



# ANNUAL REPORT 2019

Market Development Facility



## Impressum

This report is published by Market Development Facility (MDF) in February 2020. The writing, editing and design of the report was conducted by MDF staff, together with the following external contributors:

Graphic Design: Stella Pongsitanan  
Editor: Heather Moore

## Market Development Facility (MDF)

Market Development Facility is an Australian Government funded multi-country initiative which promotes sustainable economic development, through higher incomes for women and men, in our partner countries.

We connect individuals, businesses, governments and NGOs with each other, and with markets at home and abroad. This enhances investment and coordination and allows partnerships to flourish, strengthening inclusive economic growth.

MDF is funded by the Australian Department of Foreign Affairs (DFAT). It is implemented by Palladium in partnership with Swisscontact.







# ANNUAL REPORT 2019

# Purpose of This Report

## Objective

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

The Annual Report 2019 is intended to provide insight into the program's key achievements between 1 January and 31 December 2019. It also describes the progress made towards MDF's end of program outcomes and high-level objectives.

## Audience

This report is a public document designed for MDF stakeholders and/or members of the public with an interest in market systems development (MSD). The report has been written specifically to address the information needs of DFAT's Agriculture, Infrastructure and Water Branch (IWB) 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.

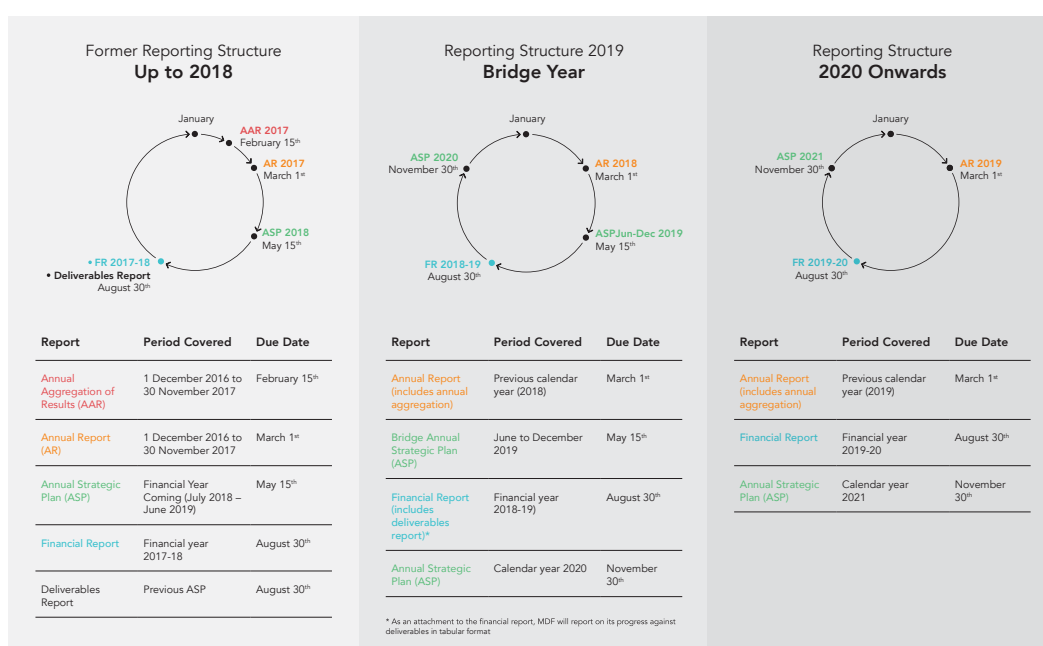
## Reporting period

This Annual report covers the period between 1 January and 31 December 2019.

As such, it covers activities and deliverables from two different Annual Strategic Plans (ASPs): the second two quarters of ASP 8 (July 2018-June 2019) and ASP 9 (July 2019 to December 2019).

As this Annual Report covers a calendar year, it marks the conclusion of MDF's transition from reporting within the financial year (July-June) in some reports and the calendar year in others.

In line with the MDF Reporting Diagram, MDF will deliver its financial report at the end of August 2020, its Annual Strategic Plan for 2021 at the end of November 2020, and its Annual Report for 2020 in March 2021.



## Report structure

During 2019, MDF introduced the three-tiered 'market system' structure (MSS) to its reports (see Systemic Change at MDF for details).

Specifically designed to be implemented in a flexible manner, it is primarily intended to provide a consistent structure and format with which to communicate MDF's plans and results.

This structure and format were first applied to ASP 2020 and are mirrored here. They allow readers to compare the plans made in Annual Strategic Plans (ASPs) with progress made in Annual Reports, that is, to compare what MDF planned with what it achieved. A summary of the key changes made to the annual report is reproduced from the *MDF Reporting Framework Update for DFAT* below.

## Key changes to the Annual Report

### **Market system hierarchy**

The contents of the Annual Report have been adjusted according to the market system hierarchy. As in the ASP, diagrams are included to explain project progression in reference to a market system's positioning.

### **Inclusion of the summary table from the ASP**

A smaller version of the summary table from the ASP is included for each market system to help readers note the original MDF plan without referencing a separate report.

### **Inclusion of outputs in summary table**

MDF has incorporated figures calculating the Value of Additional Market Transactions (VAMT) and private sector investment to help the reader compare activities and outputs.

### **Inclusion of traffic lights for progress**

Each table includes a traffic light to demonstrate intervention progression. Green represents 'on track', orange is 'some delays but broadly on track' and red is used when an intervention has 'some delays or other issues.'

### **Inclusion of leading indicators**

Leading indicators (access and usage) are featured as part of the explanation of the journey towards systemic change. The systemic change envisaged is articulated in the MSS hierarchies.

### **Highlights - graph updates**

MDF will update its graphical representation of intervention progression according to the headline and leading indicators. Estimates are no longer represented by a line, but by a single dot, to help readers understand that they are end of program outcomes (EOPOs). Effort has been made to make the cumulative nature of results clear.

### **Relevance of lessons learned to strategy**

In addition to the lessons MDF teams learned from implementation, this report includes a short section on how the overall strategy was changed as a result of these lessons.

# How to Read This Report

## What are our numbers, and what do they mean?

### Estimates

Estimates are similar to targets.

At the start of each phase, data and experience of country and market contexts are used to assess what can reasonably be achieved during that phase.

This evaluation takes time, budget and other design constraints (such as a particular focus on a population) into account. It is not based on specific interventions or partnerships.

The result of this assessment is an estimate – an ‘educated guess’ of what the whole country program can achieve during one phase.

Estimates are reviewed mid-phase.

### Projections

Projections express an intervention's expected yield.

Before entering into any intervention, teams conduct rigorous assessments of deliverables and what can realistically be achieved within one year, under current circumstances.

The results for each intervention in a country's portfolio are added together to form an estimated cumulative projection of the collective projects.

Projections are used to understand the likely contribution of each intervention to reaching end of program outcomes (EOPOs) and as a management tool to guide resource allocation within the country programs.

Projections are also used to help DFAT understand what the program is likely to achieve from a given group of interventions.

### Actuals

Actuals are the measured and verified results of an intervention.

This data helps MDF evaluate whether or not an intervention is on track and the expectations are being met.

As the name suggests, this measures the ‘actual’ impact that has been observed through our ongoing monitoring.

The current year's ‘actual’ results are added to previous years’ results to give us cumulative figures.

## Why do we present cumulative results?

It is important to report on cumulative figures for both projections and actuals because market system development interventions do not bring immediate results: An investment made this year generates results in years to come. It also allows the program to:

- Capture and report a project's impact sustainability (whether or not a project continues to produce positive results even after MDF activities have been completed)
- Know whether or not our original estimates and projections were accurate
- Detect signs of systemic change based on the overall scale of change compared to the size of the sector.

## Comparison of Indicators

|                   | Estimates                                                      | Projections                                                    | Actuals                |
|-------------------|----------------------------------------------------------------|----------------------------------------------------------------|------------------------|
| <b>Meaning</b>    | Where we thought we'd be by the end of the phase               | Where we thought we would be after an intervention is complete | Where we are           |
| <b>Calculated</b> | At the start of the phase                                      | At the start of an intervention                                | At the end of the year |
| <b>Measures</b>   | Expectations of country and program achievement over the phase | Expectations of an intervention                                | Intervention results   |
| <b>Updated</b>    | Mid-term review only                                           | Bi-annually                                                    | Annually               |
| <b>Timeframe</b>  | One phase                                                      | One year                                                       | One year               |



# Reporting Indicators

## Headline indicators



### Effective outreach

- Total number of disadvantaged or economically marginalised working adults (smallholder farms, firms and workers) benefiting as a result of MDF interventions
- Gender disaggregated

## Purpose:

- Measures scale of impact on poor, disadvantaged, economically marginalised women and men



### Net additional income increase

- Net additional income earned by beneficiaries, attributable to MDF intervention
- Gender disaggregated

- Captures value of additional income

## Leading indicators



### Usage outreach

- The number or proportion of target beneficiaries (i.e. from those who have access) who are now using or applying the information, good or service
- Gender disaggregated

## Purpose:

- Reflective of the feasibility/success of the model explored



### Access outreach

- The number or proportion of beneficiaries that have information about, or access to, a specific good or service as a result of MDF's intervention
- Gender disaggregated

- Captures early signs of progress at an intervention, sector and portfolio level

## Value for money indicators



### Value of additional market transaction (VAMT)

Increased economic transactions triggered by MDF intervention. This captures the additional sales revenue generated by businesses that MDF has supported

## Purpose:

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

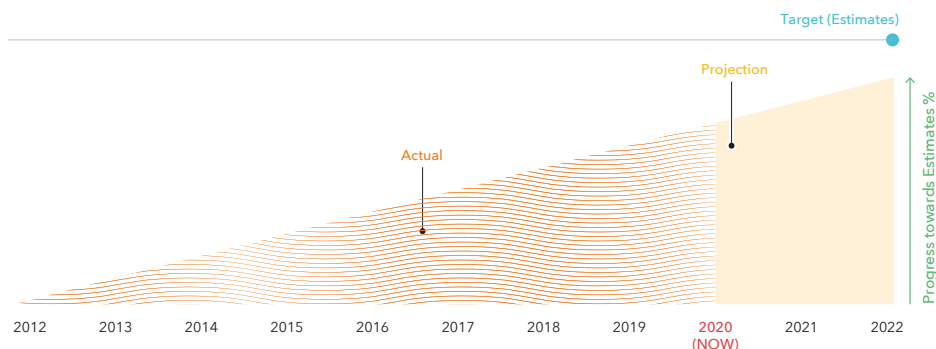
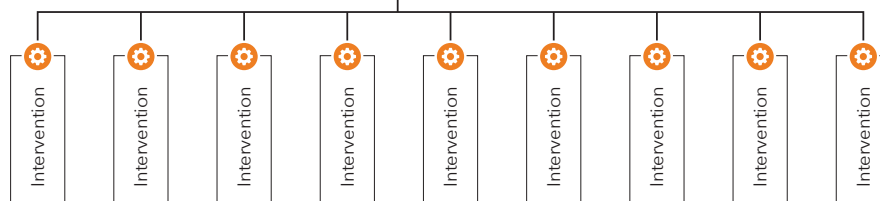


### Private sector investment leveraged

Includes additional investments made to improve business models triggered by MDF intervention and investments made by other businesses that have 'crowded-in' in response to MDF intervention

- Reflects businesses' buy-in, risk appetite, indication of sustainability

## Activities



# Abbreviations and Acronyms

|              |                                                           |
|--------------|-----------------------------------------------------------|
| <b>ACIAR</b> | Australian Centre for International Agricultural Research |
| <b>ADB</b>   | Asian Development Bank                                    |
| <b>AUD</b>   | Australian Dollars                                        |
| <b>BA</b>    | Business Adviser                                          |
| <b>BSC</b>   | Blue Swimming Crab                                        |
| <b>BPO</b>   | Business Process Outsourcing                              |
| <b>CLT</b>   | Core Leadership Team                                      |
| <b>DFAT</b>  | Department of Foreign Affairs and Trade (Australia)       |
| <b>DMO</b>   | Destination Marketing Organisation                        |
| <b>EI</b>    | Engagement and Influencing                                |
| <b>FAO</b>   | Food and Agriculture Organization of the United Nations   |
| <b>FEE</b>   | Fiji Enterprise Engine                                    |
| <b>FEO</b>   | Field Extension Officers                                  |
| <b>FJD</b>   | Fijian Dollar                                             |
| <b>FTE</b>   | Full-Time Equivalent                                      |
| <b>FY</b>    | Financial Year                                            |

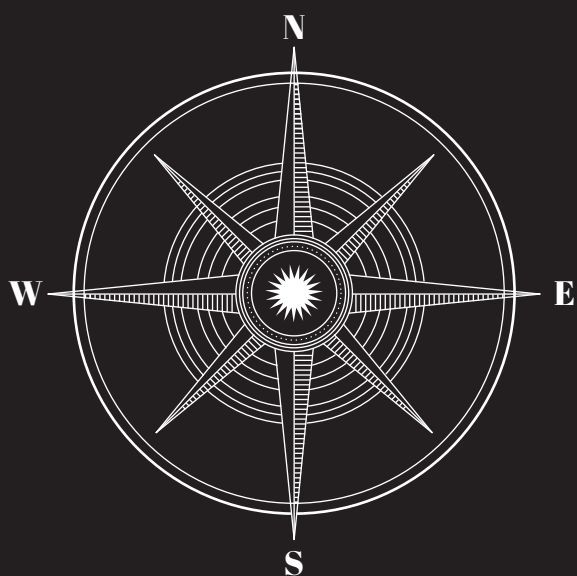
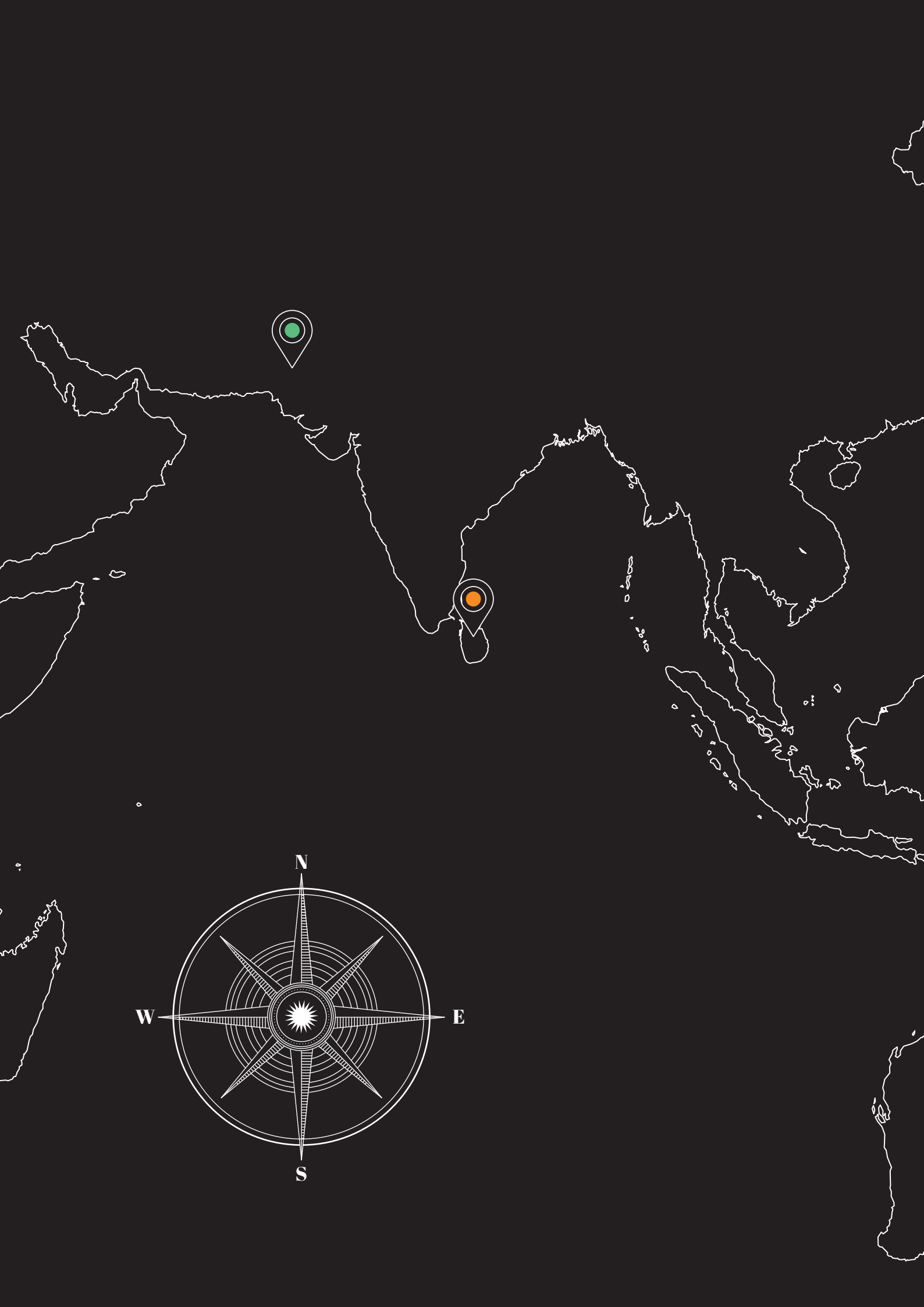
|              |                                             |
|--------------|---------------------------------------------|
| <b>GDP</b>   | Gross Domestic Product                      |
| <b>HACCP</b> | Hazard Analysis and Critical Control Points |
| <b>ICT</b>   | Information Communications Technology       |
| <b>IFC</b>   | International Finance Corporation           |
| <b>MDF</b>   | Market Development Facility                 |
| <b>MIS</b>   | Management Information System               |
| <b>MOU</b>   | Memorandum of Understanding                 |
| <b>MRM</b>   | Monitoring and Results Measurement          |
| <b>MSD</b>   | Market Systems Development                  |
| <b>MSME</b>  | Micro, Small and Medium Enterprise          |
| <b>QI</b>    | Quality and Inclusion                       |
| <b>SME</b>   | Small and Medium-sized Enterprises          |
| <b>UNDP</b>  | United Nations Development Program          |
| <b>USD</b>   | United States Dollars                       |
| <b>WEE</b>   | Women's Economic Empowerment                |
| <b>WHO</b>   | World Health Organization                   |

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# Facility Wide



# MDF's Progress in 2019\*

Graph key: Actuals / Estimates

Example:  50 100

Estimates are calculated at the start of each phase. They are similar to targets, but are not called targets so that they reflect the changing nature of results in different contexts. They express an informed, calculated guess at what the program can achieve during the phase.

## Number of people positively impacted by MDF's work (Effective Outreach)



MDF estimates that its activities will have positively impacted 562,000 people by the end of the monitoring period in 2024.<sup>1</sup> As of December 2019, the existing portfolio had achieved 41% of this estimate (242,190 adults) and is well on track to reach its targets by the end of the first five-year period of Phase II.

This figure increased by 23% in 2019 alone and shows that market system programs continue to yield results over time. MDF attributes this progress to a sharper strategic focus during 2018 and 2019.

## Additional income generated for adults across MDF countries (Net Additional Income) - USD

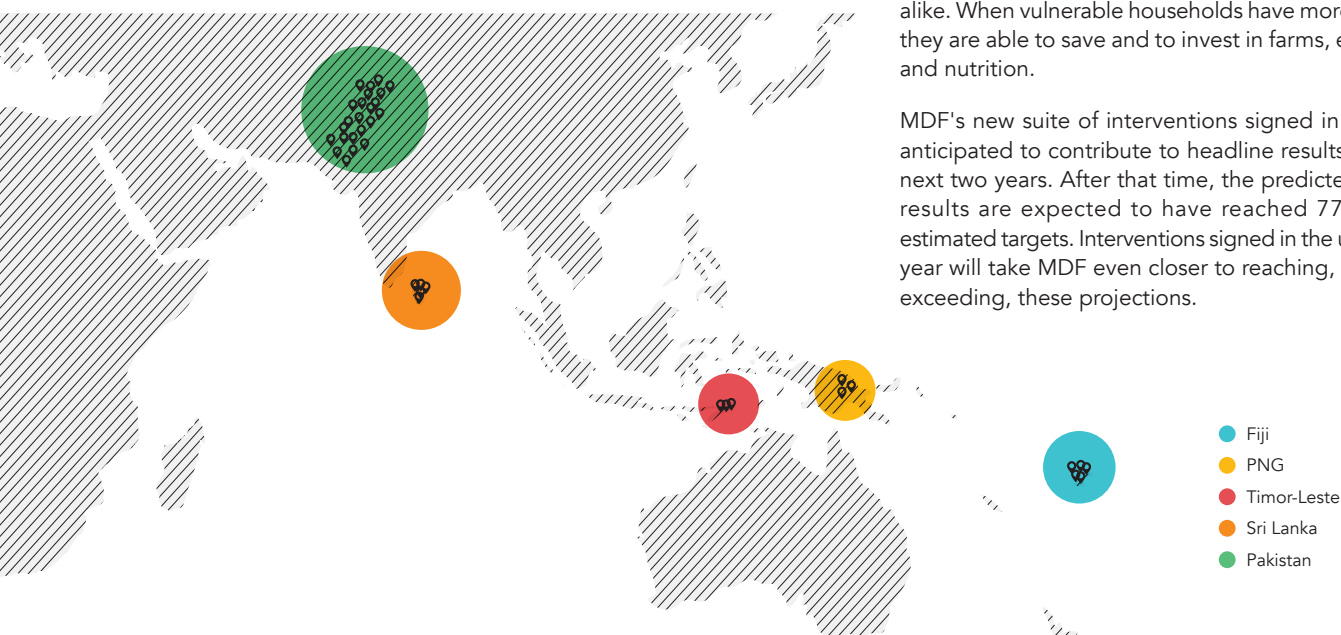


As of December 2019, MDF's current portfolio had generated USD111.6 million in additional income for adults across the facility, representing 46% of its estimates (USD287.2 million).

MDF is starting to see significant increases in income for beneficiaries in all countries. In 2019, actual results for additional income grew by 17% towards the estimates.

Combined with the growth in revenue generated for businesses (VAMT), this growth in additional income for adults shows how high quality market innovations lead to increased revenue for businesses and individuals alike. When vulnerable households have more income, they are able to save and to invest in farms, education and nutrition.

MDF's new suite of interventions signed in 2019 are anticipated to contribute to headline results over the next two years. After that time, the predicted project results are expected to have reached 77% of the estimated targets. Interventions signed in the upcoming year will take MDF even closer to reaching, and likely exceeding, these projections.



\* Figures expressed here are rounded off to one decimal place to aid readability in infographic form. The exact figures can be found on in the results tables. The figures listed here are cumulative (as of December 2019).

<sup>1</sup> As per DCED guidelines, the 'monitoring period' lasts until the end of the phase (five years) plus two years. Therefore, the MDF Phase II monitoring period will continue until 2024.

## Additional revenue generated for business partners (Value of Additional Market Transactions) - USD

\$113.5m      \$211m

As of December 2019, the existing portfolio of interventions has created additional revenue for MDF's partners of USD113.5 million, representing 54% of the estimate (USD211 million).

VAMT increased by 25% in 2019 alone, demonstrating a steady uptake of the goods, services or opportunities offered by MDF's private sector partners. This increased economic activity between consumers and the private sector demonstrates that well-evaluated, sustainable investment generates significant additional revenue even in challenging economies (such as those in which MDF works).

MDF expects to achieve 83% of its estimate by the end of Phase II in 2023.

## Amount of investment from the private sector (Private Sector Investment Leveraged) - USD

\$18.2m      \$26.7 m

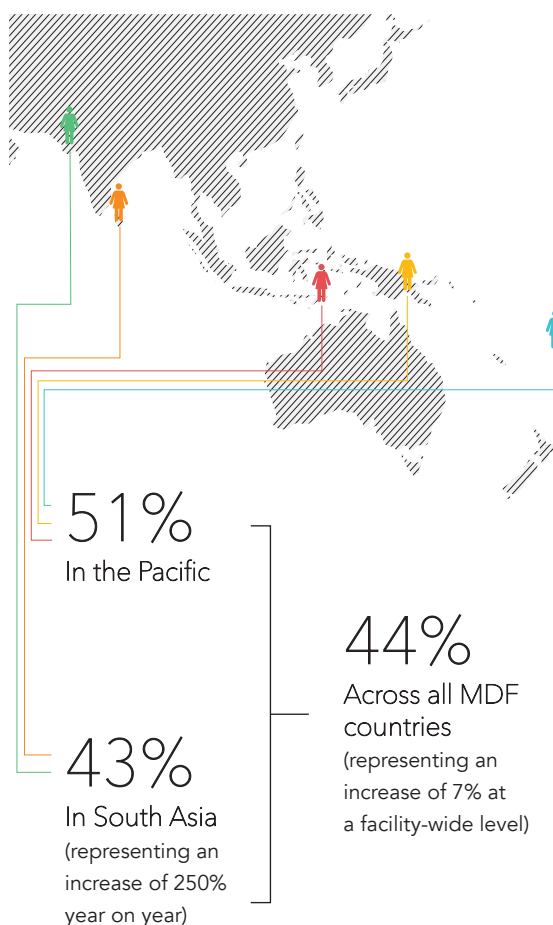
Ratio of MDF to private sector investment 1:3.2

For every dollar invested by MDF, the private sector invested 3.2 dollars.

This degree of leverage demonstrates that the private sector is willing to co-invest - or even lead investment - in new business models that can deliver commercially viable new or improved goods, services and opportunities in challenging markets.

The increasing amount of private sector investment reflects MDF's growing credibility in its different contexts, as well as the value of the technical advice it provides.

## Proportion of women positively impacted



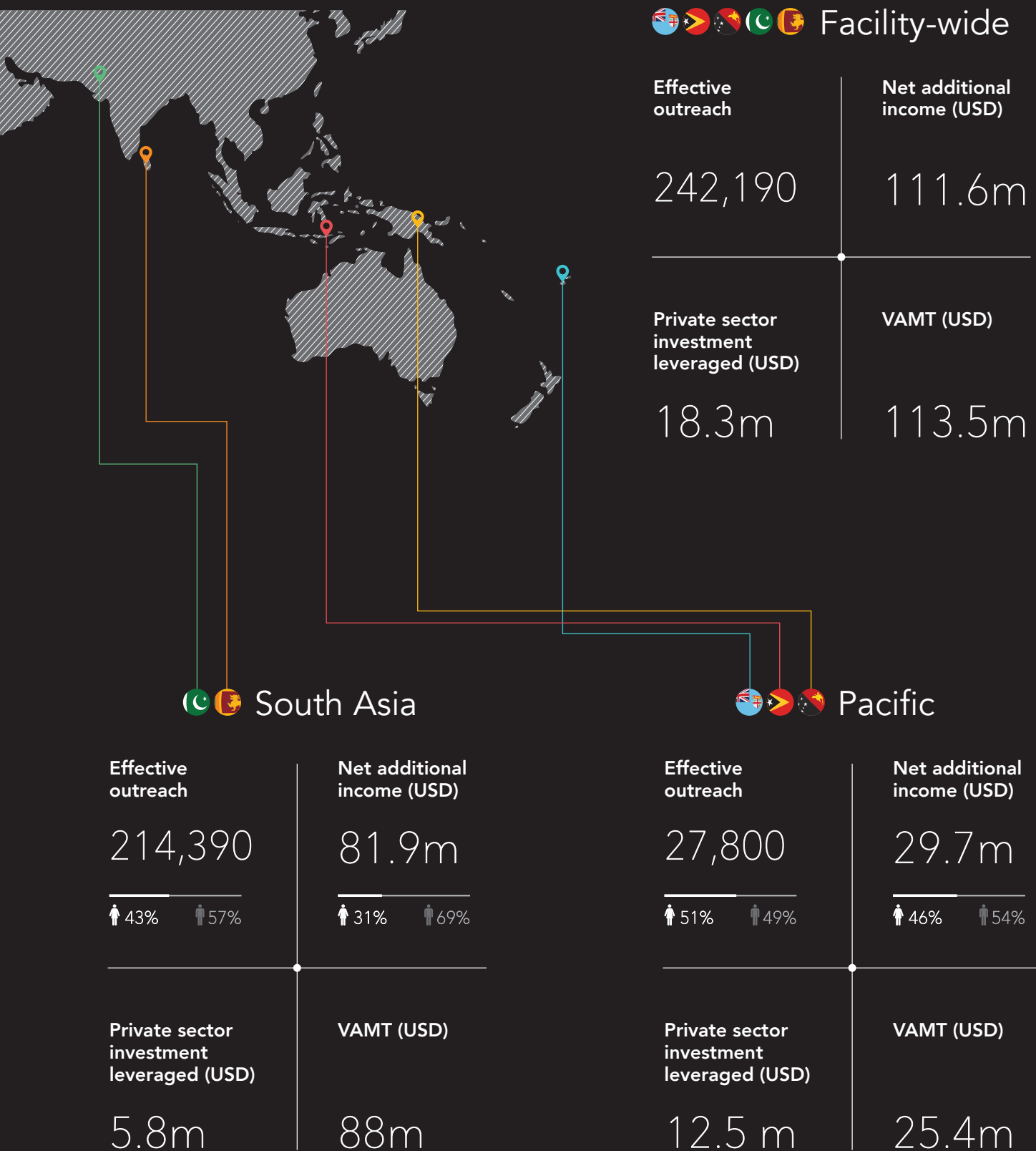
Across all MDF countries, 44% of project beneficiaries were women, which is a 7% increase.

Across the Facility, the impact on women continues to strengthen. Insightful analysis and thoughtful intervention planning and investment in the Pacific has reaped rewards and the percentage of women benefitting from MDF's work continues to increase.

Despite cultural norms which can restrict female participation in South Asia's labour force, MDF nevertheless managed to more than double the number of women benefitting from its activities during 2019. A significant driver of results has been ICT-based interventions in Pakistan that benefit large numbers of people in remote areas.

Continued work in incentivising market actors to enhance WEE means that sustained impact for women across all MDF countries will continue well beyond Phase II.

