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Aid** 



# MDF's value to business

Insights from MDF partners in the Indo-Pacific

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Market Development Facility



## Executive Summary

The Market Development Facility (MDF) helps countries in the Indo-Pacific grow through improved productivity, economic diversification, competitiveness and trade. MDF supports businesses to develop markets that bring economic opportunity for women, men and people with disabilities, and address both the challenges and opportunities of climate change. MDF is funded by the Australian Government and co-funded by the New Zealand Government in Samoa, Tonga and Vanuatu.

MDF operates as a 'social venture capitalist', co-investing with businesses to reduce their risks and costs. It supports firms through market analysis, technical and financial assistance, and networking to enable them to innovate, succeed and grow profitably. MDF operates with diverse, locally led teams to provide tailored support to businesses.

MDF has catalysed USD30 million in private sector investment and USD222 million in additional turnover for businesses in frontier markets. This has contributed to USD166 million in additional income and 7,448 jobs for workers, small firms and farms in the region. MDF's on-the-ground engagement with firms has provided Australia and New Zealand with a platform to engage with the private sector and inform economic diplomacy. A flexible mechanism that catalyses investment and innovation in nascent industries has also assisted partner governments to develop strategies, policies and support for sectors that can drive economic growth and diversification.

This paper examines MDF's value to businesses by understanding its effectiveness in catalysing investment and innovation and generating turnover, income and jobs. Using partner feedback, it provides insight into MDF's approach, benefits to partners and lessons learned from over a decade of operation. It is hoped that this insight might inform future investments by Australia and New Zealand and other programs that recognise that private sector development is an important driver of socio-economic growth.

MDF's partners identify four types of benefits from MDF support. They are able to **buy differently**, as MDF assists firms to source or produce in new ways that improve efficiency, reliability or quality. They are able to **sell differently**, as MDF assists firms to penetrate new markets, expand sales and improve margins or prices. Some partners have been able to **introduce new products or solutions** better suited for frontier markets, as MDF helps firms reduce the costs and risks of innovation. Some partners valued MDF's help in developing commercially feasible **sustainable and inclusive business models** that respond to climate change and increase the participation of women and people with disability in markets.

MDF's success is attributed to offering a **blend of support options** beyond finance—including technical assistance, market insights and the mobilisation of industry collaboration—that can be tailored to businesses' needs. The **active role** MDF plays in co-investment with a partner to share risk and find creative solutions is highly appreciated, as is MDF's **rigour and objectivity**, which help build trust with industry. **Flexibility and patience** are crucial for navigating challenges in dynamic frontier markets.

The foundations for MDF's performance lie in its **adaptive design** and **flexible resource allocation**, the **close engagement between program funder and implementer**, and MDF's **capable team**, which brings together a variety of domestic, regional and international expertise and experience.



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## Introduction

Australia's Market Development Facility (MDF) helps countries in the Indo-Pacific region to grow through improved productivity, economic diversification, competitiveness and trade. MDF assists government and business partners to identify markets that have the potential to grow, be profitable and deliver social and environmental value—markets at the frontier. MDF supports catalytic innovation in these markets by co-investing with domestic and international businesses to reduce the risks and costs of early-stage commercial opportunities. This accelerates progress to profitability and scale.

MDF entered its thirteenth year of operation in 2024 and has worked in eight countries<sup>1</sup> with over 442 partners in agriculture, tourism, urban industries, telecommunications, business and financial services, and renewable energy. It has catalysed USD30 million of private sector investment, leading to USD222 million in additional turnover for businesses in frontier markets. This has contributed to the generation of USD166 million in income and 7,448 jobs for small firms, farming households and workers in the region.

The Australian Department of Foreign Affairs and Trade (DFAT) set MDF up to be responsive to changing market conditions and opportunities. Country offices comprise a team of national staff with local knowledge and networks and international staff with multi-country and multi-sector experience. MDF's investment in nascent industries (for example, Fiji's outsourcing services [OS] sector) can pave the way for the development of new sectors that offer partner governments avenues for economic growth and diversification. As MDF has gained credibility through its results, it has been able to engage constructively with government, industry bodies and other high-level stakeholders.

**Frontier markets** are a subset of emerging economies that are opening up to foreign investors but are still small, risky and volatile. They offer opportunities for growth, but business investment is inhibited by structural challenges and systemic weaknesses.

Typically, the term is applied to countries. MDF finds it a useful way to describe specific sectors or industries that have untapped potential that is inhibited by structural and systemic weaknesses.

## About this paper

MDF maintains regular contact with its business partners and routinely monitors the effectiveness of its partnerships. In 2023, MDF undertook an exercise to capture detailed feedback from partners to gain a fuller understanding of how the program adds value to the firms it supports. This exercise included in-depth interviews with 26 micro-, small, medium and large businesses operating in a range of sectors in Fiji, Papua New Guinea (PNG), Sri Lanka, Timor-Leste and the Pacific. The derived information is expected to inform MDF's activities for the remainder of the program and provide insights that might be useful for other development initiatives seeking to engage with the private sector.

