an inability to meet rigorous customer requirements, such as insufficient local ancillary industry, delays accessing inputs (which reduces turnaround time), limited design skills and a skilled labour shortage.

The leather sector has the potential to create more jobs, particularly for women, who wish to work (to supplement family income) but are unable to, due to a lack of segregated workspaces, logistics and child care. Women are uncomfortable working in a mixed space with men and, as most learning happens on job, women are prevented from gaining the skills they require to secure jobs in the industry.

MDF's strategy

MDF's interventions are designed to improve access to local ancillary components and inputs, enhance international compliance through better availability of testing services, improve design capabilities and market access, and increase efficiency through skills development and inclusive workplaces for women.

As of 2018, MDF's Leather portfolio has benefitted 443 adults (215 women) from full-time or part-time employment with an additional household income of USD1 million.

Progress and results in the target market system



Strengthening access to inputs, ancillary components and testing services

MDF developed strategic partnerships in the footwear industry to strengthen the sector's input, ancillary, compliance and design capacities. The partnership with Intra Systek, to set up Pakistan's first export quality shoe last facility, resulted in the reduction of turnaround times by 12 days. This contributed to a 100 per cent increase in Intra Systek's production over the last three years. A partnership with Tabraiz Mold Engineering to localise production of shoe moulds increased by over 240 per cent compared to 2017. MDF's partnership with Textile Testing International (TTI) focuses on providing localised testing services in order to save time and cost, to increase competitiveness for leather manufacturers. Due to increased sales,TTI hired 45 new employees, including 18 women.



Connecting to end markets

MDF supported Interconnect Global, a sourcing house, to participate in international exhibitions to sell shoe samples to buying agents in Europe. These buying agents then sell the samples on to fashion retailers. Once orders are secured, they are passed on to contracted factories in Pakistan. One such factory is KTM, which as a result of this model, secured additional orders of USD3.58 million for 200,000 pair of shoes. In order to cater to this, they hired 40 new employees, 50 per cent of whom are women.



Improving the working environment for women to secure more skilled labour

A constant challenge in the leather sector is the lack of skilled labour. The problem is exacerbated as social norms and cultural barriers exclude women from the workforce. MDF works with progressive enterprises like Servis, a footwear manufacturer, to establish a segregated workspace to employ over 147 women. The facility provides logistics, day care and ATM facilities for its female workers. By making these changes, the company expanded its operations through autonomous investments and established two additional stitching lines to produce shoes for export.

MDF also engages with public sector bodies to address gender-related challenges in the leather industry, for example the Sialkot Chambers of Commerce and Industries (SCCI) in different cities. In collaboration with this group, project leaders organize influencing and engagement events to develop skills, engage the community and share learnings on the benefit of engaging more women in the sector.



Systemic change



The leather sector in Pakistan has the potential to compete and capture more share of the industry's growing global market, especially in footwear. However, in order to capture the potential of these lucrative markets, production inputs, ancillary and compliance services must be readily available. The lack of a local inputs industry means companies would take longer to fulfil orders than their competitors in other countries. MDF invested in the country's first shoe last and mould production facilities to construct these components locally. After the success of Intra Systek, another shoe manufacturer created a new business set up called Trendy, to produce local plastic shoe lasts for the footwear industry. Trendy hired 50 workers and invested USD340,000 in this new business.



Observations and Lessons



Balancing competitiveness with job creation and inclusion objectives: the central premise of MDF's leather strategy was to improve the export competitiveness of the leather industry by increasing access to ancillary components and inputs, testing and design facilities, skilled labour and end markets. MDF believed that this would lead to increased export orders, which in turn would generate more employment in factories, while these interventions have made the sector more competitive, they have not led to the level of job creation anticipated. Although, businesses are faced with the challenge of accessing and retaining skilled labour. However, not many enterprises hire women due to high management challenges and the cost of setting up female-only facilities (i.e. separate space, common rooms, rest rooms, stitching lines). However, businesses are interested in hiring more women and are generally facing a shortage of skilled labour (as some employers claim trained male workers are less reliable).



Demonstrating the business case for hiring more women: MDF has worked with top and mid-tier footwear factories to set up women-only stitching facilities to attract more female workers. While there is some interest from industry players, there has been little uptake of the model because there are very few referenceable examples. The upfront costs of setting up a segregated facility are substantial and the benefits are not yet sufficiently clear to encourage investment. MDF continues to share its learning from the model with industry players through business chambers and associations.









HORTICULTURE



11,809

Beneficiaries



2,118

Employment Opportunities Created



Increased Income per Beneficiary



Female Participation



Districts

CONSTRAINTS ADDRESSED

- · Limited access to quality agricultural inputs
- Limited access to information
- Lack of market connectivity
- Lack of investment in local processing and specialised infrastructure
- Poor management of water resources



INTERVENTIONS

- Inputs
 - Seeds
 - Crop Protection
 - Fertilizers Machinery
- Processing and Value Addition
- Market Connectivity
- Information Services
- Women's Economic Empowerment
- Nutrition

🔻 Input Providers

- Vital Agri Nutrients
- Ali Akbar Group Punjab
- Ali Akbar Group Balochistan
- Zia Gardens
- Kashmala Agro Seeds
- AGB Seeds Corporation
- FMC Nematodes
- Khattak Seeds Company
- Haji Sons

Processors

- National Foods
- Mountain Fruits Pakistan
- Baloch Hamza Brothers Date Company
- Magnus Kahl Seeds

Information Services

- Telenor- Gilgit Baltistan
- Telenor-KPK and Balochistan
- Pakissan Technologies



- Star Farms
- Organo Botanica
- Hashwan Dry Fruit Traders







Agri-input companies provided improved access to inputs and information, benefitting 7,321 smallholder horticulture farmers and creating additional jobs for 1,894 labourers.



11,809 beneficiaries earned an additional USD 603 per year per farmer.



Processors invested in supply chain development to source and deliver fresh and processed fruits and vegetables, benefitting

2,370 smallholder

farmers and creating 224 full-time jobs.



Value addition through fruits and vegetables added USD 1,524,409 to the horticulture economy.

Sector Story

Horticulture



Context

The horticulture sector covers the cultivation, harvest, post-harvest handling, processing and packaging of fruit, vegetables and root crops, including fresh and processed produce for both domestic and export markets. The sector represents 12 per cent of total agricultural production, by value, involving an estimated eight million households.

The demand for horticultural products has increased over the last two decades against a backdrop of high local demand and rising exports. During the last five years, the country's fresh food consumption leapt by 39 per cent, with packaged food consumption increasing by 92 per cent. In packaged food category, juices and staple food witnessed the largest gains. During the same time, fruit production (in volumes) grew by modest 1.39 per cent and the vegetables segment grew by 4.31 per cent.

There is a high level of involvement of small farmers in horticulture – especially vegetables – because it is high margin and usually a shorter season crop, providing a more regular source of income for the household. Women are often involved in production processes such as planting, weeding and harvesting. The processing industry in Pakistan is small and underdeveloped, and regional variation in production cycles are not being fully utilised (i.e. failing to capture price premiums for out of season/early season produce).

Although there is a large population involved in horticulture farming, currently supply cannot meet rising demand.

Productivity remains low when compared to regional averages as farmers lack access to basic inputs such as seeds, fertiliser, pesticides and equipment and continue to use traditional farming methods. These farmers also suffer from significant post-harvest losses. Even if farmers do invest in better inputs/methods, they may not always benefit from improved practices due to the lack of local processing facilities and the broad geographical spread of horticulture producers. The lack of market connectivity reduces the incentive to invest in improved production practices.

On the other hand, the broad geographic spread of production in the horticulture sector provides MDF with an opportunity to promote growth in remote, insecure and less economically vibrant regions. The scope of MDF's initial work was expansive, with the ambition of understanding the competitive advantage of each province, based on quality, seasonality and market access. The team's experience working with a diverse portfolio helped develop a clearer picture of the market dynamics in each region, working with organisations with more local resources and expertise.

When MDF started working in horticulture, there was limited interest from top tier companies to engage with small horticulture farmers. There is evidence of a shift in approach as companies understand that a significant proportion of the market has remained underserved, particularly in remote regions. In summary, MDF has observed:



- Supply is not keeping pace with the rising demand and overall productivity is low by regional standards
- Production centres are geographically dispersed and not connected to formal markets
- As a result, farmers use traditional methods and have poor access to seeds, inputs, tools and equipment, know-how and finance
- What farmers do produce is low quality as, given poor access to markets, there is no price incentive to invest in higher quality inputs
- Farmers suffer from high post-harvest losses due to poor connection with formal markets and lack of local processing capacity
- MDF has observed an increased level of interest, amongst national level firms, in the potential of underserved processing centres and production zones where small horticulture farmers lack access to inputs and information services.

MDF's strategy

To unlock the growth potential of the sector MDF takes a two-pronged approach. First, the team collaborates with national level companies that have the financial capacity to test innovative business models and the networks needed to gain access to these more complex production centres. MDF works with a range of agricultural input companies to

encourage them to provide seeds, pesticides, farm tools and equipment, nutrients and services such as soil testing and finance, to small horticulture farmers.

Second, partnerships increase productivity by investing in more formalised supply chains to create the demand pull to ensure the quality and quantity of produce necessary for domestic, urban and export markets. MDF works with processors and exporters to enhance connectivity to markets, focus on processing and value addition, especially in remote areas in Gilgit Baltistan, Khyber Pakhtunkhwa, Sindh and Balochistan.

As of 2018, MDF's Horticulture portfolio has increased the incomes of 11,809 farmers, and 2,118 adults have benefitted from full-time or part-time employment. In total, all the beneficiaries have earned an additional household income of USD7 million.



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Progress and results in the target market system



Increased access to high quality agricultural inputs

Leveraging champions in remote markets

Many farmers growing vine crops (tomatoes/cucumber) use traditional practices, resulting in low yields. Improving access to vertical cropping seeds would allow farmers to increase their yields substantially.

In 2015, MDF's partnership with the Khattak Seed Company (KSC) introduced vertical farming techniques in Akora Khattak, Khyber Pakhtunkhwa. During an assessment of this partnership in 2018, the team observed high adoption rates.



Systemic change

Akora Khattak in Khyber Pakhtunkhwa is close to the markets of Peshawar and Islamabad and has good climatic conditions for vegetable production. Cucumber is the key cash crop and farmers can take advantage of the regional variations in production cycles, fetching premium prices for early and out of season crops. However, yields are low at 15-20 tonnes per acre compared to 60-70 tonnes for farmers in Punjab.

Cucumber seeds are traditionally planted in pair rows and covered with plastic to maintain the right temperatures for germination and plant growth. Plants grow horizontally across the ground. By providing the right seeds and other inputs farmers can grow plants vertically, which doubles the number of plants and increases yields. Cucumbers grown vertically are also higher quality and therefore fetch better prices.

Through the partnership with the Khattak Seeds Company, nearly 540 farmers benefitted from increased yields and additional incomes, and the project created approximately 1,400 seasonal jobs. Half of these are farmers exposed to the vertical cropping methods copied the technique. The partner has since started to promote this model in new areas including Charsadda and Mansehra. Approximately 4-5 other input retailers have started stocking more vertical cropping seeds, due to increased demand in the region.

The commitment of KSC's owner to demonstrate the benefits of vertical farming was central to the project's success. Crowding-in was possible because the entrepreneur's strong networks in local communities facilitated regular interaction with farmers. Three dealers in neighbouring districts are now promoting practices and providing inputs for vertical farming, which shows signs of systemic change.

Using the learning from this model, MDF signed a partnership with a national agri-input company, Haji Sons, to demonstrate the vertical farming model to tomato farmers in remote market of Thatta, Sindh.

Encouraging private sector investment in remote markets

For years, the private sector avoided working in Balochistan and Khyber Pakhtunkhwa due to security concerns and poor infrastructure. MDF partnered with two companies, FMC and AAG to provide farmers in Balochistan and Khyber Pakhtunkhwa with better information about farming practices and quality inputs. By providing farmers with accurate information about best practice fertiliser application and disease management, farmers benefit and their loyalty to the companies increases. This in turn is good for the companies' bottom line and for field staff retention. For example, AAG has established a formal sales network in remote parts of Balochistan, which has increased company revenues by USD86,290 and helped nearly 2,600 farmers earn an additional income of USD245 each. Increasing information to farmers through multiple channels

Leveraging ICT for information provision in remote regions

Many of MDF's interventions incorporate the practice of providing information to farmers, often as part of product packaging, regarding higher quality input application to maximise efficiency and efficacy. To supplement these channels, MDF has also worked to develop information dissemination using ICT.

MDF and Telenor implemented their first partnership in the Gilgit Baltistan (GB) and Chitral regions to provide information on the weather and crop advice to farmers in these remote regions. GB now has almost 64,000 active subscribers, nearly 91 per cent of whom listened to weather and 61 per cent to crop advisory services.

Information disseminated amongst farmers is best understood if it's delivered in the local language and context. Telenor is now considering delivering these services to Chitral in the local language of Khowar.

MDF will also support Telenor expand these services to Khyber Pakhtunkhwa and Balochistan. It will include nutritional information targeted at female household members, who typically make the decisions about household food consumption. MDF will share with Telenor its experience of working in agricultural models in these provinces.

'I listen to Telenor's 7272 service every day because it is very important to know about weather alerts in a region like Chitral and plan my crop plantation around it.'

Mehar Jahan, a female apricot farmer



Improved market connectivity

The lack of market connectivity in the horticulture market is a constraint in much the same way as it is in other sectors in Pakistan. As a result, produce does not meet market requirements and, if it does, it generally attracts a lower price. This reduces the incentive for farmers to invest in higher quality inputs and new farming techniques.

Although the district of Mastung, Balochistan is known for the quantity of its mulberry, there is limited demand from local traders for the product. Consumers instead opt for other local and imported varieties. MDF undertook a market assessment on demand for dried mulberries from this region compared to other provinces. It found that Mastung mulberry farmers receive a low price largely because of the poor-quality of their produce.

With support from the Food and Agriculture Organisation's (FAO), MDF trained 100 female and 100 male farmers on the best drying practices. The farmers received training on harvesting, collecting and post-harvest handling of mulberries. MDF, in collaboration with the Mulberry Farmer

Market Collective (developed by FAO), will work to develop the mulberry value chain by assisting farmers to meet the requirements of traders in national markets. This intervention will be monitored during 2019.



Investments in local processing and value addition

New opportunities for women in borderland regions

MDF and Baloch Hamza Brothers (BHB), a date processor, developed alternative economic opportunities for women in Panjgur, a conservative village in Balochistan. Under the partnership the firm established a separate date processing facility for women to ensure a comfortable work environment. BHB employed four women (who had been working from home during harvest season) and trained them to pit, process and pack dates in the factory. After establishing a segregated facility, there has been additional interest among women in the area seeking work. So far, the partner has employed 10 women to work year-round. Flexible working hours help them to balance income earning opportunities with their domestic workload. Over 80 per cent of the women interviewed at the facility said their families were comfortable with them working at the BHB facility.

Securing supply and improving traceability

In 2007, Metro opened its first Cash & Carry wholesale centre in Pakistan to cater to medium-sized businesses and household consumers, opening nine outlets in major urban centres. As the business expanded its retail network, it faced challenges to maintain quality control and produce traceability. MDF supported Starfarms, a national aggregator supplying to Metro, to establish a sourcing network by helping farmers to adopt quality standards. Starfarms has sourced over 30 commodities from different parts of Pakistan over the last year, which resulted in considerable savings. The partner reported that direct procurement from trained farmers increased the quality of produce and is cheaper than buying through an intermediary. Monitoring for this activity will take place in early 2019.

Regional partners to improve efficiency and maximise impact

In 2018, MDF signed a Memorandum of Understanding (MoU) with Agha Khan Development Network's Accelerate Prosperity (AP), an incubator established to facilitate small and medium sized enterprise and start-up business in Gilgit Baltistan and Chitral. AP will promote entrepreneurship and facilitate technical expertise, mentor and provide creative financial solutions. MDF will benefit from AP's on-the-ground access to these businesses and work with entrepreneurs that have business management support from AP.



Observations and Lessons

Each of MDF Pakistan's four sectors provided ample learning opportunities in 2018. These are being used to inform the strategy and design of subsequent interventions.



Simple changes in practice are easy to adopt and can have a large impact: vertical farming practices with a regional input company (Khattak Seed Company) resulted in 1400 new seasonal jobs. Almost half of the farmers who adopted vertical farming last year did so after copying practices from neighbouring farmers. The impact grew from approximately 40 farmers in 2017 to about 539 farmers in 2018. The model grew because it was visible and replicable, demonstrating that behavioural change can happen quickly if the practice has a visible and rapid impact, particularly on income.



Identifying champions of change in borderlands can be challenging: even national input companies find it difficult to employ quality staff in remote regions of Balochistan, negatively affecting the progress of interventions that are dependent on crop cycles. Experience from elsewhere suggests that multi-national or national firms are often less-well equipped to operate in frontier markets. They tend to have high overheads and high calibre staff who can be choosy. It is often lower tier players, facing competition from the large players in lucrative markets, that are nimbler and can more effectively move into thin markets.



Measuring impact in ICT based interventions: MDF's partnership with Telenor, a telecom company, aimed at increasing the availability of weather and crop advisories in remote regions. The team found that the advisory service has benefited farmers, but the scale of the benefit was difficult to quantify because of the complex dynamics driving household income and the large number of people involved. A much larger sample size is required to quantify the impact.



Engaging institutional partners for enabling environment reform: in the second phase of MDF we have built sufficient experience and credibility in the horticulture sector to scale up engagement with public sector bodies to drive policy reform. MDF initiated discussions with the Agriculture Delivery Unit (ADU) of the Government of Punjab to promote sustainable agriculture practices, such as building capacity for extension staff, developing rural cottage industries for female horticulture farmers, providing access to finance for smallholder horticulture farmers and engaging microfinance banks to increase farmers' access to financial services.

Sector Story

Sustainable Technologies



Context

Water and energy are often cited as major constraints to economic development in Pakistan. MDF's work in the in dairy and meat, leather and horticulture sectors has confirmed this and provided some very practical insights into how these constraints affect businesses. Our detailed sector assessments reinforced the need to use these scarce resources more efficiently if Pakistan is to achieve a more sustainable social and economic growth trajectory. To satisfy high domestic, agricultural and industrial demand for these resources, management and distribution must improve. MDF therefore seeks to develop and introduce sustainable technologies and practices that promote efficient water use and energy security.

Renewable energy and water conserving market systems are immature in Pakistan. Although the government continues to increase electricity generation capacity, many structural issues remain. This ensures a large portion of the population remains energy insecure with some reports indicating more than 30 per cent of the population remain off-grid. There is a large disparity in energy security across the provinces as well as in the resources available for investment in generation capacity. The renewable energy market has a large donor presence, resulting in some distortion of business incentives and consumers' willingness to pay, although these incidences are relatively isolated. There is also significant scope to better utilise agricultural by-products for energy generation through the introduction of new technologies.

The recent adoption of the first National Water Policy for Pakistan fills a longstanding policy gap. The policy includes the national development targets concerning water pricing, groundwater mapping and management and water conservation technology while prioritising key economic sectors such as agriculture and industry. As Pakistan is expected to suffer severe water scarcity in the future, it will be particularly critical to improve water efficiency in the agriculture sector which consumes almost 90 per cent of the available water. In keeping with MDF's exploratory approach, early interventions in this sector have been exploratory and opportunistic.

To date, project teams have focussed on sustainable energy solutions as entry points into water management have not yet emerged. MDF believes water resource management will be increasingly important to bilateral relationships in Pakistan. MDF is developing linkages with strategic institutional partners who are working with the Australian Government to avoid duplication and ensure MDF can add value to the existing body of work related to water, such as ICIMOD, Pakistan Council for Research in Water Resources and Alliance for Water Stewardship. Projects will explore the potential to leverage the extensive research conducted under the Sustainable Development Investment Portfolio to bring international inovations in water management to local partnerships. MDF is uniquely positioned to support the commercialisation of technological innovations accessible to smallholder farmers.

MDF will engage the Sustainable Technologies sector to address water sustainability in key agricultural value chains. Technologies that help reduce wasteful practices could have very real impacts on reducing water consumption. They could also provide very practical examples to demonstrate for the government how to reduce water consumption without undermining important industries. Although current MDF sectors can benefit from sustainable technology interventions, MDF realises that in order to create impact at scale, it may be necessary integrate water intensive value chains into the existing strategy. This new approach will be tested and implemented over the coming year.

MDF's strategy

Providing clean energy

One partnership targets energy insecure regions in the north, where wood is the most common source of heating and cooking fuel. MDF supports a regional entrepreneur, Bio Gold, to supply domestic users with cleaner cooking fuel – bio briquettes. Bio briquettes are intended to replace the use of fuel wood in north Pakistan where deforestation is prevalent, and the population is extremely vulnerable to climate change. By establishing a production facility, Bio Gold will be able to supply briquettes in Gilgit Baltistan and Chitral, reduce household costs and dependency on wood. This will also impact the workloads of women who

are predominately involved in the collection and preparation of wood for fuel. This partnership will continue in 2019.

Developing sustainable agricultural practices for smallholder farmers

MDF also designed another partnership focusing on biomass collection to help build the resilience of the supply chain for the use of briquettes in industrial boilers. By partnering with the Rural Business Development Centre (RBDC), a private company providing services for developing business opportunities in farming communities, MDF supported cotton growing farmers to sell cotton waste to a formal buyer. RBDC has engaged EnMass, a producer of briquettes, to purchase cotton sticks for industrial energy production using briquette boilers. By developing a supply chain for cotton sticks, farmers will be able to sell those sticks for additional income while EnMass will diversify its fuel sources. This initiative complements the work done under the Better Cotton Initiative, which is supported through the Business Partnerships Platform. Where BCI focuses its work 'on farm,' this initiative tackles issues related to agri-waste and provides an alternative approach to pest control.

Future initiatives in energy production will focus on value chains with underutilised agricultural waste products that might be suitable for energy production. For example, the team will look for business models that support the repurposing of agricultural waste for industrial and household use.



Inclusion Interview

Marrium Khan - MDF Business Adviser



Marrium Khan has been a Business Adviser with MDF Pakistan for over two years. In that time, the role of women and differently-abled individuals in communities has changed significantly, defying sceptics who say that change in Pakistan isn't possible.

Communications Specialist Roha Tariq spoke with Marrium to find out how these changes were achieved and what this means for female empowerment and inclusion in Pakistan.

Roha Tariq (RT): What has been your experience with MDF Pakistan?

Marrium Khan (MK): I've worked for MDF in the horticulture and sustainable technologies sector for the last two and a half years. As a Business Adviser, I am responsible for designing and managing partnerships. I would say one of the best parts of my role is field work - it really helps you to understand the reality when you go out in the field and interact with communities. Measuring our impact and seeing the results make an impact on the ground is very motivating.

RT: What is your biggest personal contribution to these projects?

MK: Having spent a decade studying economics, I've been able to implement my knowledge at a micro-market level and understand market dynamics in an economy of USD305 billion. Developing countries, such as Pakistan, struggle to keep their agriculture sectors competitive, so working with MDF has helped me understand how empowering the private sector can increase competitiveness.

RT: How do you approach the challenge of integrating women into Pakistan's private sector market systems?

MK: MDF brings theory into practice by integrating results measurements and Women's Economic Empowerment (WEE). Through our partnerships, the willing private actors

identify women-specific challenges and work to create a systemic change with a bottom-up approach.

A good example of this approach is our partnership with Telenor, which provides crop-oriented weather advisory services in Gilgit Baltistan, a remote but female-inclusive region in Pakistan. Both women and men have benefitted from these meteorology reports through agricultural planning, including domestic kitchen gardens or simply just planning their day in line with the rain, wind or sunshine in the area. While this doesn't lead to enhanced income on a larger scale, it does enhance the agency of women to be able to make decisions about their workloads and chores, which contributes to their well-being within the social structure.

Another partnership with Kashf Foundation has helped women to access financing for animal husbandry practices. MDF found that women were already heavily involved in this sector, but they had no direct access to finance – whether formal or informal. Financing only comes from the males in their families (father, brother, husband, cousins). This partnership customises loans towards rural women working in livestock and has had exceptional results. Over 1000 loans have been given to women and the default rate is less than 1 per cent.

Working with the Khushhali Microfinance Bank has followed a similar model. We learned that most women were involved in group loans for agri-purposes. Our monitoring visit found that while these women's knowledge of repayment mechanism

and finances were limited, they felt that they could influence the way money was spent, thereby enhancing their agency within the community and contributing to their well-being.

RT: Tell us about the impact of small-scale change.

MK: A single woman, when equipped with the right tools, can act as a persuasive change agent within the market. They are capable of changing an entire community. A master trainer and a community mobiliser employed by Al-Saffah Feedcom Pvt Ltd to engage and train women on raising meat animals with a balanced diet demonstrated this clearly. Two trained women became micro entrepreneurs - one started to visit six nearby villages on her own to examine farm animals, suggest inputs to mitigate diseases and became the distributor for these inputs herself. The other woman initiated the same awareness sessions in her home and developed an innovative technique for remembering the names of the medicines through colour codes.

Everybody says that small changes won't make a difference but that's simply not true.

RT: What happens when women are more engaged in the labour market?

MK: We focus on engaging women in areas where they are under-represented. A women-inclusive workforce is not only more productive but also impacts the younger generation by empowering them through role models. These bring economic and social benefits.

One of MDF's partners, Servis, has an all-female stitching facility. With her wages, one employee was able to buy a living space instead of renting. Another used her income to install solar panels at her home. These women not only improved their standard of living, but also their recognition and status within the society that typically derives status from the earnings of a man. MDF is working closely with the Sialkot Chamber of Commerce (SCCI) to devise strategies for encouraging female inclusion in the labour market.

RT: What is MDF's approach towards public and policy-level interventions?

MK: Many of our poverty alleviation projects focus on WEE and we coordinate with the public sector to understand how gender equality functions in the region. For example, the Punjab Commission on the Status of Women (PCSW), already has significant outreach, so we don't focus on that area. As a country, Pakistan thrives on political power and while our interventions take a bottom-up approach, for the projects to have a long-term sustainable effect, they must be supported by the government.

RT: Are there other opportunities to increase inclusion in the country?

MK: We are aiming to incorporate health, nutrition and disability into our partnerships as well. People with disabilities have ideas, skills and talents just like anyone else. Our team collaborates with private businesses to provide access to services and opportunities to increase differently-abled people's level of autonomy. In our Servis partnership, women with disabilities were hired and worked alongside other female workers at the facility.

In another project introducing a silage business model, farmers gain easier access to fodder. One farmer we worked with is wheelchair-bound. This intervention allowed him to buy small silage bales from within a 2km radius of his home and carry it on a cart attached to his wheelchair. With the help of the team, I arranged a 'Disability Workshop' for the staff and partners to talk about disability and inclusion at workspaces and how we can integrate them better when designing partnerships.

RT: And health and nutrition?

MK: We have our first project that focuses on health and nutrition – a partnership with Telenor in Khyber Pakhtunkhwa and Balochistan. This intervention helps farmers access crop and nutritional information on their mobile phones. This gives them higher yields and reduces their post-harvest losses. MDF strives to make this information available to female farmers as well. Teams are getting geared-up. We are excited to see upcoming partnerships integrating health, nutrition and disability.



Pro-poor Growth Story



Reaching Remote Farmers in Pakistan

In the rural areas of Pakistan, small farmers have very limited access to information. Farmers are mostly unaware of the benefits of crop planning and use outdated cultivation techniques, restricting them to low-quality inputs. Fertiliser is used sparingly, and a lack of understanding of disease and pest control leads to low yields. Sudden weather changes can result in serious losses for farmers. This is especially true for areas like Gilgit-Baltistan where unanticipated rain damages apricots during the picking and drying processes.

Gilgit-Baltistan and Chitral are remote, mountainous regions in the north of Pakistan. Weather changes in these regions can be sudden and dramatic, damaging crops and affecting yields. Weak infrastructure means that efforts by businesses to reach farmers are easily frustrated. At the same time, the content provided by the Meteorological Department can be unreliable and covers too large an area to be useful in the many pockets of different weather conditions. Combined, these factors leave farmers and their families unnecessarily vulnerable.