# Summary of MDF Results as of December 2019



# MDF Results 2019



Fiji

| Indicator                                       | Cumulative Actuals<br>(as of December 2019) |            |            | Cumulative Projections<br>(to the end of Phase II) |            |            | Estimates  |
|-------------------------------------------------|---------------------------------------------|------------|------------|----------------------------------------------------|------------|------------|------------|
| MDF investment (USD)                            | 1,826,000                                   |            |            | NA                                                 |            |            | NA         |
| Private sector investment leveraged (USD)       | 7,782,000                                   |            |            | NA                                                 |            |            | 7,850,000  |
| MDF to Private Sector Investment Leverage Ratio | 4.3                                         |            |            | NA                                                 |            |            | NA         |
| Value of additional market transaction (USD)    | 20,585,000                                  |            |            | 36,280,000                                         |            |            | 43,000,000 |
|                                                 | Female                                      | Male       | Total      | Female                                             | Male       | Total      |            |
| Access outreach                                 | 9,380                                       | 9,200      | 18,580     | 12,480                                             | 12,570     | 25,050     | NA         |
| Usage outreach                                  | 9,190                                       | 9,020      | 18,210     | 11,710                                             | 11,830     | 23,540     | NA         |
| Effective outreach                              | 9,190                                       | 9,020      | 18,210     | 11,710                                             | 11,830     | 23,540     | 40,000     |
| Outreach from employment                        | 254                                         | 232        | 486        | 369                                                | 348        | 717        | NA         |
| Net additional income (USD)                     | 12,270,000                                  | 14,505,000 | 26,775,000 | 15,753,000                                         | 17,934,000 | 33,687,000 | 44,500,000 |





| Indicator                                       | Cumulative Actuals<br>(as of December 2019) |            |            | Cumulative Projections<br>(to the end of Phase II) |            |            | Estimates   |
|-------------------------------------------------|---------------------------------------------|------------|------------|----------------------------------------------------|------------|------------|-------------|
| MDF investment (USD)                            | 1,729,000                                   |            |            | NA                                                 |            |            | NA          |
| Private sector investment leveraged (USD)       | 4,736,000                                   |            |            | NA                                                 |            |            | 8,632,000   |
| MDF to Private Sector Investment Leverage Ratio | 2.7                                         |            |            | NA                                                 |            |            | NA          |
| Value of additional market transaction (USD)    | 75,419,000                                  |            |            | 106,714,000                                        |            |            | 129,248,000 |
|                                                 | Female                                      | Male       | Total      | Female                                             | Male       | Total      |             |
| Access outreach                                 | 127,040                                     | 135,280    | 262,320    | 187,780                                            | 199,770    | 387,550    | NA          |
| Usage outreach                                  | 91,790                                      | 100,020    | 191,810    | 137,960                                            | 149,940    | 287,900    | NA          |
| Effective outreach                              | 88,600                                      | 96,830     | 185,430    | 133,460                                            | 145,440    | 278,900    | 469,000     |
| Outreach from employment                        | 405                                         | 3,637      | 4,042      | 517                                                | 6,994      | 7,512      | NA          |
| Net additional income (USD)                     | 23,852,000                                  | 43,168,000 | 67,020,000 | 33,958,000                                         | 57,722,000 | 91,680,000 | 201,342,000 |

## Papua New Guinea

| Indicator                                       | Cumulative Actuals<br>(as of December 2019) |         |         | Cumulative Projections<br>(to the end of Phase II) |           |           | Estimates |
|-------------------------------------------------|---------------------------------------------|---------|---------|----------------------------------------------------|-----------|-----------|-----------|
| MDF investment (USD)                            | 289,000                                     |         |         | NA                                                 |           |           | NA        |
| Private sector investment leveraged (USD)       | 782,000                                     |         |         | NA                                                 |           |           | 1,120,000 |
| MDF to Private Sector Investment Leverage Ratio | 2.7                                         |         |         | NA                                                 |           |           | NA        |
| Value of additional market transaction (USD)    | 723,000                                     |         |         | 6,044,000                                          |           |           | 4,050,000 |
|                                                 | Female                                      | Male    | Total   | Female                                             | Male      | Total     |           |
| Access outreach                                 | 500                                         | 2,050   | 2,550   | 5,090                                              | 11,650    | 16,740    | NA        |
| Usage outreach                                  | 210                                         | 1,630   | 1,840   | 3,410                                              | 8,840     | 12,250    | NA        |
| Effective outreach                              | 190                                         | 600     | 790     | 3,710                                              | 8,560     | 12,270    | 9,000     |
| Outreach from employment                        | 27                                          | 43      | 70      | 47                                                 | 92        | 139       | NA        |
| Net additional income (USD)                     | 194,000                                     | 276,000 | 470,000 | 791,000                                            | 1,486,000 | 2,277,000 | 4,050,000 |





| Indicator                                       | Cumulative Actuals<br>(as of December 2019) |            |           | Cumulative Projections<br>(to the end of Phase II) |            |            | Estimates  |
|-------------------------------------------------|---------------------------------------------|------------|-----------|----------------------------------------------------|------------|------------|------------|
| MDF investment (USD)                            | 433,000                                     |            |           | NA                                                 |            |            | NA         |
| Private sector investment leveraged (USD)       | 1,026,000                                   |            |           | NA                                                 |            |            | 4,180,000  |
| MDF to Private Sector Investment Leverage Ratio | 2.4                                         |            |           | NA                                                 |            |            | NA         |
| Value of additional market transaction (USD)    | 12,649,000                                  |            |           | 19,603,000                                         |            |            | 28,980,000 |
|                                                 | Female                                      | Male       | Total     | Female                                             | Male       | Total      |            |
| Access outreach                                 | 4,170                                       | 25,250     | 29,420    | 5,980                                              | 27,090     | 33,070     | NA         |
| Usage outreach                                  | 4,170                                       | 25,250     | 29,420    | 5,190                                              | 26,300     | 31,490     | NA         |
| Effective outreach                              | 3,940                                       | 25,020     | 28,960    | 4,540                                              | 25,620     | 30,160     | 55,600     |
| Outreach from employment                        | 304                                         | 88         | 392       | 304                                                | 88         | 392        | NA         |
| Net additional income (USD)                     | 1,922,000                                   | 13,002,000 | 4,924,000 | 2,258,000                                          | 18,723,000 | 20,981,000 | 31,807,000 |



| Indicator                                       | Cumulative Actuals<br>(as of December 2019) |           |           | Cumulative Projections<br>(to the end of Phase II) |           |           | Estimates |
|-------------------------------------------------|---------------------------------------------|-----------|-----------|----------------------------------------------------|-----------|-----------|-----------|
| MDF investment (USD)                            | 810,000                                     |           |           | NA                                                 |           |           | NA        |
| Private sector investment leveraged (USD)       | 3,934,000                                   |           |           | NA                                                 |           |           | 4,965,000 |
| MDF to Private Sector Investment Leverage Ratio | 4.9                                         |           |           | NA                                                 |           |           | NA        |
| Value of additional market transaction (USD)    | 4,170,000                                   |           |           | 7,065,000                                          |           |           | 6,443,000 |
|                                                 | Female                                      | Male      | Total     | Female                                             | Male      | Total     |           |
| Access outreach                                 | 5,040                                       | 4,390     | 9,430     | 7,620                                              | 6,930     | 14,550    | NA        |
| Usage outreach                                  | 4,820                                       | 4,180     | 9,000     | 6,400                                              | 5,710     | 12,110    | NA        |
| Effective outreach                              | 4,720                                       | 4,080     | 8,800     | 6,140                                              | 5,460     | 11,600    | 19,000    |
| Outreach from employment                        | 75                                          | 210       | 285       | 75                                                 | 211       | 286       | NA        |
| Net additional income (USD)                     | 1,232,000                                   | 1,238,000 | 2,470,000 | 2,235,000                                          | 2,018,000 | 4,253,000 | 5,503,000 |

# Facility Overview

## The facility

For all MSD programs, the second full year of implementation is critical. It is the point at which the portfolio must begin to solidify around intervention types that are likely to yield the greatest impact. MDF experienced a difficult transition between the first and second phase. In order to make up for lost time, the portfolio was consolidated, sharpened and focused with urgency. This meant that the entire MDF team, across five countries, had a very busy year.

During 2019, the Core Leadership Team-Shared Resources (CLT-SR) was fully staffed - covering technical advisory services, operations, quality and inclusion, communications and learning – and ready for implementation of the existing five country programs and the expansion into a sixth<sup>2</sup>. In the second half of the year it was announced that the Pakistan program was closing, and plans for expansion into Nepal had been postponed. This has meant that a shared resources budget and profile for a six-country program has had to be reimagined and re-budgeted for four countries. The final staffing profile will be determined over the coming months in close consultation with DFAT in Canberra and at Post, ready for implementation in June 2020. Despite this upcoming change, MDF continues to implement the multi-country model as intended.

A few key highlights, all of which will be picked up in more detail in other parts of the report, are:



The regular portfolio review process was conducted and the results were used as the driver of the program's strategy redevelopment (supported by the Team Leader and Senior Adviser).



The operations team implemented a comprehensive root and branch review and refresh of MDF's

operations functions, including a new operations manual, HR system, financial management system and contract compliance.



MDF launched a more user-friendly website and online presence with new branding. The communications director also oversaw a significant increase in the frequency and quality of communications products.



A major rebuild of the program's Monitoring and Results Management (MRM) system, including the development of the MDF Management Information System (MIS), management dashboards and changing the base unit of measurement from 'partnership' to 'intervention area'.



MDF hosted a number of learning events and commenced work on its relevance agenda, comprising a series of discussion papers and analytical pieces on how MSD can be best adapted to the small island economic context.



The Senior Adviser and other members of the CLT delivered a series of internal training programs (including training of trainers) for staff across the program.

Each of these pieces of work represents a major investment of time and resources. These investments and changes have set the program on a more stable footing for the remainder of the current contract period and for the contract extension period (2022-27) should it be approved.

## The new strategic framework

Over the course of 2019 MDF introduced a new strategic framework to sharpen the focus of the program. The catalyst for this change was the need to develop an approach to capturing systemic change. This was necessary to help DFAT and other stakeholders better understand the higher-level objectives/achievements of the program; i.e. beyond the simple benefits and outcomes of a 'partnership.'

It quickly became clear that, in order to capture systemic change, there was a need to rebuild the strategic architecture of the program. At the heart of the problem was the fact that it is not possible to observe and measure 'change' in a system that has not been clearly defined.

<sup>2</sup> The argument for the benefit of maintaining these central shared resources - over standalone country programs - has been documented extensively in earlier documents and won't be revisited again here.

MDF commenced by replacing the old strategic framework (the Strategic Engagement Area Strategies) with Market Systems Strategies (MSSs). The new framework involves moving from a two-tiered to a three-tiered logical hierarchy

that appears throughout all of the program's documentation, such as strategies, annual plans, annual reports and other program publications.

## The transition to Market Systems Strategies (MSSs)

The process of introducing the new MSS framework was carefully sequenced and introduced gradually; through the portfolio reviews, training, and as new interventions were designed.

The purpose of the MSS is to provide a clear and easily comprehensible framework that links what MDF is doing the activities to what it hopes to achieve the objectives.

Critics will argue that a three-tiered MSS diagram is an oversimplification of a complex world, and that there is no objective way of clearly delineating a market system from a market function. This limitation is acknowledged, as discussed in the MDF Annual Strategic Plan 2020.

The MSS three-tiered structure should not be interpreted as anything more than a mental and visual tool to help break down complex problems into more manageable chunks. It is not designed to be a conceptual straitjacket. It is simply a tool to organise and direct the practitioner's efforts to help communicate MDF's objectives to the reader in a logical, consistent format.

In following the well-established practice of adaptive management, MDF has not designed market system strategies to be implemented in a linear manner. In many development programs, strategies are written first and then a set program of activities are rolled out according to a predetermined timetable. In MDF this linearity is quite deliberately avoided. Instead, MDF's strategies are part of an iterative process, developed over time with the benefit of context and accumulated knowledge.

Readers are encouraged not to think of the MSSs as finished, polished products. They are internal planning documents that will continue to be adjusted and updated as the operating context changes. An assessment will be made every six months (through the portfolio review process) to determine whether or not changes are required. The team leader and country directors will keep DFAT apprised of changes through debrief sessions with Post following portfolio reviews and as AG missions are scheduled.

## How the MSS approach works

Previously, MDF reports had been criticised for having a very broad, high level statement of objectives and then a list of partnerships – but nothing in between. As a result, it was difficult to follow how the program's 'partnerships' related to the broader level change that MDF was working towards. There was no logical link between activities,

partnerships and high-level objectives. The MSS structure is MDF's response to this problem.

The three-tier system separates out MDF's work at the system, function and intervention level, as the diagram in Figure 1 below shows.



An intervention is a defined set of temporary activities through which [the programme] seeks to effect change in a market system.

M4P Operational Guide.

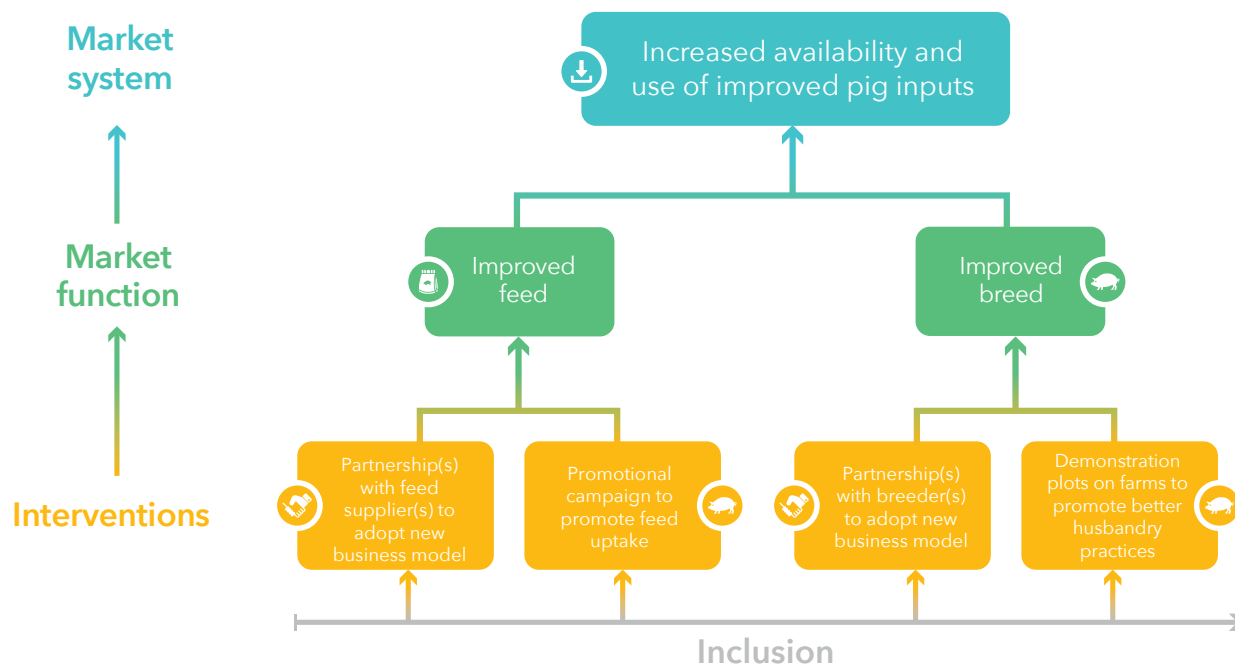
MDF's interventions aim to stimulate behaviour change in selected market actors, such as:

- Increasing awareness of opportunity (and benefit)
- Reducing perceived risk of change

- Increasing ability to implement change
- Overcoming external obstacles to change

MDF's support therefore can include:

- Providing information
- Providing technical assistance
- Providing financial assistance (cost-sharing, performance incentives, etc)
- Brokering relationships



**Figure 1:** Example of a market system hierarchy from Timor-Leste

In this example, MDF works to make a positive change in the PNG pig sector by improving the availability of inputs and increasing productivity so farmers can better respond to growing demand. To do this, MDF first breaks down the market system and identifies specific underperforming market functions, such as limited access to feed and less productive breed selection. Inclusion (women's economic empowerment, disability and environment) is an integral part of MDF analysis, intervention design, implementation and measurement. Note that, for clarity and simplicity, when using this format in the Annual Report, MDF has only included the market functions that MDF is actively working on.

The market function level (green level in diagram above) is the primary unit around which MDF will organise its work. It is at this level that MDF will develop detailed results chains and clearly defined systemic change visions, all of which will be captured in the Intervention Guides as demonstrated in Figure 2 below.

The intervention level (yellow level in the diagram above) is the activity level. At this level, MDF is simply representing the activities (or partnerships) that have been undertaken (with one or more partners) and showing how these relate to higher-level objectives.

## Capturing systemic change

In parallel with the move to the MSS structure, MDF developed a systemic change framework. The framework was designed to complement the three-tiered MSS structure and support the communication practices. The new systemic change document replaces MDF's previous Internal Guidance Note for measuring systemic change.

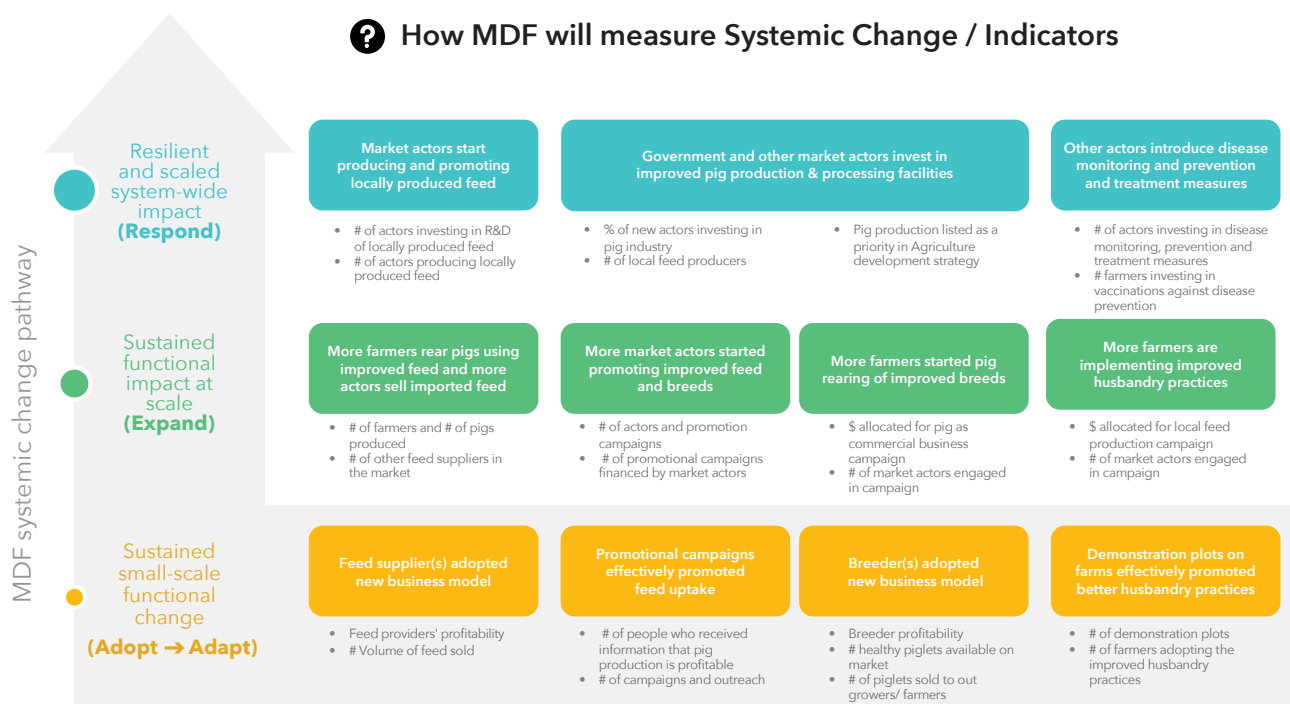
There are a large number of competing tools and methods for defining and measuring systemic change in the MSD field. MDF took the most widely accepted of these – the Springfield Centre's Adapt-Adopt-Expand-Respond (AAER) framework – and tailored it to correspond to the MSS

structure. The MDF version defines three stages of systemic change which roughly correspond to the hierarchy levels of the MSSs.

Below is a stylised example of how the three-stage systemic change framework would map against the three-tier MSS structure. MDF acknowledges that mapping the systemic change levels against the MSS structure could be taken by some to suggest that the process is linear or that it unfolds neatly and predictably. This is not the case – a message which is constantly reinforced amongst the team.

As with the introduction of the MSS structure, MDF has pursued a strategy that would be most useful from the perspective of the user: first, MDF staff, who must use the framework to understand and explain their work; and second, stakeholders, who are usually time-poor, and need a way of grounding the concept of systemic change with the benefit of real world concepts and examples.

It is important to note that systemic change will look different across the MDF portfolio. Sometimes in a small market, only achieving the first level of systemic change will be a significant achievement. In most places where MDF works, significant systemic change will require government involvement. The Systemic Change at MDF framework is included at Attachment 1.



**Figure 2:** How MDF will measure systemic change

## Portfolio reviews

As noted above, the principal vehicle through which refinements to the portfolio are internally discussed and strategised is the routine portfolio review process. A portfolio review is a structured pause to encourage the team to collectively scrutinise what they are doing and whether it is working. It entails revisiting the rationale and objectives of our earlier choices, assessing progress, identifying problems, developing corrective actions, identifying new opportunities and learning from experience. Portfolio reviews are internal processes, led by country teams and supported by the CLT-SR. In 2019, MDF conducted 11 portfolio reviews. The presence of the CLT-SR in portfolio reviews has also been an opportunity to provide informal coaching for country teams and briefing sessions with DFAT Posts, and to deliver structured in-house training programs.

While the portfolio reviews are internal, they are nevertheless rigorous processes in which the assumptions of the team are robustly challenged. This is one of the key benefits of the MDF model. The senior adviser and team leader are considered part of the team, creating an environment in which staff can be very honest about what has worked and what hasn't. At the same time, the external perspective they bring (particularly the cross-facility angle) helps avoid the group think that can so often lead to misdirected effort.

This year, MDF introduced a quality management tool to compare the intervention to strategy fit, actual progress to plan and partnership quality to market actors. Teams now have checklists and templates to prepare for, conduct and follow up on portfolio reviews. The output of portfolio reviews is a set of sector and intervention-specific action

plans. An action plan is a succinctly written document, against which progress is routinely followed up by management and the CLT-SR.

MDF has found portfolio reviews to be valuable processes for adaptive management. They guide decisions on how to handle changes in context that are best tackled through joint brainstorming. Some interventions go as planned, others might be pushed because they have more potential

than originally determined whereas underperforming projects might be adjusted, completely re-worked or even discontinued.

The portfolio review has been the key mechanism through which all of the above changes (strategy, planning, measurement and reporting) have been driven and will remain an important tool to apply the benefits of a multi-country program.

## The learning agenda

In 2019, MDF continued to support DFAT learning on MSD and PSE more broadly. As in previous years, this included training for newly posted activity managers, developing analytical pieces and hosting issue-based roundtables. MDF co-facilitated and authored a series of discussions and think pieces focused on the role of MSD within the Pacific Step-Up in Canberra. These roundtables emphasised the current role and potential evolution of the MSD approach to meet DFAT's objective of greater economic interdependence within the region as well as highlighting the potential for enhanced collaboration between Australia's portfolio of PSE programs. This work highlights MDF's continued role in demonstrating and articulating the ability of MSD programs to adapt their approaches to succeed in different contexts, as well as underlining MDF's continued relevance and alignment with Australian Government priorities. Complementing this, MDF has sought to sharpen collective understanding

of its approach — documenting and facilitating workshops on its revised approach for measuring and communicating systemic change.

MDF also made significant progress in further tailoring intervention-focused communications products to support DFAT learning and planning (see Communications, below). The team has promoted MDF's approach in international forums, raising the profile of DFAT's contributions to MSD by hosting seminars on Women's Economic Empowerment for the Donor Committee for Enterprise Development (DCED), making submissions to the SEEP Network's working group on tools and practical frameworks for women's economic empowerment (WEE) practitioners, and being published in the Arab Women's Enterprise Fund learning brief on working with the private sector to empower women.

## Relevance (policy) agenda

Deriving from the learning agenda, but with a separate stream of analytical work and communications outputs, MDF has been pursuing a relevance agenda. Put simply, this is a set of policy discussions about ways in which MSD programming can be utilised most effectively, particularly in the context of Australia's changing aid program and the 'Pacific Step-up'. The relevance agenda provides suggestions on how MDF might be utilised as an even more effective vehicle for implementing Australia's economic partnership model with its bilateral partners.

In this series, MDF discussed some of the challenges of market development in small island economies (not just the Pacific), along with some recommendations about how MSD could be tweaked or tailored in the future to deliver better outcomes in these contexts.

With the closure of the Pakistan program in June 2020, MDF will be working exclusively in small island economies (which includes Sri Lanka). Over the coming year MDF will

continue to deepen its analysis of the particular challenges associated with these contexts, in close consultation with DFAT.

Throughout the document there are text boxes covering some of the major themes that were pursued in 2019, including:

- Challenge of working in small island economies, from a regional perspective
- MSD's role in supporting the Pacific Step-up
- Collaboration in a crowded donor environment
- Managing adaptively in dynamic contexts to cope with shocks and build resilience
- MSD and infrastructure financing
- MSD and impact investing.





## Small island economies: reaching beyond domestic markets and acting regionally

Remoteness, small populations, geographic dispersion and environmental vulnerability constrain the competitiveness and growth of Pacific states (and other small island states, such as Timor-Leste) and prevent them from reaching their full economic potential.

In small island economies, domestic markets often lack sufficient scale and potential for inclusive growth. This has meant that MDF has gravitated towards export markets. Its approach has been to identify sectors with export potential and then support innovative businesses that might be catalysts for wider change in the sector, making them ready for investment and trade, and facilitating linkages with potential buyers. The aim has been to accelerate the export development process. MDF's work on biosecurity, honey in PNG and virgin coconut oil in Timor-Leste are good examples.

Interventions in export-oriented sectors are more demanding than working in domestic markets. It often entails engaging with 'off-shore' actors seeking to buy from or invest in small island states. Offshore actors are typically the real drivers of early export development: they possess technical know-how, resources and networks, set standards and control access to end consumers. But engaging with these offshore market actors is difficult, particularly for firms in small island economies, who often lack the sophistication and skill to enter international markets. As a multi-country facility MDF, unlike many MSD programs, has been able to operate with an expanded regional or international lens to help facilitate these linkages. It is continuing to explore ways of thinking and acting beyond national boundaries to penetrate export markets that can enhance economic interdependence. MDF's work in business process outsourcing in Fiji is a prime example of working to link market actors in this way.

MDF has also recognised that the conventional way it understands and measures impact and value for money (VFM) needs to be adapted for small island states. Typically, MSD is premised on achieving income increases and employment for large numbers of beneficiaries and has achieved this most spectacularly in the South and South East Asian economies, which have the advantage of scale. It has become clear

over the past five years that small island economies will never offer this kind of mass outreach and impact.

Conversely, as evidenced by MDF's work in Fiji, MSD programs can have large positive impacts on the way in which markets function in smaller economies. The pathway to national level scale is much shorter than in larger economies.

In the context of Australia's long-term engagement with the Pacific and vision for economic interdependence, there is a strong argument that MDF could have a more nuanced set of program objectives which take the program beyond a simple beneficiary head count. One scenario is that MDF takes a twin-track approach. One track would see some interventions targeting (larger) scale impact and inclusion; the other would focus on the long-term economic growth potential of a sector and its potential to support regional trade linkages. The impact of the second track would need to be reflected in program indicators that capture the value of these transformative outcomes and through case studies.





## Supporting Pacific Step-up: enhancing economic diplomacy with on-the-ground initiatives



The 'step-up' in the Australian Government's engagement with the Pacific seeks to stimulate growth through a range of regional initiatives, including investment in physical infrastructure, connectivity and skills development, promoting circular labour mobility and supporting regional trade. The step-up agenda recognises that the Pacific's greatest opportunities for development come from regional economic integration, to mitigate the innate structural constraints of small island economies.

Trade agreements and policy reforms are key pillars of this agenda, but there remains the challenge of Australia's Pacific partners' ability to take advantage of them.

Complementary initiatives to stimulate private sector response could help realise the full potential of these agreements. MDF's market interventions could generate real-world examples of how the Pacific can be an attractive place to do business for regional and international investors and firms. The skills embodied within MDF build a positive image of Australian business capabilities and help send a signal that Australian diplomacy stands for economic partnership. The program's engagement with the private sector generates real-time economic intelligence that provides extensive insights into national and regional economic contexts and business sentiment that can inform Australian economic diplomacy.



## Active collaboration in a crowded donor environment to leverage the full potential of Australia's investment



There are significant efficiency and effectiveness synergies that can be gained by MDF collaborating more actively with existing and planned DFAT investments. In Fiji, MDF works with the DFAT Innovation Xchange Frontier Incubators Program to develop a Fijian-government managed SME incubator. In PNG the Pacific Horticultural and Agricultural Market Access (PHAMA Plus) program and MDF are collaborating to develop honey export standards for local honey processors, and with the Pacific Labour Facility (PLF) to build labour-mobility focused relationships between PNG honey producers and the Australian Honey Bee Industry Council.

Building on these early successes, MDF is exploring numerous other collaboration opportunities. These might include working with: the new Australian Infrastructure Financing Facility for the Pacific (AIFFP) to build a pipeline of smaller infrastructure investment opportunities; Pacific Rise to identify impact investment opportunities; the PLF to help build markets for labour market intermediaries and skills provision services in the Pacific; and the new Impact Private Sector Partnerships (IPSP) Program to develop shared value partnerships between Australian and Pacific businesses engaged in labour mobility.





## Managing adaptively in dynamic contexts to cope with shocks and build resilience

Given the diverse and dynamic contexts in which MDF operates, it is not surprising that it experiences a variety of natural, economic and political shocks. Fortunately, MDF's set up – its analytical capacity and real-time measurement system, portfolio of sectors, interventions and partners, and multi-faceted team – provides the flexibility to adapt and continue to deliver in the face of such disruption.

For example, the tourism sector in Sri Lanka was severely affected by the Easter terror attacks, but the crisis triggered a new level of openness within the industry, to which MDF was able to respond by supporting the development of a recovery plan. African Swine Fever (ASF) threatens pig producers throughout Asia to a catastrophic extent. In Timor-Leste, it has disrupted MDF's promising engagement in the sector. In response, MDF – working with DFAT's market system development program in Indonesia, Promoting Rural Incomes through Support for Markets in Agriculture (**PRISMA**) – actively

explored cross-border measures to control the spread of disease. MDF's analysis has identified husbandry and bio-security practices that reduce the risk of ASF transmission, and the program is now considering how such measures could be introduced, working through private sector and government stakeholders. In PNG the cocoa and coffee sectors are dominated by smallholders and afflicted by low productivity and quality, making competitive, large-scale production unfeasible without significant long-term investment. MDF has therefore adjusted its strategy to focus on niche, higher value markets that capable smallholders are positioned to exploit. The unexpected closure of Australia's aid program in Pakistan forced MDF to rapidly change its footing and mobilise its team to focus on a smooth program closedown within a 10-month time period. DFAT have provided very positive feedback on the manner in which the closeout has been managed.



# Quality and Inclusion

## Monitoring and results measurement

In 2019, the program's monitoring and results measurement (MRM) system underwent a series of major changes, to better align with the new Market System Strategies.

Perhaps the most important change was focusing intervention guides (IGs) at the market function rather than at the partnership level. Previously, IGs contained a results chain and measurement plan for each separate partnership – i.e. they were partner-centric. In 2019 all of the partnerships that addressed a specific market function were grouped under the same IG – i.e. they became function-centric.

The new system enabled easier aggregation of results at MSS levels. IGs are now a more appropriate management tool for tracking existing partnerships and planning new partnerships. And while the transition to the new IG template was resource intensive, over time, consolidating partnerships within the same market function will reduce the workload and improve the efficiency of the QI team.

In January 2019, MDF introduced leading indicators - access and usage – into its standard reporting framework in addition to the existing intermediate and headline indicators. This was done to overcome the problem that, when reporting only on intermediate and headline indicators, there is a significant time lag between activities and results. While intermediate indicators can be considered a direct and observable consequence of MDF's investments, headline indicators can take a considerable time to materialise and are a consequence of other changes being achieved first (hence they are known as lagging indicators). The ability to measure and report on leading indicators gives MDF and DFAT better information to evaluate how a project is progressing and whether or not it is on the right track. They also provide useful data for management to lagging indicators (i.e. from access to usage and usage to benefit), providing insights into what needs to be done to improve interventions.

### Value for money (VFM) indicators

Value for money indicators have been introduced at the facility level. These are private sector investment leveraged (PSI) and the value of additional market transactions (VAMT).

MDF has liaised closely with the DFAT and the Advisory Group on methods for capturing MDF staff time in interventions so that the full costs of each are transparent. This is important



**An intervention guide (IG)** is a tool which tracks the progress of each market function (i.e. a group of activities that are designed to address a specific market constraint). It starts with a summary of the intervention and continues with the impact logic, measurement plan and registers results.

given that a substantial amount of MDF's value addition takes the form of technical assistance to partners. During 2019, a guideline was prepared that estimated the workload of implementation staff. This indicated that implementation staff spend 65 per cent of their time working on the implementation of interventions, 20 per cent on monitoring and results measurement and 15 per cent on general administration. This has enabled MDF to better understand the actual costs of implementing interventions.

Value for money is now assessed at the concept stage, comparing MDF's proposed investment to that of the market partner, and preparing scenarios for potential benefits (effective outreach and income).

At the market system level, a range of effectiveness and efficiency indicators have been introduced, from enterprise to sector level. These include the ability of the private sector to offer or produce the right goods and services at the right quality, price and time.

### Management information system (MIS)

The development of the Management Information System has continued and MDF is on track to have a comprehensive MIS developed by June 2020. Preconditions for the MIS were moving all program data into a query-able database, developing an automated aggregation tool, moving all IGs into the new format, and cleaning data and testing. This was completed in December 2019. Since then, work has commenced on a range of 'data reports' or dashboards, run on Microsoft Power BI. These dashboards enable users to interrogate data sets and better understand the results

that are reported. Importantly, these reports will help MDF make better decisions about its interventions. So far, around seven standard reports have been developed. A further ten to twenty will be developed over the coming months in consultation with DFAT and the Advisory Group.

## Inclusion

### Women's economic empowerment

The Women's Economic Empowerment (WEE) Framework has been set up as a practical guide to embed, from the outset, WEE within the intervention cycle (from design and implementation to monitoring).

The key change in MDF's approach to WEE in 2019 has been to re-examine how MDF defines the target population for its interventions. Since the development of the new strategic framework, MDF has embedded WEE in its analysis and strategy. That has been further extended to investment justifications (concept notes) combined with the ongoing practice of having WEE in measurement and evaluation.