## Intended audience

The paper is expected to be of most use to DFAT and the New Zealand Ministry of Foreign Affairs and Trade (MFAT), for capturing lessons from their investment that might inform future

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<sup>1</sup> Fiji since 2011. Timor-Leste since 2012. Pakistan 2013–2022. PNG 2015–2023. Sri Lanka since 2015. Samoa since 2022. Vanuatu since 2023. Tonga since 2023.



programming. It is also intended to be relevant to other private sector and market development programs.

## How MDF operates

MDF aims to grow frontier markets—nascent or early-stage industries—and make them competitive, inclusive and resilient. It operates like a ‘social venture capitalist’ to unlock underexploited opportunities. ‘Venture capitalist’ because it co-invests with entrepreneurs and provides them with support to innovate, succeed and grow profitably. ‘Social’ because it is an aid-funded initiative that seeks developmental impact rather than a commercial return for itself.

## Working in frontier markets

Businesses in frontier markets face high levels of uncertainty, risk and transaction costs. Profits can be unpredictable and take time to realise, inhibiting investment, innovation and expansion, and new market entrants. Frontier markets are frequently afflicted by social, political, economic or physical shocks. Their infrastructure can be inadequate and they offer limited access to capital, technology, skilled labour and support services. Their populations tend to have lower incomes and are difficult to reach, business is usually informal or semi-formal, and there are few large or international firms.

A firm in a frontier market must solve more issues for itself than its counterpart in a developed market. If a business wants to introduce a new product, it might find few distributors or retailers, so it needs to build its own system from scratch. Supply chains for essential raw materials or components might be unreliable or unable to deliver specified quality, so the firm must rely on expensive imports. It might need to train people itself because personnel with basic skills and experience are scarce. There might be no specialised services to address common issues such as packaging or marketing, so the business will need to perform these functions in-house. These types of challenges make operating a business costly and complicated and raise the barriers to entry for new firms.

## MDF’s business proposition for partners

MDF helps firms overcome the challenges of growing a business in a frontier market by sharing and reducing risks and costs. Support includes market analysis; technical assistance to help partners operate in new ways, in new places or with new people; co-financing to reduce early-stage risks; and assistance in ‘opening doors’ by tapping into established business networks and making new connections. In resource-scarce frontier markets, this kind of targeted support can be transformational for business pioneers by transferring technical and commercial knowledge where quality advisory services are scarce, identifying pathways to sell goods and services into more lucrative markets, lowering the costs of market entry by sharing research and marketing costs, and establishing new market connections.



## How do Businesses Benefit from Partnering with MDF?

Business partners identified four types of benefits from the support they received from MDF:

- They buy differently (e.g. more reliable or better-quality sourcing).
- They sell differently (e.g. penetrate new markets or segments).
- They introduce new products or solutions suited better to frontier markets.
- They realise commercial opportunities to operate their business more sustainably (e.g. providing solutions to climate risks) or more inclusively (e.g. hiring more women in their workforce).

Respondents often cited a combination of these benefits, e.g. introducing a new product and complying with environmental standards to serve a new market segment. For most partners, 'how' MDF provided support was considered as important as 'what' support was provided.

### Buying differently (including improving aspects of production)

MDF assists businesses to source or produce in new ways so that they can increase their supply and its efficiency, reliability or quality. These changes allow supported firms to improve their margins or sales. MDF supports new sourcing and buying models, better engagement with suppliers (including farmers), and improved logistics and infrastructure.

**Partner:** David Gram Stores (DGS)

**Sector:** agriculture; **Country:** Sri Lanka

**MDF intervention:** DGS is a large-scale Sri Lankan snacks and confectionery business. It moved into peanuts (groundnuts) in 2010 to take advantage of growing demand but struggled with reliability of sourcing from smallholder farmers. MDF co-invested with DGS to introduce a structured buying model tailored to smallholders; this included technical advice on farmer engagement and setting up farmer clusters. MDF also shared the costs of the initial recruitment of field officers and the provision of machinery and solar-powered lights to farmers.

**Partner feedback:** "Our model was to buy groundnuts from middlemen. This helped us to buy volume but created quality issues. Different types and quality of peanut were mixed together. We had 10 per cent wastage. We trialled working directly with farmers by giving seeds on credit, but farmers did not have crops or funds to return the loan. We lost a lot of money and decided to stop working directly with farmers.

In 2019, we started a partnership with MDF to develop and test a new sourcing model with farmers. This involved hiring field officers, establishing farmer clusters and providing farmers with required farm inputs (threshers, harvesters, inter cultivators, soil tillers).

MDF's [support] was all very useful. As of 2023, we have 500 farmers in Ampara area, who are growing peanuts very well, with whom we are engaged for over three years. Supply has increased and quality has improved. Farmers are benefitting from increased yields from 700kg per acre to up to 1,200kg per acre. Now we know what type of quality we are getting.