One of the telecom companies in Pakistan, Telenor, was keen to enter into the regions of Gilgit-Baltistan and Chitral and was offering a service that would address these problems. Telenor is a voice, data and content mobile communications provider operating in 13 countries in Europe and Asia. In Pakistan, it acquired a GSM services license in 2004 and is one of the country's largest cellular carriers.

Based on its analysis and understanding of the region, MDF recognised that there was room for improvement to help farmers overcome these challenges. MDF and Telenor worked together to source the content for the free mobile agriculture advisory service - Khushaal Zamindaar (Prosperous Farmer) 7272.

By leveraging ICT to provide critical information, the potential benefits to farmers would be manifold. Farmers would be able to better manage weather conditions and safeguard their crops, leading to reduced post-harvest wastages. They would be able to adopt best horticulture practices and experience increased crop yields and income.

The collaboration with MDF would also help Telenor grow their market share in the region and increase customer retention, ensuring a more relevant and sustainable service for farmers. MDF's support included using its experience of Gilgit-Baltistan and Chitral to help Telenor research regional constraints and make sure its content targeted its users.

Sher Wali, a potato farmer from Chitral shared, 'Last year I lost 1000kg of potatoes in rain worth USD143. Now I listen to Telenor's 7272 service daily and plan my cultivation and harvest accordingly. This season, I planned timely harvesting as per the rain forecast and avoided any losses.'

Mehar Jahan is a smallholder farmer cultivating apricots and potatoes on her farm, located in remote but beautiful mountainous valley of Shigar in Skardu. With her husband, she listens to Telenor's weather and crop advisory service at least three times a week. She shared that in 2017, their potato yield dropped to 500kg due to a pest attack. Having learned about crop spraying techniques through Telenor's service, she tried them out and the following year, increased the farm's yield to 4000kg – earning an extra USD300.

In Gilgit-Baltistan, women dry apricots by placing them outside their homes. If it rains, the apricots are spoiled and have to be fed to animals. Mehar picks, dries and sells apricots herself in the local market. Before her subscription to the service, she lost around 120kg in rain, but as she can now plan her drying practices, she has been able to reduce losses and use the extra money to buy clothes for herself and her family.

The service was disseminated among smallholder farmers in Gilgit-Baltistan and Chitral in August 2017. As a smart phone is not needed to access the service, a wide range of subscribers can access the free information on their mobile phones. Telenor also airs a weekly radio show featuring agricultural experts, who discuss issues and take questions from live callers.

Telenor's Khushaal Zamindar 7272 service reached 128,042 farmers in Gilgit-Baltistan and Chitral and 78,594 farmers used the information provided through the crop advisory service.

MDF and Telenor are also expanding into Balochistan. MDF's support will enable Telenor to launch a service that

will provide actionable crop advisory, nutrition advisory and relevant and timely weather updates to farmers on their phone. This service will provide women with information on a range of topics, such as how to look after livestock, crop management, family health and nutrition.



'Last year, I lost 1000kg of potatoes, worth USD143 to rain. Now, I listen to Telenor's 7272 service daily and plan my cultivation and harvest accordingly. This season, I planned timely harvesting as per the rain forecast and avoided any losses.'

Sher Wali, a potato farmer from Chitral

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Accelerate Prosperity	Litiana Loabuka, CEO Fiji Sports Council			
Agha Khan Rural Support Programme	Pakistan Business Council			
Agriculture Delivery Unit, Government of Punjab	Pakistan Council of Water Resources			
Agriculture Department, Government of Balochistan	Pakistan Footwear Manufacturers' Association			
Austrade	Pakistan Micro Finance Network			
Baidaree	Punjab Commission on the Status of Women			
Cattle Management Company	Punjab Information Technology Board			
Centre of Excellence in Responsible Business (CERB)	Punjab Leather Garments Manufacturer and Exporter			
Connecting Agriculture Value Chains	Association			
Department of Agriculture, Azad Kashmir Government	Sialkot Chamber of Commerce and Industries (SCCI)			
Engro	Small and Medium Enterprises Development Authority			
Food and Agriculture Organization (FAO)	Special Talent Exchange Program (STEP) Tetra Pak The Australian Centre for International Agricultural Research (ACIAR) United States Agency for International Development (USAID)			
Gesellschaft für International Zusammenarbeit (GIZ)				
Helvitas				
International Centre for Integrated Mountain Development				
International Fund for Agriculture Development				
International Water Management Institute	University of Agriculture Faisalabad			
Lahore University of Management Sciences	World Food Programme (WFP)			
Leather Products Development Institute	World Wildlife Fund (WWF)			

MDF would also like to extend its thanks to all its partners in Pakistan, without whom the team's achievements would not have been possible.



PAPUA NEW GUINEA

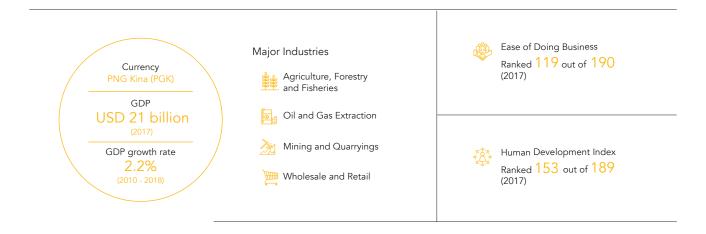
Quick Facts





Independence

The territory was partly colonised by Britain and Germany between 1884 and 1906. Australia governed the Territory of New Guinea and Territory of Papua until 1949, following a period of Japanese occupation during World War II. Papua New Guinea gained independence in 1975.



Key MDF Focus Areas



Agribusiness: Developing the value chain for animal feed, backward linkage development for fresh produce, emerging crops (e.g. cassava) and niche products (e.g. honey). MDF also supports quality and certification improvement for export commodities, such as coffee.



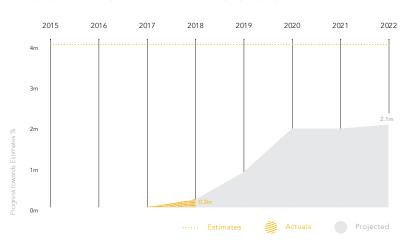
Tourism: Establishing niche tourism products, such as bird-watching, nature park experiences and ecolodges will strengthen the tourism industry. However, as progress has not been in line with expectations, tourism will not be an area of focus in 2019.

Mighlights

MDF Timeline

2011	2012	2013	2014	2015	2016	2017	2018	2019
•			-	-			-	-
Fiji	Timor-Leste	Pakistan		Sri Lanka & PNG		Phase II Starts		

VALUE OF ADDITIONAL MARKET TRANSACTIONS

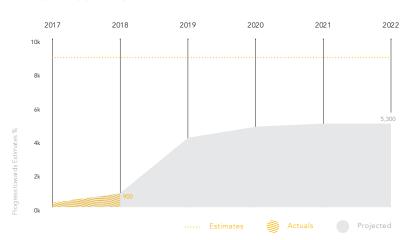


- Actual VAMT is low this year as only one partnership, New Guinea Fruits, has made purchases from beekeepers.
- In coming years, active partnerships like NKW, SMS and SPBL will contribute to the projected VAMT.
- In coming years, new partnerships in coffee, animal feed, cassava, fresh produce and honey will also contribute to projected VAMT.



Before MDF can measure Outreach and Income, beneficiaries need to have applied and benefitted from the new product or service offered by the business. As a result, they begin to demonstrate progress later than VAMT, which is an earlier sign of progress.

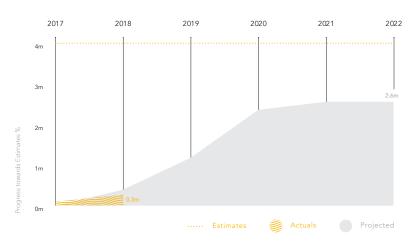
EFFECTIVE OUTREACH



- Two partnerships in agribusiness (New Guinea Fruit and NKW) and one partnership in tourism (POM Nature Park) contributed to modest actual effective outreach in 2018.
- Two recently signed partnerships, SMS and SPBL, will contribute significantly to the projected effective outreach.
- More partnerships will be signed in the coffee, animal feed, cassava, fresh produce and honey, which will also contribute to projected outreach.
- Tourism partnerships are not delivering sufficient results in terms of outreach and income. As a result, MDF will exit this sector from the sector next year.



ADDITIONAL INCOME (USD)



- Two partnerships in agribusiness (New Guinea Fruit and NKW) and one partnership in tourism (POM Nature Park) contributed to the total additional income this year, which is modest.
- However, improvements in processing and the expansion of the domestic and international markets means more income for beekeepers, and more horticulture farmers are expected to supply NKW with fresh produce. Improvements in certification means 1000 new farmers will receive higher prices for premium quality coffee. All of these factors will increase income for beneficiaries in the long run.
- More targeted and well-designed new partnerships will contribute to the increase in net additional income over coming years.



Country Strategy

With eight million people across 600 islands, Papua New Guinea is one of the most diverse countries in the world. Rich in natural resources such as oil, gold and copper, in the last decade, extraction revenues resulted in high government spending and a construction boom. However, the country suffers from endemic corruption and a weak legal system, which has prevented the emergence of more sustainable and broad-based growth. After natural resources, agriculture, forestry and fisheries are the most important sectors of the economy. Palm oil, coffee, cocoa and copra are important agricultural export commodities. Agriculture makes up 20 per cent of PNG's GDP and 25 per cent of the country's formal employment.

In recent years, the global price for oil and gas, precious metals and agricultural products, such as coffee and cocoa, has decreased, adversely affecting PNG's economy. Earlier this decade, investors hoped that a USD19 billion ExxonMobil-led liquified natural gas (LNG) project would be a game changer for the country. For a time it was, with PNG earning a reputation as the economic engine of the Pacific. However, due to high tax concessions and other exemptions from the PNG government, its contribution to the economy and government finances proved to be relatively short-lived. There are plans for a second LNG project, Papua LNG, led by France's Total with ExxonMobil and Oil Search as minority partners, commencing in early 2019.¹⁵

In 2018, PNG hosted the Asia-Pacific Economic Cooperation (APEC) under the theme 'Harnessing Inclusive Opportunities, Embracing the Digital Future.' The event brought together 21 economies into 180 meetings at an estimated cost of over USD297 million. ¹⁶ The country benefited directly through improved road, airport and building infrastructure and defence capacity building. PNG also stands to benefit from the signing of a multilateral funding agreement with Australia, New Zealand, Japan and the USA to roll out electricity access to 70 per cent of the country's population by 2030. This funding plan includes building a grid-connected fibre optic cable to accelerate inclusive growth. ¹⁷

An undiversified economy, heavily dependent on a few key commodity exports makes PNG vulnerable to external economic shocks. While PNG policy makers need to develop fiscal policy instruments to help smooth these fluctuations, they also need to create a diversified and more inclusive domestic economy.



Gender and Inclusion

In Papua New Guinea, women face extraordinary challenges. Female participation in the labour force almost matches male participation, though it is usually on an informal basis. Poor access to clean water, insufficient spacing between pregnancies, widespread malnutrition, excessive workloads and gender-based violence have a compounding and deleterious effect.

Understanding the dynamics of income generation, investment, savings and decisionmaking are critical to MDF's operations in Papua New Guinea, particularly in the agriculture sector where a large proportion of women earn their livelihoods. In 2018, MDF partner NKW Fresh was at the forefront of addressing some of these issues. By sending field extension officers out to farms to buy fresh produce, female farmers no longer have to take arduous and dangerous journeys to market. NKW and MDF have also worked hard to maintain a consistent supply of fresh produce, introducing new crop varieties and knowledge of which crops grow best. Wastage has reduced and female farmers have been able to harvest higher volumes. This has translated into increased earnings, which they are able to save and manage themselves via accounts that NKW has opened for them.

Summary of sectors and objectives in Papua New Guinea

Sector	Key Objectives			
Agribusiness	Value chain development for animal feed			
	Backward linkage development for fresh produce			
	Quality and certification improvement for export commodities			
	Value chain development for emerging crops (e.g. cassava) and			
	Value chain development niche products (e.g. honey).			

 $^{^{\}rm 15}$ https://postcourier.com.pg/abel-apec-costs-png-k1-billion/

 $^{^{16}\} https://emtv.com.pg/multilateral-financing-agreement-signed-to-enable-electricity-access-to-70-of-png-by-2030/2000.$

 $^{^{\}rm 17}$ https://www.pwc.com/pg/en/publications/apec2018.html



Early challenges

Papua New Guinea is proving to be a challenging environment in which to implement MDF, and the program has been slow to get off the ground. This does not come as a surprise; it was understood from the outset that applying a Market Systems Development methodology in a market environment like PNG's would take time. In fact, this was the rationale behind using a program vehicle like MDF, rather than building a standalone MSD program, with all of the attendant resource implications. But even by these measures the start-up in PNG has taken too long. A good indicator for the success of an MSD program in a difficult environment is the number of partnerships that 'fail' before they have delivered any results. In PNG a relatively high proportion of MDF's early interventions have failed (approximately 50 per cent, which is much higher than projects in other MDF countries). We believe there are several reasons for this:

- Early implementation was hampered by country team instability, which included the Country Director. In MSD programs, having the right team - and team stability - is critical to engage with the local business community. The wrong team either makes the wrong connections or they rush into marginal partnerships in the hope of getting something done, only to find that the partnership fails twelve months down the line.
- MDF PNG started operations in 2015 but, at the same time, MDF management and operations were struggling to keep pace with the program's expansion to five countries and manage the design and transition to MDF Phase II. There was probably too little central focus on PNG in the early period.
- In PNG, MSD programs find themselves working with a business community that is used to high levels of subsidisation and low levels of competition (working with a development program on a purely commercial basis would strike many Papua New Guineans as odd). We have rushed into partnerships in some instances where the commercial incentives were simply not clear enough to produce significant impact.
- MDF started its project with four engagement areas: rural input services, ICT and logistics, tourism and local value addition. This is normal, but the scope failed to narrow as more was learned about the economy and business community. It wasn't until new management in 2018 that the portfolio was rationalised.

MDF has started to address these issues and the second half of 2018 was spent implementing measures to put MDF on a better footing going forward. There has been considerable management attention (from shared resources) for the PNG program. The approach in PNG has been comprehensively reviewed and the focus narrowed to sectors in which there is some dynamism and growth potential, providing a clear strategic framework to guide programming. Rebuilding

the team has been successful and investment in capacity building is ongoing. MDF is now being more deliberate and purposeful in our choice of partners.

None of this is to say that implementing an MSD program in the PNG context will suddenly become easy. Partnership failure rates will likely remain higher in PNG than elsewhere in the facility. The level of funding required to generate results will probably also remain higher in PNG than elsewhere. However, the PNG team are confident that they are on the right track in 2019, with a range of exciting new partnerships in implementation and development which show significant promise.









AGRIBUSINESS



Poor Women and Men Benefitted from MDF's Work



Found Full or Part-time Jobs



35

Full-Time Equivalent Jobs



CONSTRAINTS ADDRESSED

- Limited access to cost saving inputs
- Limited access to information and production know-how
- Limited access to information on post-harvest and quality control
- Lack of access to formal markets

BILLY

PARTNERSHIPS



INTERVENTIONS



Fresh Produce



Inputs



☐ Bee hives & tools



Export Commodities



Niche Products



Emerging Crops



Women's Economic Empowerment



NKW Fresh



Input Supplier

• Central Highlands Feed Mills Ltd (CHFML)



• Sustainable Management Services (SMS)



Processor

- SP Brewery
- New Guinea Fruits

KEY RESULTS



SMS - Coffee

A total of **2000** farmers from its existing supply chain and an additional **1000** farmers will be trained and certified over a period of threet years.



CHFML - Feed

15 Demonstration units produced good growth results for pigs fed with local starch ingredients and feed concentrate, highlighting the relevance for concentrate as a low-cost input into pig rearing in rural areas.



NGF - Honey

There was an increase of **114** beekeepers between 2016 & 2018 who were supplying raw honey to the company. The volume of raw honey sourced from bee-keepers increased from 9.7 MT in 2016 to 38.0 MT in 2018.



NKW - Fresh Produce

NKW has hired three more Field Extension Officers, thus increasing their extension team to seven staff. Last year NKW expanded to new sourcing areas reaching 322 farmers.



SPBL - Cassava

A total of **213** farmers will supply fresh cassava to the starch factory in the first year of production.

Sector Story

Agribusiness



Context

Agriculture is one of the key economic growth industries in Papua New Guinea, contributing to 20 per cent of the country's GDP and generating 25 per cent of the formal employment in the country. Around 80 per cent of the population lives in rural areas and is reliant, in some way, on agriculture. This sector includes forestry, fishing and export commodities like palm oil, coffee, cocoa and copra. While the markets for these commodities continue to fluctuate with international prices, global demand for high quality, traceable commodity products like coffee, cocoa, palm oil remains strong and represents an opportunity for the country.

Constraints on foreign trade continue to be a major challenge for businesses in PNG, as the central bank struggles to match demand for foreign currency with fluctuating income from commodity exports. The import of raw materials, machinery and consumer goods is restricted because of the resulting forex shortages. The major extractive industries do not repatriate their earnings, so inflows to the PNG economy come predominantly from agriculture exports, tax revenue and other sources.¹⁸

Agribusiness development is therefore an important part of any economic development trajectory for PNG. Agricultural exports bring in much needed foreign exchange; and domestic shortages of imported commodities create a unique opportunity and incentive for local agricultural producers (especially sorghum, maize and cassava) and food processors.

MDF's strategy

MDF's strategy in agribusiness revolves around five market systems selected for their growth potential in domestic or export markets and the feasibility of intervention by MDF:

- 1. Value chain development for animal feed
- 2. Backward linkage development for fresh produce
- 3. Quality and certification improvement for export commodities
- 4. Value chain development for emerging crops (e.g. cassava) and
- 5. Value chain development niche products (e.g. honey).

 $^{^{18}\} https://www.bankpng.gov.pg/wp-content/uploads/2018/10/Sept-2018-MPS-_final.pdf$



Speciality coffee exports from PNG have doubled over the last five years (from 3000 to 6000 tonnes) and exporters are interested in improving quality and certification processes in response to strong demand on the international market. While sales have increased, the international market could absorb significantly more.

In fresh produce, NKW's partnership with MDF shows that locally-sourced vegetables can compete with imported vegetables in terms of both price and quality. Recent studies have shown that PNG's fresh food imports have declined from 9,200 tonnes to around 6,000 tonnes as more fresh produce which is good quality and competitively priced¹⁹ is produced by local farmers.

The domestic poultry industry is growing quickly, catering to the protein needs of a growing population. This creates demand for starter and stock feed, although most of the raw materials for feed are imported. Some poultry companies are interested in trying an out-grower model and sourcing cheaper local raw materials, such as maize and sorghum, as a lower cost alternative to imports. Commercial farmers are investing in special pig breeds and better feed to rapidly increase the growth of their animals, presenting an

opportunity for smaller farmers to adopt those practices and generate additional income. Crops like cassava – which have traditionally been grown on a small scale – have the potential to be grown commercially to supply starch for larger companies such as SP Brewery.

Finally, PNG produces high quality organic honey, vanilla and spices, which have the potential to fetch a price premium in international markets. MDF has worked with one partner on domestic honey production and marketing, though exporting remains a possibility given the simpler quarantine restrictions (compared to fresh produce) for the Australian market. There is already interest from Australian buyers in organic and flavoured honey. Organic vanilla and spices from PNG are also considered high quality, but accessing a sufficient, consistent supply remains a challenge. MDF will explore partnerships in these areas to see whether or not these market systems to work more efficiently and equitably.

As of 2018, MDF's agribusiness portfolio has increased the incomes of 812 farmers, and 16 adults have benefitted from full-time or part-time employment. In total, all the beneficiaries have earned an additional household income of USD279,024.

¹⁹ https://www.agriculture.gov.pg/fresh-foods/

Progress and results in the target market system



Value chain development of animal feed

Due to high tariffs during the 1980s and a complete government ban on poultry imports in 2015 due to biosecurity issues, PNG's local poultry industry has flourished.

Approximately 14 million birds are raised by two million smallholder farmers every year for meat and eggs.²⁰ Four companies dominate the layer and broiler markers, using a combination of smallholder out-grower models and their own farms to meet the domestic demand.

These four companies (GFI, Trukai, Mainland and Farmset) currently produce approximately 44,000 tonnes of feed annually for both broiler and layer chickens.

There are 100 commercial pig farms in PNG which use improved breeds, feed and modern farming practices to increase yields and supply chilled pork meat.²¹ Additionally, 360,000 rural smallholders continue to rear pigs, and while behaviour change is slow, those located near commercial farms have started to adopt more efficient practices. Instead of household waste, they are moving towards concentrated or packed feed to increased and accelerate growth.

Despite the existence of large markets for poultry and pig feed, most of the raw materials needed to make feed (wheat, maize and soybean) are imported. Recently, some feed companies have started looking for cheaper local alternatives: Mainland Holdings is trialling sorghum cultivation on its own farm and Farmset is planning a trial to source maize through an out-grower model. MDF aims to stimulate more local raw material supply to the feed industry; this will benefit farmers that grow these raw materials, as well as overcome the import constraints to expand feed supply in PNG.

In 2017, MDF partnered with a small piggery, Central Highlands Feed Mill Ltd (CHFML), to support expansion of its feed production capacity and strengthen its ability to promote and market a feed concentrate to farmers. With MDF's assistance, CHFML was able to procure a silage machine. It then conducted a pilot with 10 farmers, each of whom were given two piglets and sweet potato silage for three months. The pilot showed that sweet potato silage can grow a pig to its fattened weight of approximately 90kg in half the time for traditional feed (six months instead of 12). However, the company did not proceed with concentrate feed production on a commercial scale in 2018 due to the owner's decision to focus on the fresh produce business.

Learning from its experience with CHFML, MDF plans to partner with more established feed companies to source local raw materials from smallholder farmers and promote concentrate feed. Discussions with potential partners are advancing.



Backward linkage development for fresh produce

PNG's fresh produce sector is at a nascent stage, with most of the demand coming from Port Moresby, Lae and large campsites in extractive industry locations. It is estimated that fresh produce demand from Port Moresby is around 167,000 tonnes per year and large resource projects still import 85 per cent of their fresh produce from abroad. ²² Fresh produce aggregation is limited due to high transportation costs and inconsistent supply and quality from local producers. This means there are only a small number of market actors with whom to partner. MDF's partnership with NKW Fresh to set up a fresh produce supplier extension service made solid progress in 2018. When NKW started in 2014, extension services for its suppliers did not exist and the supply of fresh produce was inconsistent.

With MDF support, NKW increased its number of Field Extension Officers (FEO) from four to seven this year. These FEOs created relationships with farmers by providing them with information on best farming practice aimed at improving the consistency and quality of their fresh produce. This includes crop scheduling, cultivation practices, pest management and harvest management. As a result, NKW's sales value increased from USD480,000 in 2017 to USD606,122 in 2018. At least 217 farmers have improved their vegetable plots, selected high value crops for cultivation, and applied better pest management techniques. More farmers are showing interest in joining the NKW supply chain to access technical advice and inputs.

This success secured NKW's confidence to continue pursuing the extension model: it is expanding by engaging more farmers from three new areas in Morobe province. Through the partnership with MDF, NKW has learned to better manage production and prevent oversupply by educating farmers. In 2018, NKW also established a sales team who receive weekly supply information from the extension team and conduct pre-marketing to potential buyers.

NKW's example of investing in extension and fresh produce marketing is now attracting interest from other businesses and associations - such as Porgera Women's in Business

 $^{^{\}rm 20}$ https://postcourier.com.pg/poultry-import-alert/

 $^{^{21}\} https://www.researchgate.net/publication/301678231_PEOPLE_PIGS_AND_PNG_VISION_2050_A_GLIMPSE_OF_MOROBE_PROVINCE$

²² https://www.agriculture.gov.pg/fresh-foods/

(PWB) in Enga province and Walters Farming Association in New Ireland province - which supply fresh produce to mining companies. MDF is exploring ways to encourage new companies and associations to replicate the business model and invest in backward linkages for fresh produce.



Quality and certification improvement for export commodities (coffee)

After palm oil, coffee is the country's second largest agricultural export due to the popularity of the arabica coffee bean's rich flavour and PNG's reputation for quality. Total coffee production in PNG has declined over the last decade: 54,500 tonnes were exported in 2007 compared to 47,500 tonnes in 2017.²³ This is due to international commodity market volatility, increased competition from other countries (such as Vietnam) and low productivity from an aging tree stock. However, specialty coffee exports have increased over the last five years. Exports of plantation grade (A/X) and premium smallholder coffee (PSC) doubled from 3,000 tonnes to 6,000 tonnes.

However, specialty coffee only makes up about five per cent of the country's total coffee exports. MDF assesses that the most appropriate way to PNG's coffee market grow and become more profitable is to help expand the proportion of premium coffee produced and sold. With this in mind, in 2018 MDF entered into a partnership with Sustainable Management Services (SMS), a sister company of Monpi Coffee Export Limited (MCEL). The focus of the partnership is to improve the yield and quality of existing smallholder farms and connect farmers to growing international specialty coffee markets. Through this partnership, 1,000 additional coffee farmers in the SMS supply chain will be certified and able to sell high-grade coffee.



Value chain development for emerging crops

Cassava, long a staple in PNG grown on subsistence farms, is now showing signs of commercialisation. International demand for starch in industries such as textiles, pharmaceuticals and food remains very strong and is likely to continue to grow. As demand has risen a number of larger local companies are beginning to explore the possibility of using cassava to produce locally made starch.

Prior to 2010, the government in the Central and Gulf provinces tried to commercialise cassava for biofuel, starch components and food manufacturing. This failed due to inefficient management and lack of market knowledge, particularly on the demand side. Growing private sector interest presents an opportunity to commercialise the cassava value chain on a more sustainable basis.

²³ International Coffee Organization

SP Brewery Limited (SPBL), one of the largest beverage companies in the country, identified the potential to produce starch from local cassava to make beer in 2014. A year later, the company signed a memorandum of understanding with the Department of Agriculture and Livestock (DAL) to set up a nursery in Erap in Markham Valley and developed plans for a factory to convert cassava into starch. The starch factory will be operational in 2019 and it will require 1,250 tonnes of fresh tuber in the first year of its operation.

Given that a large commercial buyer like SP will require fresh tubers from farmers, it has presented MDF with an opportunity to work with smallholder farmers to meet the demand. From the beginning, SP was quite cautious about engaging smallholder farmers and wanted to source tuber from multiple large-scale commercial farmers as the main supply. However, the interest from development partners like MDF and International Finance Corporation (IFC) encouraged them to buy more from smallholders from the beginning and a joint collaboration effort was developed among SP, IFC and MDF. Now, MDF is working with a cofacilitator to identify a suitable location for cassava farming for smallholder farmers and helping interested farmers to form a business entity to supply to SP. IFC is conducting demonstration trials in those potential locations and will provide technical training on cassava plantation. The joint project has already identified more than 500 farmers in Erap, out of which 200 farmers will be trained to supply tuber to SP Brewery in 2019. In the original plan developed by SP, IFC and MDF, 450 farmers were targeted to supply for first year, however after careful evaluation of locations, farmers' profile and processing capacity, it was agreed by all three partners to move cautiously by starting with 200 farmers in first year and looking for opportunities to expand in the future.

Managing this project through a third-party entity as co-facilitator has been a learning experience for MDF. The co-facilitator has struggled to understand the MDF vision of engaging SP in the farmer group development process. After the first cycle of production, MDF will not re-engage the co-facilitator but will look for other options for supporting the establishment of the value chain.





Value chain development for niche products

Over 80 per cent of the 250 tonnes of honey sold in PNG is imported, though there are strong consumer preferences for local honey, when it's available. MDF has a successful partnership with New Guinea Fruit (NGF) that resulted in a 151 per cent increase in the number of beekeepers supplying the company (from 188 beekeepers in 2017 to 472 beekeepers in 2018) and a 260 per cent increase in the volume of honey supplied (from 9.7 tonnes in 2016 to 47.7 tonnes in 2018). MDF helped NGF promote beekeeping as a viable income generator (particularly for women) and helped farmers apply improved beekeeping techniques. NGF's success created a new challenge: it is receiving more raw honey than it can sell. To manage this supply increase, they invested in a storage facility, and are seeking new markets in Port Moresby. There is an ongoing discussion with MDF about investing in processing equipment and opportunities to export to Australia, given the quarantine requirement in honey is not as strict as it is for fresh produce. An Australian buyer has shown interest in buying the raw organic honey and selling it to Australia under their label.