MDF has improved the understanding of circumstances surrounding women in the key market systems and functions it works in. At the facility level in 2019, this has resulted in twenty interventions translating WEE-driven data into innovative business cases. Examples of the new approach can be seen under the country chapters and inclusivity interviews.

In 2019, a facility-level WEE working group was established, enabling country teams to share innovative business case designs and experiences. In-depth examples from 2019 will be presented in MDF Fiji's upcoming Women at Work paper, showcasing intervention planning and measurement, as well as the facility's WEE paper which will highlight the innovative investments MDF has supported in women-led businesses and female entrepreneurship.

### Broader inclusion

Depending on the context MDF is working in, other types of inclusion are actively considered and integrated (e.g. geographical, demographic and ethnic). During 2019, MDF commenced work to understand the context of disability in the economies in which it works. MDF also liaised with PRISMA, a DFAT program in Indonesia, to learn more about its approach to disability in market systems development. As part of this facility-wide focus on increasing disabled people's inclusion in markets, MDF Timor-Leste developed its first country-specific strategic disability work plan. In Fiji, MDF also plans to embed the Washington Group survey method into key research exercises in 2020, to capture the nature and prevalence of disability in targeted populations.

Further information about how the changes improve MDF's efficiency and effectiveness is presented in a draft discussion paper on results measurement efficiency.



MDF's impact for women in the formal sector continues to strengthen. During Q1 of 2020, MDF will present a paper on Women at Work, a study on absorption and retention of the women in the Fijian workforce. It will also investigate the six dimensions of WEE that are impacted through our interventions, picking-up from MDF's 2018 **Beyond Income publication**.

Case studies focus on the impact of new policies and practices put in place by MDF to benefit women, impact female agency, decision-making power and well-being. The intended audience includes development practitioners, implementers and programs looking into understanding the challenges and possible solutions to involving more women in the workforce.

During 2019, country programs aligned their environmental checklists with national laws and Australian Government requirements. MDF runs all its investments through these checklists and continues to assess the environmental impact of its interventions. Where applicable, MDF staff conduct site visits to assess the impact of interventions on the environment and adapt intervention designs where necessary. Further information on MDF's approach to inclusivity is included in the country chapters.

In addition to the above changes, the team has developed and delivered training materials for induction of new staff and provided ongoing training of existing staff. A series of guidance notes have been developed for the use of revised document templates. This hard work has resulted in a smooth transition to the new strategic architecture of the program, which will allow implementation teams to focus on building their portfolios and using the improved system to guide their decisions.

## Communications

In 2019, MDF communications advanced considerably. The facility's new branding was launched and rolled out across all countries. New communications products were created for external audiences, including infographics, policy briefs and partner fact sheets. Internally, the Brand, Style and Editorial Guide and a range of explainers laid the foundation for a higher standard of communications across all teams.

By the end of the year, MDF had featured in 32 articles, published 19 stories of significant change, three photo essays, 12 policy briefs and appeared in 12 television news reports.

Australian Heads of Missions tweeted MDF's content or tagged MDF 44 times (34 in Timor-Leste alone). The team's tweets were retweeted 13 times (nine of which in Fiji), and Facebook posts shared 12 times during the year.

In digital communications, the strategic shift towards leveraging online platforms to tell compelling stories gained pace. MDF's new Instagram page was launched in March with a campaign on WEE to coincide with International Women's Day. The page's content has enjoyed more than 33,000 impressions and almost 24,000 interactions. The new website was launched in early September; by the end of the year, the bounce rate had decreased by 36 per cent.

A new video series, A Day in the Life of MDF staff (DILO) led to record online engagement across MDF's countries. Since August, DILOs created almost 400,000 impressions and the Fiji DILO alone was viewed more than 6,600 times. Results Measurement in Action, an overview of MDF's approach towards maintaining quality and inclusion in its results measurement, was published in May. Shorter excerpts from the video tailored to digital viewing were produced, with "Why do results matter?" receiving 500 views on Facebook alone.

In Pakistan, the documentary *Balochistan: A Date with Opportunity* highlighted the issues, challenges and successes with private sector investment and women at work in the borderlands. In Timor-Leste, MDF's video on Assosiasaun Café Timor (ACT) was featured at the Dili International Film Festival and won an award. In Sri Lanka, Connecting Producers to the Market explored MDF's support for inclusive value chains, while Sri Lanka's Coffee Comeback enjoyed good traction on social media, with 5,800 views and nine shares (including by Post.)

Other highlights included a social media campaign on Pakistan's disability and inclusion workshop, which reached more than 14,000 people. Post-crisis tourism resilience work in Sri Lanka led to three well-received policy briefs, two of which were featured in the media and were referenced in multi-donor crisis response meetings, helping to inform both DFAT and other donor recovery coordination efforts with the Sri Lankan private sector. Promotional support for

the So Sri Lanka Pro 2019 international surfing competition generated high-engagement digital content that was shared across official tourism channels, the local news and international influencer social media. The Fiji Sugar Company's new branding was launched successfully, while in PNG, MDF's work on bringing together market authorities was shared on EMTV.

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## Operations

A number of operational milestones were achieved across a range of key areas during 2019. To improve workforce management, regular individual capacity development discussions were conducted between key in-country personnel (country directors, country accountants and operations managers) and MDF's central operations team members (HR, contracts and compliance and finance managers). Against a backdrop of varied degrees of operational complexity between each country, these discussions have helped to reduce risk and maintain continued compliance.

The planned review of in-country regulations and due diligence frameworks picked up pace in July. In-country legal experts provided specific country compliance advice, which was cross-checked against MDF's own internal compliance matrix, contracts and processes. The necessary changes are now being implemented. In addition, MDF is currently receiving specific local advice regarding financial and tax reporting requirements in Fiji, PNG and Sri Lanka. In order to align with DFAT's policies, a focused examination of current safeguarding practices was conducted by a short-term adviser.

Following the roll out of the revised MDF operations manual, an initial small-scale operational effectiveness review (OER) was conducted, revealing a number of areas for improvement, including:

- The way data is managed, shared, and saved across the facility
- How payroll is processed between in-country and central operations teams

- How fraud risk can be reduced, and procedural efficiency increased
- The preparation of invoices and PAFs to limit errors and save time.

Some measures have already been implemented to address these areas, such as automated leave forms, travel requests, incident forms and procurement requests.

Additionally, sustained implementation of the performance excellence framework, HR management tools, contracts and procurement trackers, and a comprehensive financial management system all helped to smooth processes and increase operational efficiency.

In human resources, a robust onboarding and induction framework was introduced for new hires. This encompasses a comprehensive overview of MDF's policies, procedures, work ethos and an introduction to MDF's systems and ways of working. Similarly, a hybrid mix of web-based and on-site training was rolled out for current staff on operational policies and procedures, with specific reference to identified areas of capacity building required for each country.

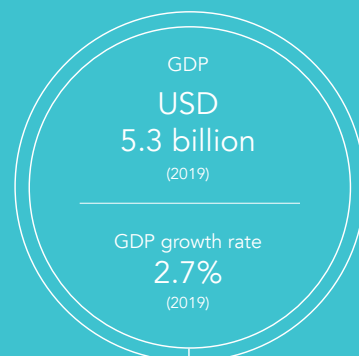
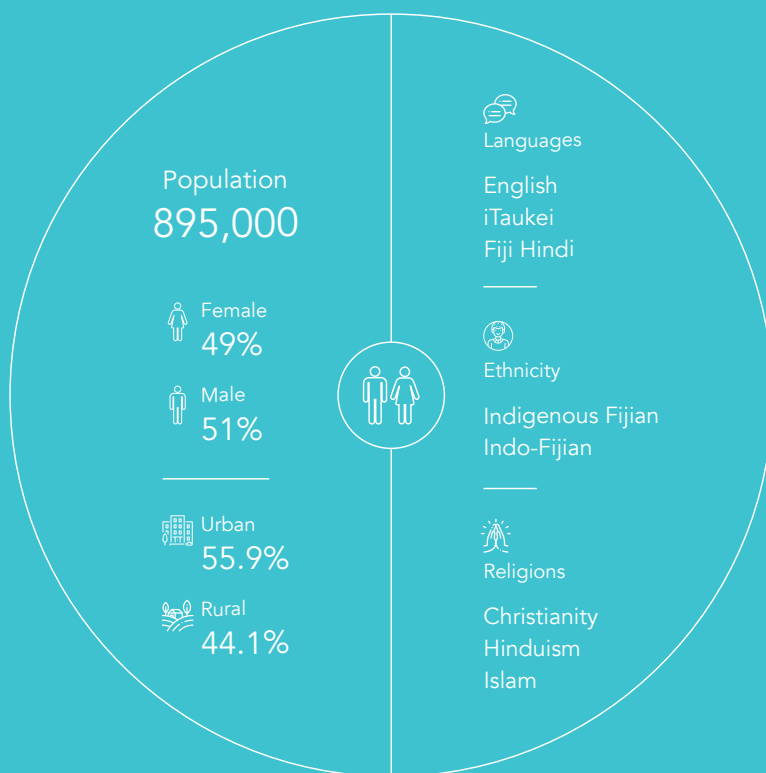
Efforts to ensure that MDF hires, invests in and retains talented professionals gained pace. A range of tools and resources were introduced to build local HR capacity and assist with recruitment, onboarding, performance management, learning and development and salary benchmarking. This will continue into 2020 with the development of a pool of high potential individuals.





## Quick Facts

*Fiji*



### GDP contribution by sectors

Agriculture  
6.8%

Industries  
26.9%

Services  
56.7%



### Independence

Fiji is a former British colony. Since independence in 1970, military coups occurred in 1987, 2000 and 2006.

President of Fiji  
Jioji  
Konrote

Prime Minister  
Josaia Voreqe  
'Frank' Bainimarama

Poverty Headcount  
14.3%

Currency  
Fijian Dollar (FJD)

Unemployment  
4.5% (2017)



## Key Market Data



### Tourism

Tourist Arrivals

**895,000**  
(2019)

No. of Fijians Directly and Indirectly Engaged in Tourism

**118,500**  
(2017)

Total Tourism Earnings

**\$957.8 m**  
(2018)

Tourism Investment

**\$226.1 m\***  
(2018)

#### Key Focus Area

Developing an inclusive and diversified tourism industry by supporting growth of niche destinations, and improving tourism yield by increasing spending on local products and activities



### High Value Agriculture

No. Poor Households engaging in ag/horticulture

**86,000**

Growth in Horticulture Production

**4.8%**  
(includes livestock)

Types of Horticulture Produce

Eggplant, taro, ginger, honey, cassava, yams and fruits, such as papaya, pineapple and mango

#### Key Focus Area

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



### Urban Industries

Urban Unemployment Rate

**4.5%**

Urban Population Growth

**1.6%**  
(2018)

Urban Poverty Rate

**19.8%**  
(2013-2014)

Gender Gaps in Urban Labour Force



**Women**  
**7.8%**



**Men**  
**2.9%**

193,959 women are unemployed compared to 74,351 men

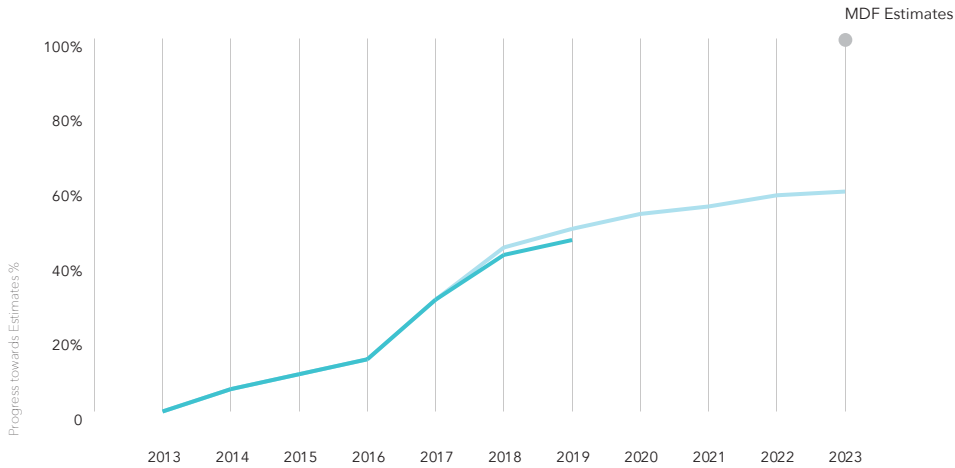
#### Key Focus Area

Increasing urban-based employment opportunities by focusing on emerging opportunities in business process Outsourcing Services (OS) and supporting sustainable MSME business development services (BDS)

\*24.3% of total investments into Fiji

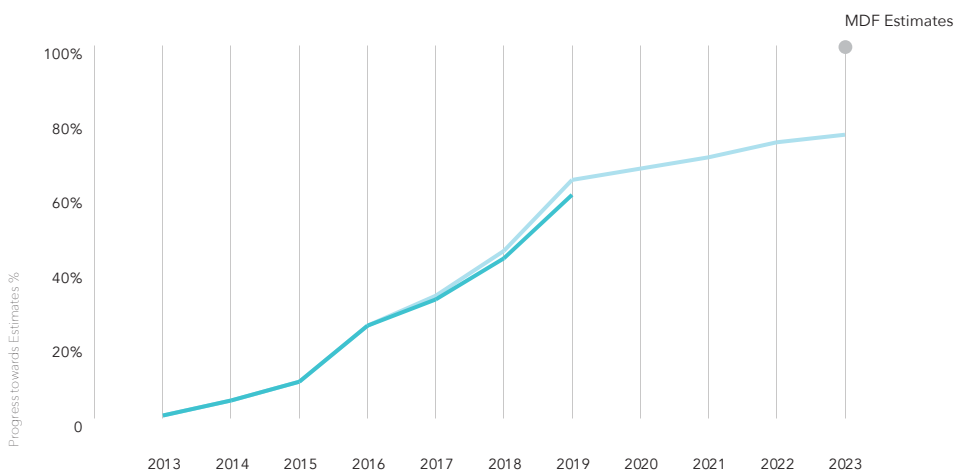
# Highlights

## EFFECTIVE OUTREACH



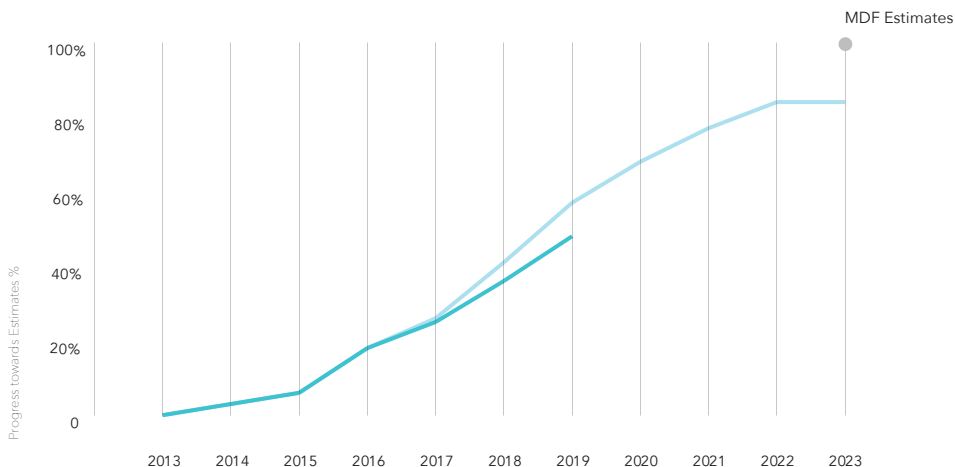
- **46%**  
Cumulative actuals % against MDF estimates
- **59%**  
Cumulative projections % against MDF estimates

## NET ADDITIONAL INCOME (USD)



- **60%**  
Cumulative actuals % against MDF estimates
- **76%**  
Cumulative projections % against MDF estimates

## VALUE OF ADDITIONAL MARKET TRANSACTIONS



- **48%**  
Cumulative actuals % against MDF estimates
- **84%**  
Cumulative projections % against MDF estimates



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## EFFECTIVE OUTREACH

- The current portfolio has already achieved 46 per cent of estimates and is projected to achieve 58 per cent of estimates by the end of the phase.
- Major contributions have come from maturing interventions. Innovative business models can take time to gain traction, but when they do they deliver substantial and sustained benefits to a sector, often surpassing expectations, even in 'thin' markets.
- The largest contributor to actual results is quality agricultural inputs, accounting for 65 per cent of achievements to date.
- Planned interventions in input distribution, niche destinations and outsourcing services, as well as the anticipated impact of multiplier effects in the tourism workforce are expected to shrink the gap between projections and estimates, to achieve outreach estimates by the end of the phase.

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## NET ADDITIONAL INCOME (USD)

- The current portfolio has already achieved 60 per cent of estimates, and is projected to achieve 75 per cent of estimates by the end of the monitoring period.
- The key contributors to high actuals are quality agricultural inputs and Fijian products and experiences.
- Deepening of work in niche destinations, particularly Nautical Tourism, is expected to provide a healthy growth trajectory for Actuals
- Upcoming investments in outsourcing services and quality agricultural inputs interventions are expected to ensure the achievement of income estimates by the end of the phase.

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## VALUE OF ADDITIONAL MARKET TRANSACTIONS

- The current portfolio has already achieved 47 per cent of estimates and is projected to achieve 85 per cent of estimates by the end of the monitoring period.
- For 2019, MDF's investment in premium agriculture products and outsourcing services has resulted in a remarkable increase in both actuals and projections.
- New and upcoming investments in quality agricultural inputs and niche tourism destinations are expected to close the gap between projections and estimates.

## Overview of Portfolio and Progress in 2019

Despite a sharp slowdown in economic activity in Fiji in 2019<sup>1</sup>, MDF business partners and market interventions have remained resilient through a difficult period. In 2019, MDF passed a number of significant result milestones and is firmly on track achieve or exceed its end of program (EOPO) objectives. The additional income estimated to have been generated by the program rose from 34 per cent to 60 per cent.

MDF's portfolio is now maturing and accelerating along the results curve, keeping with the well-established trajectory of MSD programs. MDF Fiji is probably the first MSD program to demonstrate that this results course also applies to a small island economic context.

MDF's early interventions in the sugar industry, which addressed soil fertility and labour shortages, have begun to demonstrate a deeper, more systemic impact. Farmers have started to use aglime for land preparation, and a substantial uptake in the procurement and use of mechanical harvesters by farmers has been observed. These shifts in farming practices, combined with the newly revamped packaging and premium branding of the 'Sugars of Fiji' by the Fiji Sugar Corporation suggest that MDF is supporting the industry's long-term evolution and sustainability.

Within tourism, newly established destination marketing organisations (DMOs) and smaller tourism associations have been able to successfully advocate for recognition and support by key tourism industry players (Ministry of Industry, Trade and Tourism, Tourism Fiji and Fiji Airways), with the concept of niche 'destination marketing' now firmly taking hold in national tourism development strategy.

The move to more clearly defined Market Systems Strategies (MSSs)<sup>2</sup>, has helped the Fiji program establish a more coherent portfolio this year. Eleven new partnerships have been secured (three in tourism, four in high value agriculture and four in urban industries) along with four influencing and engagement events. These are projected to benefit 2,600 adults, generating USD2.5 million in additional income and USD4.9 million in additional market transactions.

Through MDF, Australia has now firmly positioned itself as a much-needed strategic partner for economic development. MDF's reputation in Fiji as a credible partner with a proven track record has opened the door to more strategic partnerships, mostly at the national level with both private and public sector actors.



<sup>1</sup> Press Release No. 19/457, IMF Staff Completes 2019 Article IV Visit to Fiji, International Monetary Fund, December 12, 2019, sourced at: <https://www.imf.org/en/News/Articles/2019/12/12/pr19457-fiji-imf-staff-completes-2019-article-iv-visit>

<sup>2</sup> Supported by CLT portfolio reviews and DFAT Advisory Group missions in May and September 2019, respectively.

## Country Strategy

Fiji's economic slowdown continued in 2019 as growth was revised down from over three per cent to one per cent. This further highlighted the need for economic diversification and underlines the relevance of MDF's work in tourism, high value agriculture (HVA) and urban industries (UI). Notwithstanding some respite from an absence of natural

disasters and a smooth national election, low liquidity and high borrowing rates limited the appetite for investment. This made MDF's work in HVA and small and medium-sized enterprise (SME) growth more challenging, while in tourism and urban industries, it remained more stable.

## Sector Selection and Rationale



### Tourism

The risks associated with an overreliance on an undiversified, low yield, package holiday tourism industry have become increasingly apparent in the downturn, particularly against strong competition from lower cost, more diversified tourism destinations (such as Bali). MDF has continued to support and encourage the industry to gradually shift its focus away from package and enclave-based tourism. In part driven by MDF's work to embed the concept of niche destination tourism in Fiji, which has coincided with stagnation of traditional tourist arrivals, the industry is becoming increasingly aware that it needs to evolve. Following MDF's earlier smaller scale work to establish niche tourism as a viable business model – which provided proof of concept – in 2019, the team shifted its focus to working with bigger scale agents.<sup>3</sup> This has included both private and public actors such as Rosie Holidays, Tourism Fiji, Fiji Airways and the Ministry of Industry, Trade and Tourism (MITT).



### High Value Agriculture

As Fiji's population urbanises, the focus of the economy will naturally shift away from the agriculture sector. Its contribution to GDP and share of total employment is gradually declining. Nevertheless, agriculture will remain an important part of Fiji's growth story and, with the right investment, will help the country maintain a diversified and resilient economy. To stay relevant, this sector needs to diversify away from traditional commodity markets towards higher yielding, value-added markets.

This portfolio presented the MDF team with significant challenges during the year. With diminished investment appetite, potential business partners are taking a very cautious 'go slow' approach. Yet towards the end of 2019, pockets of opportunity started to emerge. MDF observed a number of smaller businesses showing interest in targeting market gaps created by the larger, more cautious traditional players (such as within seed distribution and commodity sourcing). Many of the partnerships scoped in late 2019 are on track to be signed in early 2020 and thus, while the slower uptake led to a lower than expected contribution to outreach figures in the reporting period, this sector remains on a healthy trajectory overall.



### Urban Industries

Fiji has the potential to build an economy based around regional trade and digital connectivity in the Pacific. Industries such as Business Process Outsourcing (BPO) have the potential to boost urban employment (particularly for women) within a rapidly growing, young and educated urban population. The industry is already well-established, but with the exception of a few large firms, it is dominated by low-growth, small-scale operators. In an increasingly competitive international market, Fijian BPO operators must market themselves on their natural advantages (time zone, language, ICT infrastructure and educated workforce) rather than price. In order to do this, they must shift from generating business through word of mouth (largely through diaspora links) to a more structured and compelling offer to the international market.

MDF's newly signed partnership with the Business Process Outsourcing Council in late 2019, along with demonstrative enterprise-level partnerships with Greymouse and Packleader, are designed to demonstrate the growth potential and competitive advantage of Fiji as a Pacific BPO hub. Even at this early stage, signs of positive market response (such as the engagement of Pacific Trade and Invest and the Fijian Trade Commissions to New Zealand and Australia) have already been observed.

<sup>3</sup> A scale agent is a business partner with the size and organisational capacity to implement a business model on a much larger canvas, potentially delivering significantly greater impact.



## Systemic Change Story

# Mechanical Sugarcane Harvesting



Fiji's sugarcane sector has experienced declining competitiveness for many years, largely due to its reliance on manual harvesting. Labour shortages have exacerbated the problem. Previous attempts to introduce mechanical harvesting have not been successful. The machines imported were too large, too heavy and damaged the ratoon rows. They were often purchased second-hand from Australia without any after-sales technical support, so maintenance became a problem. The businesses that tried to offer mechanical harvesting services also lacked the industry contacts and support to promote their services.

To increase the efficiency of harvesting in the sugarcane sector, MDF Fiji worked with partner CJ Singh to introduce a more suitable mechanical harvesting service for farmers in the north. Under this service model, new machines with the appropriate specifications for harvesting in typical Fijian sugarcane fields were procured. After-sales support from the manufacturer was included, along with access to maintenance experts who travel to Fiji during the harvest season. CJ Singh also developed relationships with key

industry actors such as the Labasa Lorry Drivers' Association, the Fiji Sugar Corporation (FSC), Sugarcane Growers Council (SCGC), the Sugar Tribunal, and FSC Sector Offices, whose support or endorsement was required to transition from manual to mechanical harvesting.

Farmers were initially reluctant to use the new service, having seen the damage caused by earlier efforts to mechanise harvesting. Early adoption was therefore low, as most farmers waited to see if the machines would be effective. After two years, as farmers observed the machines in operation, they overcame their reluctance. As technical and legal issues were resolved, CJ Singh's business grew.

In a text-book example of crowding-in, as more farmers began to use mechanical harvesting services, demand for the services also grew, leading other businesses to enter the industry. The manufacturer, Case Machines, has now established its own operations base in Labasa, and uses CJ Singh as its official agent for spare parts, maintenance and after-sales service.

Shortly afterwards, one of the manufacturer's employees returned to India and began to work for a competitor - the manufacturer of Shaktiman machines. This company explored the market and went into partnership with a mechanic dealership in Labasa.

The commercial services business model has continued to expand steadily. Farmer cooperatives have also crowded into the market, purchasing machines using loans from the Fiji Development Bank (FDB), as have the commercial service providers. The Ministry of Sugar started to offer farmer cooperatives a subsidised grant for the deposit on these loans, which are paid off using proceeds from the machine hiring services provided by the cooperative.



### Systemic change and rapid response

MDF's initial discussions with major BPO players resulted in the Ministry of Industry, Tourism and Trade responding positively to MDF engagements, and dedicating resources for the operational and promotional costs of the BPO Council, the major collaboration body of Fiji BPO and KPO companies.

This work further contributed to an initial transformative change in the OS market, with Fiji Trade Commissions to Australia and New Zealand understanding the potential of dedicated and structured marketing of Fiji providers to these nearshore markets and planning to support MDF's investments in 2020.

Additionally, MDF's engagement with the BPO Council has influenced Pacific Trade Invest (PTI) to express interest in helping to generate awareness of Fiji as a viable Outsourcing Services market amongst Australian businesses through the facilitation of cross-country missions and provisions of market contextual data for well-informed proposal and tender applications.

The cooperation between two major regional players (Australia and New Zealand) in the investment in Outsourcing Services has the ability to further strengthen the linkages of Fiji, Australia and New Zealand, and will put Fiji on the international service provider map and support the further growth of Fiji's diversified economy.

Between 2017 and 2019, MDF's intervention led to an increase of 14 mechanical harvesters operating in the Labasa Mill area, and an additional 286 sugarcane farming households (572 adults) benefiting from using the new service providers.

As a result, farmers have benefited from USD1 million in cost savings and harvesting cycles have reduced from 37 days to four days on average. Farmers use the time saved to reinvest in other aspects of their sugar cane cultivation or to invest in the preparation of other cash crops.



### Systemic change for WEE: establishing the case for in-factory childcare services

MDF's earlier investment in reducing absenteeism and turnover losses by setting up dedicated childcare services within a factory environment (with Mark One Apparel Limited) is now showing strong signs of systemic change. Beyond directly generating benefit for 22 workers and contributing to significant cost-savings for the company, the intervention has already yielded a market response from other companies (Vinod Patel, DHL, Packleader) and funding agencies (IFC), which want to establish similar types of services.

As a result of the model, the Government of Fiji now better understands the need for Early Childhood Education legislation to be put in place, creating an enabling environment for more childcare service provisions. These services will continue to be needed throughout the urban industries space, particularly under the human resource development market system, where women will similarly be encouraged to remain and enter the new industries, and where companies will experience similar losses if these factors are not addressed at a company and industry wide level.



# Sector on a Page

## Tourism



2,000

Effective outreach



\$2.2m

Additional income



\$1,100

Additional income per beneficiary



73%

Female participation



18

Interventions



### VISION OF CHANGE

- Increased travel and hotel occupancy levels in niche destinations during the off-season lead to increased income for local hotel workers and suppliers (including accommodation providers).
- Fiji attracts a higher number of yachts, superyachts and cruise ships that are able to stay longer and travel to more areas, having a positive economic impact on both suppliers and communities.
- Local suppliers of Fijian products and experiences are able to access multiple sales channels, including retail, on-line and in-bound tour operators to effectively target and profit from tourist market.



### CONSTRAINTS

- Poor domestic flight scheduling and price volatility to niche destinations compared to other competing boutique destinations in the Pacific.
- Lack of information and integrated (flights, accommodation and activities) travel packages to niche destinations.
- Limited local marina capacity for service and repair of larger yachts, including provision of safe storage during cyclone season.
- Limited number of local anchorage options for cruise ships and relatively low onshore passenger spending.
- Limited number of authentic Fijian products & experiences and lack of effective sales channels for them to reach the tourist market.



### Air travel to niche destinations

- Savusavu Tourism Association
- Pacific Bed Bank 2
- Tourism Kadavu
- Tourism Suncoast
- Tourism Fiji
- Pacific Cooperation Foundation



### Nautical tourism to niche destinations

- Kenua Fiji
- Vuda Marina
- Denarau Marina



### Fijian products and experiences

- Rosie Living
- Bula Coffee
- Essence of Fiji 2
- VOU Fiji
- Rise Beyond the Reef
- Talanoa Treks
- Southern Solutions
- Adi Chocolates
- Tifajek Mud Pools and Hot Spring

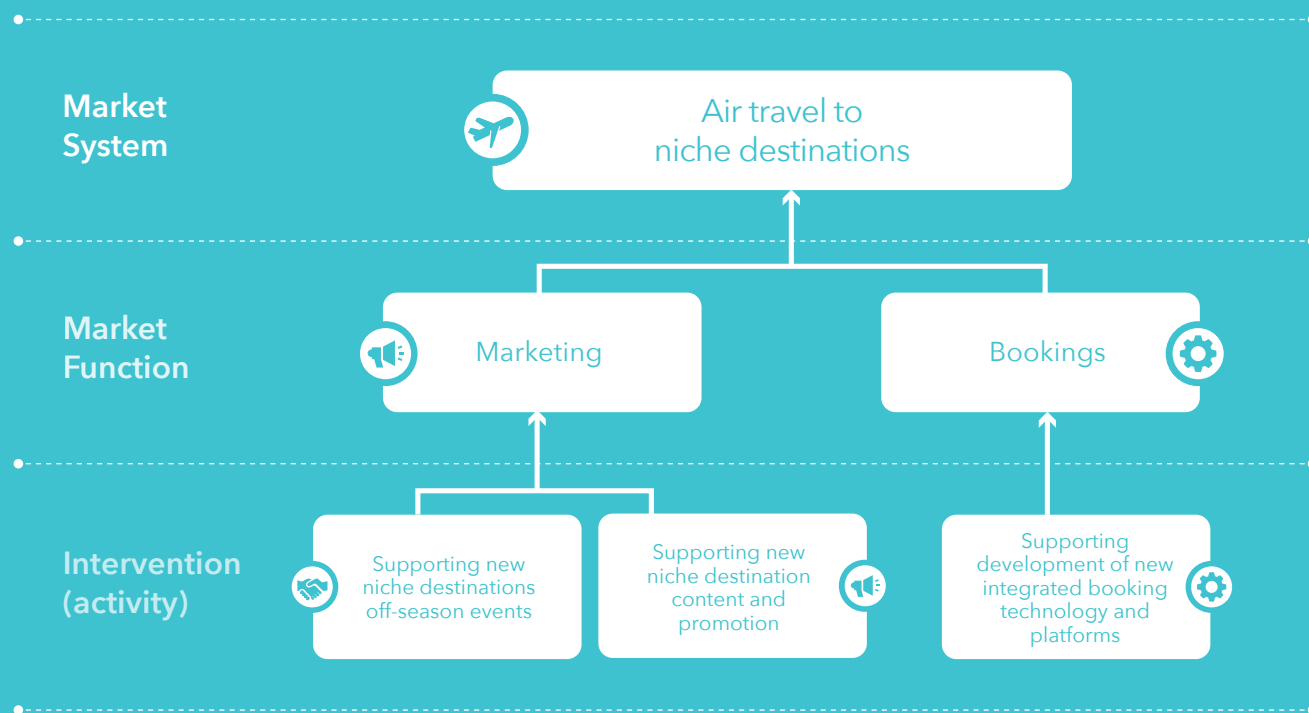


Sector Story  
Tourism



## Market System 1

### Air Travel to Niche Destinations



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                            | Summary of performance                                                                                                                                                                                                                                                                                                                                |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>Destination marketing organisations and international events in niche destinations (STA, TK, TS, Tourism Fiji, PCF)</li> <li>Increasing tourist arrivals to less visited areas in Vanua Levu (TMF)</li> <li>Online booking and reservations engines for direct bookings for customers (Pacific Bed Bank)</li> </ol> | MDF assisted in establishing and operationalising first-of-their-kind destination marketing organisations, leading to niche regions proactively marketing to international travellers, advocating with government bodies, and helping to create an environment that enables the private sector to invest in package development for the same regions. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 278                       | 73                      | 1,292,322                     | 464,262                     | 3,684,863                   | 426,137                   | NA            | 101,432      | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page

### Air Travel to Niche Destinations



The four long-established Fiji tourism destinations - Denarau, Coral Coast, Suva and Mamanuca Islands - attract 88% of tourists. Each year, only 95,000 tourists travel to niche destinations.