As the farmer uses the [seeder machines], we know we will have the crop in three months and what type of quality it will be. We [field officers] can monitor along the way to see the progress. Wastage is now less than 1 per cent. We can assess moisture level of different batches and know our supply chain. Previously, some peanuts weren't roasted enough or were over-roasted. Now we do not face such challenges. Despite margins now being less, we are operating more efficiently... This opens the opportunity for peanuts exports."

- David Steen and David Aurthur Steen, Directors/Owners

**Partner:** Timor Global (TG)

**Sector:** agriculture; **Country:** Timor-Leste

**MDF intervention:** TG is a prominent agribusiness in Timor-Leste. Its primary focus is coffee, but it also works in commodities such as maize, rice and soy. When TG transitioned to become a specialty-grade coffee producer, it started buying coffee parchment<sup>1</sup> from organised farmer clusters that had experience in processing coffee up to dry parchment. However, they lacked the standard equipment and technical skills to meet TG's quantity and quality requirements, preventing expansion into larger markets. MDF assisted TG to increase its sourcing of high-quality wet parchment from farmers through the provision of training and support to farmer clusters and the establishment of decentralised coffee processing centres.

**Partner feedback:** "MDF's support has been very positive. Through Timor-Leste's Coffee Association (ACT), MDF has helped us in formalising farmer training and upskilling farmers. This has improved quality and increased our pricing and margin by 20 to 30 per cent. MDF's support in setting up coffee processing centres in the last couple of years [2021-2023] has introduced a new sourcing model. Instead of supplying cherry, farmers are now selling wet parchment or dried parchment. This helps us reduce cost of transportation by 25 to 30 per cent. MDF has a proactive approach towards farmers. It gives us better opportunities to start to work with farmers much quicker. It would take much longer without MDF."

- Bobby Lay, Managing Director



**Partner:** Star Mushrooms (SM)

**Sector:** agriculture; **Country:** Sri Lanka

**MDF intervention:** SM is a medium-sized agribusiness specialising in the cultivation, processing and packaging of oyster mushrooms. Despite having been in the mushroom business for 18 years, it was unable to increase production to meet rising demand. MDF co-invested with SM to expand its outgrower network, most of whom are women, and diversify into higher-value mushroom products and markets. Support included technical advice on outgrower support and management, improving farmer know-how and raising productivity.

**Partner feedback:** "In 2021 we only [sourced from] 50 farmers and [supplied] two supermarkets. We had more demand than supply. We didn't know how to grow and had no connection with farmers but only [through] the collector. We didn't know how many farmers were there or the prices farmers were getting.

"After connecting with MDF, we got information on how to control this type of supply chain and farmer base and how to manage seasons. [MDF's] first suggestion was on how to onboard farmers into the supply chain. MDF also suggested other markets where we can sell mushrooms. MDF went in the field with us and gave feedback on what is the actual issue of farmers and pain points with collectors. [MDF] suggested creating farmer clusters and providing training and individual farmer consultations. MDF [also] suggested to appoint a lead farmer in each cluster to manage the clusters.

"We now supply four supermarkets and hotel chains. We used to supply three outlets of Keells [a leading supermarket]; now we supply all their outlets. Our turnover has increased from LKR3 million [AUD14,963, or USD9,840] to LKR14 million [AUD69,827, or USD42,650]. Demand for mushrooms has also increased, [but] production is still lower than demand. Currently we are supplying 20,000 to 25,000 packs per month, but demand is 60,000 packs. For export markets, sales are 1,000kg per month, but demand is 7,000kg. We now have 250 plus farmers... In this field, for 20 years, we could not grow significantly before MDF's involvement."

- Indira Kumari and Nimesha Perera, Co-founders

## Selling differently (including improving aspects of production and processing)

MDF assists businesses to expand their sales or penetrate new markets or market segments. This support typically allows the firms to increase their sales volumes or improve their prices and margins. MDF supports market research, targeted marketing, market testing, quality improvement, supply chain logistics and establishing market connections.

**Partner:** Matchboard

**Sector:** urban industries; **Country:** Fiji

**MDF intervention:** Matchboard is an Australian matchmaking firm that has worked in OS for 20 years. Its clients in Australia were unsatisfied with existing outsourcing destinations. Matchboard saw an opportunity to diversify into Fiji but faced challenges in establishing itself in a frontier market. MDF supported Matchboard to organise webinars to assist Fiji's Business Process Outsourcing Council 1 to improve its coordination and advocacy and to market Fiji as an OS destination.

**Partner feedback:** "I could see Fiji's value proposition and I saw, like MDF, that it [was] untapped. I saw Fiji as a good solution for my clients—during and after COVID—[because] they were unhappy with the Philippines. The growth of outsourcing in Fiji would not have happened without MDF, such as marketing support, content development and helping prove the case for the OS industry and companies in Fiji. MDF's support in organising events and marketing helped raise awareness of Fiji as an OS destination and [its] OS providers.