Critical supporting services in the agribusiness sector

MDF aims to promote innovative digital payment systems that support agricultural value chains. MDF's partnership with MiBank seeks to reduce transaction costs and improve efficiencies for rural business and suppliers through digital and mobile wallet payments. Activities included the roll-out of mobile wallets in the Autonomous Region of Bougainville (AROB) and a mobile banking assessment, carried out jointly by MDF, MiBank and the Centre for Excellence in Financial Inclusion (CEFI), which compared the costs and benefits of utilising digital payments against cash-based payments.

MDF is in talks with MiBank to work with a major export business that buys fish and other seafood products from 500 to 1000 local fisherman from the coast of the mainland to the Torres Straight maritime border. MiBank requested MDF's support to build awareness about the purchasing company and the services that it provides, at the same time as opening accounts in the fishermen's names. The SP Brewery partnership also includes a finance component that will allow cassava farmers to be paid electronically using MiBank's payment system and mobile wallets, eventually allowing them to access credit and other financial products from the microbank.



Observations and Lessons

It has been a difficult year for MDF in the agribusiness sector. This is due to the lack of progress of some partnerships, high staff turnover management transition and other team capacity issues. Some of these challenges are discussed at the end of the report as program learnings, but the following points are worth mentioning with particular relevance to agribusiness:

- Because small feed companies like CHFML lack the capital and marketing ability to introduce new feed products, they are not the ideal type of partner with whom to try out new ideas. As a result, MDF is exploring partnerships with more established companies such as Farmset.
- The partnership with NKW illustrates that supply chain development in fresh produce is feasible, but it takes significant commitment and resources from the private sector if it is to succeed. MDF must select future partnerships more carefully in fresh produce and make sure that partners understand the risks and capital requirements from the start.
- Export commodities like coffee are heavily regulated in PNG and there are a number of development partners working in the same area. MDF needs to make sure that its work with private sector partners is properly communicated with the relevant stakeholders to avoid duplication and offer distinctive value in terms of quality improvement and access to premium market segment. Alignment and with government priorities is also crucial.

Sector Story

Tourism



Context

In 2016, tourism accounted for 1.9 per cent of GDP (USD288.5 million). The sector directly and indirectly employs approximately 1.7 per cent of the total workforce, equating to around 52,000 jobs. Tourism in PNG remains in its infancy and while it is a small contributor to the economy, it will continue to be a key priority area for the government of PNG in terms of economic diversification. The country is renowned as an exotic adventure destination for high-end tourists who are willing to pay a price premium to immerse themselves in a diverse range of niche products, such as diving, trekking, cultural tourism, birdwatching, surfing and historical tourism.

For the past year, MDF has focused on product development in niche markets aligned with the government's priorities. This led to signing two partnerships: with Walindi Plantation Resort and Port Moresby Nature Park, with the expectation that high-income adventure travellers would continue to visit PNG despite the perceived risks.

However, the results achieved thus far suggest the opposite: the tour products developed by MDF partners did not attract as many visitors as anticipated and impact (direct benefit to beneficiaries) was low. As of 2018, MDF's tourism portfolio has increased the incomes of 46 households, and 10 adults have benefitted from full-time or part-time employment.

In total, all the beneficiaries have earned an additional household income of USD10,069.

Given the poor performance in this sector, MDF will move out of the tourism sector in the coming year.



Observations and Lessons

MDF conducted a rigorous internal analysis of the tourism portfolio and identified a number of challenges that have contributed to the lack of progress. Some of the key challenges include the existence of only a few competent tourism partners, meaning that credible choice is limited.

Additionally, the focus for PNG has so far been purely on the product side by helping operators improve their offering. However, increasing the supply of a product without adequately increased demand does not lead to results, demonstrating that more careful consideration and analysis of demand is necessary before partnerships are signed.

Emerging opportunities beyond agriculture

PNG is a complicated operating environment, with a dearth of formal businesses and functioning markets. MDF's approach to SME development will, necessarily, remain opportunistic. As opportunities arise outside the agriculture sector MDF will, in discussion with Post and MDF management, pursue partnerships that promise to deliver results.

Local SMEs near mining communities provide a range of goods and services (catering, housekeeping, laundry, equipment rental etc.) to the mine sites. The mines have actively nurtured local businesses as part of their corporate social responsibility. There is also a trend for SMEs to spin off from the extractive industry in PNG. MDF sees opportunity in building on these trends.

MDF is in discussions with Ipili Wanda Investments (IWI), a local business set up and supported by the Pogera Mining Joint Venture (PJV). Located in Enga province, IWI is the business arm of Pogera Development Women's Association (PDWA) and has an existing contract with PJV to provide housekeeping and cleaning services. PJV reached out to MDF for support with the capacity building of IWI to better manage existing business activities and explore new opportunities, such as supplying fresh produce to the mine. PDWA has 1000 women among its members and MDF is currently evaluating the investment.



Lessons from MDF PNG

Overall, 2018 was a challenging year for MDF PNG. The portfolio is still small and results from existing partnerships are significantly lower than expected at this point in implementation. There are a number of reasons which have impeded MDF's progress, as identified at the beginning of this chapter.

Despite these problems there is a sense of optimism that MDF remains relevant and effective in PNG, based on recent changes to the team and the way the program operates. The few successful partnerships that MDF has implemented show that the MSD model can work in PNG and deliver results at scale. The key issues are in the way project teams develop, design and manage partnerships.

- MDFs' partnership with NKW in fresh produce and NGF with honey has delivered good results, which showed backward linkage development can work in PNG.
- MDF has developed a strategic partnership with one of the largest coffee exporters to improve the
 quality and certification process for 1,000 smallholder farmers. This partnership is expected to deliver
 promising results in the future.
- MDF and IFC's collaboration in cassava value chain development has the potential to commercialise a
 food crop that has so far only been a subsistence crop.
- This year, MDF has restructured its portfolio and decided to focus its efforts on Agribusiness alone, with the option to explore non-agriculture opportunities in the future. It is expected that consolidation and restructuring of the portfolio will help MDF make better use of resources and enable it to generate better results in coming years.
- MDF, with support from DFAT, hired two very experienced advisers to provide in-country advice to the Country Director and Business Advisers on the PNG business climate and partnership selection process.
 It is expected that this kind of specialist knowledge will help avoid some of the pitfalls of the past.
- The PNG country management team will also be strengthened with the addition of an international senior manager specialising in results measurement and market systems. This adviser will also support Country Director in mentoring staff on technical skills development.
- Finally, MDF has restructured the PNG country team to draw on the best skills available and to support
 staff towards high performance during 2019. The MDF Core Leadership Team continues to assist the
 Country Director; by developing a learning and development plan for existing staff with focused training
 and mentoring opportunities, and with ongoing communications and operational support.



Inclusion Interview

Susan Inu - MDF Business Adviser



In Papua New Guinea, female participation in the workforce is high. However, excessive workloads, gender-based violence and insufficient spacing between pregnancies pose substantial risks to women's health, safety and their ability to earn a stable income.

Business Adviser Susan Inu explains MDF's approach to inclusion and how it is helping women to overcome these risks.

MDF: What are some challenges you face working in Papua New Guinea?

Susan Inu (SI): Our role is to help partners facilitate job creation and income opportunities. In order to do that, we need to maintain relationships with partners and understand their specific challenges and opportunities. In PNG, there can be very practical obstacles to that. Our partners are sometimes in remote areas and it can be quite a logistical exercise to coordinate events and visits so all stakeholders are present. Businesses often have limited investment resources and they have little time to spare. This can make the monitoring process difficult.

MDF: What would you say is fundamental to your work in the field and with partners?

SI: Effective communications is key, especially at the beneficiary level. Many people cannot read or write and haven't been exposed to commercial mindsets or concepts of gender equality. It is essential to approach the field with understanding and without judgement to make foundational change on the community level. We must have a receptive attitude for partners to feel comfortable connecting and working with us.

MDF: What are the opportunities for Papua New Guinean women in business?

SI: Papua New Guinean women are clearly economically savvy, but MDF partnerships must create opportunities for them to fully participate and progress. We're working with partners to create innovative business models to develop and market and which specifically aim to benefit women.

MDF: How is the agricultural industry in PNG today?

SI: Agriculture in PNG is at a transitional stage. Previously, people produced food to earn money for basic things, such as paying for food or school fees. Recent socio-economic improvements mean that this money is now being used for creature comforts as well.

MDF: Do you think more women are involved in agriculture than they were before?

SI: Yes, Papua New Guinean women are more involved now than they were several years ago and are even taking the lead in farming economical cash crops, like fresh produce. This shift gives many women the confidence to manage their finances and households, improve their standard of living and have their voices heard. Two women we work with, Noalyn and Moanti, have very inspiring stories when

it comes to their experience in the agricultural industry. They also highlight how MDF's partnerships help reduce security risks and poverty and create employment to benefit girls and women.

MDF: What obstacles do women face?

SI: One of the obstacles women face is access to information about modern farming and best practices. Many of the women involved in commercial agriculture aren't literate, or don't have formal education, so they have trouble understanding the latest farming techniques and digital payment systems.

MDF: Could you describe the agricultural work in which MDF PNG is involved?

SI: MDF provides support in the agriculture industry by developing market access. There aren't a lot of big investors in this field because the market is mainly domestic and there a very few players, but we did manage to expand the fresh produce by working with NKW Fresh. We've also worked with New Guinea Fruits (NGF) to provide support

for honey, a niche product, which is particularly challenging and requires a lot of investment.

We've made quite a bit of progress in the agricultural industry. With MDF's support, NKW Fresh recruited effective field extension officers and are able to maintain a consistent supply of fresh produce. They've introduced new crop varieties and expanded their supply chain as farmers are now better informed on what crops to grow and how. NGF increased their raw honey production, found new markets in which to sell and are optimistic for the future.

MDF: What does the future hold for MDF PNG?

SI: Agriculture is a growing industry in the country and we're working with partners to develop markets. For example, the commercialisation of cassava is something quite new and requires increased support from all stakeholders involved, but we see great potential in growing this market. If cassava production branches out into feed, it could even lead to an additional partnership or two. We plan to learn from current players and partners to improve as we go.



Pro-poor Growth Story

Simple changes make a big difference for smallholder farmers



Noalyn Lewis lives in the fertile Markham Valley of Papua New Guinea. A mother of four, farming has always been the main source of income for Noalyn and her family, enabling her to feed, clothe and educate her children.

She is fortunate to live near the main Highlands highway. Still, until recently, finding a good fresh produce markets was challenging and risky for the 54-year-old and her fellow female farmers. A one-way jarring ride on an open back truck to the markets in Lae or up to the Highlands could take up to four hours and they often damaged their produce.

Since then, NKW Fresh has made their lives significantly easier by going out to where the farmers are and buying fresh produce from them directly. For female farmers in particular, not having to brave the dangers of the road is a major advantage.

Noalyn has also begun to receive guidance from Field Extension Officers on crop schedules. MDF's partnership with NKW Fresh enabled the recruitment of field extension officers by subsidising their salaries, enabling them to help farmers understand the best crops to plant and how to manage them.

The facilitation of these activities has directly contributed to Noalyn becoming a fresh produce supplier, an increase in her income and given her better farming knowledge and skills. She now farms on six hectares of land and plans to increase this as orders from NKW increase.

NKW also assisted her by opening bank accounts for farmers to save money when there weren't any facilities to do so

previously. Today, Noalyn has two accounts. One is with NKW and the second is a savings and loans account with the Women's Micro-Bank. She uses this to buy seeds and tools for her farm and has access to a USD300 agriculture loan facility for women farmers.

She now makes USD1960 per month - almost double her previous earnings.

Noalyn is vocal about women's opportunities, speaking up at community meetings where many women prefer to let their husbands take the lead. She has made it her mission to bring more women to partner with NKW fresh and to join the local Women in Business association. She knows many others who walk for hours carrying bags of produce on their backs to make money for school fees.

'I would like to build a fresh produce depot and run a small trade store. Then women farmers wouldn't have to travel so far to sell the vegetables. The NKW truck can come here instead.'

Noalyn Lewis, a farmer from PNG

Acknowledgements

MDF PNG would like to thank the following organisations for their support and collaboration over the past year.

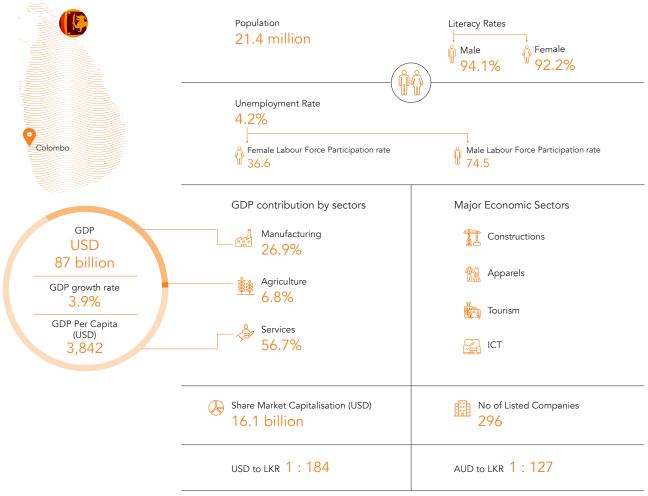
Asian Development Bank (ADB)
Australia Awards
Australian Centre for International Agriculture Research
Australian Consulate Generals Office – Lae
Bank of Papua New Guinea
Business Coalition for Women
Conservation Environment Protection Authority
Department of Agriculture and Livestock
EHP Market Authority
ENBP Market Authority
Fresh Produce Development Agency
Indigenous to Indigenous program
International Finance Corporation
Investment Promotion Authority
Lae Market Authority
Milne Bay Tourism Association
Ministry of Foreign Affairs and Trade (New Zealand)
NCD Market Authority
Oxfam Pacific
Pacific Horticulture and Agricultural Market Access
Pacific Labour Facility
Pacific Women
PNG Governance Facility
PNG Incentive Fund
PNG Tourism Industry Association
Tourism Promotion Authority
WHP Market Authority
World Bank Group

MDF would also like to extend its thanks to all its partners in PNG, without whom the team's achievements would not have been possible.



SRI LANKA

Quick Facts



(Source: World Bank online data, and Economic and Social Statistics of Sri Lanka 2018, Central Bank of Sri Lanka)

Mathematical Methods Key MDF Focus Areas



Tourism: Promoting sustainable and inclusive growth to generate more jobs, income and well-being for people working in tourism or related sectors.



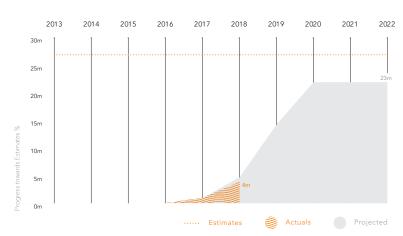
Authentic Sri Lankan Goods: Strengthening the value chains for select Sri Lankan produce and products to create a more diversified tourism market and promote the country as a destination.



MDF Timeline

2011	2012	2013	2014	2015	2016	2017	2018	2019
•					-		-	-
Fiji	Timor-Leste	Pakistan		Sri Lanka & PNG		Phase II Starts		

VALUE OF ADDITIONAL MARKET TRANSACTIONS

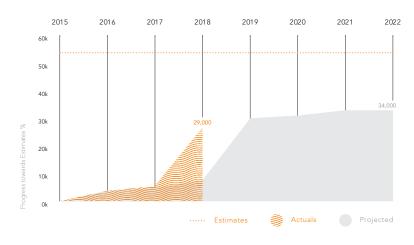


- For 2018, MDF partners in crafts, adventure tourism and in canned crab meat processing showed remarkable uptake through increased export performance and improved domestic market sales.
- VAMT currently stands at 15% of estimates although anticipated results from the round of recently signed interventions is expected to take the results to 80 per cent of estimates. The remaining twenty per cent is expected to come from partnerships that will be signed in the coming twelve months.



Before MDF can measure Outreach and Income, beneficiaries need to have applied and benefitted from the new product or service offered by the business. As a result, they begin to demonstrate progress later than VAMT, which is an earlier sign of progress.

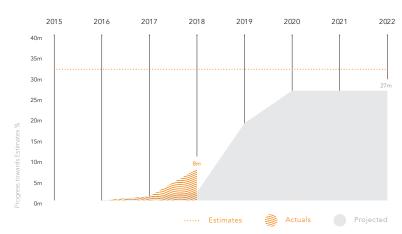
EFFECTIVE OUTREACH



- MDF interventions in fisheries have contributed to transformative changes in the Northern Province. Entire populations of blue swimmer crab farmers in different catchments have reported benefits in terms of increased prices, allowing MDF to report around 29,000 beneficiaries. This intervention area alone has delivered around 52 per cent of the total estimated outreach for the program.
- With the change of strategic direction adopted in 2018, the results from the old portfolio (of which fisheries is one element) have matured and will not yield significant growth in impact over the remainder of the program. While the program is on track to achieve its outreach targets (currently at 85 per cent of estimates) the growth in outreach will slow over the coming year as the new portfolio becomes established.
- Planned interventions in prawn inland farming, organic spice and coffee, as well as the estimated impact on the tourism workforce and the multiplier effect are expected to help the program achieve its overall outreach estimates by the end of the phase.



ADDITIONAL INCOME (USD)



- Owing to sustained impact from fishery-related interventions, the thousands of fishing households (crab farmers) which have benefitted are expected to earn additional income in the coming years. This explains why actual income is currently only at around 30% of projections, but is fully expected to grow over the remainder of the life of the program. MDF believe that the program is on track to achieve income targets by the end of the phase.
- The new portfolio of interventions in tourism is not expected to deliver the same level of impact as the early fisheries related interventions – it is widely accepted that tourism programs generate lower overall impact figures than other economic sectors. As a result, additional income is, as present, expected to reach only around 83 per cent of estimates.



Country strategy

Sri Lanka has shown remarkable progress since the end of the civil war in 2009. In the last five years, GDP grew at an annualised rate of 4.3 per cent and GDP per capita increased from USD3,600 to over USD4,000. The poverty headcount declined significantly from 22.7 per cent in 2003 to 4.1 per cent in 2016. The Human Development Index (HDI), a composite index of life expectancy, education and per capita income indicators, ranks Sri Lanka in the leading position in South Asia. Economic growth is driven by the service sectors, with tourism and information, communication and technology (ICT) leading the way. The service sector contribution to GDP steadily increased in recent years, accounting for 45 per cent of the labour force and over 55 per cent of GDP in 2018.

However, there are concerns about the durability of this growth. In 2018, the economy underperformed, reaching only 3.8 per cent of the forecasted 4.2 per cent GDP growth. Rising debt levels (largely public, but increasingly private) and a depreciating currency (down 18.6 per cent last year to US Dollar) dampened the economic outlook. The high consumption levels (much of it funded by lending) that drove economic growth in the post-conflict years are declining. The Government of Sri Lanka implemented major governance and fiscal reforms, but the political crisis of October 2018 hampered these initiatives. International credit rating agency, Moody's, downgraded Sri Lanka's rating from B1 to B2.

Remittances bring the highest foreign earnings (27 per cent) followed by apparel (19 per cent), and then tourism (14.8 per cent); ICT is also growing, bringing in 3.5 per cent of foreign earnings. The trade deficit continues to widen, increasing to over USD9 billion in 2018. The economy has continued to gradually diversify (e.g. ICT and tourism) while traditional sectors like apparel, tea and rubber show vulnerability. Sri Lanka aims to be a knowledge-based, upper middle-income country focused on improving performance in its growth sectors and enhancing its export basket. The government drafted its Vision 2025 and the Sri Lanka Tourism Strategic Plan 2017-2020²⁴ outlining plans to reach GDP per capita of USD5,000, create one million jobs, double export by 2025 and welcome four million tourists per year by 2020. While these are aspirational targets, and Sri Lanka has historically underperformed against expectations, there exists a significant untapped growth potential in many areas of the economy - ideal conditions in which to implement a Market Systems Development Program.

Poverty rates in Sri Lanka have declined considerably since the early 2000s – from 22.7 per cent in 2003 to a mere 4.1 per cent in 2016. Poverty in Sri Lanka now exists largely in pockets in the outskirts of urban city centres such as Colombo and Galle, and in the former conflict-afflicted areas of the North and East, where poverty rates can be as high as 10 to 15 per cent.

Beyond these groups, a large proportion of Sri Lanka's population is vulnerable to poverty. Based on a World Bank Diagnostics study, up to 40 per cent of earners live on less than USD2.79 per day, which is only marginally higher than the USD2.5 per day (2005 parity) poverty line. A deeper look at poverty profiles shows that the poor and vulnerable segment of the population live on the fringes of growing sectors such tourism, ICT, retail and construction. The challenges are more acute in former conflict-affected areas. However, by connecting small producers to tourism and international markets, and by bringing more tourists to emerging destinations, MDF's work in Tourism and Related Sectors presents a credible pathway out of poverty for these groups.

Sri Lanka, like most countries, is trying to balance the social effects of the post war boom with rising inequality and debt levels. Low income households report a widening gap between expenses and earning which has sparked a robust national debate about the rising cost of living. The effects of the civil war and the tsunami in 2004 are still felt in the former conflict affected areas where poverty levels and youth unemployment levels are high.

The participation of women in the economy remains a challenge. While there is parity for men and women in educational attainment, labour force participation of women is around 35 per cent, only half that of men.

Sector selection, rationale and focus

MDF's work in Sri Lanka in Tourism and Related Sectors is grounded in the aforementioned context and is fully aligned with the priorities of the Sri Lankan and Australian Governments. Tourism is one of the more promising sectors of the economy with arrival numbers exploding from a mere 400,000 in 2009 to over two million in 2018. The majority of tourists come from China, India and Europe. However, with four destinations accounting for 90 per cent of tourist nights, the industry's economic impact is highly concentrated. Other areas of the country are actively trying to gain a foothold in this lucrative market but are held back by inadequate infrastructure, skill gaps and poor information and promotion. The sector is also fragmented with insufficient investment in generating evidence to guide policy development and poor coordination between industry players. The Government has plans to develop and promote tourism more holistically, which will require significant resources and political will to achieve.

 $^{^{24}\,}Sri\,Lanka\,Tourism\,Strategic\,Plan\,2017-2020\,(http://www.sltda.lk/sites/default/files/tourism-strategic-plan-2017-to-2020.pdf)$



With more choice and knowledge of what other, more remote regions of the country have to offer, visitors will be encouraged off the main tourist trail, bringing much-needed investment with them.

Tourism connects with other value chains in agriculture, fisheries and crafts - some of which also cater to niche export markets. As tourism grows, there is a positive knock-on effect for these value chains. However, for most farmers and producers supplying these Sri Lankan products, yields and productivity are low. Inefficient supply chains, variable product quality, poor branding, post-harvest losses and high costs of production are identified as major constraints.

There is potential to address these issues by working with processors, exporters and aggregators to link farmers and producers with new markets and to increase productivity. This market-led approach complements the other development initiatives, some of which are also DFAT supported, that focus directly on building capacity and access of farmer/producer groups.

MDF in Sri Lanka is part of the Economic Opportunities of the Poor (EOP) portfolio under the Australian Aid Investment Plan for Sri Lanka (2015-19). The EOP portfolio focuses on tourism and select agricultural value chains that show potential for growth and which benefit the poor and disadvantaged. In Sri Lanka, MDF operates with the Ministry of Tourism Development as its direct counterpart.

In close consultation with the Australian High Commission, in 2018 MDF undertook a major review of its portfolio. The result of these discussions is a tighter strategic focus for the program – concentrating on two key areas of work: i) Diversifying the tourism offering; and ii) promoting authentic Sri Lankan made goods. The new strategy is closely aligned with the priorities of both the Sri Lankan and Australian Governments. MDF now contributes to 17 of the 19 indicators measuring the progress of the EOP portfolio. MDF is also contributing to 16 out of 103 Action Points laid out in the Ministry of Tourism's Strategic Tourism Plan 2017-2020.

Progress in 2018

2018 was an instrumental year for MDF Sri Lanka. The team conducted several rounds of intensive strategy realignment, a resource intensive but worthwhile investment. The 2018 results are beginning to show that MDF contributed to transformative changes in the seafood market in the North of the country and it continues to strengthened relationships with key public and private sector stakeholders. MDF is forming alliances with government agencies such as the Sri Lanka Tourism Development Authority (SLTDA), National Aquatic Development Authority (NAQDA) and the Export

Development Board (EDB) to promote inclusive, business-led growth. Additionally, MDF strengthened collaboration with other development initiatives in the tourism sector. These include DFAT-supported Skills for Inclusive Growth (S4IG), Women in Work and USAID-supported YouLead.

The MDF team expanded to include two part-time senior tourism advisers to provide in-depth sector knowledge and a field researcher, based out of Jaffna in the Northern Province, to provide more contextual and timely information on existing and potential interventions in that area.

Growth in impact

In 2018, there was a significant increase in actual outreach²⁶ figures. Over 25,000 people benefitted from MDF's activities in Sri Lanka, primarily due to transformative changes to the seafood market in the North. This represents an increase in outreach of over 385 per cent against 2017, while the number of jobs created increased by 220 per cent. As a result, the number of people expected to benefit from MDF initiatives over the life of the program has increased by 48 per cent.

This kind of growth in outcomes is not uncommon in an established portfolio as interventions mature and start to generate results. However, it is unlikely that this growth will continue in 2019 as the portfolio has changed focus and many of the new interventions are in their infancy.

As noted above, MDF SL now employs a sharper, more aligned strategy to diversify the tourism offering and promote authentic Sri Lankan-made goods.

Summary of sectors and objectives in Sri Lanka

Sector	Key Objectives			
	Better coordination at national level			
Diversifying Tourism	Better-functioning tourism ecosystems			
104113111	Diversifying destinations			
Improving	Promoting seafood (crab and prawn)			
Authentic Sri	Promoting Sri Lankan coffee			
Lankan Goods	Promoting organic spice and herbs			

²⁵ Sri Lanka Economic Opportunities for the Poor: Monitoring, Evaluation and Learning Framework, Aug 201

²⁶ For an explanation of MDF's indicators, turn to Technical Definitions on page 132







DIVERSIFYING TOURISM



41

Beneficiaries



Total Additional Income



Additional Income per Beneficiary



Partnerships

*These results are cumulative from January 2016 to December 2018 (2016-2018)

CONSTRAINTS ADDRESSED

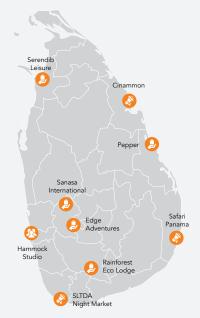
- Diversify tourism products and destinations
- Promote emerging destinations
- Support evidence-based decision making
- Address cross-cutting tourism support functions (connectivity, labour, information)

INTERVENTIONS

- Durism product development
- Management and promotion of emerging destinations
- Effective recruitment practices to attract employees



PARTNERSHIPS



- Tourism product development
 - Pepper
 - Serendib Leisure
 - Sanasa International
 - Rainforest Eco Lodge
 - Edge Adventures
- Management and promotion of emerging destinations
 - Safari Panama
 - Cinnamon
 - SLTDA Night Market
- Effective recruitment practices to attract employees
 - Hammock Studio





2,369 Tourists have participated in MDF supported activities and experiences in 2017 and 2018.



MDF partners have diversified tourism products available in Sri Lanka by offering **10** new activities and experiences across Sri Lanka (2016-2018).

Sector Story

Diversifying Tourism



Context

Sri Lanka as a tourist destination appeals to a diverse market including adventure, safari, romance, family and backpackers. The industry grew remarkably in the decade since the conflict and is increasingly important to Sri Lanka's economy. Tourism's direct contribution to Sri Lanka's GDP increased from 3.2 per cent in 2008 to 5.1 per cent in 2018, although this figure nearly doubles when indirect contributions are added. The industry is projected to continue to grow at 5.7 per cent per annum. Visitors increased from around 400,000 in 2009 to more than two million in 2018. Tourism is the third largest source of foreign exchange for the country. With the garments sector consolidating, Sri Lanka's future growth and prosperity are dependent on the sustained growth of the tourism sector. Tourism is also a viable sector for spreading growth to remote areas.