Niche destination accommodation and activity providers are located on communal land and hire staff from local communities (60% women).



Niche destination hotel room occupancy is stagnant at 20-30% (compared to 50-60% in mainstream destinations) and domestic flights to these locations are well below airline targets.



The industry faces a variety of challenges, including insufficient management and marketing, high cost or inconvenient travel packages and they rely on online travel agencies (OTAs), which take a 25% commission, to generate hotel bookings.

## Market System 1: Air Travel to Niche Destinations

While annual tourism arrival numbers to Fiji continue to grow, they have slowed considerably over recent years. Most tourists come from Australia, but economic slow-down and a growing perception of Fiji as an expensive destination have contributed to a decrease in the number of Australian tourists. As a percentage of annual total tourist arrivals, Australian visitor numbers dropped from 50 per cent in 2010 to 40 per cent in 2019<sup>4</sup>.

However, visitors to niche regions continue to be dominated by Australia, followed by the US market. Unlike the budget-conscious travellers that frequent mainstream tourism destinations, tourists visiting niche regions, particularly Savusavu and Taveuni, are high-income tourists that would typically stay between 7 and 10 nights.

The impact of the decrease in annual Australian visitor numbers has exposed Fiji's over-reliance on traditional source markets and the primary budget family traveller segment, which makes up the majority of guests to mainstream tourism regions, such as Denarau, Coral Coast and Mamanuca Islands. On the contrary, while smaller niche destinations account for less than 20 per cent of overall hotel accommodation, they provide an opportunity to diversify and strengthen the tourism offerings in Fiji. They tend to cater to high-yielding tourists from long-haul markets, such as the USA and Asia, who are less price sensitive and whose arrivals show positive year-on-year growth. During the off-peak season, these destinations have occupancy rates 20-30 per cent lower than mainstream destinations, demonstrating significant capacity for expansion.

Through targeted marketing and booking interventions, MDF is working to increase travel and hotel occupancy levels in niche destinations during the off-season. This will lead to increased income for hotel workers, local tourism suppliers and activity providers in these regions. At a broader level, it will reduce pressure on the major tourism enclaves and ensure greater dispersion of economic benefits from the tourism industry.

Niche destination tourism in Fiji is still very much an emerging market system, largely driven by individual hotels marketing their specific property or region. These hotels are often reliant on online travel agents (OTAs), such as Booking.com or Agoda, to generate bookings. Commission rates of up to 25 per cent, combined with high flight costs and poor connectivity reduces their competitiveness (and/or profitability) against cheaper South-East Asian competitors.

In 2019, interventions under this MSS realised USD465,000 in additional income and USD425,000 in new market transactions. These results were primarily driven by two interventions: first, increased bookings (and associated employment) generated through the Pacific Bed Bank online portal and second, more Chinese tourists visited Savusavu following a Familiarisation Tour (FAMIL) of Chinese travel agents by Tour Managers Fiji. MDF's interventions have leveraged USD102,000 in private sector investment, demonstrating growing interest in niche destinations. Additionally, these operators have created 30 jobs.

Based only on the current portfolio, beneficiary numbers in this market system are projected to increase significantly to 280 by 2022. This number will rise as new investments are pursued. Many of the beneficiaries will be women, as they make up the majority of staff in niche destinations and local women benefit from sales channels for their traditional handicrafts.

Early work on destination marketing organisations (DMOs) in niche destinations was instrumental and signs of systemic change are already apparent in the way these regions are working with, and promoted by, national stakeholders. The original concept of regional or niche destination marketing - which MDF had been championing through its early work with DMOs - has now been adopted by a number of major tourism influencers. Fiji Airways now uses niche destination video promotions for its domestic flights and Tourism Fiji has introduced region-specific content under "places to go" on their new website <https://www.fiji.travel/en>. It is important to note that prior to MDF's work in this field, these organisations had not considered working outside the mainstream destinations. The shift in behaviour key in achieving the systemic change of increased air travel to niche destinations, particularly during the off-season.

<sup>4</sup> International Visitor Survey (IVS) Interim Report for January – June 2019.

### Market function 1 - marketing

In 2019, MDF brokered a partnership with Tourism Fiji, the national tourism marketing authority, to extend eligibility to the Government's Event Development Fund (EDF) to niche destinations. In a first for Tourism Fiji, Suncoast DMO in Rakiraki secured funding from the EDF to host a leg of the 2020 International Kiteboard Asia Tour. MDF expects more niche destinations to seek EDF support to host more international events.

MDF will continue to support interventions that generate more/improved content (photos, videos and blogs) on niche destinations that can be used for active marketing. In 2019, MDF commenced negotiations with Fiji Airways to develop specific content for their new niche destination travel packages and marketing campaign that will be launched in 2020.

### Market function 2 - bookings

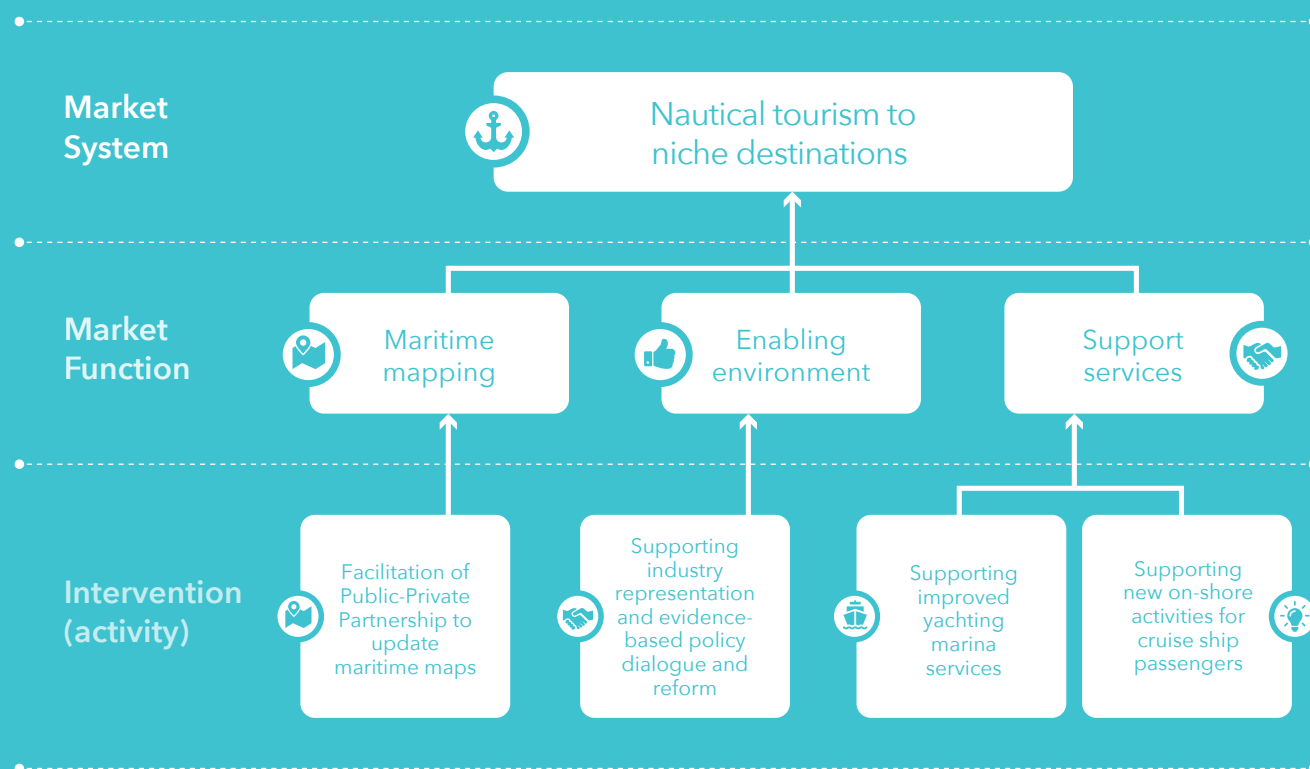
Starting with an intervention with Pacific Bed Bank (PBB) to build a new, fully integrated booking platform, this newer function will provide hotels and tourists with a more cost-effective platform on which to book packages. It will also increase the competitiveness of smaller hotels in niche destinations by charging much lower commission than the larger OTAs. In late 2019, software development and testing for the PBB platform were completed. In the first quarter of 2020, the platform will be pilot-tested with hotels from niche destinations.

As part of the ongoing discussions with Fiji Airways, MDF will also help develop the airline's own online booking platform, Fiji Holidays, so the airline is able to package and sell integrated niche destination travel packages.



## Market System 2

### Nautical Tourism to Niche Destinations



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                              | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | <ol style="list-style-type: none"> <li>Hydrographic mapping (Kenua)</li> <li>Advocacy for policy and infrastructure improvement (Vuda Marina and Denarau Marina)</li> <li>Yachting support services (Vuda Marina)</li> </ol> | <p>MDF facilitated data collection with two leading Fiji marinas, to enable them to advocate with the government for increased investments in marketing Fiji as a nautical destination, and increased investments in Fiji's nautical infrastructure. The investments have resulted in incorporation of yachting data in national statistics, and increased marketing funding by Tourism Fiji to marinas for international boat shows. This work opened up space for exploring increases in cruise ship arrivals where MDF enabled Public Private Partnership to conduct hydrographic mapping of remote destinations.</p> |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 271                       | 0                       | 1,138,502                     | 0                           | 1,460,762                   | 0                         | NA            | 28,688       | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page

### Nautical Tourism to Niche Destinations



Yachting and cruise tourism make up 2% of Fiji's GDP (\$30m and \$45m, respectively).



Updating nautical maps opens the pathway to remote regions that have limited income sources, such as Yasawa-i-rara, a community in which 271 members will financially benefit from increased yacht and cruise tourism.



On average, 700 yachts visit Fiji each year and stay for up to 137 days. Superyachts stay for up to 82 days.



Better marketing strategies and revised regulations to allow vessels to stay longer in Fijian waters will attract more international yacht travellers.



These vessels bring 4,000 people to the country who spend an average of \$3,500 per day, which is more than other tourists.



## Market System 2: Nautical Tourism to Niche Destinations

In support of tourist travel to niche destinations, MDF will also catalyse more nautical tourism (yachts and cruise ships) to these regions. This will not only increase tourist numbers and spending in niche destinations, but also allow them to reach more remote areas without the need for extensive transport and hotel infrastructure. Over time, MDF will also work on increasing the efficiency and availability of support services offered at local ports and marinas where vessels dock.

This is MDF's newest tourism market system and is already showing promise: growth in both yacht and cruise ship arrivals into the country is consistent. Prior to MDF's work on nautical tourism, the economic impact of nautical tourism had largely gone unnoticed and under-reported in national statistics. Following the release of MDF's economic impact of international yachting study (December 2018) and the International Finance Corporation's cruise ship impact study (November 2019), nautical tourism is now taken much more seriously by the Government. These reports demonstrated that yachting and cruise tourism contributed FJD60.6 million and FJD90.8 million respectively, amounting to a total of just over FJD150 million in 2018 alone.

Future growth of the industry will require concerted effort by industry and the Government to implement the recommendations of the reports. There is an urgent need to update nautical maps to niche destinations to ensure safe access. The yachting industry requires improved marina services to attract more international yachts to visit and stay longer, while the cruise ship industry requires more local anchorage options and activities/shopping to improve passenger experience and spending.

MDF's work in this new market system did not yield beneficiary impact numbers in 2019 as most effort was focused on building consensus amongst industry and Government stakeholders. In 2019, MDF brokered Fiji's first public-private partnership (PPP) between Kenua, the largest local cruise ship agency, and the Fiji Navy, for hydrographic mapping of new cruise ship destinations. The new hydrographic charts have opened the Yasawa-i-rara anchorage which will likely attract cruise ship visits as early as 2020, becoming more regular from 2021. This is projected to create USD1.14 million in new income and livelihood opportunities for the 271 villagers in the area by 2022.

There are very early signs of systemic change following the publishing of the economic impact of international yachting study in December 2018. It has been adopted by the Fiji Islands Bureau of Statistics (FIBOS) as a baseline study for yachting in the country. Importantly, the same survey methodology will now be used by FIBOS to collect annual yachting statistics for their national tourism accounts. Following the national stakeholder validation workshop, MDF has also observed an increase in funding by Tourism Fiji in 2019 for local marinas to promote Fiji at key international boat shows.

### Market function 1 - maritime mapping

In 2019, MDF brokered the first public-private partnership (PPP) between Kenua and the Fiji Navy for the hydrographic mapping of new cruise ship destinations. The new PPP model was successfully piloted in August 2019 and will now be used by the Government as a model to work with the private sector partners to unlock other potential cruise ship destinations.

The aim is to have at least one more potential cruise ship destination mapped in 2020 under the model, most likely, to the Lau Islands. In anticipation of regular cruise ship visits to the Yasawa-i-rara islands by 2021, MDF will also work with relevant local stakeholders on the development of a sustainable cruise tourism strategy for the region.

### Market function 2 - enabling environment

MDF will continue to monitor the implementation of the recommendations from both the national yachting and cruise ship studies launched in 2019. To improve the evidence base for future policy dialogue, reform and investments, MDF is in the process of developing a Memorandum of Understanding (MOU) with the FIBOS. Under this MOU, MDF will work with FIBOS in 2020 to ensure continued collection of nautical tourism data for inclusion in the annual tourism accounts.



### Market function 3 - support services

In 2019 MDF continued to build its understanding of the major challenges preventing the yachting industry from extending their stay while in Fiji waters. Difficulties with securing vessel insurance during the cyclone season emerged as a central limitation.

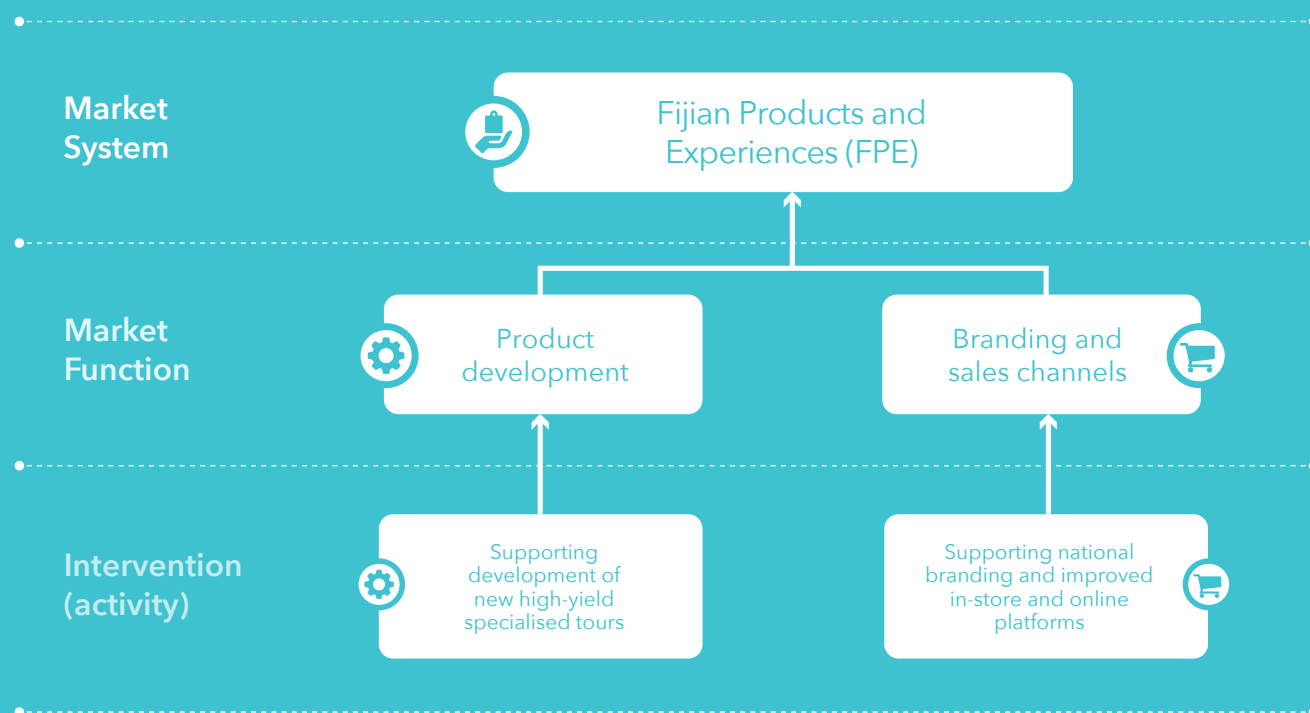
In 2019, MDF's intervention with Vuda Marina remained on hold as the company continued to negotiate land access with traditional landowners. MDF has nevertheless begun to explore viable local cyclone storage infrastructure and insurance services with them.

Going forward, MDF will assess the viability of building links with the Australian Infrastructure Financing Facility (and other infrastructure financing vehicles) to support larger investments on marina support services to improve regional competitiveness.

Under the cooperation agreement to be signed with MITT in 2020, MDF will provide support for the development of a new cruise ship precinct in Suva designed to improve passenger experiences and spending.

## Market System 3

### Fijian Products and Experiences



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Summary of performance                                                                                                                                                                                                                                                                     |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | <ol style="list-style-type: none"> <li>Connecting community producers of innovative handicrafts to tourism market (RBTR)</li> <li>Improving the offer of Fijian experiences to tourists (Walks and Trails, VOU, Tifajek)</li> <li>Increasing the volume of local fish in hotels, restaurants and catering (Southern Solutions)</li> <li>Increasing production capacity and strengthening local sourcing for Fiji-made chocolate (Adi Chocolates)</li> <li>Health and wellness tourism tours (Rosies)</li> <li>Establishing supply chain for processing/value adding and sales to tourism sector (EOF2)</li> </ol> | MDF supported the entry of new Fijian made products and experiences through comprehensive community engagement strategy, resulting in over 10 new products and experiences offered to tourists in mainstream destinations, where the bulk of traditional spending is on imported products. |

|                                 |                               | USD                                 |                                   |                                   |                                 |                  |                 | Progress<br>(Traffic Light)                      |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--------------------------------------------------|
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed | PSI<br>Expensed |                                                  |
| 3,425                           | 2817                          | 2,844,307                           | 1,808,697                         | 5,456,901                         | 3,553,720                       | NA               | 1,622,707       | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page

### Fijian Products and Experiences



While Fiji has the highest number of visitor arrivals in the Pacific, average tourism spending is \$668 less per visitor than in Samoa, Vanuatu and French Polynesia.



MDF supports in-bound tour operators to work with local businesses and communities to build and brand Fijian products and experiences.



The first six months of 2019 recorded an average spend of \$4.4 million on Fijian products and services and \$35.5 million on tours and experiences



Fiji-made products and experiences struggle to access major retail and booking channels because they have limited product versatility, branding and sales avenues.



Tourists from long-haul markets, such as visitors from the EU, USA and Asia, tend to do more shopping and activities outside their hotels, which presents new business opportunities.



## Market System 3: Fijian Products and Experiences (FPE)

For many years, national tourism targets have been based upon visitor arrival numbers only. While Fiji continues to receive the largest number of tourists in the Pacific, average tourist spending is approximately AUD1,000 less per trip than in destinations such as Samoa, Vanuatu and French Polynesia. Pursuing higher yield must be part of Fiji's future strategy given the unsustainability of continuing down the path of a volume/numbers-based industry model. Increasing yield depends on many factors, one of which is maximising spending on local products and experiences.

A growing number of new Fijian branded products and tours have been launched recently. However, many of these businesses have struggled to access the major tourist retail and booking channels, due to supply inconsistency or sales volume uncertainty, amongst others. Another key challenge is that most tourists in mainstream tourism regions tend to be budget-conscious/family travellers that have come to Fiji for 'rest and relaxation'. As many of these tourists are on all-inclusive accommodation packages, they have little incentive to leave the hotel premises or engage in outside activities.

This market system represents MDF's most mature intervention in the tourism portfolio. Much of its early focus was at the enterprise or firm level, working with individual operators to innovate and improve their product offering, as well as supporting the establishment of sustainable business arrangements with local communities. This year, the results from our earlier and more mature FPE partnerships, including Bula Coffee, Rise Beyond the Reef (RBTR), Adi Chocolates, Tifajek, and Walks & Trails, have continued to grow. Combined, these interventions have now positively impacted 2,240 beneficiaries, reaching 80 per cent of the anticipated 2,817 outreach, with the full beneficiary impact expected in next two years.

In 2019, the growth of these FPE partners has generated USD340,000 of additional income for Fijian men and women. The majority of the additional income generated under this market system benefited women, helping to enhance their skills and make their products and services more marketable, very often in rural and remote areas, where access to income opportunities is limited.

MDF is now looking for scale agents by supporting in-bound tour operators, retail chains and on-line platforms that have the capacity to establish business links with multiple local businesses and communities to build and brand FPE tour portfolios and products (focused on key thematic areas such as wellness or romance for high-yield tourism segments).

As MDF interventions in this market system mature, positive signs of systemic change have been observed. RBTR has invested in product development amongst its local artisan suppliers. Of 601 beneficiaries, 99 per cent are women. In 2019, Rise Beyond the Reef was able to sign an exclusivity agreement with Tappoo Fiji, one of the largest retail chains in the country, which gave it more direct control over the merchandising and display of its products in-store. The success of RBTR has now encouraged Tappoo and other large retailers to reform the way they display and market these products. They now tell the "back story" and link products to the local artisans and villages they came from.

### Market function 1 - product development

In 2019, MDF was focused on monitoring the growth of earlier enterprise level interventions and began scoping niche tourism market segments that provided the opportunity for higher yield. In June, MDF signed an agreement with Rosie Holidays to support their new Rosie Living "wellness" tour portfolio. MDF also investigated the opportunities for inclusive tourism and sporting events in Fiji.

### Market function 2 - branding and sales channels

This is one of the newest functions under the MSS and is yet to generate results. It recognises the importance of building strong local brands that, when working through effective sales channels, can reach their target market. In 2019, MDF scoped a number of potential partners and will be looking to add at least two new interventions in 2020 with local retail and on-line businesses. It is anticipated that one of these possible retail interventions would translate into three partnerships (online with My Fiji Store, and with one retailer, either Fiji Museum Shop, Tapoo's or Jacks' Fiji).

Under the MITT-MDF cooperation agreement to be signed in early 2020, a review will also be conducted of the current national "Fijian Crafted" branding initiative, focusing on how it can be better tailored to demands of the tourism market and identifying how the Fijian Crafted brand could be used to add value and authenticity to FPE.





## Sector on a Page

# High Value Agriculture



15,000

Effective  
outreach



\$23.4m

Additional income



\$1,560

Additional income  
per beneficiary



46%

Female  
participation



14

Interventions



### VISION OF CHANGE

- Farmers have access to affordable, quality agricultural inputs (soil conditioners, seeds and small farm equipment) which allows them to increase yield, grow off-season crops and diversify into higher-value crops.
- More local agricultural processors have premium branded Fijian products that provide higher quality and pricing premiums to their farmer suppliers.



### CONSTRAINTS

- The limited availability of quality agricultural inputs (soil conditioners, seed and farm equipment).
- Inefficient and unreliable supply chains for agriculture crops to local processors.
- Limited processing of local high value agricultural raw materials.
- Limited brands that reflect Fiji's 'premium' image in global markets.



### Quality agriculture inputs

- Standard Concrete Industries
- Global Commodity Traders
- KK's Hardware
- Devesh and Bharos Farms
- Biotec Limited
- Charan Jeath Singh



### Premium agriculture products

- Cinnamon & Spice Fiji (PTE) Limited
- Fiji Sugar Corporation
- South Pacific Elixirs
- Labasa Farm Fresh
- Three Hundred Islands



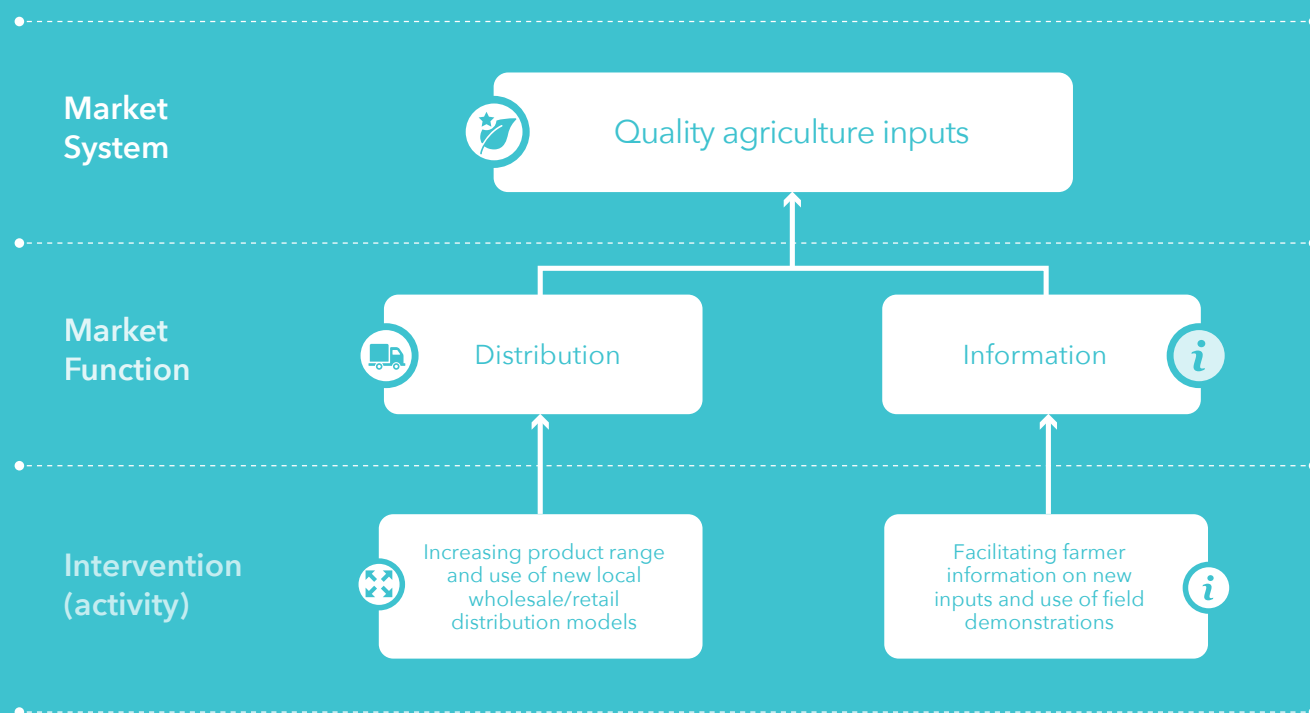
Sector Story

# High Value Agriculture



## Market System 1

### Quality Agricultural Inputs



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Summary of performance                                                                                                                                                                                                                                                                                                                             |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>Introducing aglime (soil enhancer) for Fiji farmers (SCI, KK Hardware, GCT)</li> <li>Commercially produced seedlings to local market (Devesh Bharos Farms)</li> <li>Input provision and distribution (KK Hardware seeds, Ram Sami, SPBD, FNU)</li> <li>Using mechanisation to address labour shortages in the sugar industry in Vanua Levu (CJ Singh)</li> <li>Tissue culture plantlets (Biotec)</li> <li>Establishing a barge and port service to enhance connectivity of Fijian islands (CDP)</li> </ol> | MDF has facilitated introduction and distribution of 4 new inputs for Fiji, assisting farmers in increasing their yields, cutting their costs, and improving their well being through reducing workloads. This has further opened space for additional investments by private sector in introducing even greater variety of inputs in the country. |

|                           |                         | USD                           |                             |                             |                           |               |              | Progress (Traffic Light)                         |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed |                                                  |
| 15,569                    | 11,850                  | 18,707,068                    | 16,599,707                  | 5,953,791                   | 3,686,513                 | NA            | 3,003,006    | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page

### Quality Agricultural Inputs



Fiji's farming household population of 118,801 is predominately subsistence (83%) and semi-commercial (12%) with only a small number of commercial farmers (5%).



MDF will support existing and new market actors to introduce and improve quality agricultural input availability and affordability, specifically for products such as soil conditioners, seeds and small farm equipment.



The subsistence and semi-commercial farmers in Fiji earn less than \$7,321 per year and almost 50% have less than 1 hectare of farmland.



Diminishing soil health and fertility, intensive monocropping, increasing labour costs and limited availability of quality seeds and inputs are obstacles to yield and income growth.

## Market System 1: Quality Agriculture Inputs

Access to affordable, quality agricultural inputs is essential to expand agricultural production and increase farming of higher value crops. By 2021, MDF would like to see an increased use of new quality agriculture inputs in high value agriculture sectors, resulting in better crop yields and higher incomes for farmers.

While the size of the overall agricultural input market in Fiji is difficult to quantify (in the absence of national data), based on earlier MDF data, the market was estimated to have been worth at least FJD10 million per annum in 2013<sup>5</sup>, and is likely to have grown since then<sup>6</sup>. It is difficult to quantify the demand for higher quality inputs but, based on MDF interviews and consultations, it is estimated to be significant when latent/potential demand is considered.

However, the market system has traditionally been heavily subsidised by the Government, which has discouraged investment and distorted demand. A small handful of large specialised importers (preferred suppliers) control the market for agricultural commodities or are under 'national farming initiatives' (i.e. heavily state regulated/subsidised). Currently there is very little incentive for these companies to change the status quo or improve on their distribution models, which tend to be inefficient and costly. Consequently, there has been limited success in the introduction of better performing seeds, fertilisers or equipment.

MDF has worked on a broad range of interventions under this market system for a number of years. Initial work was focused on the production of agriculture inputs, such as aglime (locally produced soil conditioner), imported seeds, seedlings and tissue culture planting material. This work revealed significant shortcomings in agricultural input distribution systems, along with critical labour shortages. In what is now a well-known story, these findings led MDF into interventions focused on mechanical harvesting (Charan Jeath Singh, CJS) and distribution (with KK's Hardware, Global Cargo Traders Limited and Courier Documents & Parcels).

This market system is by far the program's biggest contributor to outreach and income results, and the second largest contributor to additional market transactions, both historically and in the current reporting period. In 2019, as a result of maturing interventions, an additional 3,000 men and women benefited from quality agricultural inputs<sup>7</sup>, generating USD6 million in additional income and USD1 million in

additional market transactions. The majority of the outreach and income benefit came from aglime farmers during the period. Indeed, aglime application in previous years has resulted in continued year-on-year improvements in crop yield as a result of better soil fertility. MDF has also noted the crowding in of other providers, with companies such as South Pacific Fertilisers now importing agricultural lime from Australia, and AgChem now exploring new crop opportunities and distribution partners for their liquified agricultural lime.

The majority of the additional market transactions for the period have come from the sustained uptake and expansion of the sugar cane mechanical harvester model: businesses beyond original partner CJ Singh now import the same/similar model, and the Fiji Sugar Corporation (FSC) has introduced grants for farmer cooperatives to buy these harvesters. Women farmers also benefited significantly from this intervention, with at least 357 households experiencing more free time and cost savings from more efficient sugar cane harvesting practices. Additionally, all female household members benefited from no longer having to cater to the food and refreshment needs of cane harvesting labourers, reducing this particular workload by an average of 25 days per household.

With the maturing of the earlier interventions, and with delays in new signings under HVA this year due to broader poor market confidence, outreach projections have not shifted forward in the period, although this is likely to pick up in early 2020 as new interventions on new soil conditioners and seeds are added to the portfolio. Overall, approximately 77 per cent of the projected 15,300 outreach forecast for this MSS has already been achieved. This MSS is expected to continue to contribute a large part of the future outreach and income projections for MDF Fiji in the remaining years ahead.