"The partnership [with MDF] was fantastic. MDF's support was versatile. MDF unlocked the opportunity for my business. Thirty-five of my clients are now outsourcing to Fiji. This brings in a six-figure revenue to my business."

- Sharon Melamed, Director

**Partner:** Pacific Centrecom (PC)

**Sector:** urban industries; **Country:** Fiji

**MDF intervention:** PC is a premier OS provider from Fiji, offering contact centre and back-office services to its clients. As Fiji was relatively unknown as an OS destination, PC found it challenging to approach prospective clients. MDF supported PC to attract clients in new markets by developing a marketing strategy, a website and content using search engine optimisation to increase PC's visibility online.

**Partner feedback:** "I used to be the president of the Business Process Outsourcing Council in Fiji, and that's when the relationship with MDF started, five years ago. When I moved to Pacific Centrecom, the relationship continued. Partnership with MDF has been very valuable. We have experienced huge growth as a company. Three years ago, we had 200 staff; over the last year, we have six different centres and hired more than 400 staff. MDF support has enabled us to [build] awareness abroad, including Europe and the US. Now we are trying to hire staff for the nighttime to reach those markets. MDF has also been working with the [wider] BPO industry and that helped Centrecom indirectly."

- Carol Watkins, CEO

**Partner:** Cottonii LDA

**Sector:** agriculture; **Country:** Timor-Leste

**MDF intervention:** Cottonii was formed in 2008 as a farmer cooperative in Timor-Leste and established as a company in 2010. The company has 600 farmer members who supply a commercially viable seaweed variety. Cottonii faced several challenges in cultivating, processing and exporting seaweed. MDF co-invested with Cottonii on training farmers, including on climate-adaptive growing techniques and developing market connections with Indonesian seaweed processors.

**Partner feedback:** “We believed that MDF had the capacity to address our challenges in production and export market access. With the training and exchange visit, we know more about better seaweed cultivation practices, and we will continue to share information with other seaweed farmers in Atauro. Our operations have improved. Farmers now know better drying techniques, so they can produce good quality seaweed, and we have developed sales contracts with Indonesian manufacturers. The combination of training support and accessing a market due to MDF’s support has helped us increase revenue. We were selling through Indonesian traders and were earning around USD1,000 and a margin of USD500. [Now] we’re selling directly to the company [in Indonesia] and we have a margin of USD10,000.”

- **Salomon Cabral, Head of Cooperative and Izaque Tavares, Director**

**Partner:** Helanta

**Sector:** agriculture; **Country:** Sri Lanka

**MDF intervention:** Royalwin Ceylon International sells roasted Sri Lankan specialty coffee under the Helanta brand. Demand from specialty coffee buyers is growing, but Helanta was finding it difficult to meet buyers’ requirements for quantity and quality. MDF supported Helanta to set up a new coffee processing centre and nursery to increase the volume of green beans it could secure and to improve quality. As Sri Lanka is an emerging specialty coffee producer, MDF supported Helanta to participate in domestic coffee festivals and send coffee samples for the Melbourne International Coffee Expo 2022 to showcase its products and find buyers and investors.

**Partner feedback:** “I am currently one of the leading companies in specialty coffee in Sri Lanka. Without a doubt I can attribute that to MDF. Due to MDF, my business increased 500 per cent. At the start, my knowledge was average. [MDF and I] went on this journey together. Most non-governmental organisations [NGOs] give money. An NGO that gives technical knowledge is rare. I learnt a lot about coffee through MDF.

“The opportunity to develop my knowledge and skills was probably the biggest opportunity I got. We did coffee events and barista competitions. No one had thought of doing these things before. Such things helped me position my coffee and business better and reach higher paying customer segments. The program with Raw Material [in conducting further training to improve processing techniques] was very helpful. My coffee was sent to Australia by MDF, and I got a good score [reflecting high-quality coffee]. I was able to develop my skills to a point where I can now make my coffee to that level. Earlier, I sold my specialty grade coffee at LKR7,000–8,000 (USD23–26) per kg. But now I can get around LKR15,000 (USD50) per kg for my specialty grade coffee. My nursery business [also] grew significantly. I had a very simple nursery. The plan was to make a 500ft<sup>2</sup> one and sell around 50,000 plants. But I decided to make a 4,500ft<sup>2</sup> one, and now I sell around 200,000 per year.”

- **Tharanga Muramudali, Founder/Chairman**

**Partner:** Krishans Farm Implements (KFI)

**Sector:** agriculture; **Country:** Fiji

**MDF intervention:** KFI is a sole trader, established in 2015, that specialises in small farm machinery such as rotavators, mechanical weeders and trellis netting. In Fiji, the use of farm machinery is concentrated among commercial farmers; smaller, semi-commercial farmers are unable to purchase machinery because of high purchase and maintenance costs. KFI wanted to increase farmers’ use of rotovators for land preparation and promote trellis netting for vertical farming. MDF supported KFI to set up a rental model for rotovators and to conduct farmer field days to raise awareness.