Despite these positive signs there are concerns that it will be difficult to sustain the current levels of growth due to underlying constraints. MDF identified three key challenges in the tourism sector in Sri Lanka.

First, Sri Lanka needs to diversify its offer away from the current tourist trail which is increasingly crowded and has not changed significantly since the 1970s. With relatively undifferentiated products, Sri Lankan tour operators compete on price, adopting a high-volume, low-margin business model. Sri Lanka needs to better utilise its tourism assets (nature, history and heritage) and offer fresh destinations, products and activities so that the country can continue to attract growing numbers of tourists in sustainable manner.

The second challenge facing the industry is a major shortage of skilled labour. The Tourism Labour Multiplier Study conducted by MDF in 2018 conservatively estimates that there will be around 50,000 unfilled vacancies in 2020. The industry needs to tap into new sources of labour in order to continue growth. Attracting more women and youth, who are currently underrepresented in Sri Lanka's workforce, is one avenue of addressing this issue. Others include attracting semi-skilled workers (which would involve competing directly with the gulf states) or exploring ways to lure Sri Lanka's very large expatriate labour force to return.

Lastly, MDF identified the need for the public and private sector to improve their data management and use modern communications platforms to catch up with the changed nature of tourism. Sri Lanka is competing against other global destinations to attract tourists. It is imperative that the industry (including public sector bodies) invests in understanding Sri Lanka's key tourism markets better and builds more effective channels through which to reach them.

Beyond MDF, two other DFAT supported programs, Skills for Inclusive Growth and Women in Work, contribute to the tourism sector of Sri Lanka. The Australian High Commission helped provide access to Australian tourism expertise, to offer policy advice and support the development of the Tourism Strategic Action plan 2017-20.

In 2018, MDF had 10 interventions in its tourism portfolio. MDF also invested in generating crucial insights through a Tourism Multiplier Study and a Visitor Flow Analysis to estimate the impact of increased tourism in the Eastern Province, and to understand the potentially high yield tourism flows to further strengthen through interventions. These are discussed more below.

MDF's strategy

MDF's strategy is to diversify tourism to new destinations, improve support market functions and invest in the evidence base. It aims to achieve this by:

- Engaging with key government bodies such as Sri Lanka Tourism Development Authority (SLTDA) and private sector associations such as Tourism Hotels Association of Sri Lanka (THASL) and SLAITO (Sri Lanka Association of Inbound Tour Operators), to encourage coordination, information sharing, and data-driven, evidence-based decision-making
- Investing in the ecosystem required for the tourism sector to thrive, leading to improved support functions (such as information, labour market, promotion, product development, destination management, transport and connectivity etc.) and
- Directly investing, where feasible, in new or emerging tourism enterprises, to support new tourism products and services.

Considering that other development initiatives also operate in the tourism sector, MDF has a deliberate focus on collaboration to build synergies with other programs.

Progress and results in the target market system²⁷

In 2017, over 1,500 international tourists used new tourism products and services developed with MDF support. In 2018, this tourist activity directly benefitted 41 disadvantaged people with an additional income of USD6,667. Although the actual outreach is still relatively low, the potential to create more impact by improving support functions and promoting emerging tourism destinations remains significant.



Better coordination at the national level

MDF worked closely with the Australian High Commission and SLTDA to organise a public discussion on how better coordination and a more unified voice within the tourism industry could help support robust growth of the sector. The discussion was led by Mr. Andrew Fairley, the former deputy chair of Tourism Australia and was joined by the SLTDA chairman and the Australian High Commissioner to Sri Lanka. Mr. Fairley shared perspectives on Australia's experience in moving a number of separate government

departments under a single body and the resulting gains in efficiency and coordination. The Sri Lankan government recently brought the two tourism bodies (Sri Lanka Tourism Development Authority and Sri Lanka Tourism Promotion Bureau) under a single leadership. While MDF does not have insight into what prompted the government to take this decision, this could nonetheless unify and strengthen the function of both agencies.



Better functioning tourism ecosystem (labour, information, connectivity)

MDF investments with emerging start-ups, such as LDR Tech, are helping to introduce new digital services that will help tourists access more relevant information about activities and experiences to enjoy during their stay. LDR developed content and trails for nineteen locations around the country and commercially launched in April/May 2018. Within a year of its launch, it plans to have 130 locations. Another MDF partner, Hammock Studios is also working to help the industry overcome some of the chronic labour and skills shortages through training and a web-based labour matching tool. Hammock developed training modules and initiated a pilot run with eight applicants.

MDF commenced work with Pepper Life, an experiential travel provider and a subsidiary of a Destination Management Company (DMC) that handled around 3,600 tourists in 2018. MDF's investments with Pepper are helping it expand its product offering to include destinations in the Eastern Province. Three experiences have already been launched with four more planned for 2019. Plans are underway to expand further to the North in 2019. MDF's work with Safari Panama, a small tour operator also in the Eastern Province, has helped launch new beach camping, homestay and other community-based tourism products leading to 1,300 local and international tourists visiting the small village of Panama.

MDF is also forming partnership with The Hotel Association of Sri Lanka (THASL) on measures to attract and retain more workers, especially young people and women who are currently underrepresented in the industry. MDF is also working with a new partner who is exploring the feasibility of launching a bus services for tourists to the eastern province, a location which is currently difficult to reach as an independent tourist.

²⁷ Tourism impacts people through direct, indirect and induced effect. Direct impact occurs through initial spending by tourists e.g. tourist purchase accommodation, products or services; indirect effects occur when suppliers of final goods and services purchase inputs e.g. hotels buying produce from local farmers; Induced effects occur when the employees in the tourism sector spend part of their wages and salaries to purchase goods and services for their use. At present, MDF is only reporting the direct impact from tourism on income and employment.



Developing new tourism offers

The vast majority of investment in the tourism industry in Sri Lanka is directed at hotel construction. There has traditionally been comparatively little investment in 'experiences' or other business ventures that seek to capitalise on the large numbers of idle tourists in hotels around the country. Opportunistically, MDF continues to pursue specific opportunities that demonstrate the viability of these kinds of business models. The MDF-supported feasibility study conducted by Rainforest Eco-lodge showed the viability of establishing a canopy walk and a trekking trail across the Sinharaja rainforest. The business is currently seeking private funding for the canopy walk, while the trekking trails launch by June 2019.

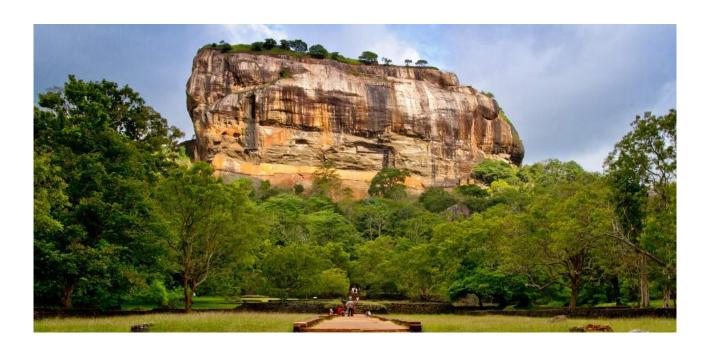
In adventure tourism, outcomes have been mixed. On one hand, MDF partner Edge Adventures completed its second year of offering new water-based tourism activities (canyoning, sea kayaking and river safari) but the total numbers of tourists taking up the activities declined from more than 1800 in 2017 to 936 in 2018. This decline is primarily due to less international school groups visiting after a fatal accident in Ecuador, although it is expected that numbers will recover in 2019. Along with safety and regulations, there are other factors holding back the development of the adventure tourism industry and MDF is currently determining whether or not further investment in this sub-sector is warranted. MDF worked with SLTDA on a package of regulation and training for all water-based adventure tourism providers in Sri Lanka to improve the safety standards. However, these discussions are delayed due to political uncertainty.

Collaboration

MDF conducted a tourism or a visitor flow analysis for three destinations in the Eastern Province (Trincomalee, Passikudah, Arugambay) to determine tourist segments, their preferences and behaviour, and potential interventions to strengthen high-yield visitor flows. The study identified 23 visitor flows currently travelling to the East and recommended that MDF focuses on Flashpackers, Organised Western Groups, Divers and Whale Watchers. In addition to being higher-yielding visitor flows, they have strong multiplier effects on other visitor flows, as products or promotion targeted at these flows will also benefit several other flows. They bring opportunities for smaller businesses and less advantaged people, as there is a strong interest in authentic experiences. They also have a strong interest in environmental and social sustainability and are interested to do their part to contribute to it while in the destination.

These findings were the basis of collaboration with the DFAT-funded Skills for Inclusive Growth (S4IG) program and pathways for more active collaboration have been agreed. MDF will actively seek opportunities to find partners and viable business models that will increase visitor flows. S4IG is interested in supporting MDF's work by providing assistance in capacity building and training of identified partners.

MDF and the DFAT-funded IFC initiative, Women in Work are discussing ways to encourage women's participation in the tourism industry, including initiatives, such as providing access to child care services at or near the workplace. Based on the results of the demand assessment being conducted by IFC, MDF will explore opportunities for partnerships with commercial day care providers who are interested in catering to workers in the tourism sector.





Observations and Lessons



Tourism industry and regulatory bodies remain fragmented: with four government agencies and over nine private sector associations, the public and private sector in Sri Lankan government is quite fragmented. Associations are narrowly defined and hence have less incentive to work with the government at an industry level. At times, individuals influence, specially of the larger conglomerates, outsizes the influence wielded by the associations. Given the entrenched nature of this issue, MDF's resources will not be able to fundamentally change this arrangement. However, MDF does realistically expect to improve coordination, information flow and evidence across these bodies. This will help achieve more robust changes in other areas of the tourism market system



Several interesting insights from the tourism multiplier study emerged:

- In the East, every block of 10,000 tourism nights booked will benefit 800 workers.
- Using a conservative estimate of 3 million tourists arriving by 2020, based on current demand supply gaps, there will be 50,000 outstanding job vacancies in the market. This figure increases to 80,000 if 4 million tourists arrive.
- Tourism workers are overstretched: in 2009, hotels filled 128 tourist nights annually for
 each worker they had. As tourism arrivals increased, this rose to 211, before decreasing to
 121 in 2013 after more accommodation establishments became operational. Currently, as
 more tourists have started to come in, that number has slowly increased to 177 in 2016.
 If this number continues to increase, it will have an impact on the kind of service quality a
 hotel can offer its guests.
- If Sri Lanka does not address the shortage of labour, tourism growth will suffer









IMPROVING AUTHENTIC SRI LANKAN GOODS



28,618

Beneficiaries



USD 7.7m

Total Additional Income



458

Jobs (FTE)



13%

Female Participation



9

Interventions

*These results are cumulative from January 2016 to December 2018 (2016-2018)

CONSTRAINTS ADDRESSED

- Limited access to information production know how
- Limited access to inputs
- Limited access to premium markets
- High post-harvest loss

SCOPE







Speciality Crops

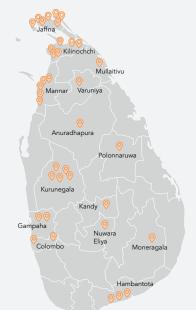
Fisheries

Crafts and Souvenirs

INTERVENTIONS

- Promote better access to information through private extension services
- Increased access to inputs
 - → Hatcheries
 - → Nurseries
- Promote access to premium markets
 - → Branding
 → Value addition
 - Facilitate introduction of practices and technology to reduce post-harvest loss

PARTNERSHIPS



Speciality Crops

- Aruna Plant Nursery
- Pasanka
- Soul Coffee

Fisheries

- Divron Bioventures
- Coolman
- Prawn Ceylon Pvt Ltd

Crafts and Souvenirs

- Selyn
- Good Market
- Rice and Carry

KEY RESULTS



Transforming markets for blue swimming crab fishers in the North since 2017.



USD 2.5m exported through MDF supported partners in 2018.



339 full time jobs created for women in the northern province (2016-2018).

Sector Story

Improving Authentic Sri Lankan Made Goods



Context

Food and shopping are a major part of any tourism experience and Sri Lanka is no exception. With tourism growing, visitor exports in Sri Lanka (a measure of tourist spending in a country including transport) have also grown at an average of 16 per cent for the last five years reaching USD4.7 billion in 2017; its forecasted to double by 2028.²⁸ However, despite such growth, concerns remain in how different market segments/ sectors can participate and contribute to such potential.

Broadly speaking, agriculture is not a very dynamic economic sector for Sri Lanka. While nominally it increased by 23 per cent from 2014 to 2017, its share of GDP contribution has come down from 7.8 per cent in 2014 to 6.9 per cent in 2017; labour force participation in agriculture has also decreased from over 30 per cent in 2014 to around 26 per cent in 2017. The country has an aging farming population and low productivity. The crop production index, a measure of agriculture production and productivity, shows a value of 130 for Sri Lanka, while for Bangladesh, India and Nepal it stands at 146.4, 142.8 and 139.4 respectively for 2016.²⁹ Growth in some of the traditional export agriculture sector like tea and rubber are slowing and showing signs of vulnerability while climatic changes (increased frequency of droughts and flooding) present additional challenges. The craft sector is similar. While specific data are hard to come by, an estimated 10,000 craft workers are engaged in building products that show very little uptake from tourists. An MDF study in the east revealed that this falls below five per cent of tourist spending (for some developed tourism markets, like Thailand or Bali, it stands at more than 20 per cent). To make matters worse, many of the souvenir markets are dominated by cheap imports.

However, there are some segments that are doing better than others: certain values chains like crabs, prawns, spices, herbs and even coffee, show good potential in serving tourists and niche exports as well to markets in Middle East, Europe and America. For these selected value chains, it is estimated that around over 75,000 smallholder farmers and producers, spread all over the island, are involved with around 250 to 275 processors/aggregators. Within them, there are emerging market actors that are looking to invest in innovations to improve product sourcing and quality. Recent initiatives to promote development by the Department of Export Agriculture in Coffee and Export Development Board in fishery and spice demonstrates governments renewed interest in these areas. Combined these provide MDF with the right opportunity to engage in and generate inclusive impact.

MDF's assessments show that post-harvest management and market access are critical when the constraints to value chain growth are related to inputs. MDF's focus should be to help build more effective supply chains which promote more effective linkages with the tourism and export market. In 2018, MDF had a portfolio of nine interventions in this area.

MDF's strategy

As part of the streamlined strategy and as outlined in MDF's Annual Strategic Plan 2018-19, MDF focusses on promoting the following change:

- A variety of quality, authentic Sri Lankan products (seafood, speciality crops and crafts) serve the tourism and international markets
- It aims to achieve this by working on supply chain linkages in three specific value chains: fisheries (crabs and prawns); speciality crops (Coffee); and the craft sector
- MDF is also currently exploring the feasibility of supporting supply chain linkages in organic spices and herbs, acknowledging the complementarities with the wellness tourism market.

²⁸ Travel and Tourism, Economic Impact 2018, Sri Lanka, World Travel and Tourism Council.

²⁹ Measured at a value of 100 for baseline year 2004

Progress and results in the target market system



Systemic change

Australia supported the growth of the fishery sector in Sri Lanka for several years. Australian initiatives help fishing cooperatives improve their governance, increase market access for fishers and enhance the productivity of seafood processors. Building on this work, MDFt invested with partners Coolman and Prawn Ceylon to establish seafood processing in the North. This work contributed to a transformative change in the blue swimmer crab market. A comprehensive study carried out by MDF in late 2018, involving over 30 traders and key informants and 240 fishers in Jaffna, Mannar and Killinochchi districts, found:



The price for blue swimming crabs increased by **43 per cent** between 2016 and 2017. In contrast, the price increase in the previous year was only five per cent



An estimated **21,000 fishers** increased their income because of this price increase



In the Fishery Improvement Plant implemented by the Seafood Association of Sri Lanka (also supported by Australian Government), stock levels of Blue Swimming Crabs remain sustainable



Over **350** jobs were created at seafood processing facilities (the majority of the workers are conflict-affected Tamil women).

Through this study, MDF concluded that by facilitating access to high value markets, prices of crabs increased significantly leading to inclusive impact for fishers in Sri Lanka.

MDF is actively exploring ways to work with Export Development Board (EDB) to promote access to higher value markets and improve Sri Lankan seafood branding.



Promoting Sri Lankan Coffee

This niche sector shows promise. MDF estimates that currently around 5,000 - 10,000 farmers grow coffee in Sri Lanka, but only 10-12 companies operate in this segment. Underlying constraints, including an absence of information on farming techniques and a lack of quality processing, contribute to high post-harvest losses and a low-quality end-products. MDF is exploring this sector for opportunities. As a first step the team is partnering with Soul Coffee, a local processor and exporter of high-quality Sri Lankan branded coffee. Soul Coffee has increased its annual procurement of Sri Lankan coffee beans from 40 tonnes to 96 tonnes annually. Through a partnership model with farming cooperatives, MDF is supporting Soul Coffee to install processing machinery at farming sites. These units will be co-managed by the cooperatives, who will share revenue. If successful, MDF expects this model to encourage replication across the coffee market in Sri Lanka. MDF is exploring opportunities to replicate the success of this partnership with other coffee producers.



Crafts: Impact at an enterprise level

One of the earliest interventions signed by MDF in Sri Lanka was its partnership with Selyn, Sri Lanka's only fair-trade handloom company. MDF supported Selyn to streamline its operations and better target the tourism sector. Selyn launched a new clothing and accessory brand, STHRI in late 2017, with a mission to provide economic opportunities for women producers of fabric. The brand has been well received with sales increasing more than the previous years. Over 150 weavers are now benefitting because of this change.

Despite this success, results to date in this sector have been low. The high cost of local production against the low cost of cheap imports means that there is little incentive for the private sector to engage with MDF to generate market-wide changes. As such, while there are opportunities to create impact at the enterprise level, the scope at the market level is limited. Future MDF investments are likely to be opportunistic, focussing on individual enterprises that have innovate business models that could create impact and provide positive models for other firms to replicate.



Observations and Lessons



Economic incentives alone do not drive change: assuming that a strong economic case will be enough to create behaviour change is not enough on its own. Alignment with the social values of communities is also critical. For example, in one community with relatively high levels of unemployment, an organisation was still struggling to fill its vacancies. One solution was to involve the local elders in the recruitment process and get their 'buy-in' – this helped the company to get more applications and interest. For MDF this means that when designing and evaluating interventions, understanding wider stakeholder perceptions and engagement is crucial



Managing distortionary influence in the market: in many of the markets like prawns, coffee and other crops, the role respective Government agencies play goes beyond regulation and into service provision. There are many Government operated hatcheries, nurseries and even one tissue culture laboratory which provides inputs to producers at free or reduced costs. This distorts the market and dis-incentivises private sector operators. Encouragingly, there is growing realisation of the potentially damaging impacts of government involvement in markets. Some government agencies are increasingly focused on the role of government as a regulator rather than a provider and ensures that government inputs are more in line with market rates. MDF is working with selected agencies (SLTDA, EDB) to reinforce their regulatory role and minimise service provision where feasible. However, it is also aware that such distortionary influence will remain in some form in these market segments despite MDF interventions.



Inclusion Interview

Dilanka Panagoda - Pepper Life Ltd



Dilanka Panagoda is Head of Business Development at Pepper Life Ltd, an experiential travel company set up in 2016. All about 'staying away from the tourist trails,' Pepper is a key player in the Sri Lankan tourism industry, which is revolutionising the way in which the visitor experience benefits women, local communities and the former conflict-affected areas.

MDF's Tharindri Rupesinghe sat down with Dilanka to find out more about Pepper and the role of tourism in building the country's economy.

Tharindri Rupesinghe (TR): Good morning Dilanka. Can you tell us about Pepper and the work you do?

Dilanka Panagoda (DP): Pepper is an experiential travel company. We work with a variety of partners to offer travel experiences that connect tourists to local cultures and people. The excursions can be anything from a walk among ancient ruins and archaelogical sites to a visit to an organic farm or handloom weavers. Sometimes, it could even be a conversation with a person who has in-depth localised knowledge. For example, we provide a visit to the Royal Botanical Gardens of Peradeniya with a botanist. In another trip, we meet with a photographer who documented the recent civil war and narrates his stories through the pictures he captured during that time.

We have been operational for nearly three years and have 60 curated experiences on offer, which receive consistently positive feedback.



TR: What sets experiential travel apart from classical tourism?

DP: Travellers gain a much more comprehensive insight into the real Sri Lanka through a local lens - they see it from a different angle, hear it from different voices. Experiential travel is all about staying away from the main tourist trails and furnishing visitors with a deeper, more valuable experience. We don't just focus on the usual visit sites like Sigiriya and Pollonaruwa - we go beyond and take them to communities where they meet Sri Lankans and experience local culture.

TR: Do you see an impact on women, ethnic minorities and other disadvantaged individuals?

DP: The more we showcase the diversity and the different cultural aspects of our island, the better we are able to offer a transformative travel experience. We feel it is important to include women and all of Sri Lanka's ethnicities to organise a more meaningful, holistic excursions. For example, one of our partnerships involves an enterprise that employs women at a fabric workshop. In the tour, we show how the fabrics are made, but we also explain the limited employment opportunities for women in the area. For tours in the tea industry, we incorporate the lives of the ethnic minority communities who are involved in picking the leaves and turning them into tea.

TR: What kind of potential does Sri Lanka offer for experiential travel?

DP: Sri Lanka has a lot to offer. It is a very diverse country – there is such variety of people, history and cultures across the regions. Pepper organises outings for tourists to connect with entrepreneurs in minority groups that they would otherwise miss altogether and income from visitors goes back into the community.

There are many possibilities for growth. This type of tourism is all about what makes a country unique. What makes Sri Lanka special is all of the colour that comes out of our diversity, exemplified by our wide range of industries. From cinnamon to tea and rubber to textiles – there's a lot to explore in experiential tourism.

TR: Where does tourism in Sri Lanka stand in comparison with its neighbours?

DP: Because of the recent civil war, the tourism industry could not develop until the conflict was over. Other countries in the region, like Thailand and Indonesia, are leagues ahead in terms of their infrastructure and support services. I would say Sri Lanka still lags behind. We have a long way to go before we become a nation that really embraces tourism.

TR: Why is that?

DP: The main challenge is people's understanding of what they are going to do. Infrastructure and roads are available for the most part, but people need a lot more convincing and training, especially in the East. It is much easier for us to introduce an excursion in Galle or even in Matale, because people there have been exposed to tourism. In the East, we have to a do a lot more to get people to understand what we do, how we are trying to work with them and what they can get out of it.

TR: How did Pepper start working in the East, the former conflict zone of the civil war?

DP: The East, as a destination, is quite amazing and has a lot of potential. What we saw when we did our scoping is that the East has the topography and the diversity of people like any other part of Sri Lanka. This means that there are many experiences that we can offer. There are challenges though: there are lots of resorts but no proper localised excursions or activities for travellers.

We started initial conversations with MDF in 2017, and it was apparent early on that we would work very well together because our interests were very much aligned. Together, we worked through how we could work on the eastern coast and to figure out what we could do there. We started with broad plans for an experience centre, but it was a bit too ambitious.

We decided that setting up excursions with hosts from the area would be the most effective approach, so we tried to find a regional manager - but we only got five CVs. Usually, when we put out a position on one of our channels, we get lots of applicants, so hiring was another challenge. We have since found a great candidate and are developing Pepper experiences in the area.

TR: What is the role of this regional host?

DP: The regional host has two roles. The primary role is to host and plan the experiences that we offer. Excursions in the East include a city walk in Kattankuddy, a farm-to-table experience, a crab curry cooking class and a visit to a coconut estate. The Kattankuddy city walk, for example, showcases the street food and the history of the city and visitors have conversations about how it has been affected by conflict. The regional host's secondary role is to approach the hotels and pitch these experiences to their guests.

TR: Sometimes tourism, especially resort tourism, can be divorced from communities, but experiential tourism places the tourist right in the communities. Tell us about that.

DP: Experiential tourism cannot work without local communities. The Kattankuddy city walk would involve visits to at least five different places with shops. At that point, travellers buy food and handicrafts from vendors, they may stop for a cup of tea. Each experience involves different parts of the community. The farm-to-table experience, for example, is a visit to a local organic farm that has been operating for years. Then, we go into a beautiful, modest guest house and we learn how to cook crab curry. All experiences involve the community.

TR: How have communities reacted so far?

DP: The reaction from communities has been good but it requires a strategic approach. For example, with the organic farmer, we took our time and sat down with him at his farm. We showed him what we have done in other parts of the island. Then, we went around his farm and asked him what he does, what his life has been like, we looked at his pictures that he has from twenty years ago. Showing the community you care about them builds trust. It is only after these conversations that people understand Pepper's work and then, they response quite positively. In Kattankuddy, our host has already gone into the shops, to guide and prepare the vendors for interactions with tourists. Even though the town has never seen travellers walking there, I think they will be very welcoming.

Pro-poor Growth Story

Women take the lead in community-based tourism



In Sri Lanka, tourism is rarely considered to be an appropriate career path for women. Concerns about fulfilling household and childcare obligations run deep, while the perceived dangers of interacting with foreigners and committing to unconventional hours discourages female employment.

But almost 700 kilometres from Colombo, a small-scale tour operator and a group of enterprising women are challenging these notions.

In the Eastern Province, the former conflict zone of the three-decade civil war, Panama village lies adjacent to Sri Lanka's most popular surf spot, Arugambay. While many tourists are drawn to Arugambay, surrounding communities like Panama derive little income from tourism, despite their proximity to national parks and wildlife sanctuaries.

Enter Safari Panama, a local tourism business, which has been working with MDF since 2016 to help communities in the post-conflict areas develop sustainable businesses in the tourism industry. The company is working with a network of homestays to financially benefit the surrounding community and offer their clients an authentic Sri Lankan village experience. As experiential tourism popularity grows worldwide, these homestays can expect to continue to enjoy demand for their services.

Niroshini Priyadarshika is one of 10 women from Panama who have turned their homes into homestays for visitors. Niroshini's husband is a day labourer who farms one season per year. Since his work and income are not steady, the additional cash flow generated from the homestay has greatly benefitted the family's standard of living.

'Tourism is the foundation that lets me educate my son. Even one day's stay is enough to pay for four days' worth of tuition classes.'

Niroshini, a homestay owner

Although her husband helps with the homestay, she leads the business.

While the tourism industry in Sri Lanka is growing quickly, women make up less than 10 per cent of the sector's labour force. This project has the capacity to increase the level of female inclusion in the workforce because it allows them to be directly involved in the tourism value chain, without forcing them to abandon their care obligations.

Niroshini earned USD1,040 from the homestay in 2018 a 65 per cent increase from the year before. She's keen to expand her business further. 'I can't afford to build a whole new house, so I want to build two rooms into which I [the family] can move,' she says, 'that way, I can make this entire existing house into a homestay.'

Safari Panama is currently working with 14 community-based businesses offering of new tourism products and services. An impressive 50 per cent of these businesses are owned and operated by women. The partnership between MDF and Safari Panama has the drive and the capacity to develop the town of Panama as a travel destination and link the local community to tourism gains. Safari Panama recently re-purposed their office into a tourist information and promotion centre. With MDF's support, they are in the process of recruiting a marketing agency to enhance their promotion and reach out to new markets and prospective travellers. On average, each community-based business earned an additional USD198 in 2018 through new business provided by Safari Panama.

In addition to running her homestay, Niroshini earns income by offering guests a lunch of local cuisine cooked in clay pots; at times she comes along Safari Panama expeditions to cook for those on the tour. She sees potential in the industry and believes that more tourists to the area will mean more business for the women and the community at large

'Tourism is something that people in rural areas have some very wrong ideas about,' says Niroshini. 'People think tourism will destroy our culture, village life and family values, but I think that if you do it right, there's nothing that can earn as much income as tourism!'.