### Market function 1 - distribution

MDF continues to support companies looking to improve the availability and distribution of higher quality agriculture inputs (soil conditioners, seeds, farming equipment and other relevant products). MDF does this by leveraging more efficient wholesaler and retailer distribution channels so that new agricultural inputs can be made widely available and affordable to farmers throughout the country.

<sup>5</sup> Based on an early MDF baseline study of horticulture and root crops of 2013.

<sup>6</sup> The supply of fertiliser to the sugar cane industry through the Fiji Sugar Corporation alone would appear, by conservative estimate, worth more than FJD 27 million, and the Government spend FJD 122 million, primarily on agricultural inputs and equipment, as part of the "Farm Care" initiative to 35,000 farmers after Cyclone Winston.

<sup>7</sup> For more information on household benefits in ag inputs, please see MDF's Beyond Income <https://marketdevelopmentfiji.org/wp-content/uploads/2019/07/Beyond-Income-FINAL.pdf>

As reported above, work around aglime distribution yielded strong, sustained and near-final results in the period. To sustain this MDF will explore diversification of aglime distribution via new potential partner, AgChem. While it is too early for broader investment in potential 'apex'/ multi-product aggregators (with hardware giants such as Vinod Patel and Manubhai preferring to tighten their belts in the poor investment conditions), opportunities exist with newer players looking to gain market share from traditional specialist ag-input distributors.

By December 2019, negotiations on a stock incentive scheme for high quality seeds with KK's Hardware were well underway, which would include developing an effective distribution model building upon their current retail networks. Similarly, the development of a dry chicken manure product with Ram Sami is progressing well. Product trials are underway with Fiji National University and MDF is working with the company and the Ministry of Agriculture to better understand the current purchase trends and pathways to sale, so as to develop a suitable distribution model. We will also consider relooking at distribution/logistics support functions, such as those provided by CDP Courier Services and other businesses.

## Market function 2 - information

A key challenge to introducing new quality agriculture inputs is changing local farmer preferences for cheaper but lower quality agriculture inputs. For this to happen, the benefits

of the product must be worth the investment risk, and not simply 'nice to have'.

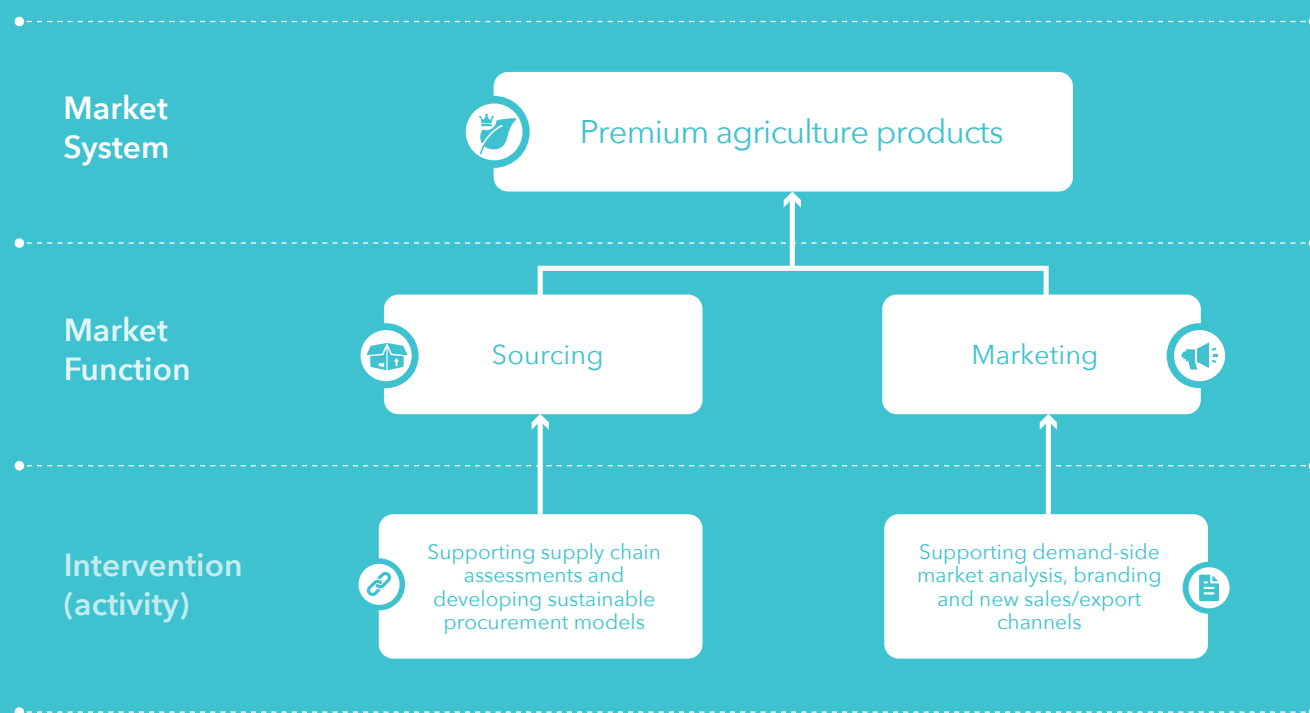
MDF only promotes inputs that are proven to generate yield increases and incomes. Encouragingly, because of the slow release nature of the aglime product, yield improvements are sustained for up to three years after application, and cane growers are able to repeat-use rather than replant cane for the first time. Based on evidence from the field and information provided by FSC, 1,740 sugarcane farmers benefited from increased yields from aglime usage. Of these roughly 1,340 were first time users, who would continue seeing increased yields on the limed land for two additional years without the need to re-apply. This will amount to additional 80,000 tonnes of sugarcane over two-year period for the first-time users, and USD2,5 million in additional income.

MDF will work with both public and private sector partners to improve the availability of technical information and suitable mechanisms to disseminate this information, such as local demonstration plots, to encourage farmer uptake. Central to this will be helping the market untangle who is best placed to deliver different types of information. For example, the Ministry of Agriculture will always be a trusted source of information for farmers in Fiji. Working alongside them to deliver information on the benefits of improved seeds or dry poultry manure will be critical to intervention success. However, at the individual product level, much more can be done with retailers via demo-plots and other suitable demonstration models.



## Market System 2

### Premium Agricultural Products



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | <ol style="list-style-type: none"> <li>1. Feasibility study for processing and exporting of premium cinnamon from Fiji (CSF)</li> <li>2. Improving quality and branding of Fiji sugar (FSC)</li> <li>3. Establishing supply chain and end markets for premium kava (SPE)</li> <li>4. Introducing new processed products for local market (Wallsons)</li> <li>5. Expanding supply chain and processing capacity in Vanua Levu via the only horticulture exporter to meet unmet export demand (LFF)</li> <li>6. Access to exports information through development of 'Exporter Guide' (Investment Fiji)</li> <li>7. Reaching higher value markets through marketing and online sales (THI)</li> <li>8. Increasing processing and marketing capacity to ensure higher volume for local and export markets (Fijika)</li> </ol> | MDF has fostered deepening of the relationships between firms and farms, through establishing the new function of farmer relationship manager, increasing the volumes sourced from farms at least two fold. Additionally, first of its kind to work with government owned enterprises enabled Fiji to position their product better in the international market, opening the space for other value added products to enter into premium markets. |

|                                 |                               | USD                                 |                                   |                                   |                                 |                  |                 | Progress<br>(Traffic Light)                      |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--------------------------------------------------|
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed | PSI<br>Expensed |                                                  |
| 3,560                           | 3,225                         | 7,045,214                           | 6,842,049                         | 9,963,703                         | 6,785,173                       | NA               | 2,203,399       | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page

### Premium Agricultural Products



Successfully sourced and branded “Fijian” products, such as mineral water and kava, have grown 20% over a two-year period (2015-2017) and brought 10% more profit to suppliers than local market rates. This demonstrates the potential opportunity to target new premium markets and provide suppliers with attractive returns.



MDF will support supply chains to develop more branded agricultural products, leading to better margins for processors and suppliers.



Processed and semi-processed agriculture products are not subject to the same quarantine regulations as fresh produce exports and have a longer shelf life.



There is high potential for Fijian sourced and branded products to be developed from crops endemic to Fiji, such as spices, nutraceuticals and high value forms of sugar.



Ineffective branding, packaging and distribution for niche, premium markets combined with unsustainable supply chains are obstacles to processing high quality local crops.



## Market System 2: Premium Agriculture Products

Although the processing industry for premium branded agricultural products (such as wellness products or branded sugar products) is small, the market is growing both regionally and globally. Helping Fijian producers access these markets must be part of the growth strategy for the agriculture sector, noting that Fiji will always struggle to remain competitive in bulk commodity markets. By 2021, MDF expects an increased supply of premium agriculture produce into the processing industry, providing better prices and incomes for local farmers.

This developing market system is dominated by Government-owned commodity corporations, such as the Fiji Sugar Corporation, Rice Company of Fiji, Fiji Dairy Limited and Copra Millers of Fiji, as well as a few large private processors including Foods Pacific Limited and Food Processors (Fiji). There is also a small group of emerging boutique exporters, such as Adi Chocolates, Spices of Fiji, Nama of Fiji and the Coconut Company of Fiji.

Over the years, MDF has worked with many of these processors. They generally suffer from similar constraints, especially the inability to establish and maintain local supply chains so they can consistently source good quality raw materials. They also lack detailed information on consumer preferences in export markets, hampering efforts to brand and market these products effectively. MDF's experience shows that selecting 'winners' with broad potential impact from a range of small-scale producers is tricky and relies on providing the right support at the right time.

The biggest story for this market system this year is the launch of the rebranded Sugars of Fiji product with the Fiji Sugar Corporation. While early days, there is reason for cautious optimism. The first round of sales into New Zealand reached USD25,000 in only one month of 2019 and is projected to contribute USD3 million over the coming years.

MDF's mature processing interventions have nearly reached their maximum actual results in the reporting period, with this market system contributing to the second largest share of the increases in outreach figures over 2019 (an increase in 700 adults from this market system alone) and third largest increases in income figures for MDF Fiji in 2019 (USD350,000 respectively). South Pacific Elixirs expanded its sourcing, having successfully grown and been listed as 'Fiji Kava' on the Australian Securities Exchange (ASX). MDF provided a range of support to this business in its start-up, from Hazard Analysis and Critical Control Point (HACCP), to farmer relationship management. Labasa Farm Fresh appears also to have expanded the use of cold storage facilities in order to meet the unmet demand of

its Australian buyers. Fijika expanded its virgin coconut oil sourcing base, although the amount of sourcing decreased slightly in the period. With factories adding additional shifts or increasing working hours, this also results in additional income and jobs for women, who make up the majority of the processing staff in factories. Women are also engaged in the sale of vegetables and wild-grown crops to exporters in Vanua Levu, converting unproductive land into vegetable production.

As investments under this market system are some of the most difficult and time-sensitive to establish, MDF will only expand work in a select number of very promising cases that present opportunities for impact at scale. Currently the intervention area has achieved 3,200 in adult outreach out of a projected 3,560 adults or close to 90 per cent of projected outreach.

### Market function 1 - sourcing

MDF works with agricultural processors to improve their local sourcing logistics, or to consider feasibility and new local sourcing models. Increasingly, this involves Pacific wide sourcing strategies to offset some of the supply chain risks associated with natural disasters.

Beyond the mature partnerships (South Pacific Elixirs and Labasa Farm Fresh), MDF will be carrying out a supply chain assessment with Flour Mills of Fiji (one of Fiji's largest food processors) to explore local sweet potato ('kumala') sourcing viability for its crisps production line. Flour Mills of Fiji (FMF) is one of the few companies that is well placed to expand its processed food production, both locally and regionally.

### Market function 2 - marketing

MDF's recent work on rebranding of 'Sugars of Fiji', culminated with the product launch in November 2019 and with first sales entering New Zealand and the UK at the end of the year.

MDF has commenced work with Three Hundred Islands, a new local ginger elixir beverage targeted at the wellness/health market in Australia. MDF will work with the company to identify suitable distribution partners in Australia and support the further growth of their online sales platform.

With the exception of FMF, MDF does not have anything currently in the pipeline for 2020. In line with the strategy of supporting the transition from commodity to premium markets, MDF will continue to look for opportunities to work with established companies looking to rebrand to premium markets, where there is a compelling business case.



Cocoa Roaster  
Built in 1945 Germany



## Sector on a Page

# Urban Industries



138

Additional employment  
since 2016



\$1m

Additional income



\$4,000

Additional income  
per beneficiary



75%

Female  
participation



3

Interventions



### VISION OF CHANGE

- Fiji is recognised as an outsourcing services (OS) destination in key nearshore and offshore markets.
- Fiji companies take a more proactive approach to marketing, resulting in them offering and selling a wider portfolio of services to the international market.
- The quality and the skills of human resources continues to improve, enabling Fiji OS companies to apply for and win international tenders.
- There is an increase in the amount of proactive business advisory services to MSMEs, helping MSMEs to sustain their growth.



### CONSTRAINTS

- Poor targeting of nearshore and international markets by Fiji Outsourcing Service providers.
- Low industry coordination and promoting Fiji as an OS destination.
- High turnover and lack of adequate staff to cater to international tenders.
- Lack of support system to support the growth of Fiji MSMEs.



### Outsourcing services

- Greymouse Ltd.
- Packleader Ltd.
- BPO Council
- DHL Ltd.
- Biotec Limited
- Charan Jeeth Singh



### MSME business development services

- Fiji Commerce and Employers Federation (Fiji Enterprise Engine)
- Reserve Bank of Fiji



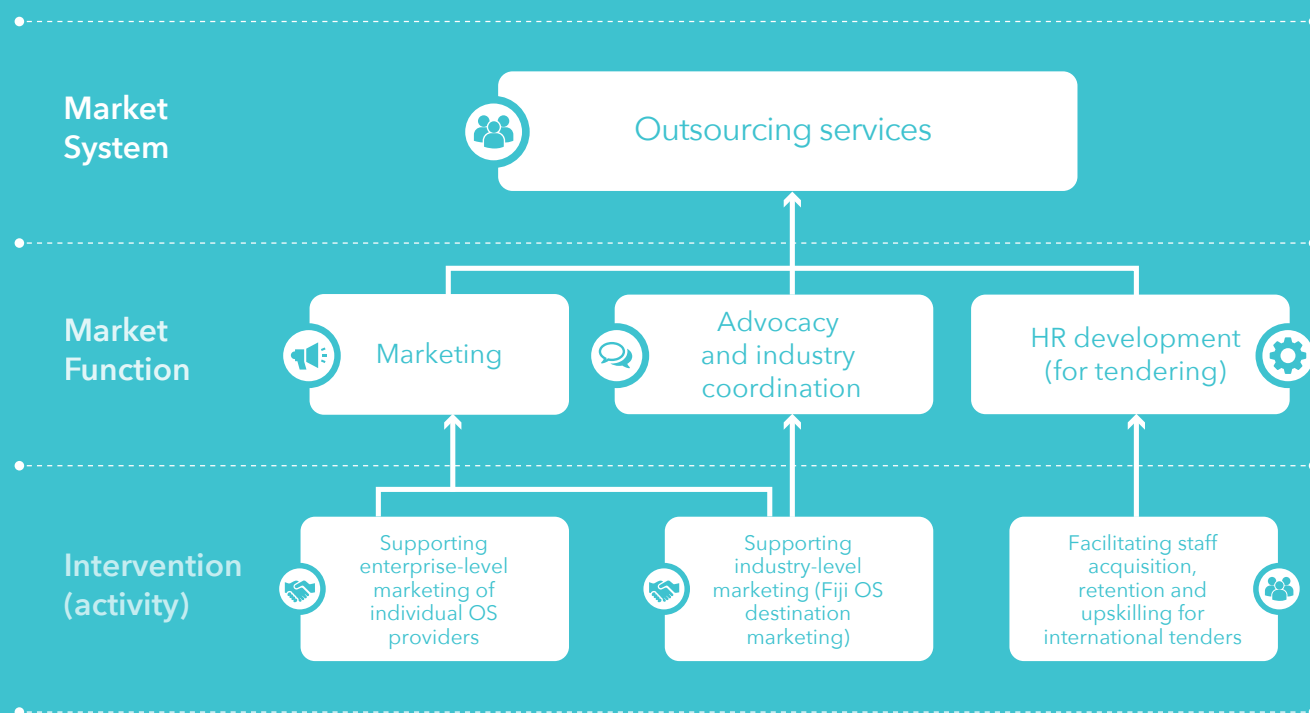
Sector Story

# Urban Industries



## Market System 1

### Outsourcing Services



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>Enhancing productivity of female garment workers through support service reducing absenteeism/turnover (Mark One Apparel)</li> <li>Upskilling staff to meet market demand (Danam)</li> <li>Technology for access to new BPO markets (DHL Express Fiji)</li> <li>Direct marketing of Fiji OS providers (Greymouse Fiji Limited and Packleader Pacific Ltd.)</li> <li>Reaching nearshore markets for BPO companies using direct marketing and promoting Fiji as OS destination (BPO Council)"</li> </ol> | MDF facilitated introduction of a marketing function to private sector and government to replace current word of mouth marketing strategies with comprehensive tailor made marketing strategies which promote Fiji as an outsourcing destination. This resulted in investment with the largest outsourcing service provider association, and a memorandum of understanding with the Ministry of Industry, Trade and Tourism (MITT). |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 288                       | 190                     | 1,628,787                     | 669,643                     | 7,469,167                   | 4,898,243                 | NA            | 785,130      | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page Outsourcing Services



Fiji is well placed to serve the growing demand for business and knowledge process outsourcing (BPO) services to nearshore markets due to the country's geographic proximity, similar time zone, neutral English accents and familiarity of source markets.



MDF works with local BPO companies to promote their value-add to key markets.



WORLD BANK GROUP

The World Bank program Pacific Possible reports that the BPO sector can employ up to 15,000 people and add up to \$400 million to the GDP by 2040.



A key Government of Fiji National Development Plan priority is to increase foreign direct investment (FDI) in BPO.



In comparison to the rest of the international outsourcing service (OS) providers for BPO services, Fijian-based enterprises have a 25% conversion rate - nearly double the global average.

## Market System 1: Outsourcing Services

The outsourcing services industry currently employs approximately 2,500-3,000 employees in Fiji with a high employment ratio of women and youth. 2017 World Bank forecasts state that the Outsourcing Service market has the potential to employ approximately 15,000 people in Fiji by 2040<sup>8</sup> which is significant in the context of 18.8 per cent unemployment amongst urban youth. Beyond job generation, this sector offers a strong pathway to industry diversification within the Fijian economy (other urban industries such as garments and manufacturing have otherwise struggled to remain competitive). The Outsourcing Services sector is also a priority of the Fiji Government, which aims to further stimulate Foreign Direct Investments into the BPO sector by 2020 (under the National Development Plan).

Fiji is well positioned in this industry, offering competitive features for nearshore markets, including a large pool of skilled workers with strong English language skills combined with neutral accents. The country has a convenient time zone, geographic proximity to Australia/New Zealand markets, strong ICT infrastructure and strong call conversion rates<sup>9</sup>. Fiji is also striving to become a regional service hub, and Outsourcing Services further strengthens private sector connections between Fiji, Australia, and New Zealand.

The Outsourcing Services industry in Fiji has grown at a steady rate and already accounts for five per cent of GDP. However, most observers agree that the industry's growth is well below potential. While the cause of this disappointing performance is multiple, the majority of businesses have struggled to move beyond a small client base, tending to rely on weak marketing strategies that lean heavily on personal and diaspora connections. This is compounded by low investment in marketing and a hesitation to actively pursue larger contracts in target markets. More broadly, there has been an absence of industry-wide coordination or advocacy.

MDF's work within this emerging market system started in the second quarter of 2019 and is expected to deliver results by 2021. Within the current reporting period, MDF has taken critical first steps to support the industry in two ways: supporting industry-level initiatives to position Fiji in the international service provider market through supporting industry level coordination through the BPO Council; and supporting enterprise/firm-level initiatives for businesses with a strong growth and risk appetite.

Initial investments have already yielded significant returns, suggesting that this market system is poised to respond strongly to MDF support. In less than six months, investments in Outsourcing Services have generated 19 new full-time jobs, 80 per cent of which have been filled by women, generating over USD55,000 in income for the same period. This has been achieved through enterprises successfully marketing their services and acquiring new clients, through MDF's assistance. The same investments have yielded USD240,000 in additional market transactions (i.e. service exports), providing a small glimpse of the untapped potential of the BPO industry. With MDF assistance this market system is projected to result in USD800,000 in additional income for over 90 full-time employees and generate USD2.6 million for the economy. It is anticipated that disadvantaged urban populations (women and youth) will be the primary beneficiaries of this work. The industry also provides strong employment opportunities for people with a disability.

### Market function 1 - marketing

A lack of insight into target markets results in poor marketing by Fijian Outsourcing Service providers. MDF wants to support better marketing at both an enterprise and industry level. MDF has already signed three partnerships under this intervention (two enterprise partnerships and one industry level partnership), and in 2020, is planning to sign up at least one more. Over the life of the intervention MDF hopes to work with at least fifteen providers.

During the reporting period MDF supported GreyMouse to extend their footprint in Australia, Packleader in the USA, and BPO Council and its members in Australia and New Zealand. Using an existing partnership with DHL as a pilot, MDF was able to guide the private sector to execute a new marketing strategy. The upcoming engagement of a Business Development Manager in cooperation with the BPO Council will test the effectiveness of using remote marketing specialists to proactively sell Fiji's Business Processing industry.

MDF is also working closely with MITT and Fiji Trade Commissions to NZ and Australia to pursue the joint objective of increasing the number of Foreign Direct Investments into the BPO sector and promote industry growth in the key demand markets of Australia, New Zealand, the EU and the USA.

<sup>8</sup> Source: The World Bank Pacific Possible Report (2017), Table 7-5, pp. 79

<sup>9</sup> While HR costs are higher than in other markets, call conversion rates (call success rates) are 25 per cent, much higher than the global average of 13%. Furthermore, these countries tend focus on large clients, leaving Fiji to capitalize on niche markets.

## Market function 2 - advocacy and industry coordination

Fiji's biggest OS competitors (South Africa, Philippines and India) support their BPO industries through active national marketing campaigns. Continuous and effective promotion of Fiji as an OS destination will require close cooperation between private business, representative associations and the public sector.

MDF's will support initiatives which promote Fiji as an OS destination and which generate new business growth and jobs. Engagement with the Ministry of Trade and Tourism (MITT) and BPO Council has already commenced through marketing to Australia. In 2020, MDF aims to further engage with this industry body and with relevant government agencies to expand the initiative to other near-shore and/or off-shore markets.

## Market function 3 - human resource development (for tendering)

The majority of the international BPO work is awarded through tendering for large prorated contracts. While Fijian companies have open access to these international tenders,

they rarely bid. Most companies cite concerns about the difficulty of finding and retain the staff required to deliver the contract, in an industry where firms survive on their reputation for reliability.

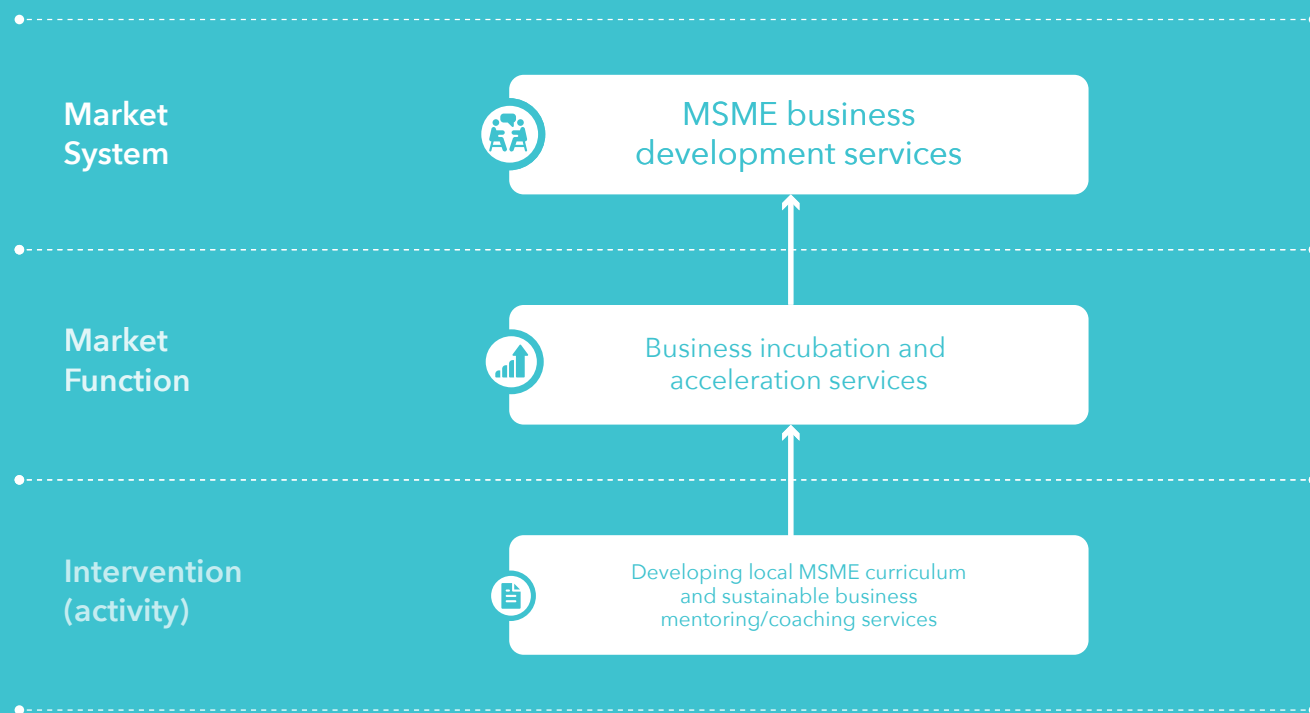
In 2019, MDF undertook an initial scoping of the private sector's willingness to invest in sustainable HR development to address staff shortages. The response has been positive. MDF plans to scale-up upcoming investments for HR development plans, staff upskilling and incentivization. Two cycles of HR development are envisaged with four BPO Council members, generating access to over 150 staff to improved HR practices, more conducive work environments, and sustainable career development.

Support will be designed to provide firms with a range of options for addressing these staff shortages. Areas of focus will include staff acquisition and retention, soft skill development (assertiveness, sales and marketing, customer relations, telephone etiquette and conflict management). MDF will support comprehensive HR development plans, including but not limited to comprehensive recruitment and retention practices, staff upskilling programs and staff incentivisation. The exact nature of support will depend on the specific needs of the partner's business model.



## Market System 2

### Cross-Cutting Work: MSME Business Development Services



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                                                                                                     | Summary of performance                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>Ease of doing business for MSMEs through doing comprehensive research (Reserve Bank of Fiji)</li> <li>Piloting sustainable business advisory services to MSMEs through incubation (MDF Fiji Enterprise Engine)</li> <li>Cooperating with largest employers organisation to offer sustainable business advisory services to MSMEs through incubation (FCEF Fiji Enterprise Engine)</li> </ol> | MDF has translated the pilot MDF Fiji Enterprise Engine (MFEE) into a sustainable private sector led incubator with the largest employers organisation, Fiji Commerce and Employers Federation (FCEF). The initiative was endorsed and supported by MITT and the International Labour Organisation (ILO) who have insured their commitment through to subsequent cycles of the programme. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 150                       | 52                      | 1,030,440                     | 390,828                     | 3,086,619                   | 1,235,571                 | NA            | 37,749       | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page Cross-Cutting Work: MSME Business Development Services



Fiji's Micro, Small and Medium Enterprises (MSMEs) are unable to sustain or increase their growth because there is a significant lack of business development support services.



MDF supports key areas to improve MSME performance: strategic goal setting, maintaining good financial records, HR organisation and development, as well as sales and marketing.



There are 24,500 MSMEs in Fiji which employ 60% of the workforce.



Formal registration and appropriate business license acquisitions take 40 days and cost more than \$134.



## Market System 2: Cross-Cutting Work - MSME Business Development Services

This area of work is not a market system, rather a cross-cutting theme which impacts all sectors. It has yielded significant results. MDF's work has been informed by the 2018 Micro, Small & Medium Enterprises (MSMEs) landscape study done in collaboration with the Reserve Bank of Fiji (RBF). The recommendations of the report have been taken forward by RBF, with the assistance of Ministry of Industry, Trade & Tourism (MITT), Fiji Development Bank (FDB), Asian Development Bank (ADB), Pacific Financial Inclusion Program (PFIP) and UNICEF. MDF is focused on addressing one of the key challenges highlighted in the study, specifically the absence of effective and affordable business advisory services for MSMEs in the country.

In 2019, MDF supported the Fiji Commerce and Employers Federation (FCEF) to trial the first private-sector-led business acceleration service for micro, small and medium enterprises (MSMEs). The new FCEF Fiji Enterprise Engine (FEE) builds on the success and learning of the MDF earlier pilot in 2017-18, which tested a model for local business training, coaching and mentoring of MSMEs. The new FCEF FEE is a semi-commercial model, where FCEF, International Labour Organisation (ILO) and MITT, each contribute to a partial scholarship scheme. MSMEs are also required to pay a small fee for access to the business acceleration services. The program has proven very successful: the 14 MSMEs which participated in 2019 achieved an average growth rate of 28 per cent. Against a backdrop of one per cent economic growth over the same period, this achievement is particularly

impressive. The program is set to run again in 2020 with increased interest from the Young Entrepreneurs Council (YEC) and the Women Entrepreneurs and Business Council (WEBC) members, and support from existing partners and broader FCEF membership.

MDF's support has created 31 full-time jobs, and generated USD385,000 in additional income in just two years. In 2020, MDF will continue to look for opportunities to establish new business acceleration and incubation services for MSMEs working in urban industries, tourism and high-value agriculture.

MDF also continues to monitor the implementation of recommendations from the 2018 MSME landscaping study through participation in the RBF working group, including the viability of dedicated MSME bank which is being scoped by PFIP and production of national MSME study which is to be undertaken by UNICEF. One of the key recommendations from the study regarding the long processing time (approximately 40 days) for MSME business registration in Fiji, has already been addressed by MITT: in December 2019, Minister Premila Kumar announced that MSME businesses business licences are now to be issued within 48 hours of registration/application by the relevant city councils.

This body of work is projected to directly benefit 150 people, generating USD1 million in additional income.





**CERTIFICATE OF COMPLETION**

*Ela Alifaiio Loduva*

FOR THE COMPLETION OF  
THE 2019 FCF BUSINESS ACCELERATOR PROGRAM





## Observations and Lessons



### Tourism

- Technology and online marketing and bookings provide an opportunity to grow tourism to niche destinations. However, the lack of knowledge and/or interest by resort owners in these areas and the limited number of managerial staff and time dedicated to marketing often means they cannot implement or manage online marketing strategies. As a result, earlier MDF interventions on digital training and workshops in niche destinations generally did not work, with resorts preferring to stay with online travel agents (OTAs) to market and generate bookings, even if it meant paying between 20-30 per cent sales commissions. MDF is now focused on supporting more cost-effective booking platforms that also provide online marketing support for niche destinations.
- In order to effectively advocate and influence policy, tourism operators need to have credible and up-to-date data that demonstrates their contribution to national tourism strategy and targets. Through the yachting economic study in December 2018, local marina operators were able to influence key stakeholder such as the Fiji Islands Bureau of Statistics (FIBOS) to incorporate yachting statistics into the national accounts, as well as Tourism Fiji to increase marketing support for participation of local marinas in international boat shows.



### High Value Agriculture

- On the surface, it may appear more feasible for 'apex' aggregator business models (such as high value agricultural inputs) to be fostered in small economies with smaller client bases and smaller geographies. Yet MDF has struggled to find large retail chains or wholesale distributor partners given the complexity required for some of these products (perishable seeds with licensing requirements, alongside poultry manure with specialist storage requirements) which combined with existing price controls on agriculture inputs make them less attractive and profitable for these "big players". As a result, MDF has found that by targeting smaller, specialist agriculture input wholesalers and retailers, there is more interest in addressing existing current efficiency gaps, introduce better quality products and expanding their distribution channels.
- While last mile agricultural input distribution is often the immediate focus of those wanting to support farmers in outer areas, it is not always the biggest constraint. Farmers often solve last mile issues themselves, only requiring inputs periodically, at times when they will already travel to urban centres. What matters more is the reliability of supply and the efficiency gains (and associated cost reduction) for the distribution chain as a whole.
- In challenging economic conditions with low investor confidence, supporting smaller, trial-based pilots with new partners becomes even more useful. This allows MDF to keep close to the pulse of the market, rather than having to wait for investor appetite to pick up in better times.