**Partner feedback:** “As a small business, we had limited capability to expand on our own. In 2022, [we] formed a partnership with MDF to help expand our business. The support provided by MDF was useful and on many different activities. MDF not only provided funds (with us co-investing) but also supported farmer field days to get more farmers, social media and video material, and helped [develop a] rental model. The support we received from MDF increased farmer engagement and helped us increase sales by 20 per cent in one year.”

- **Krishan Narayan, Director/Owner**



**Partner:** TravelManagers Australia

**Sector:** tourism; **Country:** Timor-Leste

**MDF intervention:** TravelManagers operates in all Australian states, is a wholly owned subsidiary of House of Travel—one of the largest independent travel companies in Australasia—and has a network of personal travel managers across Australia. TravelManagers was working with three hotels and one tour operator in Timor-Leste and wanted to connect with more local partners and promote Timor-Leste to a wider audience in Australia. MDF supported TravelManagers to develop local networks in Timor-Leste and conduct a range of Australia-targeted marketing activities.

**Partner feedback:** “MDF has a very big role in what happens in [tourism in] Timor-Leste. We want to provide insights about Timor-Leste to our Australian partners and MDF can support that connection in the market through regular conversations and sharing of ideas. We use MDF... to get information about Timor-Leste and [develop] relationships with local travel agents. Working with MDF has provided us with financial reward from additional bookings. But beyond that, due to MDF, we can share information about Timor-Leste beyond Darwin, to a wider Australian market. MDF’s support in inviting travel agents from different parts of Australia to Timor-Leste helped increase awareness among Australian travel agents. I would like to continue working with MDF on new initiatives.”

- Lisa Malnar, Independent Travel Agent

## Introducing products and solutions better suited to frontier markets

MDF assists businesses to develop and introduce new products or solutions, enabling them to tap into new markets. MDF reduces the risk of innovation and entry into the challenging environment of a frontier market. MDF’s support typically includes market insights to reduce uncertainty, give technical advice, improve testing and certification capabilities, improve industry collaboration, and establish market connections.

**Partner:** Greenhouse Coworking (GCo.)

**Sector:** urban Industries; **Country:** Fiji

**MDF intervention:** GCo. is owned by The Greenhouse Studio, a Fiji-based creative studio that specialises in branding, print, digital and integrated communication. MDF partnered with GCo. to develop the first formal, affordable coworking space in Fiji, which also provided business services for micro-, small- and medium-sized enterprises. MDF’s support included procuring a consultant to generate a business plan for a coworking space suited to

Fiji's context and hiring a business development manager to promote the coworking space and generate sales based on a detailed marketing strategy.

**Partner feedback:** "Sometimes it's not so much the organisations but the people. MDF understood the vision and what we were trying to do. In Fiji, we are the first coworking space. Other people could not understand the vision. I was able to communicate to the [MDF] team what the vision was. MDF was clear in what the gaps were, risks, costs etc. MDF team asked good questions to help us think through the investment. MDF helped us close the gaps. The biggest things [were] market research and creating a sustainable business model. MDF helped secure the location as the location was key. There was a delay because of COVID. In November 2021, we opened the door to public. We would not have opened, [or] we would have started much smaller without MDF."

- **Maria Ronna, Founder and Director**

**Partner:** Wfour

**Sector:** agriculture; **Country:** Timor-Leste

**MDF intervention:** Wfour is a large supermarket in Timor-Leste with an agribusiness division focused on livestock farming and agricultural input imports. It began pig farming in 2015. Pig farming in Timor-Leste is unsophisticated, with low productivity and limited commercial processing or sales. Wfour had no experience in pig slaughtering and butchery and required MDF's support to get started. MDF helped Wfour to establish a contract farming model, train farmers on good husbandry and biosecurity practices, share information on using concentrated feed, and establish processing operations.

**Partner feedback:** "We have been approached by many development agencies, but we never worked with them. MDF is the only development project that we work with. Wfour and MDF have the same approach and vision: not to provide something free to farmers or entrepreneurs but to find a way to make products available that are affordable for everyone.

"We obtained a lot of new information (through exchange visits, workshops, training) that previously we were not aware of. Without MDF support, we might hesitate to invest and expand the business. For example, we were doing pig farming. After collaboration with MDF, especially on ASF [African Swine Fever] prevention, we changed the way we managed our pig farming, including farming orientation, breeding and fattening. As a result, we have already started producing and selling piglets. Advisory support and better communication (sharing and discussing issues and ideas) is the most valuable thing about MDF."