Acknowledgements

MDF Sri Lanka would like to thank the following organisations and individuals for their support and collaboration over the past year:

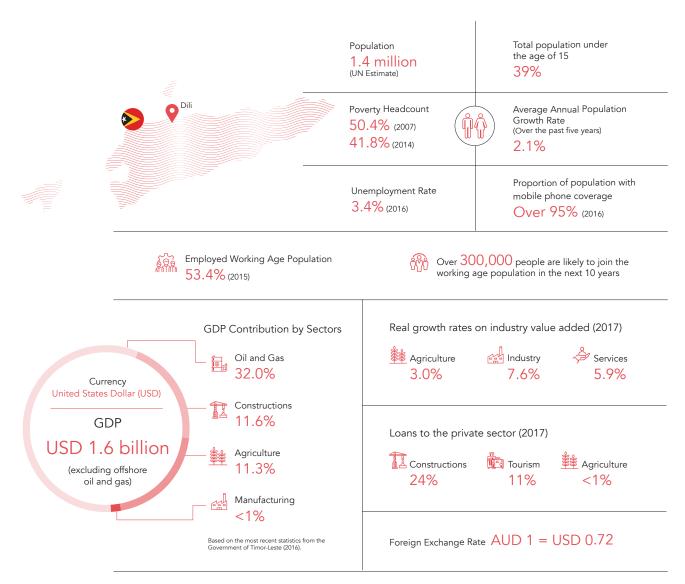
Agency (NARA)
Batticaloa Hotel Association
Dr. A. P. Heenkenda, Director General Export Agricultural Department
Dr. Ananda Subasinghe, Director Export Agricultural Department
Dr. Asoka Seneviratne, Director, Export Agricultural Department
Dr. Steve Creech
Eastern Province Hoteliers Association
Eastern Province Tourism Bureau
Eastern Province Tourism Forum
International Finance Corporation (IFC)
Lawrence Goldberg, Hansa Coffee, Sunrise Farms
Ministry of Tourism
Mr. Dharshan Munidasa and the staff of Kaema Sutra
Mr. Irfan Thassim, Founder/Director and the team at Oceanpick
Mr. Srilal Miththapala
Ms. Amal Goonetilleke
National Aquatic Resources Research and Development
Passikudah Hotel and Guesthouse Association
Saraketha Organics
Skills for Inclusive Growth (S4IG)
Sri Lanka Association of Inbound Tour Operators
Sri Lanka International Hotel Association
Sri Lanka Tourism Development Authority (SLTDA)
The Ceylon Chamber of Commerce (CCC)
The Hotels Association of Sri Lanka (THASL)
The Jaffna and Mannar offices of the Department of Fisheries and Aquatic Resources
Trincomalee Hotel Association
Unawatuna Business Owners' Welfare Association

MDF would also like to extend its thanks to all of its partners in Sri Lanka, without whom the team's achievements would not have been possible.



TIMOR-LESTE

Quick Facts



Key MDF Focus Areas



Agribusiness: Improving farmer access to agricultural inputs and information on cultivation techniques, facilitating processing for import substitution and export, and improving agricultural infrastructure services.



Tourism: Developing or improving tour products and services, enabling better policy and sector coordination, and increasing and improving destination marketing of Timor-Leste.



Manufacturing and other sectors: Supporting the start-up and growth of innovative new manufacturing enterprises. Facilitating the development of cross-cutting market functions like financial services.

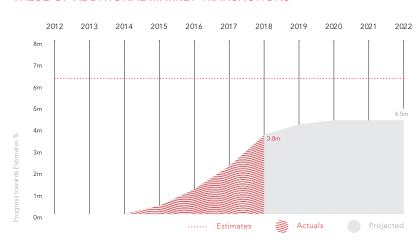


	2011	2012	2013	2014	2015	2016	2017	2018	2019
MDF Timeline	•	-	•	-	-	-	-	-	-
	Fiji	Timor-Leste	Pakistan		Sri Lanka & PNG		Phase II Starts		

MDF Timor-Leste has initiated 44 interventions since 2013. Of these, 28 are expected to contribute to the intermediate and headline results. The others are not expected to contribute because they are feasibility studies, policy-related, or did not proceed as planned.

Some progress has been made towards reaching the projected intermediate and headline results for Phase 2. However, several factors impacted progress towards these projections in 2018. Firstly, some interventions, such as with ANSATIL, did not have the impact envisaged. Secondly, fewer interventions commenced in 2018 than anticipated. Some were delayed for different reasons, such as one in aquaculture. The transition between phases and management changes also had an influence.

VALUE OF ADDITIONAL MARKET TRANSACTIONS

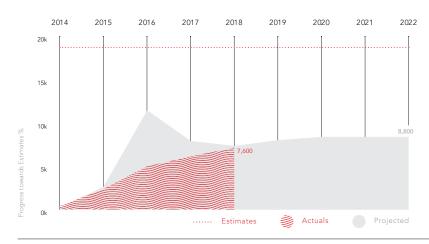


 The existing portfolio of interventions has achieved 57 per cent of estimates for VAMT. Interventions in the agribusiness sector contributed around 64 per cent of VAMT results achieved thus far. Big contributors were partnerships involving value addition through processing, such as coffee, rice and livestock. The tourism and manufacturing sectors each contributed 17-18 per cent. A large proportion of the tourism results come from a handicraft re-seller and a boutique hotel. In manufacturing, a large proportion came from the partnership with NPM Industries.



Before MDF can measure Outreach and Income, beneficiaries need to have applied and benefitted from the new product or service offered by the business. As a result, they begin to demonstrate progress later than VAMT, which is an earlier sign of progress.

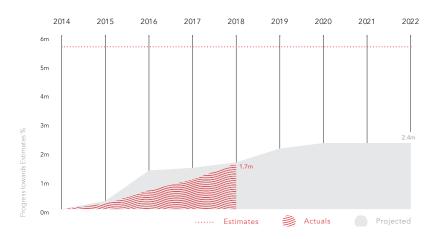
EFFECTIVE OUTREACH



By the end of 2018, 41 per cent of the outreach estimate was reached. Five partnerships are in the early stages of implementation so potential outreach from these partnerships has not yet been determined (Assosisaun Café Timor-Leste, Sarjoli, Agora Food Studio, Cruise Tourism SOPs and the Dive Operators Working Group). Projections were lowered between 2017 and 2018 as the ANSATIL partnership did not yield the expected results. Currently, agribusiness interventions contribute 47 per cent of total outreach, with large proportion coming from rice, coffee and agri-input partnerships. Manufacturing interventions contributed 42 per cent of total outreach and tourism 10 per cent.



ADDITIONAL INCOME (USD)



 The agribusiness portfolio contributed 60 per cent of additional income, higher than its contribution to outreach. The tourism sector contributed 13 per cent of additional income and manufacturing 27 per cent. In 2018, actuals exceeded the yearly projections, largely because the coffee season was good, and farmers were able to earn higher than expected additional income.



Country Strategy

Timor-Leste achieved a lot since gaining independence 16 years ago. The poverty rate declined, the security situation is much improved, and many social development indicators are trending in a positive direction. However, Timor-Leste's economy continues to struggle.

The World Bank notes that 'Timor-Leste has one of the most liberal trade policy regimes in the world.' Corporate and personal taxation is low, and there are a range of incentives for business investment. However, private sector investment continues to be limited. Timor-Leste ranks 178 out of 190 countries based on the World Bank's Doing Business Indicators. Aside from offshore oil and gas and coffee, Timor-Leste has no significant exports. The country's economy continues to be dominated by government spending, including infrastructure and public sector wages.

Agriculture continues to be the largest provider of employment, but most farmers practice subsistence methods. The value of agricultural production has stagnated over the last decade, and sub-optimal returns force many rural Timorese to reduce their food consumption annually.

For some time, the Government of Timor-Leste and donors were actively trying to stimulate economic growth through a range of methods, including public expenditure and regulatory reform. However, private sector investment remains strongly focused on government projects rather than the real economy. The IMF stated that, 'the key challenge facing Timor-Leste is achieving greater economic diversification.' However, the country's stubbornly narrow economic base suggests that different approaches are needed to those used thus far.

Alternative methods, such as those utilised by MDF, go beyond regulatory reform, and more directly stimulate investment and business growth. MDF focuses on sectors with pro-poor income and employment potential. MDF has two priority sectors, agriculture and tourism, and some limited activities in other economic sectors. When MDF started there was widespread scepticism about the potential for private sector-driven development in Timor-Leste. MDF's work over the last five years shows that there is growing businesses interest in diversifying away from government contracts. Now in its second phase, MDF will continue to work with entrepreneurs to build new markets, but will also seek to deepen its engagement in strategic markets and encourage further investment in sectors where pioneers have proven success is possible.

Agriculture remains a top priority of the Government and is featured prominently in its plans and strategies. With around 80 per cent of Timor-Leste's poor relying on agriculture, fisheries and forestry ('agriculture') for their livelihoods, this sector (MDF uses the term 'agribusiness') presents the best opportunity for MDF to sustainably impact the lives of the largest number of poor. As the private sector is so nascent, especially in agriculture, and diversification is critical, MDF's work in this sector continues to be wide-ranging. MDF is trying to promote growth in a variety of agricultural products including coffee, vegetables, cattle, spices and maize. MDF is doing this in part by implementing activities in a range of support functions and markets including storage, marketing, testing, processing and input supply (especially seeds and fertilisers).

Tourism is one of five economic development priorities identified by the Government of Timor-Leste in its Strategic Development Plan 2011-30. Reliable statistics are hard to come by, but it is clear that Timor-Leste receives few tourists at present. Unlike some economic sectors where there are one or two critical constraints that can be addressed to unlock growth, tourism in Timor-Leste will only increase if a suite of challenges is tackled more or less simultaneously. This includes destination awareness and marketing, flight availability and cost, accommodation standards, hospitality training, transport and roads, for example. MDF does not have the resources to tackle all of these issues, and there are other donors working in what is currently a small economic sector. MDF is therefore focusing its efforts on a small number of segments such as diving, cruise-ships and food, where the team has a competitive advantage in its support offering.

Manufacturing is typically a pathway to job creation and higher incomes in developing countries. However, there is almost no manufacturing in Timor-Leste aside from processing of agricultural produce. Few companies are actively interested in manufacturing at present, and MDF's analysis suggests there are not many solvable systemic constraints to investment. Therefore, MDF continues to play an opportunistic role in this sector, working with individual businesses on innovative manufacturing ideas when there is interest.

Timor-Leste's financial services are extremely limited. Very few Timorese utilise financial services on a regular basis, especially in rural areas. Agriculture represents less than one per cent of the loan portfolio of financial institutions, and private sector lending is in general very limited. MDF has implemented a small number of activities to support improved financial services and continues to look for opportunities to further develop this important enabling function.

Introduction



Last year was a busy and successful year for the MDF Timor-Leste team, despite some major political and economic challenges. Inconclusive national elections, long periods without a fully formed government and impasses over national budgets resulted in a reduced government spending. This has impacted the broader economy, including business activity and consumer spending. On the plus side, MDF is now well-established in Timor-Leste, with a growing reputation in the business community. This allowed MDF to more easily find willing partners and design suitable interventions.

During the year, the Australian Embassy Dili commissioned an independent review of Australia's contribution to private sector development in Timor-Leste. Whilst this was a whole-of-embassy evaluation, the review team naturally looked closely at MDF because of its extensive interactions with the private sector. The review found that, 'Australian approaches to market systems and business development reflect a sound understanding of the complex challenges the Timor-Leste

private sector faces.' The review recommended further collaboration with the TOMAK program, and potentially, [further] support for business start-up opportunities.

The MDF Team Leader and Senior Adviser conducted a portfolio review in September 2018. It was clear from the review process that the strategy needs to be revamped, as the key strategy documentation of MDF Timor-Leste is dated and would benefit from reflection on recent learnings. In line with a new MDF strategy framework, the review helped stimulate ideas around the development of working-level, sub-sector and market strategies, to sit underneath the high-level country and sector strategies.

Towards the end of the year a new Country Director commenced after Shariful Islam moved to MDF Papua New Guinea after three and a half productive years at the helm. The team also hired replacements two Business Advisers who moved onto other projects, as well as an accountant.



Gender and Inclusion

In 2018, MDF generated USD61.3 million in additional income for poor women and men, and for the first time, the number of women benefitting surpassed the number of men benefitting in the Pacific region. In Timor-Leste, many of MDF's partner businesses achieved good results on gender equality, particularly women's economic empowerment, stemming from MDF interventions. For example, MDF's partner, People's Trade Company (PTC) almost doubled their sales of teas, coconut oil, herbs, etc. in the two years after MDF supported them with marketing and branding. PTC's suppliers (all female) earned 60 per cent more profit in 2018 compared to 2016. Apart from access to new markets, the women also received customer feedback and training on ways to improve the quality of their products from PTC's marketing officer.

Under a partnership with Things and Stories, a workshop took place in Lospalos, a remote district in the east of Timor-Leste. The workshop is being utilised by an all-female artisan group. The women previously worked from home and hence were happy to have a dedicated work space. Working together allowed them to coordinate their production tasks better, with one artisan stating, 'having a workspace of their own is a huge accomplishment for them.' The presence of the building in the remote district with few economic opportunities has also elevated their status in the society. The group was approached by other women

in the community who wish to join the cooperative and earn additional income.

MDF played a key role in supporting the emerging cruise ship industry in Timor-Leste. When cruise ships visit, a 'Taste of Timor' cultural festival is organised with MDF support. This occurred three times in 2018, giving access to products produced by 59 female artisans. Artisans earned an additional USD15,000 from the cruise tourists in 2018.

In 2018, MDF conducted a final impact assessment of its partnerships with Acelda and Agi Agrikultura. These assessments yielded some interesting results. Before Acelda (a rice miller) began purchasing rice at the farm gate, women spent days trying to sell their rice in the local market. Some women also claimed the markets were unsafe as their produce was stolen due to a lack of security. The women benefitted through time saved and reduced risk of theft as a result of Acelda purchasing rice at the farm gate. With regard to Agi Agrikultura, the impact assessment found women invested additional income earned, through better quality of inputs and application information, in purchasing more nutritious foods such as meat for the household. MDF wrote several communications pieces (Stories of Significant Change) to better communicate some impacts across a range of partnerships.

Summary of sectors and objectives in Timor-Leste

Sector	Key Objectives			
	Improved backward linkage to production centres resulting in better market access for farmers.			
	Improved access to cost-saving and yield increasing inputs, tools and machinery.			
	Improved access to information on cultivation techniques, input use and post-harvest handling.			
	Improved public private dialogue on agribusiness policies and regulations.			
Agribusiness	Improved access to information on cultivation techniques, input use and postharvest handling necessary to meet quality standards in export and other high value market.			
	Improved marketing and distribution for traders and processors to increase product demand in local and export markets.			
	Improved specialised infrastructure techniques and services for local sourcing such as quality control, transport and storage.			
	Develop and improve tour products and services.			
Tourism	Improve policy discussion and coordination between private and public sector in tourism industry.			
	Improve destination marketing for Timor-Leste as an attractive tourist destination.			
Manufacturing	New or existing enterprises invest in novel business models in the manufacturing sub-sector in Timor-Leste.			







AGRIBUSINESS



3,771

Beneficiaries



Employment Opportunities



USD 267

Additional Income per Beneficiary



Female Participation



Districts

CONSTRAINTS ADDRESSED



Lack of access to inputs, usage information and tools



Competition from imported products

35%



Lack of storage in markets and farms



Lack of information for producers on what can be sold where and for what price



Lack of knowledge and skills in marketing/promotion



NTERVENTION AREAS AND PARTNERSHIPS



Access to End Markets

- Acelda
- Feasibility Study JYL
- Cafe Brisa Serena
- People's Trade Company
- Assosisaun Café Timor-Leste

- **Better Backward Linkages**
- Nova Casa Fresca • Timor Global

• Acelda

• Kmanek Collection Centre

Improved Public-private Dialogue

% of Beneficiaries

TradeInvest

Bobonaro

21%

Access to Inputs, Info, Tools

- FarmPro
- H3R
- Nova Casa Fresca
- Marga
- · Agi Agrikultura
- Commodity Exchange
- Bucoli Green Farms
- ANSATIL



Specialised Infrastructure

- Acelda
- Feasibility Study Kmanek
- Timor Global
- Cafe Brisa Serena
- Commodity Exchange
- Sarjo
- Talho Moris



KEY RESULTS



660 farmers have improved access to agri-inputs in two districts through four input retailers.



5 aggregators and producers supported improved connectivity to market increasing income for

420 farmers and 42 farm



First ever specialised processing in rice value chains resulting in market access for over 1,500 farmers.



Improving quality and efficiency in high-value processing value chains such as coffee, spices and cattle; improved the income of over 1,000 farmers.

Sector Story

Agribusiness



Context

The story of agriculture in Timor-Leste over the last decade is mixed. On the plus side, there was significant investment by both government and development actors (donors, civil society, etc.). Agriculture has also held a prominent place in public strategies and discourse, and many have attempted policy reform. But despite these efforts, agricultural production remains stagnant. Most Timorese farmers still practice subsistence agriculture, and many households reduce their food consumption each year in the months before the main harvest period.

There is no single cause of this situation. Government contracts and social transfers makes much commercial agriculture unviable by increasing costs for labour and transport. Access to agricultural inputs is very limited, there is very little value addition through processing, and there is insufficient aggregation and storage. A key factor has also been the lack of focus on market-driven solutions and a genuine recognition of the importance of the private sector in sustainable agricultural development. Many agricultural initiatives failed to factor in a suitable role for the private sector and, as such, have often been unsustainable. Based on available statistics, there is a strong argument that Timor-Leste is desperately in need of fresh approaches to agricultural development

MDF's strategy

MDF's current strategy in agribusiness is outlined in the Annual Strategic Plan 2018-19, and centres around facilitating Timor-Leste's transition from subsistence agriculture to more

commercial forms of agriculture. In particular, MDF is working to help local businesses and farmers meet local market needs (import substitution), or in some cases gain access to export markets. As of 2018, MDF partners in agribusiness sector generated an additional revenue of USD2.3 million from sale of their products. Higher productivity helped increase incomes amongst poor farming households. As of 2018, MDF's agribusiness portfolio increased the incomes of at least 3,698 farmers, and 73 adults benefitted from full-time or part-time employment. In total, all the beneficiaries earned an additional household income of USD1 million.

MDF's current strategy in this sector is oriented around seven intervention areas, and progress reporting below follows this structure. MDF continued to implement a diverse portfolio of interventions in agribusiness in 2018. Active interventions related to the production of coffee, vegetables, cattle, spices, maize, aquaculture, and niche high-quality products for domestic consumption (i.e. virgin coconut oil and teas). Monitoring continued on some earlier interventions related to rice, coffee and vegetables. MDF worked on a wide variety of market system functions including crop diversification, aggregation, storage, branding/marketing, quality testing, processing, knowledge transfer and access to input supply (especially of seeds and fertilisers).

Most interventions were in the form of partnerships with private sector companies, and there were some research and consultancy activities. Interventions do not typically align with the calendar year, so 2018 saw the commencement of some new partnerships, the continuation of some existing partnerships, and the transition of some partnerships to monitoring or completion phases.

Progress and results in the target market system



Improved backward linkage to production centres resulting in better market access for farmers

In general, donor-supported initiatives in vegetable production encountered many challenges. Since its inception, MDF has also had mixed results facilitating improvements in commercial vegetable production. A couple of early interventions with vegetables stalled due to shifting partner priorities and/or unexpected market responses. One of MDF's current partnerships, in vegetable collection, has not proceeded as planned, in part due to overlap with another donor-funded initiative. However, there are some signs of gradual improvement in market performance.

Keeping in mind lessons from past interventions, MDF continued its partnership with Bucoli Green in 2018. Bucoli Green is one of the few, and one of the largest commercial vegetable farms in Timor-Leste. The work focuses on growth and ensuring sustainability. A technical specialist helped Bucoli Green improve the productivity of the farm and build capacity of two key management staff. Although it is still early days, there are some good results. Wastage reduced from 25 per cent to seven per cent, and tomato production is up 38 per cent, with corresponding increases in profits and employment.

MDF also initiated a new partnership with Marga, a commercial vegetable farm. As with Bucoli Green, this partnership will help improve the productivity and sustainability of this farm. However, MDF hopes to achieve a broader market impact by virtue of its location. Marga farm sits outside traditional vegetable farming regions, and it is planned that their presence will help stimulate copycat behaviour in this area.



Improved access to information on cultivation techniques, input use and post-harvest handling

Since 2017, MDF supported the formation and activities of the Asosiasaun Negosiantes Sasan Agrikultura Timor-Leste (ANSATIL), an association of agricultural input retailers and distributors. Most ANSATIL members are small, low-capacity input shops which are dispersed across the country. Members held a meeting early in 2018, where they discussed an activity plan, received a demonstration on drip-irrigation technology, and listened to representatives from SERVE, the Government registration agency, talk about procedures for business registration. During the year, MDF also conducted field visits to look for new members to join the organisation. Overall, this intervention is facing some challenges as there has been a lack of activity by ANSATIL in recent months,

because many members are small, and inputs are only a small part of what many members sell. However, one key positive emerging from this intervention: negotiations with a new, and potentially very large distributor and retailer of inputs.

In 2018, MDF completed analysis and negotiations for a new aquaculture intervention. Pending final approval, MDF is likely to commence several connected interventions to support the development of commercial fingerling hatcheries. Fingerlings are a critical starting point for fishpond aquaculture, which is already practiced in Timor-Leste by thousands of rural households.

A large percentage of Timorese households raise animals, including cows, buffalo, pigs, and chicken, but using very basic methods with low productivity. There is also unmet market demand for animal protein sources. This presents a key opportunity to promote productivity and higher incomes for poor households. MDF continued scoping work related to livestock production. Analysis focused on a key constraint, the availability of feed.



Improved public private dialogue on agribusiness policies and regulations

A number of other donor programs are actively working with the Ministry of Agriculture, Forestry and Fisheries on such issues at present. Consequently, this is not currently a high priority for MDF, and this type of work was not actively pursued by MDF during 2018. MDF's partnership with ANSATIL included one proposed activity of this nature. Specifically, that ANSATIL would hire a consultant for policy lobbying to address issues regarding import permits, etc. However, this has not yet happened.



Improved access to information on cultivation techniques, input use and post-harvest handling necessary to meet quality standards in export and other high value market

MDF's partnership with a spice exporter, Commodity Exchange, continued throughout 2018. Spice production takes several years, so this is a slower-moving intervention than many others MDF works on in the agribusiness sector. The partner continued with nursery development and seedling distribution, and with support to out-growers (for cloves, black pepper and cinnamon).

A central focus for MDF in 2018 was its partnership with the Assosisaun Café Timor-Leste (ACT), which now includes 50 members. This partnership is closely linked to MDF's overarching market objective for the coffee sector which is about quality improvement. See Systemic Change box for further details.



Improved marketing and distribution for traders and processors to increase product demand in local and export markets

MDF continued its partnership with People's Trade Company (PTC) in 2018. Under this partnership MDF has helped PTC improve branding and marketing for their local organic food brand 'Aroma Timor.' Specifically, the partnership includes creative branding activities, as well as capacity building of the marketing staff. In 2018 this included a 'try and taste' campaign in supermarkets in Dili.

In past years MDF completed a significant intervention with Acelda on rice milling which resulted in additional income of USD190,000 for over 1,300 rice farmers. Noting the profitability of red and black rice emerging from this partnership, MDF decided to conduct further analysis on opportunities with these crops, which included some international analysis and scoping. This attracted the interest of a major international rice buyer, who subsequently came to Timor-Leste to investigate investment opportunities. MDF continues to follow up this opportunity.

MDF commenced some preliminary work with a prospective partner related to tea tree oil distillation.



Improved specialised infrastructure techniques and services for local sourcing such as quality control, transport and storage

Commercial aggregation and storage are important market functions which are largely missing in Timor-Leste. There is currently market demand for (aggregated) higher volumes of key grains. MDF supported Sarjo Unipessoal, a grain aggregator based in Same, Manufahi, to establish a grain storage and drying facility. Construction has commenced, and the partially complete facility is already utilised for storage for approximately 100 tonnes of grain (maize and soybeans).

MDF's partnership with Timor Global on a food safety laboratory continues. There have been some delays in the procurement of equipment, but the facility is expected to be set up in the coming year.

MDF supported Assosisaun Café Timor-Leste (ACT) with the set-up of a cupping laboratory, which is operational since 2018, with good results achieved already.

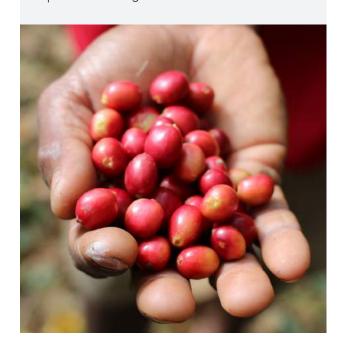


Systemic change

Coffee is grown by a large number of Timorese farmers and is one of TimorLeste's only significant exports. The coffee sector has a range of public and private market actors, and MDF is working in concert with other donors to ensure sustainable and systemic changes are implemented to coffee market systems to benefit poor farmers. Recently, MDF helped the Assosisaun Café Timor-Leste (ACT) establish a cupping laboratory that can be utilised by members and non-members to improve skills in cupping and grading their coffee. MDF supported training on coffee processing techniques to improve quality.

Although it is early days, the project achieved results. Around 50 people from 15 coffee companies/cooperative members and nonmembers participated in the training, including managers, quality control staff, farmers and baristas. Almost all participants made the top 40 in the cupping competition at the festival café Timor in October 2018. The international judge at the competition said that overall, coffee quality was much better than last year.

While this will not transform Timor's coffee sector in isolation, building a culture that prizes and rewards quality is essential to improve the overall quality of Timor-Leste's coffee, and thereby fulfilling the ambition of many for Timor-Leste to become a niche supplier of high-grade coffee with a price premium into high value markets.





Observations and Lessons

With such a diversity of timelines, commodities and approaches, it is difficult to characterise the agribusiness portfolio as a whole. That said, a few observations and lessons from 2018 include:



MDF had reasonable success increasing the depth of projects in a few markets, building on previous interventions. For example, in past years MDF worked successfully with a coffee company, Café Brisa Serena. This provided a basis for MDF, with the ADB, to support the set-up of the Association Cafe Timor-Leste (ACT).



Two of MDF's key interventions involved transitions from working with single enterprises, to collaborations with sector-level member associations. This includes the above-mentioned work with ACT, as well as MDF's work supporting the set-up of the agri-input association, ANSATIL.



MDF was less affected by the political problems at the national level than most donor-funded programs, but these issues did impact many MDF partners. For example, grain aggregated by Sarjo has not yet been purchased by the Government as planned. MDF also has an active partnership with a company to better brand and market domestic sales of high-quality food products including teas, virgin coconut oil, etc. Sales for such products were increasing, but have slowed because of the general economic downturn.



Whilst there are many donor-funded programs supporting agriculture in Timor-Leste, few of these utilise similar methods to MDF. In particular, few programs work closely with the private sector. However, there are some that have, and this can create issues. One of MDF's partners working on vegetable aggregation appears to be distracted with competing donor programs.



Because of Timor-Leste's small domestic market, many development analysts suggest that export opportunities should be more actively pursued. In 2018, MDF conducted an assessment to find export pathways for selected commodities. Following this, a targeted scoping was done for red/black rice in partnership with a potential buyer. Further follow-up investigations are being carried out on red/black rice, as well as food processing and aquaculture, which will guide future interventions.









970

Beneficiaries



141

Employment Opportunities



USD 257

Additional Income per Beneficiary



69%

Female Participation



CONSTRAINTS ADDRESSED



Lack of reliable information on the tourism sector



Lack of coordination among public and private sector



Lack of boutique hotels outside Dili for expats and tourists to visit



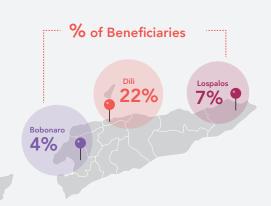
Low visibility of locally made handicrafts



Lack of diversity in tour products and services, particularly cruise tourists



INTERVENTION AREAS AND PARTNERSHIPS



Improve Destination Marketing

- Balibo House Trust
- Dive Operators' Working Group

Develop Innovative and Exciting Tour Products and Services

- Dive, Trek and Camp
- Things and Stories
- Boneca de Ataúro
- Agora Food Studio

Improve Tourism Infrastructure

- Dive, Trek and Camp
- Balibo House Trust

Improve Coordination Between the Private and Public Sector

(Tour Products, Tourism Information, Country Branding, etc.)