## Urban Industries

- The limitation of many small tech companies is that they know far more about their product than how to market it, often leaning heavily on personal connections, and limiting their growth. This either leads to them resting in the one market they know how to serve or entering blindly into new markets. MDF is helping them to get over the hurdle of seeing marketing as a nice-to-have overhead, rather than a critical factor in business growth.
- With technology changing rapidly and automation becoming more of a feature, the BPO and KPO industries are evolving quickly, and the importance of soft skills (such as negotiation for debt collection) and higher-level technical skills (accounting, legal and IT services) is rapidly increasing. MDF can help the industry expand but must also support it to evolve.



## Inclusion Interview



### From PA to Sales and Marketing Manager: Breaking the Glass Ceiling

*MDF partner Greymouse Investments is an outsourcing services company that operates in Fiji and the Philippines. Shobna Dutt started her career there as a Personal Assistant (PA) and worked her way up the ladder. She is now the Sales and Marketing Manager.*

*MDF Fiji's Talei Tora caught up with Dutt to find out more about her story and how promoting women has boosted the company's competitiveness.*

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**MDF: Bula Vinaka Shobna. Can you tell us about Greymouse and your role in the company?**

**Shobna Dutt (SD):** Greymouse was established in 2015 to create jobs for young professionals in the Information Technology and Business Process Outsourcing industry. I am the Sales and Marketing Manager and I'm tasked with finding new clients. Part of my job is to attend international expos where I meet future clients and other businesses in our industry. After I sign a client, I also become the account manager, so I set them up with the company's services and ensure they get exactly what they want.

**MDF: You recently returned to Fiji after working in the Philippines for three and a half years. Was your job there similar?**

**SD:** It was slightly different there. I was managing the office, doing interviews and at times training and counselling

staff - I was involved with Human Resources as well. My job involved motivating people, where in turn, I was being motivated to grow in the company. I currently manage the tech team in the Philippines remotely.

**MDF: How did you get the opportunity to work in the Greymouse office in the Philippines?**

**SD:** I was a very shy person when I started at Greymouse. I loved coming in, doing what I had to do, but I was very shy. I think Marissa (Greymouse founder), saw potential in me and gave me the opportunity to grow. I started as a PA, taking calls and learning a bit of sales. Marissa started to train me, I learned how to sell our products and before I knew it, I was taking on a sales role. She then started to pass on more responsibilities, such as client management and this just continued.



Through this experience, I learned the ins and outs of how things work at Greymouse. I was given the offer to go to the Philippines and although I was unsure at first, things just changed for me, I became more confident, I took on the challenge and even learned the [Tagalog] language.

**MDF: How did this affect you?**

**SD:** Seeing that I was able to help others at work really motivated me to step up. The company has always been there for me – guiding and not micromanaging. I've been able to study coding and now I'm a salesperson. It's a great thing in Fiji for women to also have the opportunity to grow here, learn different skillsets and be able to share that knowledge. It sets a great example.

**MDF: How does this position the Fiji market compared with the other OS locations?**

**SD:** We compete with countries like the Philippines and India where people do their calls from home at \$4 or \$5 an hour. Comparatively, our prices are higher because of our economy and the cost of living. A lot of clients move to the Philippines and India because of their competitive rates. I believe however, that our point of differentiation is our service, our culture, our neutral accents and convenient time zone. Another great advantage is we have an inhouse IT team who are always on hand to provide our clients backup. There are a lot of expectations and we work hard to meet service demands. Our reputation and standards are very important in our business. Some of our clients have had negative experiences in other countries but when they come to us, we deliver on our promises.

**MDF: What else differentiates the OS industry in Fiji?**

**SD:** Our time zone is particularly helpful for our Australian clients because it allows our staff more flexibility. Brisbane is two hours behind, which means our staff start their working day at 11am Fiji time, which is 8am Brisbane time. With this flexibility, our staff can beat the traffic, spend more time with their children and get them ready for school. Some of our staff are single working mums and this extra time at home with their children makes all the difference in their careers.

**MDF: Do you think the OS industry is an equal opportunities employer in Fiji?**

**SD:** Yes, it is. Our job advertisements are inclusive. The industry offers jobs for both men and women. Gender, ethnicity, religion, sexual orientation - it doesn't matter at the end of the day as long as the person can deliver quality work to the best of their ability.

**MDF: Are other women also supported into management positions at Greymouse?**

**SD:** Yes. I am a good example of how it works. I started as a Personal Assistant and was given an opportunity to grow and learn. I'm not alone though - Ashnita was a bookkeeper and then she became the Human Resources Manager. Alisi started as a *Greymouse Investments* Virtual Assistant and is now a Team Leader.

I believe that as women, whenever we are given an opportunity, we grasp it with both hands and run. Greymouse creates an enabling environment for us to grow our creativity, expand our mindset and upskill ourselves. I am happy to see other women from our office grow into leaders.

**MDF: Do you see the growth of female employees in the OS industry in Fiji?**

**SD:** Yes, we also employ more women than men. I'm not sure why that is because we really don't have a gender preference but more women apply. They are very good at customer service. When they come in, they are trained to answer phone calls, speak one-on-one with clients and become good customer care agents. Like I said earlier, I believe women are able to capitalise on our opportunities and create more with every chance they have. We are quick to learn, we have pleasant voices when dealing with clients [laughs] and there's a creative mindset. As long as you're motivated, you can do this job.

**MDF: Should more women consider joining the OS industry?**

**SD:** Absolutely. Fiji is changing and this industry can help people build for the future. Also, our team leaders are trained to boost staff morale. In the Philippines, I learned how to build relationships with employees so if they have a problem in their personal lives, they can talk to me and get time off if needed.

In Fiji, we tend to not talk about our issues and it takes time to build trust. Our company trains team leaders to be able to better bond with staff and if someone is down, we can help them up. We are like one big family.

**MDF: Does Greymouse employ persons with disabilities?**

**SD:** Yes. One staff member in the Philippines office has a disability and we welcome people of all varying abilities to join our company – we do not discriminate. The only important thing is that they can deliver the service.

## Pro-poor Growth Story

# Empowering Vulnerable Farmers in Fiji with Quality Inputs

*Since most farmers in Fiji rely on farming as their only income source, they are particularly vulnerable to external shocks, such as cyclones and droughts.*

*This is especially true for farmers with disabilities. Harindra Deo, a blind 54-year-old sugarcane farmer from Lautoka shared his story with MDF's high value agriculture (HVA) team.*



Harindra Deo has been producing sugarcane and cash crops for 35 years at Drasa Seaside, a large farming area near Nadi International Airport. An unfortunate farming accident four years ago left him partially blind. Corrective laser treatment further worsened his vision, resulting in permanent blindness in both eyes.

Sugarcane is his family's main source of income. Harindra plants a few vegetable crops, mostly for personal consumption. When he has a surplus harvest, he shares the vegetables with his extended family members or sells them at the local market.

Being blind has taken its toll on Harindra and his ability to work full time on his farm. His son and grandson help by leading him to rows that need planting where he uses his sense of touch to check the soil, pull weeds, plant seeds and prepare fertiliser to be sprayed on the crops. He uses his experience in farming to help with the harvest.

Despite continuously working on his farm, soil acidity was affecting Harindra's yield. Having access to high quality inputs had a significant effect on production. He said, "I first started using Aglime in 2017 on three acres of replanted sugarcane. Within the first year, I was able to harvest 120 tonnes, where usually I would only get 100 tonnes."

In 2019, the difference was more apparent as his farm produced 150 tonnes of sugarcane from what would otherwise yield 135 tonnes, generating an additional USD581 (FJD1,275) for the household.



**I first started using Aglime in 2017 on three acres of replanted sugarcane. Within the first year, I was able to harvest 120 tonnes, where usually I would only get 100 tonnes.**

— Harindra Deo



With this extra income, Harindra could afford to repair his house following flood damage, pay his grandson's medical school fees and collect modest savings.

Despite the challenges of doing agricultural work while blind, Harindra is very passionate about farming. He continues to play an important role in the business with the assistance of his son and grandson.

By working three hours each morning and four every afternoon, he maintains his involvement in most farming activities for up to seven hours a day. He can attest to the positive impact high value agricultural products, such as Aglime, have on his farm.



- In its final year of monitoring the impacts of Aglime, MDF continues to witness the long-term effects of quality farm inputs. The team measures the consequences such a product might have for extremely vulnerable people, including those with physical disabilities, like Mr. Harindra. Stories like his prove that quality inputs can transform the lives of disadvantaged people and yield significant benefits for farming households, creating a larger pool of disposable income that they can use for the most important necessities.
- MDF partnered with Standard Concrete Industries to introduce Aglime, a soil enhancer, that was distributed throughout Fiji in collaboration with KK's Hardware, Global Cargo Traders and A. Hussain. The partnership led to the generation of additional income amounting to **USD13.2 million (FJD 29million)** between 5,000 households.



MDF will continue to support input access for farmers. Given the aging farming population, MDF Fiji will conduct a broad test of prevalence of disability amongst farmers. With the help of the Washington Group Set of Disability Questions, the team will identify restriction risks due to different functional difficulties to continue to best support local farmers.



## Acknowledgements

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

|                                                                                             |
|---------------------------------------------------------------------------------------------|
| Australian Centre for International Agricultural Research                                   |
| Biosecurity Authority of Fiji                                                               |
| Chris Docherty, Managing Director, Windward Strategic Ltd.                                  |
| Face2Face Researchers                                                                       |
| Fiji Arts Council                                                                           |
| Fiji Navy                                                                                   |
| Fiji Trade Commission to New Zealand and Australia                                          |
| International Finance Corporation                                                           |
| International Labour Organisation                                                           |
| iTaukei Affairs Board                                                                       |
| Leigh Howard, General Manager Fiji, ATS Pacific                                             |
| Ministry of Defence and National Security Fiji                                              |
| Ministry of Industry Trade and Tourism of Fiji                                              |
| Ministry of iTaukei Affairs and the Respective Provincial Councils                          |
| Ministry of Women, Children and Poverty Alleviation, Fiji                                   |
| Nanise Odrovakavula, Director Tourism, Ministry of Industry, Trade and Tourism (MITT), Fiji |
| National Financial Inclusion Taskforce, Fiji                                                |
| Nesbitt Hazelman                                                                            |
| Pacific Agribusiness Research for Development Initiative (PARDI 2)                          |
| Pacific Horticultural and Agricultural Market Access (PHAMA) Plus                           |
| The University of the South Pacific                                                         |
| Uwe Sturmman, Tourism Results Ltd.                                                          |

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.

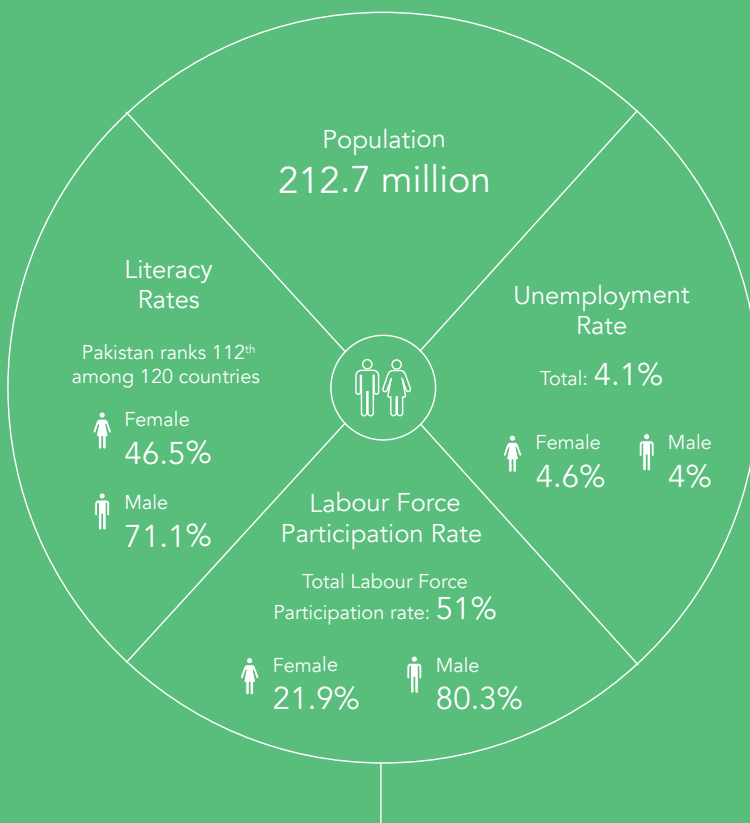






## Quick Facts

# Pakistan



### GDP contribution by sectors



In 2019, the agriculture sector fell short of the government's projected target of 3.8%, only growing by 0.9%. The overall crop industry shrank by 4.4% as important crop production decreased by 6.7%. Livestock was the largest contributor to the agricultural sector with a 4% growth rate.

Globally, women do **75%** of unpaid work. If women were paid for these contributions, it would amount to an estimated **\$12 trillion** – that's **11%** of global GDP.



1 in 100 women in Pakistan is an entrepreneur.

Improving women's access to finance could boost global economic output by up to \$28 trillion by 2025, according to some estimates.



**Industries**  
20.3%



**Services**  
61.2%



## Key Focus Areas



### Dairy and Meat

- Improve farmer's access to quality inputs and information for best practice livestock management.
- Develop supply chains to connect producers to markets.
- Establish first-rate livestock management practices to increase the incomes of local farmers.

Yearly milk production  
**42 billion litres**

Yearly milk and milk product imports:  
**584,000 litres**



### Horticulture

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.

**30%** of the total horticulture crop revenue comes from fruit and vegetable harvest, work that requires significant smallholder farmer involvement.



### Leather

Increase the employment of the urban poor in leather factories by taking steps to:

- Improve access to quality inputs and services, skilled labour and foreign markets for a more export competitive finished leather goods industry.
- Expand work conditions in factories to employ more female workers.

Last year, Pakistan exported over  
**\$844 million**  
worth of leather and leather products.



### Poverty headcount ratio

Total: **39%**



Urban  
**9.3%**



Rural  
**54.6%**



### Official languages

English  
Urdu



### Exchange rate

USD to PKR: **154.2**

AUD to PKR: **105.4**

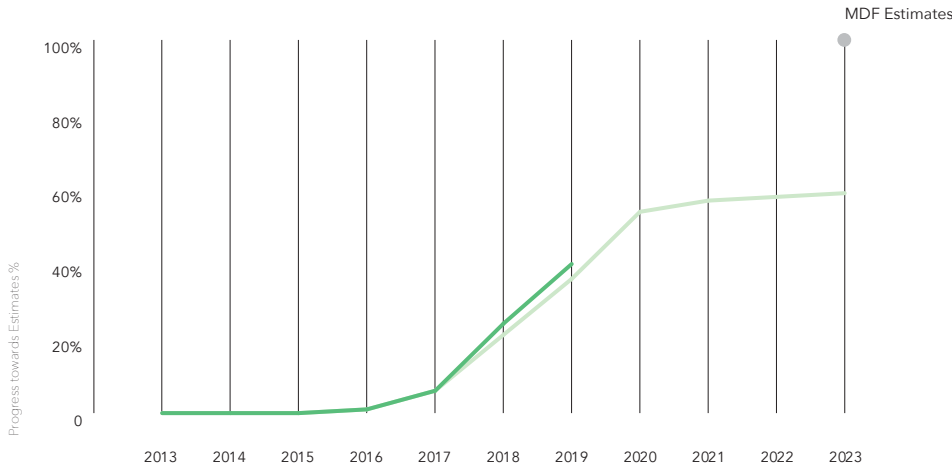


### Major Economic Sectors



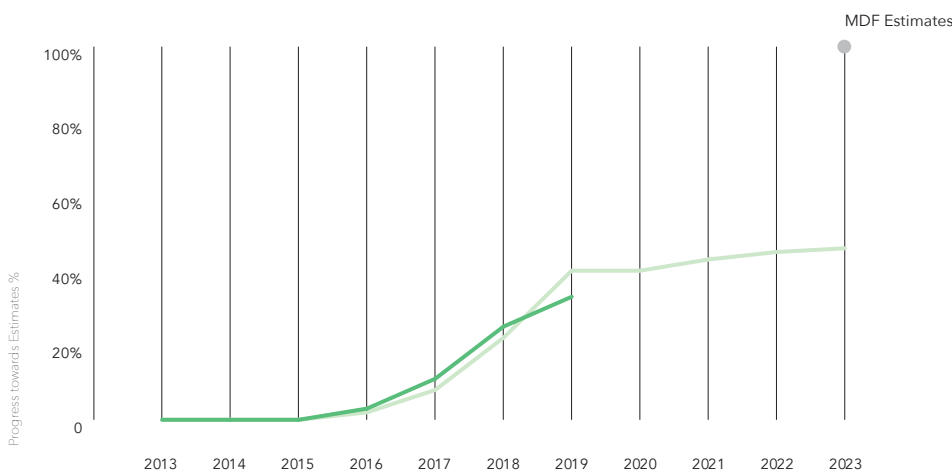
# Highlights

## EFFECTIVE OUTREACH



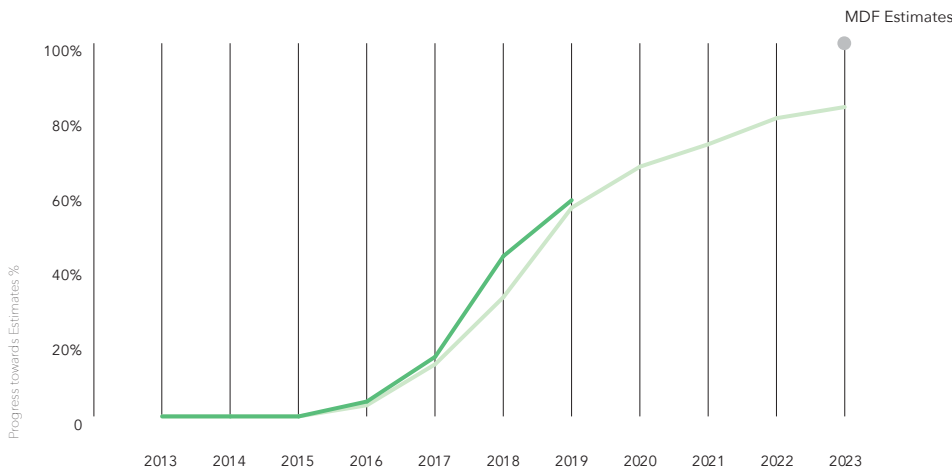
- **40%**  
Cumulative actuals % against MDF estimates
- **59%**  
Cumulative projections % against MDF estimates

## NET ADDITIONAL INCOME (USD)



- **33%**  
Cumulative actuals % against MDF estimates
- **46%**  
Cumulative projections % against MDF estimates

## VALUE OF ADDITIONAL MARKET TRANSACTIONS



- **58%**  
Cumulative actuals % against MDF estimates
- **83%**  
Cumulative projections % against MDF estimates

---

#### EFFECTIVE OUTREACH

- The current portfolio has already achieved 40 per cent of estimates and is projected to achieve 59 per cent of estimates by the end of the phase.
- Major contributions have been maturing interventions in fodder and finance, where systemic change has been observed, and new interventions in ICT that cater to large numbers of farmers in inaccessible regions.
- The largest contributor to actual results was the Telenor intervention(s) in the horticulture sector, accounting for 80 per cent of achieved results to date.
- In 2019, cumulative actuals surpassed cumulative projections, indicating that Pakistan is more than on track to achieve its estimates.

---

#### NET ADDITIONAL INCOME (USD)

- The current portfolio has already achieved 33 per cent of estimates and is projected to achieve 46 per cent of estimates by the end of the Phase II.
- Key contributors to achieving high actuals are fodder (Pioneer and FDP), and input and aggregation (Shakarganj).
- Actuals are expected to have a healthy growth trajectory by pushing expansion of fodder and maturation of interventions in ICT (Telenor) and finance (Kashf and KMBL).

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#### VALUE OF ADDITIONAL MARKET TRANSACTIONS

- The current portfolio has achieved 58 per cent of the estimates, while the same portfolio is projected to achieve 83 per cent of the estimates.
- For 2019, MDF's investment in fodder is contributing 79 per cent of VAMT, followed by finance, and inputs and aggregation.
- Investments in the leather sector have also contributed significantly in VAMT through increased exports of finished leather products.

## Overview of Portfolio and Progress in 2019

MDF's achievements in Pakistan this year were impressive. The portfolio expanded from 53 interventions to 59 and effective outreach rose from 48,807 to 185,430. USD67 million was generated in additional income for poor women and men.

MDF built on its work in silage in the livestock sector, expanding the small-baled silage model to new regions to address fodder shortages. MDF's work in silage has helped 48,030 farmers to increase their average milk yields by four litres per animal. To promote other nutritious fodder varieties, new partnerships provide Alfalfa hay to small livestock farmers in Gilgit Baltistan and improved farmers' access to quality health products, practices and balanced feed in Balochistan.

Four engagement and influencing events, known as silage baithaks, were held in Sindh and Khyber Pakhtunkhwa (KPK) to promote the small-baled silage model, reaching around 700 farmers.

MDF linked the Australian Centre for International Agricultural Research (ACIAR) with a private seed company specialising in seed multiplication, to assist them with producing seed for a pulses project. ACIAR trained MDF partners and women livestock farmers on silage.

Results from a 2017 partnership with **Telenor** showed that 73,250 farmers in remote regions were benefiting from weather and crop advisory services. Two partnerships in sustainable technologies on biomass conversion brought low-cost heating to households. Building on the success of an intervention with Servis in the leather sector, MDF supported Tradewell International to develop separate stitching lines for female machinists, potentially generating up to 163 full-time equivalent jobs.

In April, a well-received workshop on **Developing Inclusive Workspaces** to create jobs for people with disabilities was held by MDF for private sector and development partners. Lively and fruitful discussions were had on defining disability, DFAT's strategy on strengthening disability inclusive development, economic inclusion and a disability framework for Pakistan.

In May, DFAT decided to cease all development assistance to Pakistan in May 2019, with MDF Pakistan to close in June 2020. In response, MDF developed a robust close-out strategy to ensure a seamless closure of interventions while still optimising impact. Good progress was made in portfolio and risk management, results measurement, documenting lessons learned, managing key messaging and communications. The team looked at how its work could be taken up by the MSD community, private sector, donor programs and agencies.

Over the last six years, MDF has operated a robust system of results measurement, to quantify the impact of its investments and the value for money that they represent for DFAT. Capturing results and learning has been a priority this year as MDF Pakistan heads towards closure: routine monitoring of fourteen interventions has continued, and impact assessments for nine interventions were completed.

MDF Pakistan will continue to report its impact in 2021, but this is the last Annual Report that will include a Pakistan chapter while the country team is in place. The team is deeply proud of the scale of its impact on the lives of thousands of poor Pakistani communities and content that many of the investments they have catalysed with partners will continue after the program's closure. In fact, many will only begin to show results after June 2020. It has been proposed that the Australian Government undertakes post-program monitoring to capture benefits that we are confident will continue to accrue and that validate the efforts and the approach that MDF has taken in Pakistan.



The silage market has started showing significant system-level changes with increased presence of seed companies, machinery providers, financial institutions and ancillary industries. Five more machinery suppliers are now offering silage making machinery. National level companies, such as ICI and Engro, have also entered the silage market.



### Gender and Finance

The 2019 results began to show that MDF reached **88,602** women and created **405** jobs. These women earned around **USD23.9 million**. Partnerships with Kashf Foundation and Khushhali Microfinance Bank gave women in remote areas access to loans for dairy and meat farming. Early signs of systemic change became visible: there is sustained functional impact at scale as partners deepen their presence in agriculture markets across Pakistan.



# Country Strategy

## Sector Selection and Rationale

MDF's work in the dairy, meat, horticulture and leather sectors of Pakistan was consistent with the priorities of both the Government of **Pakistan's Vision for 2025** and the Australian Government. Australia in Pakistan aimed to generate sustainable growth and employment through increased trade and investment, and improvements to agricultural productivity and industry. MDF Pakistan stimulated growth in sectors which demonstrated long-term growth potential and were relevant for poverty reduction

More than two thirds of the rural population across the country work in the agricultural sector and it engages women in a variety of roles and activities. MDF's selection of the dairy, meat and horticulture sectors remained relevant to

promoting sustainable growth and inclusive markets for businesses, generating more income and reducing poverty.

In the first half of 2019, MDF reviewed its portfolio to tighten its strategic focus and inform future work. The review looked at macro level indicators, sector selection and rationale, learning from implementation and tightening strategic direction for each sector. Unfortunately, only modest progress was made towards further developing the portfolio before the Australian Government, in May, announced its intention to end bilateral aid to Pakistan and close MDF Pakistan two years earlier than planned. This meant MDF had to reorient its efforts towards winding up its operations.



### Dairy and Meat

Between 35 and 40 million people living in rural areas in Pakistan are dependent on income from livestock. The livestock sector is less prone to risks from weather variations and more resilient to economic shock than some of the other sectors. Pakistan has the sixth largest dairy animal population in the world and 80 per cent of those animals are held by small farmers with herd sizes of five or fewer.

Pakistan produces 42 billion litres of milk annually, but it remains a net importer of milk and dairy products – more than 54,000 tonnes of milk are imported each year. In recent years the duty on imported milk powder was increased to promote locally sourced milk. The shortfall in domestic supply is primarily due to low milk yields. Higher milk yields farmers could increase their incomes. Low yields are primarily caused by a shortage of nutritious fodder and farmers practicing outdated husbandry practices. Another constraint to the sector's growth is that less than 10 per cent of milk is processed, because farmers are not well connected to processing facilities and end markets. This limits the flow of market signals and other information to farmers, hampering their innovation. Productivity in the meat sector is similarly affected and as a result Pakistan's share in the meat export market was just 0.6 per cent (2018) despite having large numbers of cattle and sheep.

The central pillar of MDF's strategy for this sector has therefore been to reduce fodder shortages by increasing farmers' access to innovative solutions like small-baled silage and introducing machinery for fodder making. In conjunction with this MDF Pakistan has introduced models through which processors of milk and meat could source products directly from farmers. Partners have also been supported to provide information to livestock farmers. Finally, MDF has worked with microfinance institutions to develop financial products for female and male livestock farmers to increase their access to finance.

In 2019, the Government of Pakistan introduced strict quality controls on milk supplies and increased its monitoring of aflatoxin levels in milk. This further encouraged milk processors to educate farmers about the benefits of using balanced and quality feed.

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## Horticulture

Horticulture makes up 12 per cent of agricultural GDP and includes a wide diversity of products sourced from specific geographic and climatic zones in some of the poorest regions of the country.<sup>1</sup> It is one of the most diverse industries with 30 per cent of total crop revenue being generated by fruits and vegetables with significant smallholder farmer involvement. It involves an estimated eight million farms producing horticulture products for both subsistence and commercial purposes. With the population growing at two per cent per annum, and an upward trend in domestic consumption, the sector offers significant potential for continued growth domestically and for export markets for selected value chains. However, sector growth is constrained by farmers, particularly in remote regions, being disconnected from markets and having limited access to quality inputs and modern cultivation knowledge. MDF has focused on increasing productivity and quality to improve farmers' incomes. This involves access to better inputs and information and improves access to markets.



## Leather

Due to the availability of finished leather and competitive labour costs, Pakistan is well-positioned to capture market share in export markets. Pakistan exports nearly USD1 billion of leather and leather goods each year, but only 15 per cent of it is converted into high value finished leather goods for export. Growth has been constrained by an inability to meet rigorous customer requirements including fast turnaround for fashion items, local availability of ancillary components, compliance certifications and a dearth of skilled labour.

The value addition in converting finished leather to finished goods is significant and increased conversion would make a significant contribution to the economy. Increased production of finished leather goods would significantly increase the number of people employed in the sector. Investment by factories in inclusive workspaces would encourage increased employment of women. MDF Pakistan initially focused, in this sector, on providing local inputs to the footwear industry with the aim of making manufacturers more competitive, to create more jobs. However, seeing lower-than-expected results, MDF's strategy shifted towards creating inclusive workspaces to create full-time employment opportunities for women.

In 2019, the export of finished leather goods – especially footwear – picked up momentum after several years of decline, mainly because of depreciation of the rupee.

<sup>1</sup> <https://fp.brecorder.com/2019/01/20190109438190/>

## Systemic Change Story

# Silage



MDF Pakistan has contributed to a system-wide, resilient change in the fodder market. Over the last six years, MDF has worked responsively with a variety of actors across a range of functions, led by analysis of market requirements, demand and feasibility. The core innovation was to address the shortage of nutritious animal fodder by introducing small-baled silage, and together with seed and machinery companies, working with individual entrepreneurs to increase silage supply. Once this core business model demonstrated success, silage entrepreneurs increased their production, adapted their business models and also started renting machinery to other farmers.

To stimulate take-up of the model even further, MDF supported Cattlekit to expand its machinery distribution network and, through a trilateral partnership including Bank Alfalah, helped develop a first-of-its-kind financial product to make silage-making machinery more accessible. Bank Alfalah influenced a policy change at the State Bank of Pakistan (SBP), whereby SBP modified its lending process for the livestock sector, making loans for silage machinery

available at reduced interest rates. MDF also worked with a silage equipment provider to introduce a regional service provision model that enabled producers to access machinery to produce silage for their own and commercial purposes.

After achieving considerable initial success in silage, MDF realised that there remained a vast number of farmers who lacked access to, and information about, silage. MDF therefore shifted its strategic focus to silage engagement and influencing (EI) events, which key influencing partners like Pioneer, Cattlekit and Bank Alfalah attended.

MDF's expansion strategy for fodder also involved promoting silage models through different types of media. The strategy has been successful. Cattlekit's equipment sales have increased by 60 per cent and they have conducted outreach activities independently of MDF. MDF has also witnessed an increase in the number of silage machinery and seed suppliers. Most importantly, there has been a marked increase in the number of silage entrepreneurs supplying appropriately packaged silage to smallholder farmers.





### Highlights:



Over 48,000 farmers have benefited from using silage.



At least five more machinery suppliers have begun to offer silage-making machinery.



Several other silage producers have entered the silage market, including some national level companies such as ICI and Engro.



An increasing number of seed companies are actively marketing silage maize seeds.



More financial institutions are developing and marketing products to cater to silage producer.



Firms have started to provide other inputs, such as inoculants.

The path to achieving this degree of change was not linear. MDF had to work across a variety of functions, sometimes sequentially but often simultaneously. It also involved going back to the initial intervention approach of supporting silage entrepreneurs to introduce silage when entering new areas. MDF's journey shows that the building blocks for large-scale change often begin with smaller, functional-level changes – in this case a simple silage production and sales business model for entrepreneurs. Once this proved to be successful, strategies were developed or modified to scale up and engage with a variety of market functions to achieve resilient, system-wide change.







## Systemic change - Telenor

Remote regions in Pakistan have significantly lower population densities than other regions in the country. The combination of remoteness and low population density leaves farmers in these regions isolated and makes it unfeasible for government or the private sector or to provide them with goods and services. Consequently, farmers lack information about effective cultivation practices, weather, and market requirements. They tend to use costly inputs inefficiently, use sub-optimal cultivation practices and incur high post-harvest losses because of unforeseen weather events, all affecting crop yields, quality and returns.

In the remote regions of Gilgit-Baltistan and Chitral (GBC), smallholder farmers rely on horticulture (fruits and vegetable) crops for their livelihoods. To improve their access to relevant, timely and actionable information MDF partnered with a multi-national telecommunications provider, Telenor to provide content primarily related to crop cultivation advice and localised weather forecasts.

Telenor's motivation was to expand its subscriber base in other regions, and it saw in MDF a partner who

had valuable insights into farming opportunities and constraints in areas like GBC and a business-like way of working. MDF saw an opportunity to overcome the constraints of remoteness and low population density by working with an information provider that had a platform for reaching scale efficiently.

As a result of receiving and using new cultivation and weather information, 73,247 farmers in GBC have benefited from reduced post-harvest losses and reduced farming costs – half of which were women. Telenor has continued to run the service and subscribers have grown at a steady rate since the service was launched. It continues to expand its range of content, providing practical solutions to farmers' problems in GBC. Based on the success of advisory services, Telenor has also launched health related-information and health micro-insurance for its customers in GBC region using the same platform. This is an early sign of systemic change, as an initial functional change has been expanded to scale, with a market actor deepening its presence in remote regions without further program support.