- **Adi Setyadi, Warehouse Manager**

**Partner:** Café Brisa Serena (CBS)

**Sector:** agriculture; **Country:** Timor-Leste

**MDF intervention:** CBS is a Timorese coffee producer and exporter. It lacked stringent quality management processes, which impeded it from selling to higher-end buyers and achieving premium prices. In 2015, MDF supported CBS to set up a quality management system, which included a cupping laboratory and routine staff training on the system covering procurement, quality control and testing of coffee beans.

**Partner feedback:** "MDF [is] always a friend to us. We can contact them if we need any information or support. MDF staff provides consultation, and we are impressed as they respect to CBS and other coffee producers. MDF is flexible and it's easy to approach them.

"With MDF's support, we established the first coffee lab in the country, including improving cupping and roasting skills. We had success in that. Now we do quality check by ourselves, and we have local coffee cupping and roasting skills. We are teaching cupping skills to local staff. It helped increase in coffee sales."

- **Junya Yumita, Project Coordinator**

**Partner:** Dreamers Dive Academy (DDA)

**Sector:** tourism; **Country:** Timor-Leste

**MDF intervention:** DDA was started in 2019 in Timor-Leste by Kate Barker and Ivan Samra Loria Shelley, two experienced dive instructors. DDA contributes significantly to the Dive Operators Working Group (DOWG). MDF has worked with DDA through DOWG and has recently started working directly with DDA on different initiatives in marine tourism, including research, industry exchange and coordination, and marketing support.

**Partner feedback:** "We thought it's good to reach out and work directly with MDF. MDF's approach, support and connections in the industry are valuable for us. We do a lot of research on marine life. The financial support from MDF help us move faster and do more things such as exploration and research. Having a partner such as MDF can reduce costs and help us achieve more. [It] also gave us a chance to have dedicated time for research, which helped us learn about species that we did not know existed in Timor-Leste.

"While the research on marine life does not directly impact revenue or profitability, MDF's dive exploration and research on marine life with DOWG helped bring businesses and international experts together. We really value the network and connections that MDF has in the industry with other dive operators and tourism businesses. MDF's support in Australia Dive Show 2018 was useful, and we got three dive groups visiting after the event. That was a great learning experience... for our Timorese staff. Businesses learned from each other from that experience and earned additional revenue from the new dive sites."

- **Ivan Samra, Co-owner**



## Realising sustainable and inclusive business opportunities

The economic impacts of a changing climate are becoming more evident globally, regionally and locally. MDF works with partners to understand how climate-related risks are likely to affect their business and sector and to identify emerging business opportunities created by climate change.

Social and demographic changes, including outmigration, highlight the importance and economic value of empowering women and people with disabilities as workers, entrepreneurs and consumers. MDF works with partners to better understand how they can engage with women and people with disabilities more effectively.

MDF takes an opportunity-led approach to sustainability and inclusion. It focuses on identifying feasible opportunities for businesses and supporting them to adjust their business models to respond to those opportunities. This typically entails market analysis; de-risking initial investment; piloting new products, solutions and ways of working; and supporting scale-up.

**Partner:** Solar Hub

**Sector:** renewable energy; **Country:** Fiji

**MDF intervention:** Solar Hub Fiji is a retailer and distributor of solar energy systems to residential and corporate clients, established in 2022 as part of its parent firm's (Solar Hub New Zealand) expansion plans into the Pacific. MDF supported Solar Hub Fiji to conduct market research so that it could better understand the different segments of this nascent market in Fiji and potential consumers' awareness of the available options, benefits, and costs of using solar energy systems.

**Partner feedback:** "I saw that MDF had a good presence and could be relied upon as an independent, trusted partner that could cross-validate and add to our value proposition as a new entrant. MDF has a highly efficient and motivated team in Fiji and Australia.

"The survey conducted with MDF was very comprehensive and helped to probe the consciousness of potential consumers. Solar Hub would have conducted a survey but not as comprehensive. I am now intending on using the results from the survey to help me develop a paper to present to the Minister, and hopefully it will become an advocacy tool to Parliament. I believe the research would not be as trusted if it was conducted only by Solar Hub, as people would doubt whether the data was free from conflict of interest. MDF acts as an independent research body that validates the findings to help build a case for regulatory changes that would be meaningful for the entire industry.

"The partnership with MDF has helped to add to the value proposition of Solar Hub by affiliation, evidenced by the very well-received engagement on social media posts and in conversations with stakeholders. As a result of MDF's support, compared to 2022, Solar Hub experienced 300 to 400 per cent growth in social media engagement in 2023 and similar growth in converted sales, i.e. from 2 to 3 signups or installations per month to 2 to 3 signups or installations per week. I estimate that at least 30 per cent of the increase in revenue is directly attributable to MDF."