- MoU with the Asia Foundation
- Cruise Tourism Standard Operating Procedures
- Dive Operators' Working Group

KEY RESULTS



USD 148,000 additional revenue earned by service providers catering to cruise tourist.



2 strong retail brands established for Timorese handicrafts which created additional income of over a USD 100,000 for 712 artisans.



Promoting improved coordination in cruise tourism service delivery by facilitating collaboration among stakeholders from over 10 public and private sector organisations.



Demonstrated the feasibility of regional tourism through Balibo House Trust which has hosted an average of 1,200 tourists per year since 2015, compared to 600 visitors prior to the intervention. The presence of the hotel allows tourists to stay in Balibo, whereas before visitors would only pass by.

Sector Story

Tourism



Context

Local experts identified tourism as a growth sector and prioritised by the Government of Timor-Leste. However, at present, the sector is at a very early stage, and there are few people visiting Timor-Leste each year solely for tourism purposes. The sector is fraught with challenges on both the demand and supply sides. On the supply side there is a lack of quality products and services, low skill levels, limited infrastructure and a general unfamiliarity with tourism, all of which compromise the quality of service delivery. On the demand side, there has been little-to-no destination marketing, so Timor-Leste is not known as a tourist destination. In neighbouring countries that are familiar with Timor-Leste, such as Indonesia and Australia, Timor-Leste is often known for conflict and crisis, not tourism. Recent changes in airline ownership have meant air travel to Timor-Leste is very expensive.

The first national tourism policy was launched in 2017, but thus far it has not driven significant change. However, in the past two years, there have been some interesting developments which hold promise. For instance, there are two large hotels currently under construction, with a third under discussion and hotel owners and travel agents formed associations.

MDF's strategy

Because tourism is at an early stage of development in Timor-Leste, and considering the breadth of the challenges, MDF's approach to tourism sector is founded on pragmatism. MDF identified niche segments that Timor-Leste can be competitive in at this point in time and is focused on strengthening and improving performance in those specific markets.

MDF's strategy for the tourism industry is outlined in the current Annual Strategic Plan 2018-19 and involves: (1) attracting more tourists to the country, and (2) encouraging them to spend more money on local tourism products and services.

In 2018 MDF continued to build upon its early partnerships in tourism accommodation facilities and handicrafts by focusing on cruise tourism, dive tourism and Timorese cuisine. MDF's work in tourismis oriented around three areas of work as per the numbered headings below.



As of 2018, 970 adults including artisans, hotel staff, tour guides and bus drivers have benefitted from additional income of USD223,000 and MDF's business partners have earned USD536,000 additional sales revenue.

Progress and results in the target market system



Develop and improve tour products and services

In 2018, MDF continued its work with a tour operator Dive, Trek and Camp (DTC) to develop new products and services. Key amongst these was DTC's service offerings connected with cruise ship tourism. DTC was a shore operator for P&O ships that visited in July and August and provided a number of tour products for visiting tourists. Cruise tourism changed significantly over the past two years and there are tnoticeable improvements to visitor experiences. The Taste of Timor cultural festival, which MDF helped DTC organise, now happens for all cruise ship visits. MDF estimates 97 part-time job opportunities were created (for tour guides and bus drivers), resulting in additional income of USD8,400 (excluding tips from tourists).

Local culinary experiences are an essential element of many tourists' travel plans. But in Timor-Leste this segment is very under-developed, with many tourists disappointed about the lack of local cuisine options. This represents a huge opportunity to capitalise on the 30-35 per cent of a tourist's daily budget that they spend on food and beverages. In 2018, MDF partnered with Agora Food Studio to assess and develop food and coffee tourism offerings. This partnership is at an early stage, but the company has indicated the strategy development process supported by MDF helped them commence planning for some new business models with broader market potential.



Improve policy discussion and coordination between private and public sector in tourism industry

MDF actively supported the development of cruise tourism in 2018. Whilst not without risks, cruise tourism presents several opportunities for Timor-Leste: bringing tourists, improving industry capacity to deal with large groups of tourists, and supporting destination marketing. MDF worked with a range of actors within the sector, including the Ministry of Tourism, Commerce and Industry, tour operators, and shipping agencies, to create Standard Operating Procedures (SOPs). In 2018, Timor-Leste welcomed three ships: the Peace Boat ship in March, with around 500 passengers, then P&O ships in July and August, with around 1,300 passengers each. During these ship visits, MDF worked to ensure that the draft SOPs were implemented on a trial basis. A core working group was formed to coordinate the preparations for future cruise ship arrivals



Improve destination marketing for Timor-Leste as an attractive tourist destination

Marine resources are undoubtedly Timor-Leste's key tourist attraction at present. Various studies show that Timor-Leste has one of the most biodiverse marine environments in the world, but globally, few are aware of this fact. Over the past few years, there was modest growth in the number of diving tourists, but Timor-Leste has limited global recognition as a diving destination. Almost none of the dive tourism platforms feature Timor-Leste as a destination. In 2018, MDF facilitated the formation of Dive Operators Working Group (DOWG) with participation of all six dive operators in the country. MDF started to work with the DOWG on destination marketing, including through participation in a dive expo and potentially on a dive magazine feature. DOWG members attended the Australia International Dive Expo in August 2018 and met international wholesalers and retailers, some of whom followed up and show interest in Timor-Leste's dive sites. The DOWG will also work on supply side issues such as site management, conservation and liaising with government on relevant issues.



Systemic change



MDF is facilitating the development of market systems that enable cruise ships to visit Timor-Leste. The team

identified that a lack of coordination was a core challenge in growing this tourism segment. MDF is working with many stakeholders, including the Ministry of Tourism, Commerce and Industry, tour operators, and shipping agencies, to create Standard Operating Procedures (SOPs) for cruise tourism. The SOPs will assist sector coordination when cruise ships come by defining stakeholder roles and outlining operational procedures for before, during and after a ship visits. MDF hopes that the SOPs will help overcome persistent issues with logistics and taxi operators, and ensuring a dedicated area to run events on cruise ship days. This will improve tourist experiences and in the long run encourage additional ship visits. Because of the diversity of stakeholders, drafting of the SOPs took some time, but was close to finalisation by the end of the year. The impact of improved coordination will be monitored during 2019 cruise visits.



Observations and Lessons

Key observations and lessons from MDF regarding tourism market development in 2018 include:



Based on MDF's past experience with partnership in the tourism sector, it is clear that the simple lack of tourists is a fundamental challenge that limits any progress partnerships might hope to achieve on the supply side of tourism services. For example, any investment in hotels or handicrafts will matter little if the number of tourists does not grow. Therefore, in 2018, the portfolio shifted focus from supply to demand; especially with regard to activities related to destination marketing and attracting new types of tourists.



There are a limited number of private sector players who are competing over a very small pool of tourists. This has created an environment of distrust, so the private sector players struggle to work together. However, under the right circumstances (e.g. cruise and dive tourism) it is possible to encourage collaborative efforts.



There are a number of donors working on what is a small economic sector. To date, all have been able to work well together, in a genuine spirit of cooperation. However, care will need to be taken to ensure roles are made clear and overlaps limited, particularly with a large new project starting up.









MANUFACTURING AND OTHER SERVICES



2,895

Beneficiaries



42

Employment Opportunities Created



USD 155

Additional Income per Beneficiary



52%

Female Participation

7.

CONSTRAINTS ADDRESSED



Lack of successful manufacturing business examples in Timor-Leste



Finding staff with the right skills and providing them with in-house training



High cost of investments especially machinery



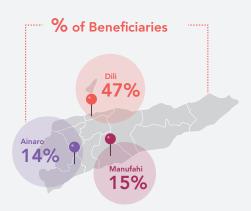
Lack of independent quality control bodies for local and imported consumption goods



Limited dialogue between public bodies facilitating investors and private sector



INTERVENTION AREAS AND PARTNERSHIPS



- Improving financial literacy and availability of financial products to smes and rural households
 - MoU with ANZ, Chamber of Commerce in Timor-Leste, Institute of Business Development Support
 - Tuba Rai Metin

- Share MDF's learnings on engagement with the private sector in Timor-Leste
 - MoU with Trade Invest
 - Universidade Nacional Timor Lorosa'e

us Su

Support the start-up and growth of individual businesses, usually first of its kind ventures in Timor-Leste

- NPM Industries
- Mahanaim Garments

• Concrete Product Bisnis





Over a period of four years, NPM's market share in the salt industry in Timor-Leste has gone from zero to **38%**.



In 2018, Mahanaim Garments sent its first order of 50 high-value garments to an Australian stockist (valued at over **USD 7,000**).



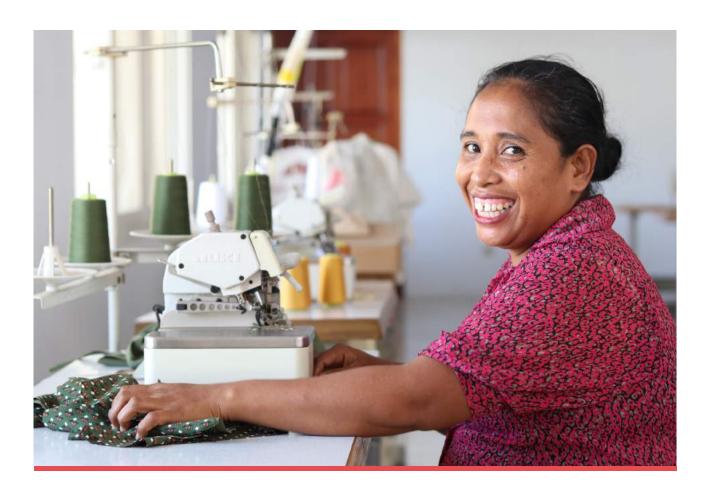
Participants of Tuba Rai Metin training found their **interaction with the formal financial institutions to be positive** and now if they need to borrow money they borrow from banks as opposed to informal money lenders.



Trade Invest connected to a potential red rice exporter for licensing and business registration.

Sector Story

Manufacturing and Other Sectors



Context

Manufacturing is a possible growth driver in Timor-Leste and could potentially create large numbers of jobs. However, between 2006 and 2016, manufacturing and other industries (electricity and gas) sector contributed just 0.45 per cent of GDP on average, and 1.17 per cent of non-oil GDP. The sector has been stagnant for the last decade, with very few new investments or innovations. The manufacturing sector faces several barriers, including high costs of import/export, its small domestic market (reducing economies of scale), struggles navigating business registration, difficulties finding workers with the right skills, and limited availability of appropriate equipment. There are few successful examples which other businesses can copy or learn from.

MDF also works in some cross-cutting or enabling sectors, including financial services. Households and small enterprises in Timor-Leste have a limited understanding of cash management, bookkeeping and saving, and use of formal

financial services is extremely low. When the need arises, the majority of the population borrows from informal money lenders, whose interest rates are very high.

MDF's strategy

In the absence of clear, solvable, sector-wide constraints to manufacturing, MDF works in an opportunistic manner in this sector, and supports the start-up and growth of individual businesses, rather than systemic market functions. In many cases, the businesses are first-of-their-kind ventures in Timor-Leste.

With regard to other economic sectors, particularly enabling or cross-cutting market functions, MDF typically works in these areas in response to needs identified from our priority sectors (agribusiness and tourism), or occasionally where there are one-off opportunities to lend MDF's particular skill set to an issue (e.g. internet connectivity).

•

Progress and results

Garment manufacturing has the potential to create a significant number of jobs. MDF is working with Mahanaim Garments, the first garment factory in Timor-Leste. This includes support for key personnel such as a pattern cutter, quality control manager and designer, and for marketing activities. Aside from the jobs this business is creating, Mahanaim is giving people opportunities to develop transferable technical skills that will benefit them in years to come. In 2018, 13 workers received on the job training from the pattern-cutter and in December, Mahanaim sent its first order of 50 pieces to an Australian stockist (valued at over USD7,000). In 2018, MDF commenced negotiations with another company about a plate manufacturing opportunity.

In the past, MDF supported Tuba Rai Metin (TRM) to introduce a financial saving product to rural farmers. During monitoring visits in 2018, training participants stated that their interactions with the formal financial institutions had been positive and now, if they needed to borrow money, they would borrow from banks as opposed to informal money lenders due to the differences in interest rates. MDF's research on when households borrow and how they transfer money to their children living in other cities is being utilised in a new financial model that is being developed by the company.

A critical shortcoming for businesses in Timor-Leste is the lack of fast and reliable internet connectivity. In 2018, MDF teamed up with Professor Brett Inder from Monash University to conduct research and develop a policy paper highlighting the benefits of Timor-Leste investing in fibre optic submarine cable. Experience from other countries found such a cable would bring significant economic benefits to Timor-Leste, boosting economic growth and job creation, and have positive education and health outcomes. The report was shared with relevant stakeholders in the public and private sector.

MDF has in place an MOU with TradeInvest, a public agency responsible for facilitating domestic and foreign investment. In 2018, MDF continued its engagement with TradeInvest, connecting them to a potential red rice exporter, regarding licensing and business registration.



Systemic change



MDF implemented related interventions that help facilitate systemic change in salt production. MDF completed a salt

iodisation study and implemented a partnership with NPM Industries, a private business looking to supply iodised salt to the national markets. The partnership with NPM began in 2014 and involved setting up the first commercial facility in Timor-Leste for manufacturing iodised salt. This facility uses locally-sourced raw salt from Timorese salt farmers and collectors and has transformed salt production market systems in Timor-Leste. NPM's market share grew from zero to 38 per cent over the past four years. Given the prevalence of macro and micro-nutrient deficiencies in Timor-Leste, MDF is advocating to pass of salt iodisation legislation which would ensure all imported and local salts have sufficient levels of iodine.



Inclusion Interview

Juliana Cabral - MDF Business Adviser



One of Timor-Leste's most iconic handicrafts is tais, a traditional, hand-woven fabric. A symbol of pride and love, both men and women try to preserve it as a part of their way of life. Currently, there are a few thousand artisans in Timor-Leste who make handicrafts for sale, and many more people supplying the manufacturing materials.

MDF partner, Things and Stories, has been working with artisans across the country to help improve their supply chain and expand marketing avenues. Juliana Cabral explains how the handicraft buyer helps women navigate some of the challenges that they face in this sector and empowers them earn more income and access more opportunities.

Market Development Facility (MDF): In what ways do women participate in this industry?

Juliana Cabral (JC): Traditionally, crafts, especially tais, are produced by women. In Timor-Leste, women tend to be concentrated in the lower income-generating areas of the informal sector, which includes handicrafts. Within these sectors, they face various constraints. They often can't afford raw materials or the costs of production. This can mean supplies are inconsistent, quality can vary, and new products are scarce. These all act as barriers to women earning more from their crafts.

Female artisans also struggle to identify craft markets and are disconnected from them, so their consumer base is limited to expatriates, tourists, the Timorese middle class and the government, who buy in bulk to use at events and launches. Unfortunately, these markets are not growing significantly, so production is unsustainable, and sales growth is slow.

MDF: How has MDF helped grow this market?

JC: MDF partners with Things and Stories, a local handicraft business that buys different products from 80 craft-making groups across Timor-Leste, while working closely with artisans to overcome their challenges and improve product quality. Over 95 per cent of these producers are women. Things and Stories is selective with the products they buy, and they promote hands-on development and skills training with their groups to help the artisans meet standards.

'The partnership started with five producer groups but has grown to around 80. Since the beginning, growing both the market and the artisans together is our main focus. It has been difficult at times, but the most important thing we do is grow together, so the artisans trust us and we trust them. Things and Stories are not simply buyers. There is a true collaboration with the artisans.'

Maïté Monnereau, Director of Things and Stories

MDF: How has the partnership with Things and Stories grown?

JC: MDF partnered with Things and Stories to improve their supply chain and expand marketing avenues. The company started in 2015, with a single store based in the

Resistance Museum. But year-on-year, they are growing and with the support of MDF, they've expanded to a third store in the local shopping mall. They have since opened another shop in the departure lounge at the international airport, showing that local demand exists – and can grow, when you meet adequate quality standards and pursue a dynamic product development policy.

MDF: How have the lives of the artisans themselves improved?

JC: In 2018, as part of the partnership with Things and Stories, MDF supported the Lo'ud cooperative to build a brightly coloured workshop in Lospalos, a remote city in the East of the country. Previously, the women used a small, rented building with poor lighting, so many of the artisans had to work in their own houses. The cooperative members are really happy with the new workshop and say that they can work in a more efficient, focused way, without the distraction of their household duties.

Now that the women don't have to pay money for a rented space, they are able to save for essential household items and school fees.

MDF: Does the market show signs of expanding?

JC: MDF is working with Lo'ud on a sustainability plan for the cooperative, who are now better equipped to set long-term goals together. Since the building opened, Lo'ud cooperative production increased by 85 per cent and sales increased by 65 per cent. The new building has already attracted attention from the local community and many young women have shown interest in joining.

Women tais weavers in this district live an eight-hour drive from the capital. Things and Stories helps give these women access to buyers. This partnership is important to provide a vision for the sector, drive new product ideas, enhance collaboration and ensure financial return for artisan's work. Most of the money earned goes back to the districts. The Things and Stories' social business model works to provide local artisans with a dependable source of income. They have brought artisans from different groups and women with different skill sets together and the collaboration is successful.

MDF: What does the future hold for this partnership?

JC: It's an exciting time for Things and Stories as they begin to explore the international export market. They recently attended a 10-day handicraft conference in Lisbon, along with two staff from their store, to connect with potential partners and outlets. The next steps include creating a web presence, generating marketing and video content, working with recycled paper and investing in locally made beauty products. Long-term, they will expand the artisans' network,

bring in the younger generations into the sector and explore the potential for exports to Europe and Australia based on high-quality, design and the uniqueness of Timor-Leste's cultural heritage.

The partnership with Things and Stories helps address supply chain challenges and open market avenues for all artisans. The progress so far helps address some of the key challenges faced by handicraft producers and transforms the potential for sales in this sector. Showcasing Timorese traditional handicrafts in an elegantly finished way to a much bigger, international market will in turn unlock much greater income for the artisans living in the remote districts of Timor-Leste.

'I love to come here because I can earn money to support my family and my children's tuition fees. It is also a learning experience to work with the other women.'

Olimpia da Cruz, Artisan

'Young girls in Lospalos who can't continue their higher education usually return to their homes and stay there. Through the Lo'ud cooperative partnership, we hope to inspire the girls to make cultural tais and earn a living.'

Ilda Da Cruz, Lo'ud Coordinator



Pro-poor Growth Story

Harvest time for Timor-Leste's first locally grown rice brand



As the five-year relationship with Acelda comes to an end, we look back at the partnership's successes - from pioneering the first locally packaged rice on Dili's supermarket shelves, to making rice selling safer for female farmers.

Timor-Leste is burdened by having few agribusinesses, resulting in limited investment by the private sector to develop supply chains for local products. This means that imported goods dominate the market and it is challenging for local businesses to process and market their products to compete.

In addition, markets where farmers can sell their supply depend upon unpredictable buyers, purchasing irregular volumes. This has led to the belief that organised and intensive agriculture is not a commercially attractive livelihood, so farm productivity hasn't increased, and the majority of the production is kept for personal use. This thinking is a huge blow to the 64 per cent of the population engaged in agricultural activity as their primary work.

Acelda is a Baucau-based company that specialises in processing candlenuts into candlenut oil and exporting to international markets. Acelda also sources other commodities including local rice and maize, but in 2013 quantities were small and used primarily for the intermittent government buyback programs in the area.

Owner Higino da Costa Freitas was particularly motivated to provide market access to rice farmers in the dominant rice producing regions of Baucau and Manatuto, providing an excellent basis to strengthen local business and unlock the potential for local rice production.

In the first two years of the partnership, MDF supported Acelda to start processing and marketing locally-sourced rice. The aim was to increase farmers access to reliable and less costly markets as an incentive to increase their production and in turn, earn additional income.

During this period, MDF helped Acelda establish a modern rice milling facility for processing and packaging local paddy. With high-quality imports posing a significant challenge to this new, local product, it was essential for them to have quality processing and storage facilities to ensure that the

rice had few broken grains, was completely off the husk and well maintained.

Additionally, MDF supported the design and implementation of an effective marketing campaign for the locally branded 'Fos Timor'. To compete with the imported rice products, Acelda created packaging with a logo and nutritional information to launch to the Dili market. To begin with, supermarkets were sceptical about the more expensive, local product. But within a year and a half, Acelda had secured distribution agreements with eight supermarkets. Based on growing demand for locally produced rice at least five other local rice brands have emerged, challenging the perception that customers prefer the cheaper, imported rice products and making a huge visible impact to locally available rice options on Dili supermarket shelves.

Between 2014 and 2015, Acelda's rice volumes almost doubled to 154 tonnes, along with the number of suppliers increasing to 374 farmers. However, in 2016 a drought in Baucau and Manatuto prevented farmers from growing surplus rice. To combat the shortfall, MDF signed an amendment to help Acelda source rice from another district. This solution has resulted in Acelda increasing the areas that it sources rice from.

An anonymous taste test conducted in 2015 with MDF's support, revealed that although customers generally liked Fos Timor, 4-6 grains in every 100 were broken. Broken grains are caused by poor post-harvest handling, a task mainly done by women. This prompted MDF to support the development of embedded training services for women and men tailored to their roles in the rice production process.

In addition to the economic benefits of the partnership, there have been some unintended benefits to women farmers. Traditionally, women have played active roles in most aspects of the production process, affording them some influence over economic activity in the household. Through the intervention, the increased sale of paddy resulted in an increase in household income. Women stated that they were consulted more frequently in decision-making around the hiring of labour, which in turn reflected as a positive shift in women's decision-making power within the household.

Women also no longer need to sell rice at the local market as they can sell directly at the farm gate. During one of the impact assessments, a female rice farmer shared, 'I don't like selling rice in the local market because there is no security there. Once, some boys stole my rice, so I am afraid to go back there. I prefer selling to Acelda because they buy at the farm gate.'

This direct sale saves the farmers transport time, which they can use for other productive activities. Women that were previously not involved in the sale of rice are now able to sell at the farm gate. The additional income from Acelda is often spent on children's education and leads to improved household nutrition.

Acelda has demonstrated the success of an agri-processing business model to help substitue imports with domestic goods and establish a regular, consistent market for rice farmers. Farmers increased the land area used for rice farming by 30 per cent between 2013 and 2018, increasing the amount of rice they harvested for sale from 4 per cent to 39 per cent, and increasing earnings from rice sales from USD37 to USD163. Over the five-year partnership, a total of 1,300 adults benefitted from increased household incomes totalling USD188,000 thanks to Acelda paddy sales.



MDF's paper on women's agency highlighted the story of a female farmer who stated that before the presence of a regular, reliable buyer, their household had no source of regular income, which caused conflict between her and her husband. After Acelda started buying large volumes from them regularly, conflict in the household reduced.

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Acknowledgements

MDF Timor-Leste would like to thank the following organisations and individuals for their support and collaboration over the past year:

Asian Development Bank (ADB)
International Finance Corporation (IFC)
Monash University
,
New Zealand Embassy, Timor-Leste
Professor Brett Inder
The Asia Foundation (TAF)
The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)
The Ministry of Agriculture, Forestry and Fisheries
The Ministry of Tourism, Commerce and Industry
The National Institute of Health (INS)
The United Nations Development Program (UNDP)
TOMAK (To'os ba Moris Di'ak I Farming for Prosperity)
TradeInvest Timor-Leste
World Food Program (WFP)
World Health Organization (WHO)

MDF would also like to extend its thanks to all of its partners in Timor-Leste, without whom the team's achievements would not have been possible.





ANNEXES

Annex 1

Technical Definitions

What do our indicators mean?

MDF's indicators are designed to help our implementation teams and donors understand how well the projects are progressing. We use them to inform decision-making and improve our knowledge of what is working – and what isn't. Our indicators are explained and compared below.

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.

Projections

Projections express an intervention's expected yield.

Before an intervention begins, the team conducts a rigourous deliverables assessment. The results for each intervention in a country's portfolio are then added together to give *projections* – a cumulative expression of what is expected from a country's interventions in the space of one year.

Actuals

Actuals are the measured and verified results of an intervention.

Achievements are captured and reported every year and compared with projections. This allows us to know whether or not the intervention is on track and meets expectations.

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

Annex 2

Aggregate Program Performance Indicators

MDF's headline and intermediate indicators are summarised below. They are all are cumulative and reported at the end of each calendar year.