# Sector on a Page

## Dairy and Meat



93,821

Effective  
outreach



743

Jobs  
(FTE)



\$495

Additional income  
per beneficiary



50%

Female  
participation



29

Interventions



### VISION OF CHANGE

- Small livestock farmers experience increased milk and meat yields and income as a result of using nutritious fodder, better-quality inputs and access to markets.
- Input suppliers develop new products and packaging appropriate for small farmers and establish distribution networks to cater to small farmers in new regions.
- Machine and input manufacturers critical to silage production make their products widely available.
- Milk and meat processors access new markets, identify the requirements to enter those markets and invest in processes, allowing them to purchase quality milk and animals from farmers.
- Financial institutions undertake research and develop innovative financial products for reaching small livestock farmers, which allow them to purchase quality fodder, inputs and livestock.



### CONSTRAINTS

Smallholder farmers have limited or no access to:

- Quality inputs.
- Information and production know-how.
- Formal markets.
- Formal finance.



### Access to Finance for Livestock and Quality Inputs

- Kashf Foundation
- Khushhali Microfinance Bank



### Access to other inputs and aggregation services

- Mustafa Brothers
- Fauji Foods
- Al-Saffah Feedcom
- ICI Pakistan
- UM Enterprises
- Shakarganj Foods
- Oasis Farms



### Low Cost Nutritious Fodder

- Maxim International
- Pioneer Seeds
- Cattlekit
- Bank Alfalah
- Talha Enterprises
- Green Diamond
- Silage Balochistan
- Silage Media
- Silage Interior Sindh
- Gilgit Baltistan Silage
- Farm Dynamics Pakistan
- Women Silage Entrepreneurs

Figures presented in this infographic represent MDF's progress to date.

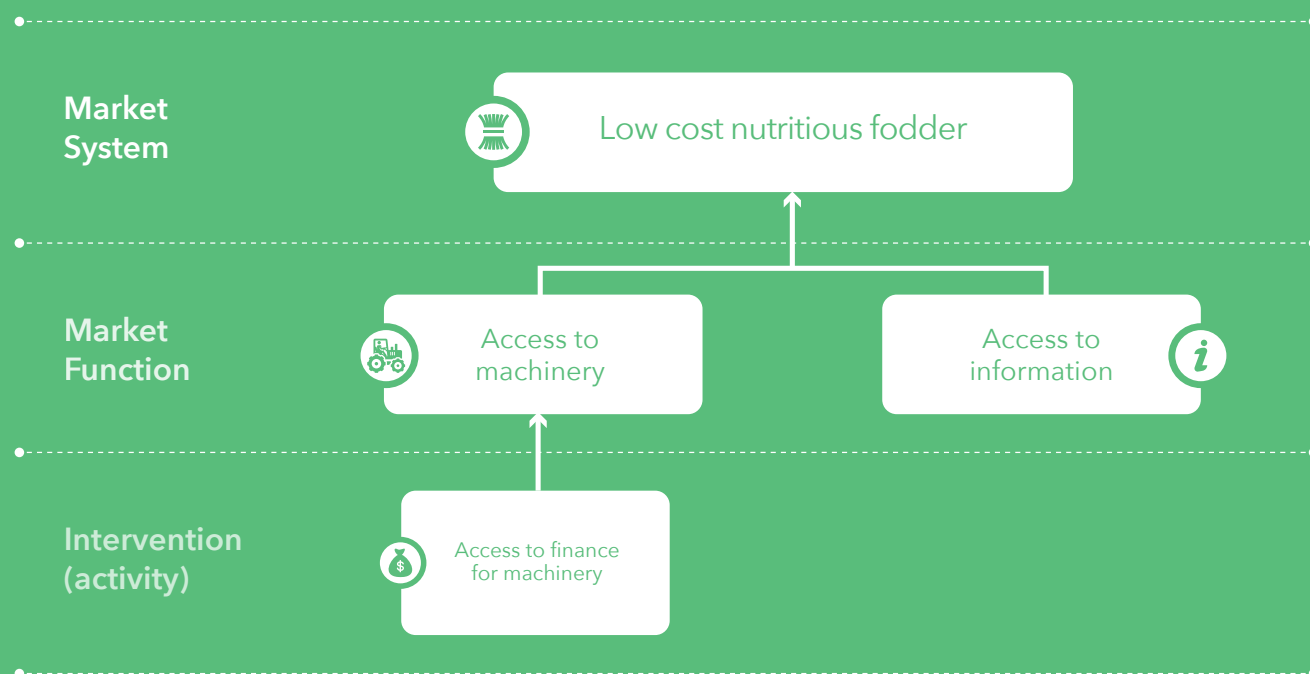
## Sector Story

# Dairy and Meat



## Market System 1

### Low Cost Nutritious Fodder



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                              | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mature                      | 1. Pioneer 1<br>2. Pioneer 2<br>3. Pioneer 3<br>4. Pioneer 4<br>5. Pioneer 5<br>6. Silage GB<br>7. Silage Interior Sindh<br>8. Silage Balochistan<br>9. Cattle Kit 1<br>10. Cattle Kit 2<br>11. Green Diamond<br>12. Silage Media<br>13. FDP | Based on the good results achieved from this model, MDF signed a partnership to support entrepreneurs in the Sindh province to acquire silage-making machinery and sell silage in a baled form. In line with MDF's strategy to increase availability of silage machinery, it supported Cattlekit to increase its distribution footprint. As a result, Cattlekit is now operating three distribution centres—two in Punjab and one in Sindh. To ensure aspiring entrepreneurs and fodder suppliers have access to finance for procuring silage- and other fodder-making machinery, MDF structured a trilateral partnership with Cattlekit and Bank Alfalah to develop and promote a new financial product to enable silage entrepreneurs to take out loans for silage machinery without requiring collateral. Although few loans have been processed under this intervention, it has resulted in a change in bank lending policies. Similiary in access to information domain silage influencing events have been successfull in creating wider awareness of the model, to further promote the model MDF signed a partnership with Cattlekit a machinery supplier to develop a comprehensive media campaign |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 95,682                    | 66,459                  | 44,093,136                    | 33,513,231                  | 43,571,451                  | 25,572,977                | NA            | 1,629,380    | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page

### Low Cost Nutritious Fodder



Between 35 and 40 million people living in rural areas are dependent on income from livestock.



According to one estimate, this has led to an estimated 30% crude protein shortfall for livestock animals.



Pakistan currently has the sixth largest dairy animal population in the world, which produces 42 billion litres of milk annually.



Although the livestock industry is growing, the production of fodder remains largely stagnant.



Despite a significant dairy output, Pakistan is a net importer of milk and milk products, with almost 3 billion litres of milk brought in each year. This gap is partly due to a shortage of nutritious fodder in the country.



## Market System 1: Low Cost Nutritious Fodder



Lack of low-cost, nutritious fodder is a key reason for low milk and meat yields. Improving yields through quality and affordable fodder could help millions of small-livestock farmers earn more money by selling larger quantities of higher quality milk and meat. MDF's work in reducing fodder shortages has involved promoting baled silage and other nutritious fodder types suitable for different regions. MDF aimed to improve access to appropriately packaged nutritious fodder and fodder seeds, suitable machinery for fodder production, and know-how about optimal usage.

MDF had 16 interventions in this market system with a total outreach of 66,459 livestock farmers, generating an additional income of USD33.5 million. As a result of MDF's work in fodder, around 48,030 small livestock farmers have benefited from using silage and around 225 women have been trained on using silage and better husbandry practices. By the end of 2022, around 75,570 small-livestock farmers are expected to benefit from having access to silage and other fodder options.

MDF has witnessed growing adoption of new fodder types and uptake of new fodder business models without

any further program supporting, indicating that systemic changes have occurred in the fodder market system to the benefit of poor farmers. Large numbers of small-baled silage suppliers have entered the market over the year (and previous years) resulting in a consistent supply of small silage bales for livestock farmers. Another interesting development had been that Engro Foundation acquired MDF partner Al-Saffah (now operating as Feedsol) and intends to manufacture silage on a large scale for dairy farmers linked with Engro's network.

The fodder market system is maturing and MDF has achieved significant progress in building up a supporting market for machinery and information. MDF supported individual entrepreneurs to obtain silage-making machinery to produce silage and test its commercial viability. The intention was that the success of these entrepreneurs would encourage other entrepreneurs to enter the system. To ensure they had access to the right machinery, MDF worked with a machinery supplier, Cattlekit, to broaden its distribution network to reach more farmers. As a result of these interventions, there are now 98 new small-baled silage makers operating in the country, three of whom are women.

MDF organised training for its female silage entrepreneurs in collaboration with Australia's Aik Sath Agriculture Value Chain Collaborative Research (an ACIAR program). The training was successful in building skills and knowledge in animal nutrition, animal husbandry practices, and the production and benefits of silage to boost animal weight and health and increase returns. ACIAR also trained the entrepreneurs to conduct training events for women farmers in their respective regions. Given the positive response from participants at silage influencing and engagement events, MDF conducted four similar events this year to create awareness and attract more entrepreneurs to enter the silage space.

In addition to silage, MDF introduced other innovative fodder solutions for different regions. A partnership with agri-input company **Farm Dynamics Pakistan** to promote Rhodes and rye grass benefited 18,426 smallholder farmers, and this year MDF signed a partnership agreement with Green Diamonds, a fodder supplier, to promote alfalfa hay in Gilgit Baltistan.

MDF's strategy in this market system has evolved in response to how each function has responded and progressed. MDF has transitioned from building a viable business case for silage production by providing machinery to individual entrepreneurs to using this evidence to create widespread awareness about and uptake of silage business models and enabling machinery suppliers to expand their operations.

### Market function 1 - access to machinery

MDF signed a partnership this year to support entrepreneurs in the Sindh province acquire silage-making machinery and sell silage in a baled form. Three entrepreneurs were supported to procure silage making machinery and, at the end of this reporting period, they were in the process of purchasing the necessary equipment. MDF's previous work with rural entrepreneurs had resulted in localised production of small-baled silage, and its availability to farmers year-round. Besides successfully selling silage in their regions, silage entrepreneurs have also created another revenue stream through renting their silage equipment to other producers. This has resulted in wider availability of silage.

In line with MDF's strategy to increase availability of this machinery, it supported Cattlekit to increase its distribution footprint in regions of Punjab and Sindh. While there was growing interest from aspiring entrepreneurs in the small-baled silage model, availability of formal financing options for machinery was limited. To address this gap, MDF structured a trilateral partnership with Cattlekit and Bank Alfalah to develop and promote a new financial

product enabling silage entrepreneurs to take out loans for silage machinery without requiring collateral. Although few loans have been processed under this intervention, it has resulted in a change in bank lending policies. JS Bank has already formed a partnership with Cattlekit to provide a similar product offered by Bank Alfalah. The provincial Government of Sindh has promoted new technologies including silage through the Sindh Enterprise Development Fund (SEDF), a program of Sindh government that aims to promote mechanisation in farming. These new policies and products will create a solid foundation for greater resilience for businesses.

### Market function 2 - access to information

MDF scaled-up and further popularised silage by bringing all its partners onto a single platform. Silage Baithak events have proved to be successful ways of educating potential entrepreneurs about the small-bale silage model and MDF partners have shown an interest in continuing these events. Cattlekit has expanded the event by taking it to new regions and introducing more relevant and diverse experts as panel members.

MDF structured another partnership with Cattlekit to popularise the small-baled silage model for interested entrepreneurs through a media campaign. This included a television commercial to be aired in 2020 on regional television channels, success stories of entrepreneurs for local newspapers and farmer magazines, and an informative documentary for social media platforms.

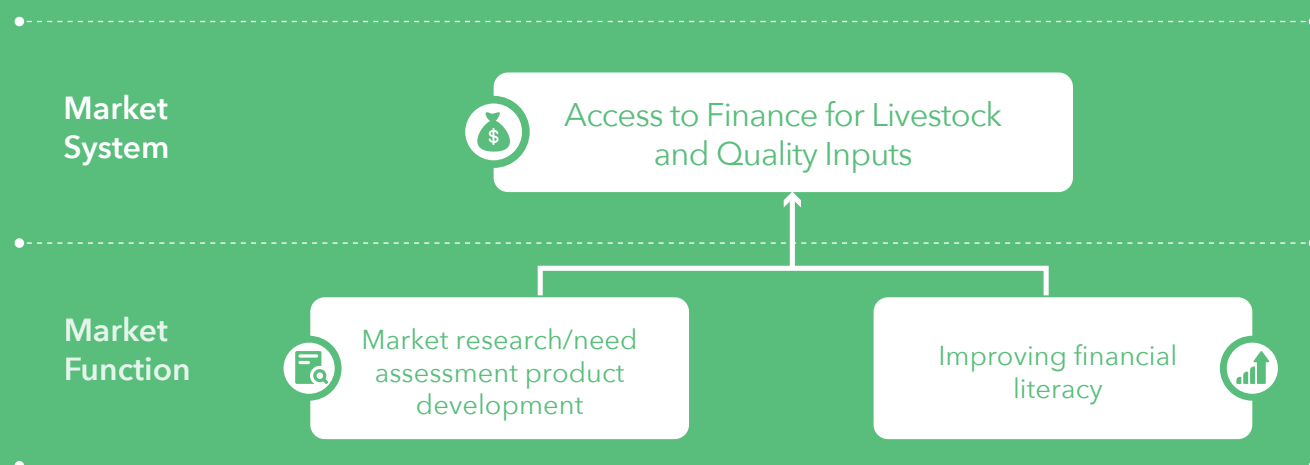
In addition to these events and the media campaign, for the first time 15 farmer gatherings were conducted exclusively for women farmers by one of MDF's supported women entrepreneurs.



Around **225 women** livestock farmers were trained on silage and better husbandry practices.

## Market System 2

## Access to Finance for Livestock and Quality Inputs



| Status of the market system | Interventions (active and/or monitored in 2019)                                                               | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>1. Khushhali Microfinance Bank</li> <li>2. Kashf Foundation</li> </ol> | MDF encouraged more microfinance institutions to understand and invest in financial arrangements for smallholder livestock farmers. MDF worked to identify opportunities for new products to meet the specific needs of livestock farmers, especially women farmers.. MDF supported two microfinance institutions, Kashf Foundation and Khushhali Bank, to develop suitable products for these farmers to purchase livestock and quality inputs. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 44,412                    | 21,120                  | 5,042,410                     | 2,000,401                   | 9,476,288                   | 3,323,877                 | NA            | 76,901       | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page

### Access to Finance for Livestock and Quality Inputs



Small-scale rural dairy farmers have limited access to informal finance and almost no access to formal finance options.



Access to formal sources of finance will help farmers increase the productivity and yields of their animals without paying high interest rates.



This prevents them from accessing inputs and increasing herd sizes.



Pakistan's microfinance sector is facing an upward growth trajectory.



According to the State Bank of Pakistan, only 97% of SME loans were claimed by men, leaving only 3% to female entrepreneurs.



## Market System 2: Access to Finance for Livestock and Quality Inputs

A lack of access to financial institutions and products hampers many small-livestock farmers from adopting new innovations and purchasing quality livestock. MDF encouraged more microfinance institutions to understand and invest in providing financial services for smallholder livestock farmers. This involved working to identify opportunities for new products to meet the specific needs of livestock farmers, especially women farmers.

MDF supported two microfinance institutions, Kashf Foundation and Khushhali Bank, to develop suitable products for these farmers to purchase livestock and quality inputs. These interventions benefited 21,120 farmers and generated an additional income of USD2 million.

With Kashf Foundation, MDF invested in a study to identify the market's need for new finance products catering to female livestock farmers and to design and roll out a product that would meet that need. As a result, 20,004

women benefited from loans to purchase dairy and meat animals. These women each earned an additional income of approximately USD213 annually from dairy animals and USD175 from meat animals. As an outcome from this intervention Kashf Foundation expanded its operations into nine districts (from a starting point of one) operating 11 branches and created 110 jobs.

MDF supported Khushhali Bank to introduce a mobile banking vehicle that allowed the bank to offer its products to farmers in remote parts of Punjab. From this, 1,116 livestock farmers earned a total additional income of USD161,374. Around 30 per cent of these loans were taken out by women farmers.

Access to finance is an emerging market system where MDF saw early signs of systemic change as evidenced by the success of Kashf and Khushhali in introducing new, innovative loan products. Kashf Foundation's independent expansion into new regions indicate sustainability and scale.

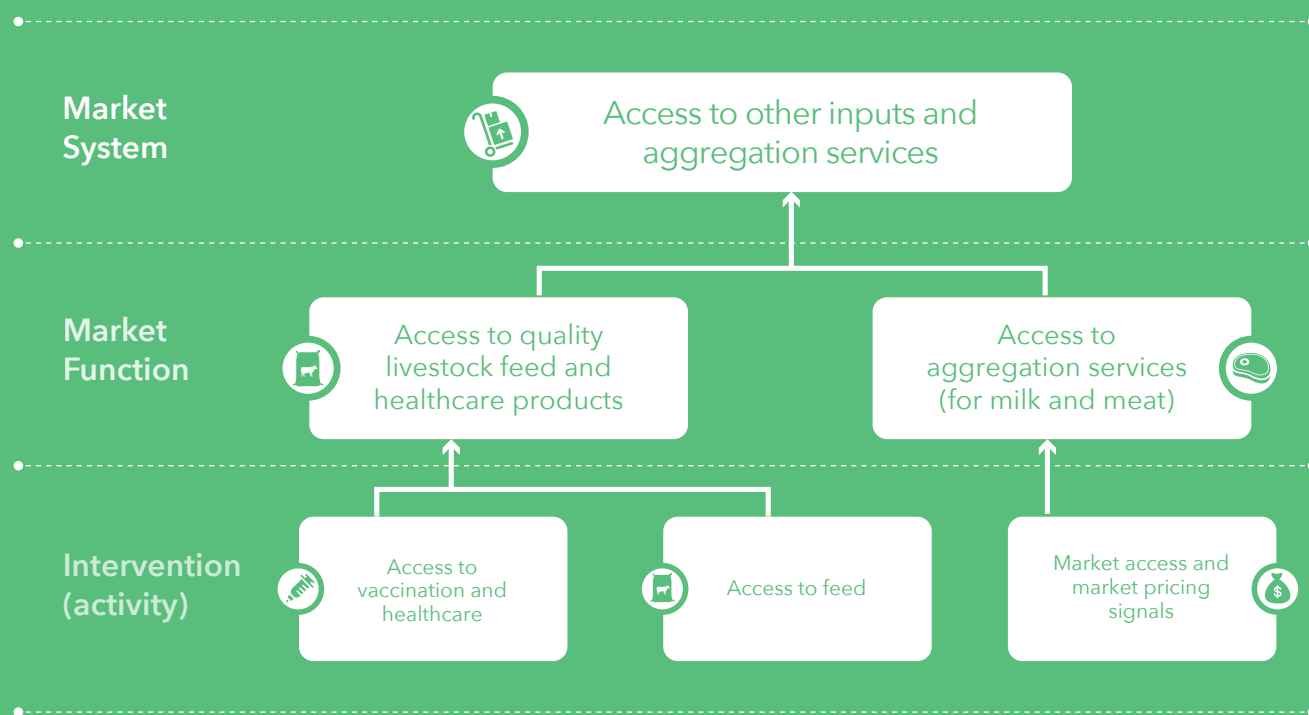






## Market System 3

# Access to Other Inputs and Aggregation Services



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                  | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | <ol style="list-style-type: none"> <li>ICI</li> <li>UM Enterprise</li> <li>Fauji Foods</li> <li>Al Saffah</li> <li>Shakarganj 3</li> <li>Shakarganj 4</li> </ol> | <p>In access to quality livestock feed and healthcare products MDF partnered with UM Enterprises to provide information and good quality animal health products, especially for the farmers raising goats and sheep in remote areas of Balochistan. To promote farmers access to aggregation services MDF's intervention with Fauji Foods has benefited 180 farmers and have created 20 FTEs. This year Fauji Foods made changes to its internal management and modified its sourcing strategy. This led to slower impact than expected. MDF's previous intervention in this domain with Shakarganj has yielded positive results as the partner has expanded independently and is now operating around 150 collection centers which has resulted in around 100 FTEs.</p> |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 7,523                     | 7,016                   | 11,850,838                    | 11,297,490                  | 27,431,215                  | 25,918,423                | NA            | 970,899      | <div> <div></div> <div></div> <div></div> </div> |

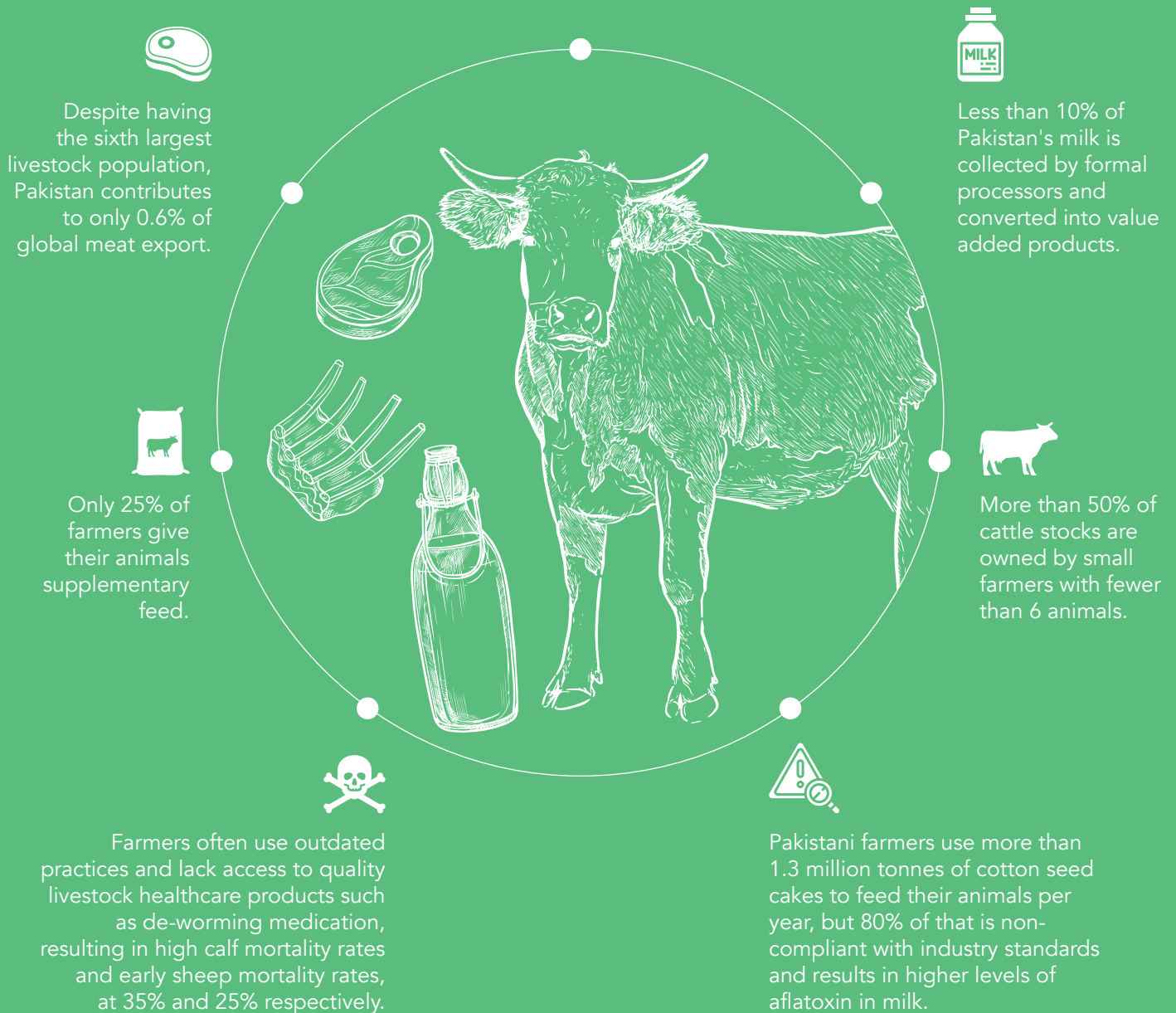


## Market on a Page

### Access to Other Inputs and Aggregation Services



Smallholder livestock product producers are currently disconnected from growth in both export and domestic urban markets.





## Market System 3: Access to Other Inputs and Aggregation Services

MDF has aimed to increase small livestock farmers' access to other quality inputs (compound feed and health care products) and aggregation services (market linkages and access to market), as a way of further increasing cattle productivity and farmers' returns from milk and meat sales.

As of December 2019, MDF had 11 interventions in this market system with an outreach of 7,016 farmers. In total, the beneficiaries have earned a combined additional income of USD11.3 million.

MDF worked with ICI, a national animal feed and healthcare company, to promote de-wormers and formulated feed in KPK, resulting in around 3,017 farmers benefiting from increased yields. MDF has worked on distribution of vaccinations in the past, but massive government subsidisation has distorted the market and disincentivised the private sector. This led MDF to conclude that, in areas where government intervention distorts markets, a better approach may be to work with relevant government agencies to influence policy before working with the private sector.

MDF's approach in this market system was that, as farmers became more aware of and adopted easy-to-use products, they are likely to be more receptive to more complex products like feed additives or mineral mixtures to further enhance their yields.

MDF also worked on farmers' connectivity to end markets. This, and access to aggregation services (i.e. formal buyers like milk collection centres), enables price flow and transparency. In turn, this guides farmers as to where to invest and provides them with an incentive to adopt new products and practices. MDF's initial intervention in this area was with Shakarganj, a milk processing company. Various assessments of Shakarganj revealed positive results and MDF signed a subsequent partnership with Fauji Foods, another growing milk processing company, to promote and scale up the model.

### Market function 1 - access to quality livestock feed and healthcare products

This year, MDF partnered with UM Enterprises to provide information and good quality animal health products, especially for the farmers raising goats and sheep in remote areas of Balochistan. A good portion of small farmers in this region derive their income from the sale of meat animals,

but meat yields are low and mortality rates high due to poor access to modern husbandry practices and quality products. At the end of this reporting period, UM Enterprises had expanded its distribution network to an additional 25 retail outlets, trained 160 farmers and conducted six farmer gatherings to create awareness of these products.

### Market function 2 - access to aggregation services (for milk and meat animals)

Independently of MDF, Shakarganj expanded its collection network and provided information on improving the quality of milk for small-scale dairy farmers. By the end of 2019, the partner was operating 150 milk collection centres. This has resulted in 100 new full-time jobs (FTE). This growth indicates that the model is both feasible and lucrative, although the high investment required to set up a milk processing business would be prohibitive for others to replicate.

MDF's intervention with Fauji Foods has benefited 184 farmers and has created 35 full-time jobs. This year Fauji Foods made changes to its internal management and modified its sourcing strategy. This led to a slower impact than expected.

MDF structured a partnership with Oasis Farms to strengthen the capacity of feedlots and develop backward linkages with farmers to ensure meat traceability and a consistent supply of quality meat animals for large processors and export markets. Continuing efforts in this area, in light of learning from the model, MDF partnered with Al-Saffah Feedcom so that farmers had access to markets and information on how to raise meat animals more effectively. Al-Saffah has been acquired by Engro Foundation and has since evolved its business model to offer silage solutions to both corporate and small livestock farmers. The company aims to become one of the largest producers of baled silage in the country within two to three years. This will increase the access of small livestock farmers to quality feed and fodder.







## Sector on a Page

# Horticulture



87,573

Effective  
outreach



493

Jobs  
(FTE)



\$211

Additional income  
per beneficiary



46%

Female  
participation



20

Interventions



### VISION OF CHANGE

- Small horticulture farmers experience improved productivity and quality for their crops through access to better quality seeds, pesticides and fertilisers and by applying modern cultivation practices.
- Small horticulture farmers are able to sell increased quantities and better qualities of their crops to aggregators and processors that add value and distribute them further into domestic and premium export markets.



### CONSTRAINTS

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





Sector Story

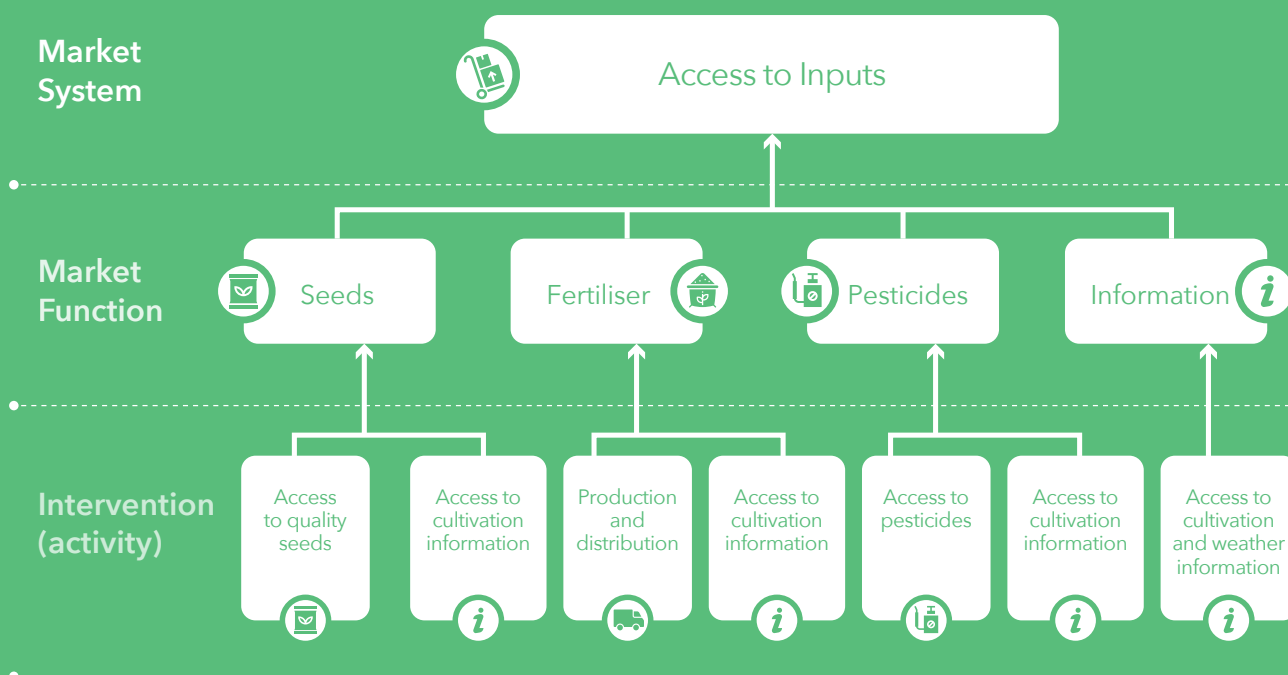
# Horticulture





## Market System 1

### Access to Inputs



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                      | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>1. Telenor 1</li> <li>2. Ali Akbar Group 2</li> <li>3. FMC</li> <li>4. Haji sons</li> <li>5. Khattak Seeds Company</li> </ol> | MDF's work focused on mitigating risk for input companies to target smallholder horticulture farmers in borderland areas with access to quality inputs, and information on how to use those inputs to obtain optimal yields and improved quality of their crops. Interventions with the private sector focused on setting up extension services in borderland areas and increasing the availability of quality inputs to horticulture farmers across different regions. Promising results were experienced for a number of interventions including MDF's partnership with Telenor which resulted in an effective outreach of just over 73,000 people. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 124,531                   | 87,566                  | 27,529,627                    | 18,854,451                  | 4,990,972                   | 3,403,312                 | NA            | 354,800      | <div> <div></div> <div></div> <div></div> </div> |

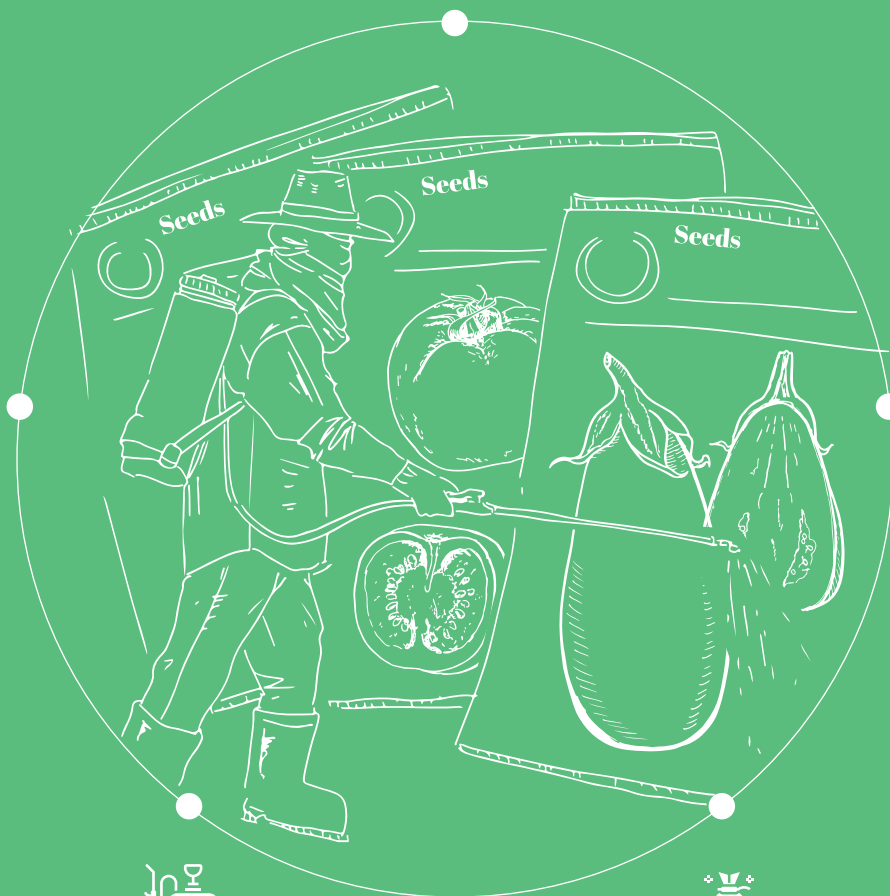
## Market on a Page Access to Inputs



This market system is mainly comprised of seed, pesticide and fertiliser companies as well as telecommunication companies which have started to provide input application information in recent years.