- Yogesh Chand, Founder and Rajiv Raj, Marketing Manager



**Partner:** Sucafina

**Sector:** agriculture; **Country:** PNG

**MDF intervention:** Sucafina S.A. is a leading international coffee exporter and trader that has sourced specialty coffee from PNG for several years. Sucafina recognised that certified and sustainably and responsibly sourced coffee can earn better margins in international markets. MDF supported Sucafina in PNG to provide agricultural extension to its smallholder suppliers, establish demonstration plots and introduce carbon monitoring<sup>1</sup> along its supply chain to enable it to sell certified and traceable coffee.

**Partner feedback:** “Our aim is to empower local exporters. We buy their coffee and ship it around the world. We made connection with MDF through our contacts on the ground. MDF had a positive reputation in PNG and many of our goals aligned with MDF. We have big sustainable goals. Historically with some other NGOs, it is easy to end up catering to their targets alone instead of collaboration. MDF also wanted similar sustainability results, which is why many our goals aligned. Support from partners like MDF can speed up the timeframe. Success with MDF is [more] registered farmers and the value we could add [to them]. We work to build sustainability teams in all different regions. The staff’s job was to register the farmers in villages to be able to obtain data so we can use the data to create effective plans for the future. We were able to certify those farmers and pay [them a] premium.”

- Alex Casserly, Director

**Partner:** DHL

**Sector:** OS; **Country:** Fiji

**MDF intervention:** MDF identified OS as a nascent industry in Fiji with growing opportunities and the potential to contribute to the country’s economic diversification and urban employment. OS is a sector well suited to employment of women, and urban unemployment in Fiji is 8 per cent for women compared to 3 per cent for men. MDF supported DHL to expand from its core business of logistics (a male-dominated sector) into OS. DHL saw an opportunity to recruit a higher proportion of women in this business area. DHL altered its recruitment and retention practices to pursue a target of a 65-per-cent-female workforce.

**Partner feedback:** “I feel good about our large female workforce because what that tells me is that this company values women. Not only about how we do our work, but that we are also good at the work that we do. It’s a man’s field, being a logistics company, but when you come here, you’ll see that it’s mostly women that are here, and I’m proud of that—that they’ve chosen women to be a part of the company on a larger scale.”

- Savaira Tukuna, Duty Billing Officer

**Partner:** Mark One Apparel (MK1)

**Sector:** garments; **Country:** Fiji

**MDF intervention:** Garment manufacturers in Fiji face high worker turnover. A key reason for female staff leaving the workforce is family obligations, particularly parenting responsibilities and the inability to find reliable carers. Childcare services are unaffordable for low-income staff, and urban families tend to lack an extended family support network. MDF supported MK1 with technical assistance and architectural planning to establish a workplace childcare facility, which is a new concept in Fiji. The Australia Pacific Training Coalition provided technical assistance to enable the facility to become a Centre of Excellence. The facility currently hosts 20 children from ages 2.5 to 5 years.

**Partner feedback:** "...When I come to work, I am worried about my kids staying at home... Especially for my daughters, because we do not know what they are facing at home and that worries me a lot at work. With the childcare facility, if my kids are here and are safe, everything will run in a good way. It will not affect my production line, and it will not affect my workplace."

- Fipe Tikovaca, Assistant Supervisor

**Partner:** ReLoka Timor Unipessoal LDA

**Sector:** manufacturing and tourism; **Country:** Timor-Leste

**MDF intervention:** ReLoka works with people with disabilities, primarily women, to produce hand-embroidered bags, aprons, napkins, tablecloths, keyrings and glasses using recycled bottles. ReLoka wanted to create a new product line using naturally dyed cotton. MDF supported ReLoka to assess the feasibility of natural dyeing and then set up the natural dyeing process, sourced ingredients and equipment, trained workers and established market connections.

**Partner feedback:** "MDF's supported us in conducted a feasibility study, which showed the potential for natural dyeing in Timor-Leste. MDF connected us with Hotel Association of Timor-Leste, which increased our visibility in the industry. MDF's support has created local skills in natural dyeing, which did not exist earlier. In the future, we would like MDF to support us in marketing, export logistics and connections to reach a wider market."

- Hilly Bouwman, Director



## Lessons

MDF has catalysed USD30 million of private sector investment, leading to USD222 million of additional turnover for businesses in frontier markets. This has contributed to the generation of USD166 million in income and 7,448 jobs for small firms, farming households and workers in the region.

MDF's on-the-ground engagement with firms has provided Australia and New Zealand with a platform to engage with the private sector and inform economic diplomacy. A flexible mechanism that catalyses investment and innovation in nascent industries has also assisted partner governments to develop strategies, policies and support for sectors that can drive economic growth and diversification. For example, MDF's support for pioneer OS firms and the industry body in Fiji has led to changes in government policy and financial support for the sector. The market expansion stimulated by MDF's work in Sri Lanka's coffee sector has prompted the government to add specialty coffee to its priority list of export commodities, increase coffee sapling production, and commit to promoting the sector and developing a sector road map.