Indicators		Definition	Purpose of the Indicator
Headline Indicators	Effective Outreach	 Total number of poor working adults (smallholder farms, firms and workers) benefitting (through additional income) as a result of MDF interventions Gender disaggregated. 	Measures the scale of impact on poor women and men
	Outreach from Employment	 Total number of additional full-time equivalent (FTE) jobs generated as a result of MDF interventions Number of paid days per employee, aggregated into FTE jobs, using 240 working days a year and eight hours/day Gender disaggregated. 	Captures the additional working days generated
	Net Additional Income (USD)	 Net additional attributable income earned by beneficiaries, calculated as additional income minus additional expenses, as a result of MDF interventions Gender disaggregated. 	Captures the change in income
Intermediate Indicators	Value of Additional Market Transactions	 Additional attributable sales revenue generated, triggered by MDF interventions Increased economic transactions, triggered by MDF interventions. 	Allows us to check for initial effectiveness of interventions and likely sustainability, both at business and target group level
	Private Sector Investment Leveraged	 Investment made by MDF partner businesses, within and outside the partnership agreement Includes additional investments made to improve business models triggered by MDF interventions, and also captures investment by other market players that have crowded in as a result of successful MDF interventions. 	Reflects businesses commitment, risk appetite and indicates likely sustainability

Annex 3

MDF Results 2018



Results as of 2018	Actuals			Projections			Estimates
MDF Investment (USD)	1,659,000			N/A	N/A		
Private Sector Investment Leveraged (USD)	4,991,000			N/A			7,850,000
MDF to Private Sector Investment Leverage Ratio	3.0			N/A			N/A
Value of Additional Market Transactions (VAMT, in USD)	12,551,000			34,322,000			43,000,000
	Female	Male	Total	Female	Male	Total	
Total Effective Outreach	7,030	6,970	14,000	10,240	10,080	20,320	40,000
Outreach from Employment	187	178	365	320	286	606	N/A
Additional Income (USD)	7,643,000	7,753,000	15,396,000	12,176,000	12,130,000	24,307,000	44,500,000

Actuals

DFAT Aggregate Development Indicators	Female	Male	Total
Number of Poor Women and Men Who Adopt Innovative Agricultural and Fisheries Practices	4,085	4,085	8,169
Number of Poor Women and Men With Increased Incomes	4,825	4,833	9,658
Value of Additional Agricultural and Fisheries Production (in USD)			608,000
Value of Exports Facilitated, Including New Exports (in AUD)			430,000
Value of Private Sector Investment Leveraged (in AUD)			615,000



Results as of 2018	Actuals			Projections			Estimates
MDF Investment (USD)	726,000	726,000			N/A		
Private Sector Investment Leveraged (USD)	3,740,000	3,740,000			N/A		
MDF to Private Sector Investment Leverage Ratio	5.2	5.2			N/A		
Value of Additional Market Transactions (VAMT, in USD)	3,771,000	3,771,000			4,472,000		
	Female	Male	Total	Female	Male	Total	
Total Effective Outreach	4,140	3,500	7,640	4,690	4,110	8,800	19,000
Outreach from Employment	62	194	256	72	254	326	N/A
Additional Income (USD)	896,000	810,000	1,706,000	1,178,000	1,199,000	2,377,000	5,503,000

Actuals

DFAT Aggregate Development Indicators	Female	Male	Total
Number of Poor Women and Men Who Adopt Innovative Agricultural and Fisheries Practices	1,573	1,411	2,984
Number of Poor Women and Men With Increased Incomes	2,231	1,654	3,885
Value of Additional Agricultural and Fisheries Production (in USD)			343,000
Value of Exports Facilitated, Including New Exports (in AUD)			542,000
Value of Private Sector Investment Leveraged (in AUD)			349,000



Results as of 2018	Actuals			Projections			Estimates
MDF Investment (USD)	1,535,000	1,535,000			N/A		
Private Sector Investment Leveraged (USD)	4,469,000	4,469,000			N/A		
MDF to Private Sector Investment Leverage Ratio	2.9	2.9			N/A		
Value of Additional Market Transactions (VAMT, in USD)	39,088,000	39,088,000			119,901,000		
	Female	Male	Total	Female	Male	Total	
Total Effective Outreach	21,890	24,920	46,810	148,430	156,050	304,490	469,000
Outreach from Employment	365	2854	3219	422	7435	7858	N/A
Additional Income (USD)	12,253,000	23,991,000	36,244,000	51,770,000	73,262,000	125,031000	201,342,000

Actuals

DFAT Aggregate Development Indicators	Female	Male	Total
Number of Poor Women and Men Who Adopt Innovative Agricultural and Fisheries Practices	15,120	15,660	30,780
Number of Poor Women and Men With Increased Incomes	15,427	17,776	33,203
Value of Additional Agricultural and Fisheries Production (in USD)			4,997,000
Value of Exports Facilitated, Including New Exports (in AUD)			15,413,000
Value of Private Sector Investment Leveraged (in AUD)			2,329,000



Results as of 2018	Actuals			Projections			Estimates
MDF Investment (USD)	345,000	345,000			N/A		
Private Sector Investment Leveraged (USD)	888,000	888,000			N/A		
MDF to Private Sector Investment Leverage Ratio	2.6	2.6			N/A		
Value of Additional Market Transactions (VAMT, in USD)	4,305,000	4,305,000			23,246,000		
	Female	Male	Total	Female	Male	Total	
Total Effective Outreach	3,820	24,840	28,660	6,500	27,760	34,260	55,600
Outreach from Employment	369	89	458	411	100	511	N/A
Additional Income (USD)	1,041,000	6,651,000	7,692,000	3,100,000	23,722,000	26,823,000	31,807,000

	Actuals		
DFAT Aggregate Development Indicators	Female	Male	Total
Number of Poor Women and Men Who Adopt Innovative Agricultural and Fisheries Practices	2,053	1,941	3,994
Number of Poor Women and Men With Increased Incomes	2,653	23,676	26,329
Value of Additional Agricultural and Fisheries Production (in USD)			608,000
Value of Exports Facilitated, Including New Exports (in AUD)			3,744,000
Value of Private Sector Investment Leveraged (in AUD)			331,000

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Results as of 2018	Actuals			Projections			Estimates
MDF Investment (USD)	132,000	132,000			N/A		
Private Sector Investment Leveraged (USD)	147,000	147,000			N/A		
MDF to Private Sector Investment Leverage Ratio	1.1	1.1			N/A		
Value of Additional Market Transactions (VAMT, in USD)	160,000	160,000			2,055,000		
	Female	Male	Total	Female	Male	Total	
Total Effective Outreach	230	630	860	2,420	2,910	5,320	9,000
Outreach from Employment	7	19	26	15	46	61	N/A
Additional Income (USD)	121,000	168,000	289,000	1,081,000	1,489,000	2,570,000	4,050,000

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DFAT Aggregate Development Indicators	Female	Male	Total
Number of Poor Women and Men Who Adopt Innovative Agricultural and Fisheries Practices	207	589	796
Number of Poor Women and Men With Increased Incomes	232	626	859
Value of Additional Agricultural and Fisheries Production (in USD)			0
Value of Exports Facilitated, Including New Exports (in AUD)			0
Value of Private Sector Investment Leveraged (in AUD)			59,000

Annex 4

Partnership Tables



Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Sector: High Value	Agricultural Exports	
ANZ Banking Ltd	Measurement Completed	MDF developed a market mechanism through ANZ Banking Ltd. where SMEs can access finance from formal financial institutions by working with experienced business advisers.
Ben's Trading Ltd	Activities Completed Monitoring Ongoing	MDF partner, Ben's Trading, is Fiji's largest root crop exporter. They are strategically located in different parts of Fiji (West, and Central) and through the project, they gained access to several major overseas supermarket chains. By increasing the volume of higher-grade produce exports, more farmers will be employed, and incomes will increase. Other potential exporters can learn from this example by improving their cultivation-for-export techniques and investing in their local supply chain.
Biotec Limited	Active	MDF developed the technical capacity (lab and nursery) for the commercial production and promotion of tissue cultured planting materials via demonstration plots and farmer field days. This project aims to provide greater access to disease free, high quality (high yielding) planting materials for regular, planned staggered planting, greater income consistency and an improved resilience to natural disasters.
Global Cargo Traders Ltd	Activities Completed Monitoring Ongoing	This partnership employed field promoters to work in close collaboration with the Fiji Sugar Corporation to organise Aglime demonstration plots in Ba, Tavua and Rakiraki (west Viti Levu). Field promoters gave farmers access to alternative inputs, information on how to address soil acidity, improve crop yields and ensure crop resilience during natural disasters. They also set up the proper infrastructure to stock and supply Aglime to farmers in the Ba to Rakiraki area.
Charan Jeath Singh Group	Activities Completed Monitoring Ongoing	A collaboration with one of the largest diversified businesses in Vanua Levu, the Charan Jeath Singh Group, MDF introduced a mechanised sugarcane harvesting service to address labour shortages and reduce 'standover' (unharvested) cane volumes. This more efficient sugarcane harvesting method will increase cost-savings on labour expenditures and increase income in the long run.
Cinnamon and Spice Fiji Ltd	Active	This project launched a market feasibility study to establish quality food standards for cinnamon exporters. The feasibility study will look closely at the supply chains, production capacity requirements, international market dynamics and present a financial analysis to evaluate developing a turmeric market.
Courier Documents and Parcels Services Ltd	Active	This partnership invests in barge services to better connect outer island farmers to markets. The largest locally-owned courier service, Courier Documents and Parcels Services intends to introduce an inter-island barge service, to complement its courier business.
Devesh and Bharos Farm	Activities Completed Monitoring Ongoing	This partnership upgraded one of the largest commercial greenhouse nurseries in the country to produce new, larger varieties of seedlings on a year-round basis. Increased access to these seedlings are expected to increase sales, resulting in additional income.
Ernst & Young	Measurement Completed	This partnership offers business advisory support for accounting and financial advisory services through onsite partner's location visits, accounting software trainings, respective financial policies and procedures and compliance requirements.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Fiji Sugar Corporation	Active	MDF works closely with this key strategic partner to trigger quality consciousness in Fiji's sugar industry by introducing an internationally accredited quality certification process. This is the first step in a plan to introduce Fijian sugar to the direct consumption and higher value retail markets.
Fijika Natural Products	Activities Completed Monitoring Ongoing	This project, with one of the major producers of virgin coconut oil (VCO) in Vanua Levu, increased product exportation through capacity building and marketing. Staff trained with operational VCO machinery and the team identified new villages for future coconut supply.
Global Cargo Traders Ltd	Activities Completed Monitoring Ongoing	This partnership employed field promoters to work in close collaboration with the Fiji Sugar Corporation to organise Aglime demonstration plots in Ba, Tavua and Rakiraki (west Viti Levu). Field promoters gave farmers access to alternative inputs, information on how to address soil acidity, improve crop yields and ensure crop resilience during natural disasters. They also set up the proper infrastructure to stock and supply Aglime to farmers in the Ba to Rakiraki area.
Herbex Ltd	Activities Completed Monitoring Ongoing	MDF worked with one of the few organically certified noni exporters in Fiji to strengthen the partner's supply chain and reduce post-harvest losses with the help of informative brochures and farm gate pick-up. MDF co-shared logistics costs, enabling the company to source produce from wider locations, and shared proper handling information to reduce post-harvest loss, thereby increasing quality and payments for farmers.
KK's Hardware No. 1	Activities Completed Monitoring Ongoing	In an income-generating partnership, MDF worked with a large hardware retail chain. By sourcing, importing and distributing a wide range of new commercial seed varieties that are suitable for year-round production, local farmers can increase production in off-seasons, save on production time, grow better quality produce and generate additional income. The program included compiling information on seed import requirements and identifying potential seed suppliers.
KK's Hardware No. 2	Activities Completed Monitoring Ongoing	In close collaboration with the Fiji Sugar Corporation, MDF launched a program to distribute Aglime to sugarcane farmers. Field promoters demonstrated plots in Viti Levu's western division - Sigatoka, Nadi and Lautoka. Farmers learned how to address soil acidity, improve crop yields, ensure crop resilience during natural disasters and gained access to alternative inputs.
Labasa Farm Fresh No. 2	Activities Completed Monitoring Ongoing	This partnership expanded the local entity's business. The program increased export volumes, by procuring and installing a cooler room and freezer, strengthened backward linkages, by hiring a field manager to build relationships between the business and their suppliers (farmers), and upskilled the company's management capacity.
Maqere Exports	Activities Completed Monitoring Ongoing	In collaboration with MDF, this partner expanded and better utilised their processing facility. This will ensure that Maqere is able to meet growing demand and sustainably expand sourcing from farmers in the Ra-Lautoka corridor. The partnership also contributed to private extension services, which gives farmers advice on better farming, crop care and post-harvest practices.
Ram Sami & Sons Fiji Ltd	Active	In coordination with Ram Sami and Sons, Fiji's largest egg producer and distributor, MDF helps build the business's production and technical capacity to turn chicken manure into commercial grade poultry manure for the Fijian retail market.
Sai Yee Foods Ltd	Measurement Completed	MDF established a supply chain with a coastal community to source sea urchins and process them for an export market using a commercially viable business model. This increased employment at the processing facility and improved the income of sea urchin collectors, most of whom are women.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
South Pacific Elixirs / Fiji Kava Ltd.	Activities Completed Monitoring Ongoing	A project with Fiji's first manufacturer and exporter of flavoured kava-based relaxation drinks, Taki Mai helped farmers increase their kava production, yields and harvest. Using the skills, techniques and seedlings provided by South Pacific Elixirs, the partner is making inroads into the powdered kava and kava capsule export markets in the United States and elsewhere.
Standard Concrete Industries No. 1	Activities Completed Monitoring Ongoing	Through a partnership with the first company to produce agricultural lime in Fiji, MDF improved farmer's access to the quality, affordable and locally produced soil enhancer, Aglime. This project established localised supply chains to farm gates to improve farmers' yield and income by helping counteract high levels of soil acidity.
Standard Concrete Industries No. 2	Activities Completed Monitoring Ongoing	In another project, MDF promoted Aglime to increase awareness and correct application methods through a targeted door-to-door campaign. Field promoters were equipped with portable soil testing kits to accurately advise farmers on the uses and application of the soil enhancer to help improve soil pH, yields and incomes.
Wallsons Foods	Activities Completed Monitoring Ongoing	MDF improved the partner's technical and production capacity to develop more diverse, new products with a focus on using locally sourced raw materials and enter new markets.
Windward Commodities (MoU)	Activities Completed Monitoring Ongoing	This partnership conducts a scoping exercise in Fiji to evaluate how local commodities, such as sea urchins, coconut oil and chocolate, can strengthen their respective supply chains and improve branding.
Sector: Urban Indus	stries	
Danam Fiji Ltd	Activities Completed Monitoring Ongoing	This project upskilled local capacity (for specialised garments) and increased productivity to manufacture high-value niche export garments. These skills allowed Danam to diversify and produce new, certified, structural firefighting garments that meet customer standards in the export market.
DHL Express Fiji Ltd	Activities Completed Monitoring Ongoing	This partnership invested in advanced PABX technology to capitalise on Fiji's advantages (location, neutral accent, time difference). DHL upgraded their current call centre operations and technologies and upskilled their staff capacity to deliver cost effective back office processing operations and functions to DHL customers regionally (Australia, New Zealand).
Fiji Export Council	Measurement Completed	This project builds the capacity to develop and implement better policy instruments to encourage export growth in Fiji through evidence-based reform recommendations. FEC submitted a proposal to the government to reduce the 100 per cent export threshold to 70 per cent for export and 30 per cent for domestic goods.
Hydra Sports	Activities Completed Monitoring Ongoing	As a result of an MDF project to adopt modern systems and new technology to improve both operational and production efficiency, the partner company increased their volumes and sales to (new and existing) markets. As the sales process improved, customer orders increased, leading to additional income and job opportunities.
Mark One Apparel Pte Ltd.	Active	In collaboration with Mark One Apparel, MDF enhances productivity through a support service that reduces absenteeism and staff turnover by offering female workers day-care services.
Reserve Bank of Fiji	Activities Completed Monitoring Ongoing	MDF conducted a landscape study for Micro, Small and Medium Enterprises (MSMEs) to inform sector development and policy.
United Apparel	Activities Completed Monitoring Ongoing	MDF improved factory efficiency and enhanced productivity to help UA increase its market share (deepen its existing markets and seek out new markets opportunities), which resulted in increased orders and hence, additional income and job opportunities.

Name of Partner

Status

Explanation / Update of Partnership or Influencing Event

Adi Chocolates / Easy in Fiji Ltd.	Measurement Completed	MDF helped the partner organization source locally grown cocoa beans and process them into high quality chocolate products for the tourism industry. Ad Chocolates improved their backward supply linkages to local cocoa farmers and setup of their new facility in Denarau, Nadi. They also procured specialised equipment to increase their production capacity.
Bula Coffee	Activities Completed Monitoring Ongoing	This program improved the company's production capacity by modernising its processing facilities, training staff and strengthening its supply chain through mechanisation. This emerging industry provides a new livelihood option for rura communities now involved in picking wild coffee cherries for the company.
Coconut Kids	Measurement Completed	In coordination with a local partner, MDF increased the production capacity and management skills to increase the supply of quality children's products to the tourist market. Tourists will have more access to Fijian Made items targeted at children, resulting in increased employment and income for staff at the production facility, particularly women.
Essence of Fiji No. 1	Measurement Completed	MDF supported the scaling-up of production capacity and market presence of the local cosmetics and spa products manufacturer. This growth positively impacted the local sourcing of raw materials by the company for its beauty products.
Essence of Fiji No. 2	Active	This partnership establishes a sustainable sourcing model to procure nama from female collectors in the Yasawa Islands and Ra. The project works to develop a line of skincare and beauty products using nama, as well as a comprehensive branding and marketing strategy to promote their spa and skincare range to local tourists and a wider international market.
Fiji Hotel and Tourism Association	Measurement Completed	MDF assisted the Fiji Hotel and Tourism Association organise a select subsidy allotment of booths to key tourism events for their local supplier members. The project increased local tourism industry sourcing.
Fiji Museum	Activities Completed Monitoring Ongoing	In collaboration with the local government, MDF compiled a review report which included costed recommendations on how to improve the Fiji Museum's operations, image and services. The report was designed to help facilitate additional resourcing for required rehabilitation and maintenance works at the museum, and to assist with improved marketing and visitor traffic, especially from the cruise ship tourists who frequent Suva. The report highlighted that the Fiji Museum has the potential to be the main tourist attraction for Destination Suva.
Food Inspired / Eat Fiji (MoU)	Activities Completed Monitoring Ongoing	To increase local sourcing by hotels, MDF commissioned an action research project with six hotels and resorts ranging in size and from different regions in Fiji. The project provided technical advice to participating hotels concerning the availability of suppliers for quality local produce, trained food and beverage staf and helped develop menus, including meal costing, plating and serving.
Mai Life Travel	Measurement Completed	MDF supported Mai Life Travel magazine by providing content concerning new and emerging tourism destinations in Fiji for the company's Fiji Airways inflight magazine.
MFEE (10 SMEs)	Active	To support SME growth, this partnership launched a pilot initiative to offer a practical learning platform for Small & Medium Enterprises (SMEs) and offer guidance and tools to operate efficiently. The results-oriented approach will help businesses grow their business, develop business skills and internal processes and work towards a sustainable, scalable business model to improve their chances of success in the Fijian economy and the region.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Namana Arts Fiji	Measurement Completed	MDF worked with a business to help local artisan suppliers develop products and strengthen the company's link to the tourism market in Sigatoka by placing Namana craft carts in several major hotels. This project diversified the range of handicrafts for the tourist market.
Pacific Bed Bank 1	Activities Completed Monitoring Ongoing	This partnership helped develop a new online booking and reservations system for a 'one-stop shop' Fiji Portal. The new digital platform includes accommodation and activities and allows many small tourism operators with little internet presence to take advantage of an affordable on-line marketing and bookings system. Any resulting increase in bookings and tourist numbers has a direct impact on staff income through additional hours and more spending by the hotel in procuring additional local supplies.
Pacific Bed Bank 2	Active	In this partnership, the MDF team is building a new online booking engine for integrated packages (flights, accommodation and activities) to niche destinations. MDF will also provide technical support to PBB to carry out a market study of hotels in niche destinations to inform future pricing models and marketing strategy for the new booking platform.
Pacific Corporation Foundation (MoU)	Activities Completed Monitoring Ongoing	In this tourism partnership, MDF organised technical training to help develop digital strategies for destination associations in Savusavu and Rakiraki (Ra). The project also improved the online presence and bookings of individual tourist operators in this region. Industry members received support through in-country workshops and follow up one-on-one mentoring support by James Kemp, of Growth HQ, the technical partner of the Pacific Cooperation Foundation (NZ).
Port Denarau Marina & Vuda Marina	Activities Completed Monitoring Ongoing	MDF supported Fiji's two largest marinas, Port Denarau and Vuda, to carry out an independent report and national stakeholder workshop on the yachting industry's economic contribution to Fiji. The team envisaged that this will improve the understanding of the contribution of the yachting industry to Fiji's tourism sector and help yachting stakeholders advocate for increased Government marketing support and policy reform.
Prasad's Agricultural Services (Farmboy)	Measurement Completed	This project improved the sourcing of new locally made (fresh fruit pulp) and grown (fruits and vegetables) products for the tourism industry through the set-up of Fiji's first industrial HACCP ready kitchen. The team focuses on backward linkages with farmers to increase supply quantity, improve supply quality and diversify to offer crops that are in demand from the tourism industry.
Rise Beyond the Reef	Activities Completed Monitoring Ongoing	This partnership helped build stronger linkages, improved quality assurance and marketed locally sourced handicrafts to the tourism market. Improved training, product development, branding and internal business processes led to greater sales. The business now provides a sustainable livelihood for many rural craftspeople, most of whom are women.
Rise Beyond the Reef	Activities Completed Monitoring Ongoing	This partnership helped build stronger linkages, improved quality assurance and marketed locally sourced handicraft to the tourism market. Improved training, product development, branding and internal business processes led to greater sales. The business now provides a sustainable livelihood for many rural craftspeople, most of whom are women.
Savusavu Tourism Association	Activities Completed Monitoring Ongoing	This partnership supported the existing Savusavu Tourism Association (STA) to improve governance, operations, destination marketing and engagement with national tourism stakeholders. A professional, effective regional tourism association lead to industry growth in the region.
South Sea Cruises	Measurement Completed	MDF conducted a feasibility study to investigate the potential for day-cruises operating out of Suva. The study also investigated the viability of visiting nearby destinations, including Pacific Harbour and neighbouring islands.
Southern Solutions / FijiFresh Seafood	Activities Completed Monitoring Ongoing	This program used blast-freezer technology and portion packs to increase the availability of local seafood for the tourism industry. The partner began contracting local fishing agents to provide quality control and introduced fish aggregation from key fishing areas in Vanua Levu and Kadavu.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
The Crab Company of Fiji	Measurement Completed	This project focused on enhancing the commercialisation of mud crab farming for the tourism market. This included technical support for the hatchery, the rehabilitation of mud crab ponds and the development of a community sourcing/contracting model.
Tifajek Mud Pools and Hot Springs	Activities Completed Monitoring Ongoing	This project expanded the facilities and management capacity of a community-based mud and thermal pool in Sabeto, Nadi. This local tourist attraction provides improved accessibility to more authentic Fijian experiences and promotes more local tourist spending in Nadi. The upgraded facility can now accommodate more tourists, which provides additional revenue to the business and associated livelihood opportunities for those involved from the nearby Sabeto village, especially women.
Tour Managers Fiji	Activities Completed Monitoring Ongoing	Working with MDF, the Tour Managers Fiji marketed the familiarisation (FAMIL) tour to Fiji for the company's "Top Ten" Chinese Travel Agents to Vanua Levu to market and sell tour packages to Savusavu. This project helped increased tourism from China.
Tourism Kadavu	Activities Completed Monitoring Ongoing	While coordinating with Tourism Kadavu, MDF developed a new destination marketing organisation (DMO) to promote and grow tourism in the Kadavu region. The Tourism Kadavu DMO is an initiative by the local hotels, activity and service providers to establish a regional tourism association to facilitate better coordination amongst members for effective destination marketing and engagement with national tourism stakeholders.
Tourism Suncoast	Activities Completed Monitoring Ongoing	In collaboration with Tourism Sunoast, MDF developed a new destination marketing organisation (DMO) to promote and grow tourism in the Ra or "Suncoast" region. The Tourism Suncoast DMO is an initiative by local hotels, activity and service providers to establish a regional tourism association to facilitate better coordination amongst members for effective destination marketing and engagement with national tourism stakeholders.
Tri Peak Farms	Measurement Completed	A coordinated effort between Tripeaks and MDF ensured the upgrade and use of hydroponic technology for the year-round supply of hydroponic produce for the tourism sector. This project introduced a low-cost hydroponic system for lettuce production to small contracted out-growers in the Navua area.
Vou (Dance) Fiji	Active	MDF will set-up Fiji's first Cultural Entertainment Hub ("HUB") to showcase quality contemporary entertainment to tourists visiting Fiji. Through the project, the HUB received technical inputs, business management training and became "investment ready" to secure impact investment for future development phases.
Vuda Marina	Active	With Vuda Marina, MDF is expanding Fiji's capacity to act as a cyclone shelter for yachts during the off-season to encourage more yachts to stay in the country's waters for longer. The project will liaise and recognise international insurers to identify and carry out works required at the marina so that it can be certified and recognised as a cyclone shelter.
Walks & Trails (Talanoa Treks)	Activities Completed Monitoring Ongoing	MDF supported a local company to grow the emerging local and overseas market for walking and trekking in Fiji. Working with the local communities involved to improve the quality of tour guiding, accommodation and meals is integral to the industry. Many of the remote villages involved have limited income earning opportunities so the growth of the business has a direct impact on their livelihood options.
Influencing Events		
Ministry of Agriculture – Agribusiness Forum	Active	This partnership supports MOA to promote the coworking efforts between Agribusinesses, the Ministry and supporting actors. The project plans to connect these groups to discuss investment opportunities and reduce constraints in agribusinesses.



Name of Partner Status Explanation / Update of Partnership or Influencing Event

Sector: Agri-Busine	ess, Processing and Ru	ural Distribution
Acelda	Measurement Completed	This partnership supports the first commercial rice milling plant in Timor-Leste process and market the country's first branded local rice to be sold in the domestic market. The company has sourced from nearly 1,300 farmers and continues to source and process a range of rice varieties, including red rice, for the domestic market.
Asosiasaun Negosiantes Sasan Agrikultura Timor- Leste (ANSATIL)	Active	This organisation helped establish a national level agri-input business association to create a platform to network and share information on market demand, coordinate input-supply distribution, discuss sectoral challenges and advocate with the government for a better business environment.
Assosisaun Café Timor-Leste (ACT)	Active	In collaboration with ADB and UNDP, ACT supported the newly formed national coffee association by setting up a cupping laboratory and training its members on a quality management system for coffee bean post-harvest and processing.
Bucoli Green	Active	This group built a strong in-house technical team and management structure on Timor-Leste's largest semi-commercial farm. The partnership improves crop quality and quantity and supports the procurement of specific agri-tools to develop the farm.
Café Brisa Serena	Measurement Completed	This partnership set up a quality managment system, including a coffee cupping laboratory and coffee grading system, and manages a suppliers archive to ensure traceability. This helped the company gain the confidence of existing and new high-end export buyers.
Central Moris	Activities Completed Monitoring Ongoing	Supporting Timor-Leste's first formal butcher through an equipment upgrade and facility expansion to increase processing volume. The butcher is creating a market for quality local meat supply and in the process substituting imports, as well as improving standards for local meat suppliers.
Commodity Exchange	Activities Completed Monitoring Ongoing	Cooperating with this business builds in-house staff capacity and a strong supply chain for sourcing and processing spices from local farmers for the export market. As farmers are not aware of the full commercial potential of growing and selling spices, training is provided to farmers (mostly women) about spice gardening, harvest and post-harvest management to ensure they are able to meet buyer's volume and quality requirements.
FarmPro	Measurement Completed	In coordination with MDF, FarmPro established a district based agricultural input- output business model. The partnership set-up an outgrower business model to sell seeds, fertiliser, pesticides and herbicides to farmers, provide technical support and purchase the final produce for sales in Dili markets.
Hamos Habokur Haburas Rair (H3R)	Measurement Completed	The partnership helped H3R improve compost quality and production methods and develop a marketing plan to penetrate the rural markets, which is more difficult given the high cost of production at farm level.
JYL International	Measurement Completed	MDF supported a scoping study for a commercial farm for one of Timor-Leste's largest conglomerates. The scoping study included an environmental impact assessment and detailed research to establish crops to plant, specifically with the export market in mind.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Kmanek	Measurement Completed	In a coordinated effort, MDF and Kmanek conducted a feasibility study on the viability of establishing the country's first feed-mill for livestock, poultry and fisheries in Timor-Leste to better inform potential investors and develop the local industry.
		This partnership established "collection centres" to improve the supply chain, connect more farmers with supermarkets and provide a reliable pick-up service for farmers. This will create market access for farmers and increase import substitution for selected produce.
Loja Agi Agrikultura	Measurement Completed	This partnership established a commercial agri-input distribution model in rural areas through partnership between Agi Agrikultura – a large agri-input wholesaler and municipality level retailers. Municipality level retailers are trained to sell good quality inputs and provide agricultural information to farmers. Both male and female farmers received needs-based training on cultivation methods, safe usage of agri-inputs, product identification and application.
Marga	Active	MDF and Marga set up a semi-commercial horticulture farm in Loes by purchasing equipment to expand and regulate production throughout the year and improve the capacity of technical staff to manage production. The farm will also educate and influence neighbouring farming households. Success on the farm will create an opportunity to develop a new vegetable production zone.
Nova Casa Fresca	Measurement Completed	This colaboration organised a backward linkage with local producers for sourcing high value, specialty vegetables and strawberries to sell in the local market. The company also provides key agri-inputs and information support on cultivation practices to improve farm production.
People's Trade Company (PTC)	Active	PTC and MDF improves the marketing for a local organic food brand, 'Aroma Timor'. The partnership includes creative branding activities as well as capacity building of the marketing staff through formal and informal training. An increase in sales will directly impact the women producers of the brand's spreads, herbs and spices.
Sarjo	Active	MDF and Sarjo will establish a commercial-scale aggregation and storage facility. This includes setting-up of physical infrastructure capable of storing 350MT of grain and hiring a technical expert to design a single prototype grain drying unit capable of drying approximately 20MT/day. The facility is expected to hold sufficient capacity to meet market demand and minimise interruptions caused by grain quality fluctuations.
Timor Global	Active	This project founded the country's first commercial food-safety testing laboratory for assessing the suitability of raw materials (maize and soy) against aflatoxin, for processing into a cereal called Timor Vita for lactating mothers and young children. The lab testing facility can also be used by other agri-processors to source local grains for processing into other food products. The company has introduced an aflatoxin rapid field test system for raw materials at the farm-gate to expedite purchase from farmers.
Sector: Tourism		
Agora Food Studio	Active	MDF supports Agora Food Studio to improve their marketing strategies to promote local cuisine to international tourists. The partnership is assisting in the development of a food and coffee tourism plan for local businesses aiming to promote local cuisines.
Balibo House Trust	Measurement Completed	This partnership founded the first high-end boutique hotel in the north-western part of Timor-Leste. The team conducted numerous socialisation activities with the local community to ensure a positive relationship with the local inhabitants. Staff were trained on tourism and hospitality skills in multiple phases. Most of the staff are from that municipality and half of them are women. The hotel has been operational since March 2015 and is currently catering to a growing number of guests.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Balibo House Trust Conference Centre	Activities Completed Monitoring Ongoing	This partnership supported the design of a new conference centre following the establishment of the Balibo Fort Hotel. While the hotel has been successful in attracting tourists, the mid-week visitor numbers are low but the conference market presents opportunities for growth.
Boneca de Ataúro	Measurement Completed	MDF supported innovation and a new retail store for one of Timor-Leste's most established handicraft co-operatives. The partnership supported an artist in residence program, as well as language, business management and marketing training for the cooperative members, and the establishment of a shop in Dili for the co-operative based on the island of Atauro.
Dive Operators' Working Group (MOU)	Active	This partnership supports the working group to conduct a survey to better understand visitors' experiences, facilitating the operator's participation at strategic tourism expos in Australia, Asia, Europe and North America. This encourages dialogue between the Ministry of Tourism, Commerce and Trade and relevant communities about conservation issues of the dive sites.
Dive, Trek and Camp	Activities Completed	This business venue develops adventure and religious tour products as well
(DTC)	Monitoring Ongoing	as new tour packages, such as a hop-on and hop-off bus servicing cruise ship passengers docking in Dili. The partnership includes a range of tourism activities aiming to influence the market as a whole to enhance Timor-Leste's image as a tourist destination.
Pousada Alecrim	Measurement Completed	By working with Paousada Alecrim, MDF developed a well-managed tourist accommodation and tourist support services at the guesthouse in Hatubuilico, Ainaro – the gateway to climbing Timor-Leste's highest mountain, Mt Ramelau.
The Asia Foundation (MOU)	Active	Collaboration with The Asia Foundation to establish a framework for the two organisations to support the Ministry of Tourism, Commerce and Industry in conducting impact analyses of different tour products and improve opportunities for the execution of destination marketing campaign activities that promote tourism in Timor-Leste.
Things and Stories	Measurement Completed	The project helped promote locally produced handicrafts representing the arts and culture of Timor-Leste. MDF supported a boutique handicraft retailer and their artisan groups to improve production efficiencies through use of appropriate machinery and workspace conditions.
Sector: Manufactur	ing and Other Service	es
ANZ/CCI-TL/IADE (MOU)	Measurement Completed	The project promoted financial literacy, business advisory services and business linkage opportunities to small and medium enterprises through training programs and networking events, by engaging a range of national and international private sector investors.
Concrete Products Business (CPB)	Measurement Completed	This project increased the use and availability of fuel efficent cook stoves though retail opportunities, demonstrations and marketing campaigns targeting women in different municipalities.
Mahanaim Garment	Active	This partnership sets up Timor-Leste's first garment factory, improves the industry's marketing campaigns and helped fund key positions, such as pattern cutter, quality control manager and designer.
NPM Industries	Measurement Completed	MDF and NPM Industries introduced locally refined and packaged iodised salt for the first time in Timor-Leste, as well as to the export market. The project promoted modern farming methods to improve efficiency in raw salt sourcing from local farmers, trained factory staff on salt refinery and testing facility operations, as well as quality control and to ensure proper iodisation.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
TradeInvest (MOU)	Active	MDF collaborates with TradeInvest to promote key private sector reform efforts and facilitate thematic workshops and seminars targeted at current and potential investors in the agribusiness, manufacturing and tourism sectors.
Tuba Rai Metin	Activities Completed Monitoring Ongoing	MDF supported Tuba Rai Metin to make finance more accessible to rural clients by encouraging farmers to open savings accounts at local kiosks or 'Centres for Saving', as well as introducing a financial education program on the importance of saving and household management.
UNTL (MOU)	Measurement completed	This partnership with Timor-Leste's national university, Universidade Nacional Timor Lorosae (UNTL) targets future private sector entrepreneurship and growth. The partnership will bring the private sector into the classroom through a series of seminars and offer students placements in MDF partner businesses. In the future, MDF will explore developing mini case studies drawing lessons from MDF partnerships which will be used as course supplement for agriculture, economics and business graduate students.
Influencing Events a	and MOUs	
Cookstove study	Activities Completed Monitoring Ongoing	MDF has initiated a study to understand and estimate the cost, time and health benefits (through reduced burden of disease) experienced by households by using cookstoves manufactured by its partner CPB. The study provides insights on the stove's acceptability and performance in everyday use, the perceived health benefits from reduced smoke intake and the gender preferences for improved cookstoves.
Cruise Ship SOP	Active	MDF engaged value chain actors, both public and private, as well as service providers relevant to the Timor-Leste cuise ship industry to develop a comprehensive "Standard Operating Procedures" (SOP) to clearly outline the specific roles of different authorities, establish a coordinated structure, and make recommendations on operationalising this structure. This SOP will become the guiding principle for cruise ship tourism operations in Timor-Leste, which will not only reduce ambiguities and improve efficiency, but also facilitate wider private sector engagement.
Internet Connectivity Study	Active	This evidence-based study investigates the importance of upgrading Timor-Leste's internet connection to fibre optic submarine cables, which would bring significant economic and social benefits to the population.
Monash University	Measurement Completed	International scoping on potential investors or offtakers for Timorese agricultural production.
Salt Iodisation Study	Measurement Completed	MDF initiated a study to understand the knowledge, attitude and practices concerning iodine and salt in the general population in four districts of Timor-Leste. The findings from the study will be used for advocating the need for a Universal Salt Iodisation policy in Timor-Leste.
TOMAK (MOU)	Active	Cross-program efforts to exchange information and collaborate on market systems development activities.
Research/Consultancy		
Consultant	Active	nternational scoping on potential investors or offtakers for Timorese agricultural production.



