



## Making the multi-country model work

In 2021, DFAT will decide whether or not it wishes to exercise the option to renew MDF Phase II for a further five-year term. At the end of a testing year and with an impending mid-term review, it is worth looking back to consider whether or not the multi-country model has achieved its objectives.

The starting point is to reflect on what MDF was designed to achieve. Market Systems Development (MSD) programs, like other aid modalities, are effective when they are implemented well. Conversely, like other aid modalities, MSD programs can meander and achieve little when implemented poorly. More than others, MSD programs are sensitive to the quality of the implementation team. That was the constraint that MDF was designed to address. In small economies with shallow labour markets, it is challenging to recruit and train a qualified team within the required timeframe. Extensive use of international advisors is prohibitively expensive and, ultimately, self-defeating. Without the right team, any MSD program in thin market contexts is more likely than not to be ineffective. The efficiency case for small, standalone MSD programs in small-island economies did not stack up.

So, how could effective implementation be balanced with efficient resourcing? At MDF's design stages, it was anticipated that pooling resources through a multi-country model would overcome some of these inefficiencies of scale. Moreover, designing the facility to support rapid expansion in new countries would enable the program to overcome some of the considerable costs typically associated with the start-up phase of MSD programs.



How did MDF do? In Phase I, things went largely to plan. The program established a presence in five very different countries and common processes were operationalised. A portfolio of activities was established, and the program delivered results. However, the rapid scale-up to five countries stretched resources and systems, with the impact evident in some of the country programs. To address this, in Phase II, the Shared Resources function was strengthened. Additional resources were deployed to cover technical, management, operational, communications and results measurement functions. Country teams were strengthened, particularly local staff. A concerted focus was given to capacity building through a guided 'learning while doing' approach, through intensive and ongoing outreach from the Shared Resources team.

There are some examples from 2020 that lead us to believe that MDF is on the right track:



The strengthened local teams and established remote support mechanisms allowed MDF to keep operating with minimum disruption during the pandemic.



Transaction costs for DFAT were reduced significantly: MDF pivoted as a single mechanism rather than as five separate programs with their own interpretations of the Australian Government's policy agenda. MDF submitted a combined workplan with a common strategic agenda which could be assessed as a coherent whole.



MDF's pivot was successful. During a time when confusion reigned, MDF was able to draw lessons from across the facility and distribute these through the Shared Resources team. Ideas for COVID-19 responses were quickly shared and replicated. Programs received constant technical advice through the Shared Resources team, adapting and sharpening the focus of the changing portfolio in real time.



Resources were deployed flexibly across the program. With well-established remote working and support protocols in place, the program was able to direct people's efforts where they were needed, as they were needed.

Has this been achieved efficiently? Comparing MSD programs is an unscientific exercise because one inevitably compares apples with oranges. The best assessment is that MDF is probably similarly expensive, from a staffing and operational perspective, to other MSD programs. Working across multiple countries incurs additional costs in some areas while delivering efficiencies in others. The difference, as MDF sees it, is that a level of effectiveness has been achieved that could not have been reached through a series of small, standalone MSD programs in the region. The quality of MDF's strategies and its technical implementation is high. MDF's results measurement system is more sophisticated and useful than could otherwise be achieved at small scale. MDF's operational, fiduciary and safeguarding systems are thorough but efficient, overcoming much of the 'compliance cost' that hampers smaller programs. The program's professional branding, high-quality communications material and extensive social media reach provide ample opportunities for Australia to demonstrate the value of its aid. And should MDF be asked to set up a country program in an additional country, it could do so at a significantly lower cost than designing and implementing a standalone program.

So, we would contend that if efficiency is measured in relation to the quality of the delivery mechanism rather than purely on a cost comparison, MDF comes out well.