Feedback from partners suggests that three key features are associated with MDF's effectiveness: the **support** it offers, the **nature** of the program itself and the **relationships** it has with businesses. Notably, for most partners, 'how' MDF provided support was considered as important as 'what' support it provided.

A blend of support options, not just finance. Businesses specifically value MDF's non-financial assistance. They appreciate MDF's creativity, technical advice, market insights, business networks and ability to initiate industry-level collaboration and initiatives. The fact that MDF has invested in building up an accessible pool of commercial and technical expertise on the ground, which can be scarce in frontier markets, appears to have been noteworthy.

An informed, critical and active partner that adds distinctive value. Businesses regard the active role that MDF plays as distinctive, be that co-development of vision and strategy, finding creative solutions, or sharing early-stage risk. They also acknowledge MDF's rigour and objectivity and its role as a constructive 'sparring partner'. This perception of being an independent and honest broker has proved important in building trust. It has allowed MDF to work with several firms in a sector without being seen as biased towards any single firm.

Flexibility and patience. Markets don't operate on predictable timeframes or pathways. Successful co-investment requires time and agility. Each partnership MDF has with a business has clearly defined objectives and parameters, but they are also structured (and regularly monitored) to permit adjustment. Partnerships have been altered, closed early or extended across several phases, depending on circumstances and performance. Conversely, when MDF has received negative feedback from firms,<sup>2</sup> the process has often involved paperwork, i.e. the stringent due diligence and compliance processes that are a fact of life for all aid-funded initiatives. Being nimble while maintaining accountability is key for any program assisting businesses to navigate the challenges of frontier markets.

Interestingly, many businesses also remarked that they value MDF's continued engagement after a specific co-investment partnership had been completed, pointing to the importance of building and nurturing networks.

These successful features have been built on four foundations:



Adaptive by design. DFAT designed and set up MDF to operate with flexibility. It was agnostic about sectors, partners and even countries (MDF has entered seven and exited two countries since its inception). Individual investments were to be based on analysis, opportunity and feasibility on an ongoing basis throughout the program's life. This 'portfolio approach' has allowed MDF to spread risk, make many small bets, and avoid over-reliance on any single sector or partner. It was given high-level objectives and key performance indicators (outreach, net additional income, value of additional market transactions and private sector investment leveraged), but detailed deliverables were not specified.

Close funder-implementer engagement. To operate with this level of flexibility, MDF's funders and implementers have had to work closely to build understanding and trust and ensure accountability. Rather than fixed end-of-program deliverables established at design or inception, performance has been managed on the basis of rolling annual reporting and planning, with routine communication throughout the year.

Resource allocation in the right places. It was recognised that MDF would add value through its analysis, creativity and entrepreneurship, know-how, convening and networking, and communication, and not just through grants to partners. MDF's people, ultimately, were the key ingredient—not an overhead to be kept to a minimum but a valuable pool of talent that required investment and development. These people will be a key legacy of MDF when the program comes to an end.

Building a capable and diverse team. MDF operates with a team of approximately 107 people, 90 per cent of whom are national staff based in country. MDF also has a 16-person team of 'shared resources' that operates across the facility. **In-country teams** are best placed to understand the country context, develop useful networks and manage partnerships on the ground. Local teams conduct market analysis, talk to businesses and other domestic stakeholders, and work with partners on a day-to-day basis. Nearly half of the firms interviewed mentioned that they connected with MDF through in-country teams. MDF's **shared resources team** provides international expertise, experience and networks. It manages facility-wide functions (such as operations, finance and measurement); performs an internal review function to ensure consistency, quality and compliance across all countries; and facilitates exchange and learning between countries (including temporary placement of national staff in other countries). MDF's staff come from a variety of academic and professional backgrounds, but all tend to have substantial business or sectoral experience and expertise.

## ANNEX: MDF Partners Interviewed

Country	Count
Fiji and Pacific Regional	8
PNG	2
Sri Lanka	6
Timor-Leste	10
<b>Total</b>	<b>26</b>

Sector	Count
Agriculture	17
Business services	4
Renewable energy	1
Tourism	4
<b>Total</b>	<b>26</b>

Business type	Count
Large businesses	8
Micro-, small- and medium-sized enterprise (MSMEs)	19
<b>Total</b>	<b>26</b>



**Fiji / Pacific Regional:** Garden City Business Park, Grantham Road, Suva, Fiji

**Sri Lanka:** No. 349, 6/1, Lee Hedges Tower, Galle Road, Colombo 03, Sri Lanka

**Timor-Leste:** 2<sup>nd</sup> Street, Palm Business & Trade Centre, Surik Mas, Dili, Timor-Leste

**Samoa:** Poinsettia House, cnr Ifilfi St & Moto'otua Rd, Moto'otua, Apia, Samoa

**Tonga:** SCH Lawyers, Level 2, Fifita House, Mailetaha, Nuku'alofa, Tonga

**Vanuatu:** YumiWork, Lolam Building, Kumul Highway, Port Vila, Vanuatu