Name of Partner	Status	Explanation / Update of Partnership or Influencing Event		
Sector: Horticulture				
Ali Akbar Group 1	Measurement Completed	MDF helped AAG in set up extension services to introduce integrated orchard management techniques for improved kinnow quality. These services were provided through demonstration of best orchard management practices with lead farmers in 24 villages of Sargodha region in Punjab.		
Ali Akbar Group 2	Activities Completed Monitoring Ongoing	This partnership expanded extension services for vegetable farmers in Baluchistan. AAG hired field staff for two locations in Baluchistan who developed clusters across the identified regions and are setting-up demonstration plots for improved vegetable farming practices using AAG products.		
Baloch Hamza Brothers Date Company	Activities Completed Monitoring Ongoing	This partnership set up a date processing facility in Baluchistan to supply processed dates, grinded dates and packed unprocessed dates to lucrative domestic and potential export markets. The project included launching a separate women-only processing facility to prepare grinded dates and female farmers were trained to package unprocessed dates at farm gate.		
FMC Corporation	Activities Completed Monitoring Ongoing	FMC established an information dissemination system for tomato farmers in Swat Valley, Khyber Pakhtunkhwa. The focus of this was on increasing farmer awareness on commonly prevailing nematode disease in tomato crop. FMC established demonstration plots to show impact of improved tomato practices and disease control on yields.		
Haji Sons	Active	This program focuses on increasing the productivity of tomato farmers in Thatta (Sindh) by providing information on best production practices. This will be achieved by creating awareness on the benefits of vertical farming using quality seeds and staking techniques through demo plots at various locations across Thatta.		
Hashwan Dry Fruit Traders	Measurement Completed	MDF supported the expansion of a dry fruit processing facility in Gilgit Baltistan to produce better quality dry fruits to sell in high end markets. With facility set-up, fruit farmers across Gilgit are selling fruit to the partner.		
Kashmala Agro Seeds	Activities Completed Monitoring Ongoing	MDF supported Kashmala Agro Seeds to set up a vegetable seed processing facility in Loralai, Balochistan through a contract farming model. Through this intervention, farmers will have access to better quality and cheaper seeds in Balochistan.		
Khattak Seeds Company	Activities Completed Monitoring Ongoing	This collaborative effort boosted the productivity of cucumber farmers in Khyber Pakhtunkhwa by introducing vertical growing techniques for improved yields and quality. Model farms set-up to demonstrate land-efficiency and improved cucumber quality. The technique is expanding to other crops such as tomatoes and bitter gourds. In the first two years, approx. 539 farmers benefited, generating 1,400 additional seasonal jobs.		
Magnus Kahl Seeds	Activities Completed Monitoring Ongoing	This partnership increased onion seed production and processing capacity in Chitral to provide farmers across Pakistan access to quality onion bulbs and seeds cultivated by male and female farmers in Chitral. Female field agents guide female farmers to cultivate onion bulbs and seedlings in their kitchen gardens.		
Mountain Fruits Pakistan	Measurement Completed	MDF supported Mountain Fruits to assess the potential for exporting apricot pulp from Gilgit Baltistan to the European market by conducting a feasibility evaluation for apricot pulp business.		
Mulberry	Activities Completed Monitoring Ongoing	To improve the Mulberry value chain, the harvesting and drying practices as well as help male and female farmers increase thier produce quality, MDF reached out to a consultant and provided training to regional growers.		

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
National Foods	Measurement Completed	This project improved the cultivation and drying practices for aflatoxin controlled chilies for export, and introduced disease resistant and high yielding seeds for chilli production in Sindh. The team established a research and demonstration farm and seed selection is in process. Field agents trained farmers on better production and drying practices, leading to improved productivity and higher farmer incomes.
Organo Botanica	Measurement Completed	Cooperating with this partner increased the export of organically dried fruits from Gilgit Baltistan to niche international markets by improving processing capacity, getting organic certifications and developing market linkages. Organo Botanica expanded its orders from apricots, cherries and other dried fruits to organic dates.
Pakissan Technologies	Measurement Completed	In coordination with MDF, the partner constructed an in-depth feasibility and roll- out plan to design an ICT enabled system to deliver agricultural inputs and tailor- made information on various crops to farmers across Pakistan, through a team of commission agents.
Star Farms	Active	MDF supported Star Farms to implement a direct fruit and vegetable procurement model. This provides farmers with an opportunity to save money by reducing their transaction costs, offers reliable and less costly access to inter provincial trade and may expand operations by sourcing quality produce directly from farmers and supplying to Metro retailer.
Telenor	Active	Through MDF's support in researching information gaps in the region, content procurement, stylisation and service design, farmers in Gilgit-Baltistan (GB) and Chitral gained access to actionable, timely and relevant crop information on their mobile phones that will to enable them to have higher yields and reduce post-harvest losses.
Telenor Nutrition	Active	This partnership launched a service in KPK and Balochistan that will provide an actionable crop advisory, nutrition advisory and relevant and timely weather updates to farmers on their phone. Through this service, women have access to information on how to look after livestock, crop management and how to improve the health and nutrition of the family.
Vital Agri Nutrients	Activities Completed Monitoring Ongoing	In partnership with VAN, MDF set up a production facility for bio-fertilizer, Phosphorous Solubilising Bacteria (PSB), that will help improve phosphorus uptake by plants and increase yields per acre. The project established over 100 demonstration plots across various horticulture crops (cucumber, tomato, onion, bitter gourd, etc.) in Khyber Pakhtunkhwa during the year and farmers were invited to see PSB application methods and witness yield changes. The production facility is now operational to produce bio-fertilizer for commercial sales in Punjab and KP.
Zia Garden and Nursery Farm	Activities Completed Monitoring Ongoing	In a collaborative effort, teams founded a modern vegetable seedlings' nursery. The controlled tunnel nursery system offers early season vegetable seedlings to farmers, thereby enabling farmers to plant vegetables early and get early harvest for the market entry to fetch better prices. This is also the first of its kind commercial vegetable seedling nursery in Baluchistan.
Sector: Dairy and N	Meat	
Al-Saffah Feedcom Ltd	Active	This partnership provides customized feed solutions for animals through advisory services on how to raise meat animals and the provision of customized feed. The project helps and mid-tier feedlots sell animals, thus ensuring a supply of animals to meat processors and exporters.
CattleKit - Bank Alfalah	Activities Completed Monitoring Ongoing	MDF partnered to provide modern silage making machinery available to farmers so that they can easily produce silage. Bank Alfalah developed a financial product for potential silage producers, making it easier for them to access the machinery. MDF supported Cattlekit to promote the financial product, and to localise the production of small silage bales through outreach, marketing activities and display centres. Through this partnership, 12 small silage baling units have been set up so far, providing silage to more than 1,300 small farmers.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Cattlekit 2	Active	This partnership provides maize farmers with a complete solution that includes both the manufacturing and packaging of silage. The service will bring silage machinery, together with skilled technicians, to the farmer's doorstep.
Farm Dynamics Pakistan	Activities Completed Monitoring Ongoing	This project launched small packs of Rhodes grass and Rye grass' seeds for farmers in Pakistan for the first time. The package is affordable for small-holder farmers in Central and South Punjab, Khyber Pakhtunkhwa and Gilgit. Information sessions and farmer days informed farmers about the benefit of these fodders, such as their improved nutritional value, their ability to be grown on saline land and their multi-cut characteristics.
Fauji Foods	Active	In collaboration with Fauji Foods, MDF established 20 milk collection centres coupled with extension services in selected villages of Layyah and Muzaffargarh. Fauji Foods has also hired 20 Collection Centre Agents and male and female extension staff which are reaching out to both male and female farmers to educate them about better husbandry practices, which will help them increase their milk yields. Fauji Foods will also set up an input shop for providing farmers access to quality inputs.
Female Silage Entrepreneurs	Active	MDF is helping three female silage entrepreneurs, in Nowshera (KPK), Okara and Khanewal (Punjab), produce appropriately sized silage packages and promoting it among smallholder female farmers. These female entrepreneurs have strong communal ties with the surrounding farm community and a sound understanding of silage, and will therefore work to create a more socially acceptable environment for female farmers to receive information on best husbandry practices and access to quality inputs.
Gilgit Baltistan Silage	Active	In cooperation with Muhammad Bashir, a silage entrepreneur, MDF will increase the availability of nutritious feed for small livestock farmers and help improve milk yields, especially during fodder-less months to provide a steady source of income throughout the year for female and male farmers in Skardu, Gilgit Baltistan (GB). This program ensures the availability of silage by establishing sales and distribution points and hiring sales person. Furthermore, support in outreach, dissemination of information, and marketing activities to promote silage use in GB through farmer awareness sessions, marketing collateral and media support is a significant part of the partnership objectives.
ICI Pakistan Limited	Activities Completed Monitoring Ongoing	This partnership focused on enhancing the distribution and marketing efforts of animal feed and health products in remote regions of Khyber Pakhtunkhwa, where awareness and availability of both quality fodder and preventive medication is low. These areas have higher milk prices which makes it easier for farmers to afford these inputs if they are more informed and the products are available. Assessment reveals that more than 3,000 farmers have benefited from increased income due to feeding wanda and adopting better deworming practices for their livestock.
Kashf Foundation	Activities Completed Monitoring Ongoing	This project launched a loan product designed specifically for female livestock farmers. Kashf designed and rolled out a new financial product, launched at new rural branches in South Punjab. It includes an insurance component coupled with trainings on financial literacy, animal husbandry and business management for rural women.
Khushhali Microfinance Bank Limited	Activities Completed Monitoring Ongoing	Khushhali and MDF invested in an innovative distribution model to provide financial services to small farmers. A van serves as a bank on wheels. This van visits different milk collection centres of Shakarganj, according to a pre-determined schedule and provide loans for livestock purchase and other purposes. So far, approx. 1,000 livestock and agriculture loans have reached farmers.
Maxim International No. 1 & 2	Measurement Completed	MDF supported Maxim to set up the manufacturing and distribution of 60 kg silage bales, which were marketed and sold to farmers throughout the country using Maxim's distribution network, to ensure wider availability of quality and affordable fodder for small farmers. Maxim also manufactured 30 kg bales of alfalfa hay for distribution to small farmers.

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Mustafa Brothers	Active	This cooperation supports the distribution network and extension service for increasing the adoption of quality preventive and curative medicine and the FMD vaccination among small farmers. The program helps hiring resources, procure infrastructure for the effective distribution of vaccines and rollout marketing activities to create awareness among farmers on the benefits of vaccinating their animals.
Oasis Farms No. 1 & 2	Measurement Completed	In coordination with Oasis Farms, MDF expanded feedlot capacity, improved the management and developed backward linkages with farmers to ensure meat traceability and a consistent supply of quality meat animals for export markets. Regular farmers' days were held in South Punjab, to inform male and female farmers about how to take care of their animals better, and the benefits of selling them to Oasis for a higher price.
Pioneer Pakistan Seeds 1, 2, 3 & 4	Activities Completed Monitoring Ongoing	With the help of MDF, the program bolstered the commercial production of small bales of silage, and provided information to small farmers on the benefits of using silage. Nine silage entrepreneurs are making small bales of silage in three clusters: South Punjab, Northern Sindh and Khyber Pakhtunkhwa. They are also renting out silage machinery and giving advice to other farmers on how to make their own silage, leading to increased income for farmer households, as well as improvements in animal productivity and health. There are now more than 98 small silage baling units operational across Pakistan.
Shakarganj (SG) Food Products Ltd. 1, 2, 3 & 4	SG 1 & 2: Measurement Completed SG 3 & 4: Activities Completed Monitoring Ongoing	This partnership expanded milk collection and provided information on improving the quality of milk for small-scale dairy farmers. A total of 40 Farm Cooling Tanks (FCTs) have become operational in South Punjab and Jhang and are collecting on average 400 litres of quality chilled milk per FCT per day. Trainings on animal husbandry and health for 2364 male and 526 female farmers have been successfully completed. Veterinary assistants also provide regular services to farmers selling milk directly to the FCT or through middlemen. The partner established 75 additional milk collection centres.
Silage Balochistan	Active	Silage Balochistan and MDF introduced a small bale silage solution for small farmers in Balochistan. Talha Enterprises, a local enterprise, will give local farmers access to affordable and better nutritious alternate fodder in far-flung areas of Balochistan. The collaboration will enable the partner to provide 60kg silage bales and create awareness of silage among male and female farmers.
Sector: Leather		
Footlib	Measurement Completed	MDF supported Footlib to establish a dedicated production line for making shoe uppers staffed by women. This provided more employment opportunities for women workers leading towards upward mobility upgrade (i.e. supervisor roles) and progress in their careers. As a result of this intervention, 105 people were hired: 30 were women who were hired by Footlib and the remaining 75 people were hired by one of the shoe manufacturing companies using Footlib's services.
Inter Connect Global	Activities Completed Monitoring Ongoing	MDF worked with Inter Connect Global to support local footwear manufacturers design and develop products that cater to the needs of the European market and promote their products in these markets to secure orders. The partners' merchandisers and quality assurance team work closely with its contracted factories to ensure that local footwear manufacturers follows EU requirements.
Intra-Systek	Activities Completed Monitoring Ongoing	For another intervention, MDF teamed up with the first locally made quality plastic shoe-lasts produced for the footwear industry in Pakistan. The facility is operational and produces 120 pairs of lasts per day. The local partner purchased a computerized numerical coding machine to produce lasts for premium customers. Major shoe exporter Servis and others are purchasing these lasts to supply export orders. Another manufacturer "Trendy" set up a local facility for the production of shoe lasts.

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Servis	Activities Completed Monitoring Ongoing	This partnership arranged a large women's stitching unit at Servis. First, female workers were hired and trained and then Servis opened a day care facility, opened a women-only ATM. The success of the initial project led to even more job opportunities and the company hired 180 additional workers, 176 of which are female.
Tabraiz Mold Engineering	Activities Completed Monitoring Ongoing	MDF partnered with the first locally made quality shoe moulds produced in Pakistan. These moulds reduce shoe manufacturers' production time and increases international competitiveness. The local partner purchased casted mould manufacturing machinery to produce shoe moulds as per demand of local manufacturers.
Textile Testing International Laboratories	Activities Completed Monitoring Ongoing	In collaboration with TTI Testing Laboratories, MDF helped generate awareness about the partner's comprehensive range of leather testing services among local manufacturers and foreign buyers, resulting in 45 fulltime jobs.
WEE Influencing Workshop	Measurement Completed	This project hoped to convene manufacturers across textiles, pharmaceuticals and leather in the private sector, third party service providers, the public sector and non-profits to provide examples of pathways to engage women in the manufacturing workforce. MDF wanted to share experiences with a larger audience to encourage female employment in the formal sector through conducive environments and facilities in its partnerships with Servis and Footlib.
Sector: Sustainable	· Technologies	
Bio Gold	Active	MDF teamed up with Bio Gold to establish a facility for the production of charcoal and sawdust briquettes that are more efficient than fuel wood (current source of fuel for domestic use). This partnership will enable households to access a low-cost and more efficient cooking and heating fuel in the Northern region of Pakistan where winters stretch over six months of the year. Bio Gold, through its marketing and awareness activity, will reach out to women's groups and community organizations to demonstrate the benefits of smoke-free bio-briquettes. During the first year, 1000 households can benefit from this product and experience cost reduction in their household expenditure.
Influencing and Eng	gagement Events and	I MOUs
MoU with Accelerate Prosperity	Active	MDF provides business support services in the shape of financing and technical assistance to sustainable businesses. This can improve access of rural households to inputs, better practices and market connectivity in high value horticulture, dairy, meat, wool, leather, water and energy value chains in Gilgit Baltistan and Chitral.
Silage Baithak Events	Active	This partnership promotes the localized production of small silage bales and exchanged learnings and experiences with potential silage makers and industry players to generate interest in the model. These goals are achieved at five events in Sahiwal, Faisalabad, Multan, Mardan and Muridkeh.



Name of Partner	Status	Explanation / Update of Partnership or Influencing Event		
Sector: Tourism				
Edge Adventure Outfitters Pvt Ltd	Activities Completed Monitoring Ongoing	In coordination with Edge Adventure, MDF helped attract new tourists to less-travelled areas by introducing new adventure tourism activities such as river canyoning, sea kayaking and river safari expeditions.		
Hammock Studio	Active	This project supports a local brand to develop an innovative, IT-enabled service to cater to the skilled labour needs of the food and beverage industry.		
LDR Technologies	Active	This project will develop a mobile-enabled digital guide application for tourism destinations in Sri Lanka.		
Pepper Life (Private) Ltd	Active	MDF is supporting the experiential tourism provider, Pepper, to develop tourism experiences in the Eastern Province.		
Rainforest Ecolodge	Active	This partnership assess the feasibility of developing safe and sustainable ecotourism in the Sinharaja Rainforest in the form of a forest canopy-walk.		
Safari Panama	Active	MDF is working with Safari Panama, a small-scale tourism activity provider, to develop Panama village as a tourist destination by introducing wildlife and beach camping along with homestay accommodation.		
Sanasa International (Pvt) Ltd	Activities Completed Monitoring Ongoing	MDF implemented a pilot project to introduce small-scale tourist activities and products through a community-driven model in Kegalle.		
Sri Lanka Tourism Development Authority (SLTDA)	Activities Completed Monitoring Ongoing	In collaboration with the Sri Lanka Tourism Development Authority (SLTDA), MDF developed a micro destination in Unawatuna by setting up a night-market concept and bringing together the various players in the marketplace. The team works with the SLTDA to organize training to improve safety amongst the adventure tourism providers. This partnership is temporarily on hold as SLTDA changes leadership.		
Sector: Authentic Sri Lankan Goods				
Aruna Plant Nursery	Active	This partnership works to establish a tissue culture laboratory to produce healthy, disease-resistant plant varieties.		
Cool Man Fish Canning Pvt Ltd	Active	In collaboration with Coolman, MDF works to establish a seafood processing factory and implement individual quick-freezing seafood processing, leading to a first-of-its-kind value-addition in the Northern Province.		
Divron Bioventures	Activities Completed Monitoring Ongoing	Supported by MDF, Divron, a giant freshwater prawn specialist, established a supply chain to connect inland reservoirs to export markets and feed their high demand among tourists in the national and international markets.		
Good Market	Active	MDF is supporting Good Market to make their global portal more user friendly and accessible to both vendors and customers as well as increase the connectivity and efficiency. Project leaders expect these initiatives to lead to crowding-in in the sector.		
Lanka Upcycles Pvt Ltd	Active	This project focuses on expanding the product quality and diversity for the local business Rice and Carry, who focus on upcycling plastics and recycling goods.		

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Pasanka (Pvt) Ltd	Active	In collaboration with Pasanka, MDF will create a network of female backyard farmers who supply to the partner and benefit from extension services. The project will help Pasanka upgrade exports through improved quality management.
Prawn Ceylon Pvt Ltd	Active	This project expands the partner organisation's seafood sourcing in the Northern Province, as well as facilitates value-addition and export by leasing, revamping and re-operationalizing a defunct crab processing facility.
Selyn Exporters Pvt Ltd	Active	In coordination with Selyn, the only Fair Trade-certified handloom company in Sri Lanka, MDF will invest in product design and packaging and streamlined company operations to cater to the tourism industry.
Soul Coffee Co (Pvt) ltd	Active	This project will develop on-site processing and a direct trade relationship with smallholder farmers. In addition, Soul Coffee is breaking into the tourism market through a subscription model with MDF's support.



Name of Partner Status Explanation / Update of Partnership or Influencing Event

Sector: Agribusiness				
Black Stump Technologies Ltd	Closed	MDF introduced 100 per cent solar powered cold storage shipping containers, developed by Black Stump Technologies, into the PNG market through market awareness and industry connections. Although project activities were completed, the market uptake results in the private sector was not achieved due to two main factors. First, procurement costs were very high, exacerbated by the low value of the Kina against the Australian Dollar. Secondly, the partner company was based in Australia and had no operating office in-country to actively engage with the private sector.		
Center for Exellence in Financial Inclusion (CEFI)	Measurement Completed	MDF collaborated with the Financial Inclusion arm of the Central Bank to design a savings product geared toward farmers. PNG Microfinance Limited targeted these initial savings account opportunities to coffee farmers in the Western Highlands province.		
Central Highlands Feed Mill Limited	On Hold	This partnership should promote a locally produce, cost effective stock feed for pigs using sweet potato and strengthen the business case for commercial level expansion. This plan would lead to cheaper livestock feeding options for smallholder farmers. Unfortunately, the local partner is occupied with other retail business and the proposed project is on hold.		
Nationwide Microbank (MiBank)	Measurement Completed	Working with a financial institution, MDF helped promote MiPei, a new and innovative digital payment system, to the buyers and exporters of cash crops in the country. This banking method allows farmers from rural areas to be paid electronically, via a mobile wallet, thus reducing dependency on cash transaction.		
New Guinea Fruit Company Limited	Activities Completed Monitoring Ongoing	In cooperation with a major local honey supplier MDF worked to grow the capacity of beekeeping techniques for new and existing beekeepers. The project improved access to affordable, locally produced input supplies and tools and provided extension services. The final aim is to increase the supply of quality honey to the partner organisation, create additional income for farmers and make local honey more competitive in the domestic market.		
NKW Fresh Produce	Active	This project aims to expand the extension model for NKW Fresh to increase farmer outreach and build a strong, resilient backward supply chain as well as develop a more robust technical and business capacity for the smaller aggregators involved in the supply network.		
South Pacific Brewery Limited	Active	In collaboration with IFC, MDF is working with SP Brewery to develop a new commercial market for cassava starch. The partnership will develop an out-grower program targeting smallholder farmers in the Markham Valley of Morobe Province. The project focuses on improving productivity and climate resilience through the adoption of new practices and inputs, which will lead to better farm performance and increased revenue.		
Sustainable Management Services	Active	MDF is working with SMS, a leading coffee exporter, to expand the company's supply-chain. As a foundation of the program, coffee farmers are trained and certified to produce high-grade coffee. Then, they will sell their crop (via middlemen/agents) to SMS at a premium and the company will export it to international roasters for higher margins.		

Name of Partner	Status	Explanation / Update of Partnership or Influencing Event
Sector: Tourism		
Port Moresby Nature Park	Active	MDF works to enhance the capacity of the park to attract tourists in Port Moresby and the rest of the country to visit their site. This project will boost the park's expansion, draw more visitors and showcase PNG as a unique destination.
Village Huts Limited	Closed	This partnership connects small accommodation providers and remotely located tour operators to a wider market. Activities under this partnership were put on hold due to an online payment system malfunction, which affected bookings from potential customers, and the partner's reservations on marketing, which resulted in no exposure for the registered accommodation and tour operators.
Walindi Plantation Resort	Active	To develop a niche tourism product to benefit remote and isolated communities, MDF supports the Walindi Plantation Resort. The team will promote the first professional birdwatching safari product in PNG to the international market.



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