The fertiliser industry consists of four major suppliers whose sales stem mostly from urea and diammonium phosphate (DAP).



The inputs market system is better established in developed agricultural regions, such as Punjab and Sindh, versus more remote areas.



There are approximately 600 pesticide companies operating in Pakistan.



The seed industry is worth an estimated \$803.6 million with local certified seed and imported seed making up \$350 million and uncertified seed accounting for the remainder of the \$453.6 million.

## Market System 1: Access to Inputs



MDF aimed to improve smallholder farmers' access to quality inputs and information to increase the productivity and quality of horticulture crops. MDF promoted access to quality seeds, pesticides, fertiliser and information about cultivation practices and weather information for smallholder farmers in remote region of Pakistan and value chains in which productivity was low and cultivation practices sub-optimal.

MDF had 13 interventions to address constraints in this market system. In total, MDF benefited 87,566 people, of which 39,984 were women. Together these beneficiaries earned a total additional income of USD18.9 million.

Historically, development of this market system has occurred in more advanced agriculture regions like Punjab and Sindh where practices are generally better than in borderland regions. Seed, pesticide and fertiliser companies have traditionally directed sales efforts towards larger farmers with significant land holdings, in order to make bulk sales. Security issues in Balochistan have also deterred input companies from exploring the potential there. In recent years, growing competition in Punjab and Sindh has prompted some companies to explore borderland areas and target sales of inputs and information to smallholders. A more stable security situation has contributed to this interest in trade in remote regions.

MDF's work has focused on mitigating risk for inputs and telecommunications companies to target smallholder horticulture farmers in borderland areas. Interventions with the private sector focused on increasing the availability of quality inputs, combined with providing information – extension services – on how to use those inputs to obtain optimal yields. Even though women are not the primary decision-makers when purchasing inputs, women in some regions of Pakistan were involved in harvesting and contract farming for certain value chains. MDF, with some of its partners, endeavoured to increase the inclusion of women in the market system by imparting information on harvesting and connecting them as contract farmers to the private sector.

MDF supported **Telenor** to provide farmers in Gilgit-Baltistan and Chitral (GBC) access to actionable, timely and relevant crop information on their mobile phones. This resulted in better crop quality, reduced post-harvest losses and cost savings for 73,250 smallholder farmers, generating them USD6.7 million in cost savings.

## Market function 1 - seeds

MDF worked with the private sector to produce and distribute quality horticulture seeds to smallholder farmers along with cultivation information on improving farming practices.

Imported seeds, especially in crops like onions, have suffered from low germination rates, a major cause of low yields. Imported seeds are often unsuitable for the varying regional climates of Pakistan. The informal seed industry, where farmers produce their own seeds, also experiences sub-optimal results, as many farmers do not have adequate information about seed production.

Since Pakistan produces over 65 fruit and vegetable crops, an initial challenge for MDF was identifying which sub-sectors it could work in to achieve maximum impact. This involved balancing crops that had the most potential for improved seed quality with crops that farmers were most likely to grow. MDF therefore decided to work primarily within this function to support quality onion seed production and distribution. This was eventually expanded to improve access to better quality seeds for smallholder farmers through several interventions and in different horticultural value chains ranging from onions to chillies and cucumbers, among others.

MDF also worked to support vertical farming practices for vine crops (like cucumber, tomato and bitter melon). Vertical farming is effective/efficient because it can be applied to multiple crops increasing potential impact of any intervention.

Promising results occurred in an onion seed production intervention with Magnus Kahl Seeds (MKS), where a national seed company, CKD, became the distributor for MKS's high quality onion seeds across Pakistan. This partnership between MKS and CKD enabled MKS to concentrate its efforts on seed production while distribution was done by CKD, a highly experienced market actor with extensive networks and linkages through which to distribute the seeds. The agreement between MKS and CKD allowed MKS's seed to reach much further than MKS's own distribution network.

Initial reports indicated that CKD was selling MKS seeds in Balochistan, where a significant percentage of Pakistan's total onion production is produced (albeit hampered by poor quality seed). MDF had also previously supported MKS to increase its contract farming network by imparting information and inputs to female kitchen gardeners. As part of this intervention, MKS were a part of the contract farming network and for the first time, they could sell onion seeds to the commercial market. MDF also supported the company to increase its quality of processing and seed testing and connected them to FAO, which gave farmers in Balochistan the chance to try MKS's onion seeds on their own land and ultimately helped generate interest and demand from farmers for the company's products.



MDF's intervention with **Khattak Seed Company (KSC)** on cucumber vertical farming in Akora Khattak, KPK continued to show strong results, creating 2,109 jobs, and prompting other dealers in the area to also start selling vertical farming seed varieties in the region. Because most farmers in this region are smallholders, and situated close together, they were able to see and learn vertical farming practices from their neighbours, resulting in significant knowledge sharing and increased uptake. Many farmers have also started to apply these practices to multiple crops, like tomatoes and bitter melon. Due to the increase in yield as a result of applying these vertical farming practices, more labour was also employed for harvesting and spraying the crops with pesticides.



## Market function 2 - pesticides

MDF worked with the private sector to distribute quality pesticides and disease control information to smallholder horticulture farmers.

Pesticide companies have traditionally concentrated their sales and extension efforts in Punjab and Sindh, where there are larger farms. As competition in pesticide sales has grown, some progressive pesticide companies were exploring new markets in regions where farmers are disconnected from reliable information on crop disease management.

One of the main challenges that MDF encountered working in the pesticide function was generating enough interest within the private sector to target small horticulture farmers in the borderland regions. Even though firms were beginning to show interest, they were still hesitant to make significant investments. MDF worked with several pesticide companies, both multi-national and domestic, to provide farmers with quality inputs and information on disease management to increase crop yield and quality. One of MDF's earliest partnerships with Ali Akbar Group (a large national pesticide distributor) worked to provide a bundle of extension services for kinnows (citrus fruit) in Punjab. Kinnow farmers in Punjab work on medium-to-large sized farms but Ali Akbar Group had not previously tried to target local smallholders with holistic extension services on orchard management practices,

such as land preparation, fertiliser application, pruning and disease management.

The success of the intervention for the company in terms of sales was enough to convince Ali Akbar Group to try a similar model with MDF in Balochistan for small horticulture farmers. Another partnership with FMC Corporation, a large multi-national company, focused on awareness of disease management practices for tomatoes as well as holistic extension services in Swat, KPK and yielded promising results with very little investment from MDF. A monitoring visit to the region found that there was significant uptake of FMC's disease prevention product by farmers, and this had resulted in a 30 per cent increase in sales for FMC.

## Market function 3 - fertilisers

MDF supported the private sector in distribution, production and awareness of quality fertilisers and their usage to smallholder horticulture farmers.

The fertiliser market – especially for urea, DAP (diammonium phosphate) and potash – was dominated by three to four large scale actors. The highest sales have come from urea, followed by DAP with potash a distant third. Part of the reason for this was that farmers (especially in remote areas) lacked information on the composition of their soil and were unable to identify which fertilisers (and in what quantity)



their land required. Before news of MDF Pakistan's closure, the team was planning a potential intervention with Engro Fertilisers, a significant actor in the fertiliser industry, and other partners to provide farmers with access to information about the importance and use of potash for their crops.

MDF's primary work in this area was to support distribution, production and information dissemination around the use of bio-fertilisers with a company called Vital Agri Nutrients (VAN). The intervention focused on providing access to quality bio-fertilisers and information on its application and usage for farmers in KPK. The partner later diversified and explored the market of fisheries.

### Market function 4 - information

In this market function, MDF supported the private sector to deliver cultivation information and weather advisory reports to smallholder farmers in remote borderland areas (such as Gilgit Baltistan, Chitral and Balochistan).

MDF's first partnership focusing solely on information dissemination was with multinational telecommunications provider, Telenor. The partnership expanded Telenor's crop advisory and weather information services to Gilgit-Baltistan and Chitral giving smallholder farmers relevant, actionable and timely advice to enhance farm productivity. The intervention sought to understand the unique constraints

of farmers in these regions and develop a service that was customised and stylised to their needs and requirements. For example, discerning what times during the day would farmers need weather updates.

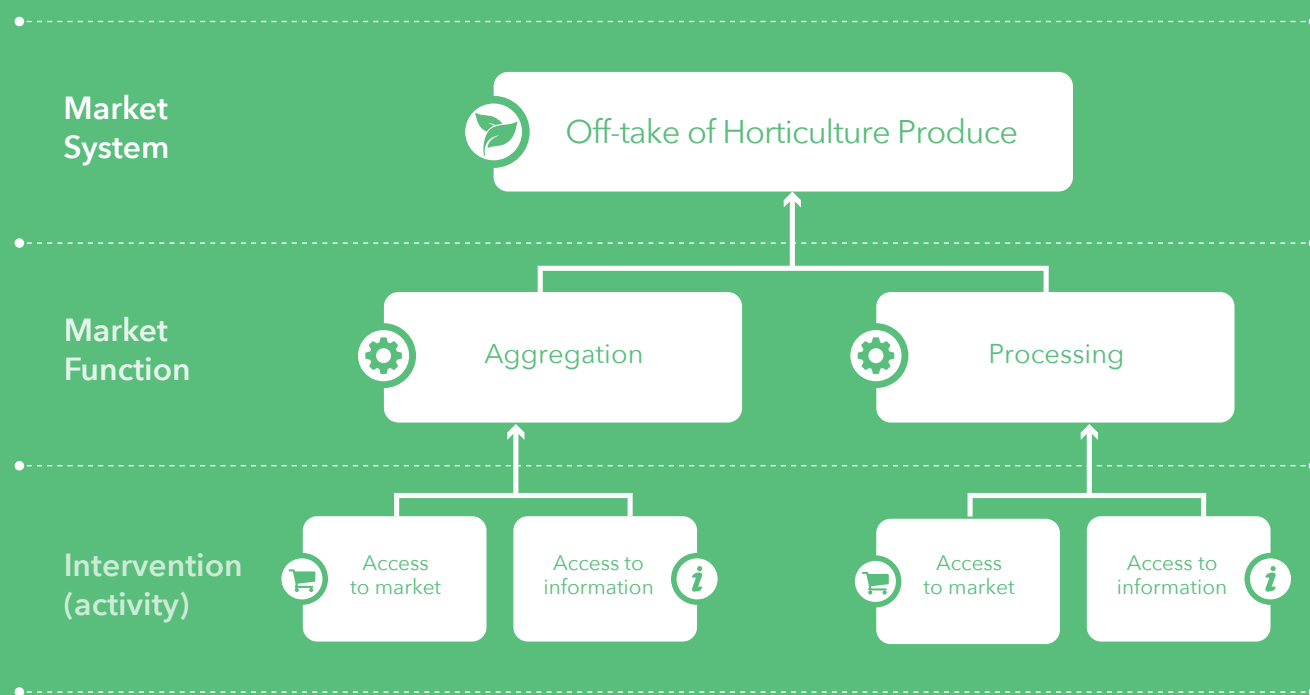
One of MDF's main challenges has been to achieve scale in borderland areas where the population is widely dispersed across difficult terrain, making it hard for traditional extension services to reach rural farming households with products and information. The collaboration between Telenor and MDF resulted in a collaboration designed to provide access to modern cultivation information and weather updates to rural farming households through the use of telecommunication services.

Telenor, with MDF's support, launched the service in August 2017 and since then 171,829 people have subscribed. As highlighted above, impact assessments for this partnership have reported significant farmer outreach numbers. After seeing this encouraging response from the market, Telenor invested further in these areas with the launch of health and medical insurance services to provide people with quick and easy reimbursements for medical claims. A second partnership with Telenor introduced a nutrition component to the crop and weather advisory service, but this could not be executed due to a shift in Telenor's strategic priorities and to MDF's close-down.



## Market System 2

### Off-take of Horticulture Produce



| Status of the market system | Interventions (active and/or monitored in 2019)                                      | Summary of performance                                                                                                                                                                                     |                             |                             |                           |               |              |                                              |
|-----------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|----------------------------------------------|
| Developing                  | <div>1. Star Farms</div> <div>2. Baloch Hamza Brothers</div> <div>3. Mullberry</div> | MDF assessed and consolidated the results of its partnerships with aggregators and processors to monitor progress. MDF saw its partners continue to invest in activities beyond the partnership agreement. |                             |                             |                           |               |              |                                              |
| USD                         |                                                                                      |                                                                                                                                                                                                            |                             |                             |                           |               |              |                                              |
| EO Projected (cumulative)   | EO Actuals (cumulative)                                                              | Income Projected (cumulative)                                                                                                                                                                              | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                     |
| 2,874                       | 2,834                                                                                | 204,374                                                                                                                                                                                                    | 204,374                     | 1,624,762                   | 1,624,762                 | NA            | 352,346      | <div><div></div><div></div><div></div></div> |



## Market on a Page

### Off-take of Horticulture Produce



As income rises and populations grow, there is growing domestic demand for fruits and vegetables in Pakistan.



Borderlands and other remote areas play a key role in the production of many commonly consumed fruits and vegetables, especially in off-season production.



Production has not kept up with needs, leading to a rise in imports.



Lucrative international markets also exist for organic and dried fruits, such as apricots and cherries.



The challenge is to connect farmers in the borderland areas to markets by linking them with processors, aggregators and high-end retailers.





## Market System 2: Off-take of Horticulture Produce



MDF aimed to provide smallholder horticulture farmers access to domestic and international markets for their produce.

With regard to offtakes of horticulture produce, MDF's work focused on the borderland regions of Gilgit-Baltistan and Balochistan. MDF supported key regional actors to obtain organic certification, enhance the quality of processing, and improve access to domestic and export markets. MDF supported innovative business models with high-end retailers enabling them to source quality fruit and vegetables directly from farmers.

As of 2019, MDF had seven interventions in this market system which impacted approximately 2,834 beneficiaries, earning a total additional income of USD204,400. More than 50 per cent of these beneficiaries were women.

The bulk of fruit and vegetables produced in Pakistan is sold and consumed in the domestic market; cotton, wheat, rice, sugarcane and small quantities of produce like apricots are exported. Demand for horticultural produce has risen over the last two decades due to population growth and increasing income levels. Production has not kept pace with local demand, or that of export markets. Imports have also risen steadily. These trends highlight a significant and

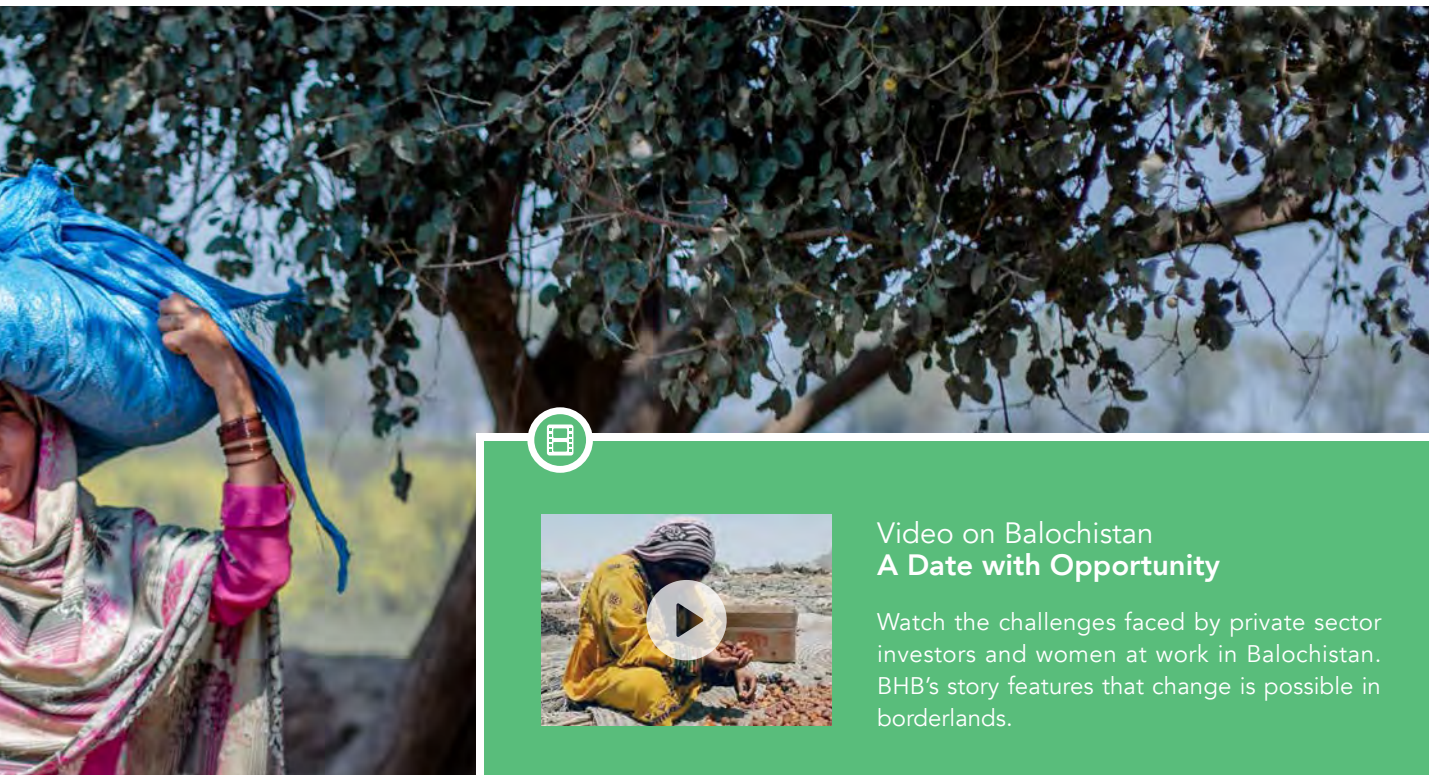
increasing gap in the demand and supply of horticultural products.

In Pakistan there are several small, medium and large food processing enterprises. Those in the northern areas source dried fruit such as apricots, cherries and walnuts for further processing, packaging and sale to export markets. These businesses have issues with low capacity, poor processing, inadequate certification and limited marketing. In addition, aggregators and high-end supermarkets source fruit and vegetables from mandis (wholesale markets) which results in significant wastage of this variable quality produce.

### Market function 1 - processing

MDF focused on supporting investments and innovations in value-adding processing of fruits and vegetables sourced from smallholder farmers.

MDF had several partnerships dealing with dry fruit processing in the northern parts of Pakistan. Support has involved helping small processing firms gain access to organic certification, improve the quality of their processing systems, and enter export markets. With Organo Botanica, a dried apricot processor and exporter, MDF supported the company to



### Video on Balochistan A Date with Opportunity

Watch the challenges faced by private sector investors and women at work in Balochistan. BHB's story features that change is possible in borderlands.

obtain organic certification and improve the quality and capacity of its processing. The partner was then able to source more apricots from a higher number of farmers. Since apricot farming in Gilgit-Baltistan is done mostly by women, a high proportion of the beneficiaries for this intervention were women. They are now able to sell their organic dried apricots to Organo Botanica at a premium. MDF also supported Organo Botanica to reach out to potential export buyers through attending international trade fairs and thus create more demand for their produce. This would, in turn, allow them to source more organic produce from a greater number of farmers.

MDF also supported the first formal date processor in Balochistan, **Baloch Hamza Dates (BHB)** to increase and improve its processing capabilities, thereby sourcing larger quantities of dates from more farmers, processing, and selling them to domestic markets and exporters. Through MDF's support, BHB was also able to provide crates to farmers that would aid in reducing post-harvest losses during transportation and storage. MDF also provided help to BHB in setting up a female only facility in Panjgur, Balochistan, which is traditionally a conservative region for women. The facility featured BHB's owner's own wife working as a supervisor and a role model for women who

wanted to work and earn extra money for their families in a safe environment.

### Market function 2 - aggregation

MDF supported aggregators and retail stores to source fruits and vegetables directly from smallholder farmers in remote regions.

Many processors and high-end retail outlets were sourcing fruit and vegetables directly from mandis. This was convenient and seemingly cost effective but resulted in a mixed quality of produce and high rejection costs. For the farmers, selling their produce to the mandi involved high transportation and other transactional costs.

MDF partnered with Star Farms, a subsidiary of Metro Group, to help it develop and implement a sourcing model for directly sourcing crops, fruit and vegetables. This led to improved produce quality and reduced losses from wastage. In 2019, MDF's monitoring results from the Star Farms partnership indicated that the company was sourcing mostly from large holder farmers, but that it aimed to source more horticulture crops from remote regions once the model became more established.





# Sector on a Page

## Leather



\$2,438

Additional income  
per beneficiary



\$9,064,387

Additional export value



48%

Female  
participation



8

Interventions



### VISION OF CHANGE

- Opportunities for employment amongst urban poor are increased through the development of a more inclusive, competitive finished leather goods industry.
- Private sector players invest in machinery and technology which reduces the finished leather goods' production turnaround time and cost. This enables them to secure more orders and increase their income.
- The industry becomes more competitive and expands.
- More employment opportunities become available for women, and women are involved in diversified roles in factories. They have access to opportunities and services which enable their economic participation.



### CONSTRAINTS

The local leather industry has limited or no access to:

- Quality ancillary components and inputs.
- Product testing services.
- Domestic and export markets.
- Skilled labour and inclusive workplaces for female workforce.



### Input and Market Access

- Interconnect Global
- Intra-Systek
- Tabraiz Mold Engineering
- Textile Testing International



### Inclusive Workplace

- Footlib
- Servis
- Tradewell International
- WEE Engagement and Influencing Workshop

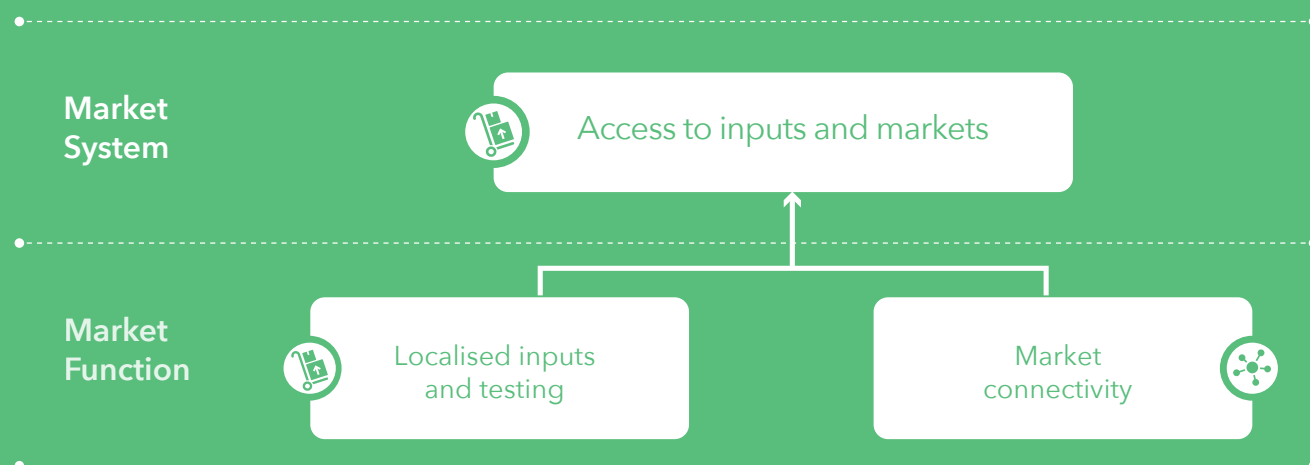
Sector Story  
Leather





## Market System 1

### Access to Inputs and Markets



| Status of the market system | Interventions (active and/or monitored in 2019)                  | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | No partnerships in this MSS were monitored or active during 2019 | Monitoring results revealed that shoe manufacturers using inputs from MDF's partners have improved their efficiency and secured new orders, but this has not translated into a significant number of new jobs created; it was found that new orders were absorbed by the existing workforce working longer hours. MDF realised that improving business competitiveness did not necessarily directly lead to more employment in a limited time frame. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 188                       | 188                     | 555,832                       | 555,832                     | 6,441,550                   | 6,441,550                 | NA            | 1,050,587    | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page

### Access to Inputs and Markets



Pakistan exports nearly \$1 billion of leather and leather goods annually.



Private companies offer the testing services required for compliance certification - but these are expensive and time-consuming.



Growth is restrained by inability to meet rigorous customer requirements, local availability of ancillary components and compliance certifications.



However, only 15% of leather in Pakistan is converted into high value finished leather goods for export.



Traditional leather good manufacturers do not experiment with new business models or market to consumers directly.



In 2013, the EU granted Pakistan GSP+ trade status, which waives all duties and tariffs on Pakistani exports to the EU for ten years, but market entry is dependent on meeting stringent certification requirements.

## Market System 1: Access to Inputs and Markets

Most of MDF Pakistan's initial work in the leather sector has been providing localised inputs and access to markets to local finished leather goods manufacturers. MDF identified footwear as a high potential growth sub-sector of leather and worked closely with the Pakistan Footwear Manufacturers Association to explore export constraints. MDF designed interventions that would provide the footwear industry with localised inputs like moulds, lasts and testing services to improve industry efficiency and response time and thus enable them to secure more orders which would result in additional employment.

MDF has four interventions in this market system and has created jobs for 188 workers, who have earned a total additional income of USD555,830. Monitoring results show that shoe manufacturers using inputs from MDF's partners have improved their efficiency and secured new orders, but this has not translated into a significant number of new jobs created; it was found that new orders were absorbed by the existing workforce working longer hours.

MDF realised that improving business competitiveness did not necessarily directly lead to more employment in a limited time frame. MDF also found that promoting the input industry to enhance manufacturers' productivity in a sector like leather, which faced an array of competitiveness constraints, involves high effort with low returns. Based on this, in a portfolio review conducted in May 2019 it was suggested that a better approach would be to channel efforts into exploring other sectors which have a stronger growth potential, are reasonably competitive, face labour shortages, and are incentivised by their customers to adopt more inclusive practices. The approach was not tested due to the imminent closure of the Pakistan program.

This market system represents a good example of sectors where there is a trade-off between inclusiveness and sector competitiveness. MDF did not make any subsequent investments in this market system as prior investments did not produce a significant number of employment opportunities, although MDF partners' profitability and productivity had improved. The partners catered to the orders through existing staff and had no motive to hire new employees.



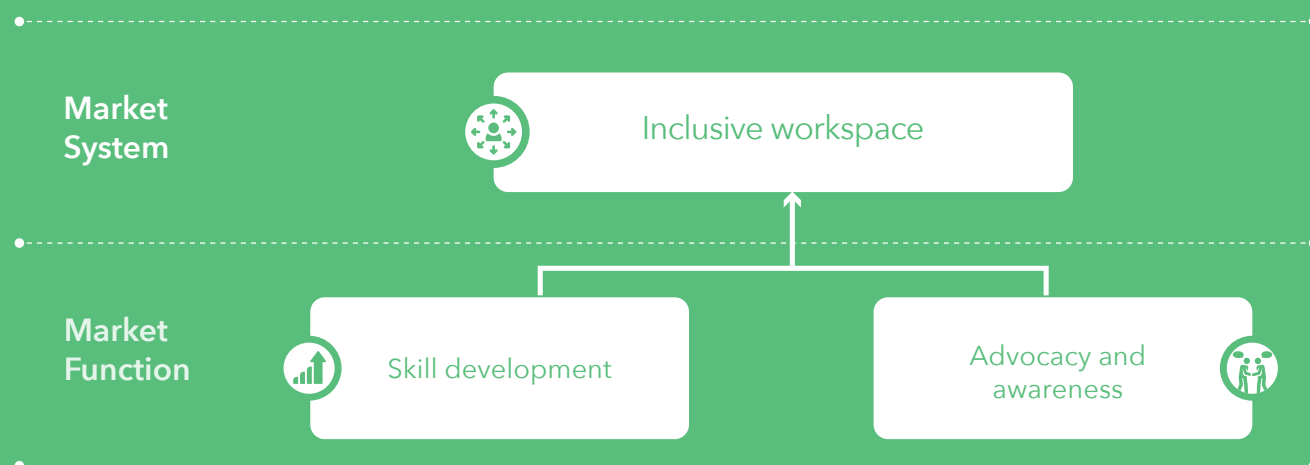






## Market System 2

### Inclusive Workspaces



| Status of the market system | Interventions (active and/or monitored in 2019) | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | 1. JMS Tradewell                                | In 2019, MDF signed its first partnership outside of the footwear industry with JMS Tradewell, a mid-tier glove manufacturer based in Sialkot, to create greater visibility of women-inclusive workplaces across mix of large and mid-tier firms to encourage other players in the industry to replicate the model. The rationale for this partnership was that MDF could leverage this model to get access to buyers and compliance bodies to encourage them to adopt more inclusive practices. 143 FTEs are expected as a result of this intervention. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 398                       | 255                     | 1,451,689                     | 594,458                     | 12,743,719                  | 9,134,511                 | NA            | 266,779      | <div> <div></div> <div></div> <div></div> </div> |

# Market on a Page

## Inclusive Workspaces



The leather sector employees nearly 1 million workers.



Inclusive workspaces and facilities such as day-care offer an avenue to attract more women to work in leather factories.



Many employers avoid hiring women because of management challenges.



The industry faces a shortage of skilled labour, as leather goods manufacturers find it difficult to hire and retain skilled workers.



In leather factories, male turnover is high because men have other employment and income options.



The industry has the potential to engage women either as factory workers or home-based contributors.

## Market System 2: Inclusive Workspaces



The leather industry faced challenges in recruiting and retaining skilled workers and MDF recognised a significant potential to increase the number of women employees to fill this gap and improve inclusiveness. To this end, MDF promoted inclusive workspaces to benefit women and the industry. MDF has four interventions in this market system which have created jobs for 255 workers, earning a total additional income of USD594,460.

With partners Servis and Footlib, women-only stitching lines were set up, creating opportunities for women to experience lateral and upward mobility within workspaces. The stitching line in Servis was supported by a day-care facility. This support has allowed Servis to hire more women, and, as they no longer worry about their children, the women are more productive. Servis also set up a free pick-up and drop-off service for all its women workers to ensure that they can get to and from work safely.

Additionally, they had set up an ATM machine at the facility and provided bank accounts and ATM cards to all the female employees. This has resulted in greater control of women over their earnings, as they can now draw the amount of their contribution to the household income and save the rest for themselves. Servis also invested in expanding its women stitching unit by adding additional stitching lines, independently of MDF.

This inclusive approach proved more fruitful than efforts made in previous years to create employment by providing localised inputs and market linkages to footwear industry. Based on

initial results from WEE-focused leather interventions and from our work in improving the availability of local inputs, MDF realised that the potential for creating employment opportunities for female workers was better if it worked directly with progressive leather goods manufacturers. Getting the skills-cost equation right and creating ways of improving productivity (separate stitching lines) contribute to a strong business case, so it was important to demonstrate these to encourage other industry actors to replicate it in their factories. After an internal portfolio review in April 2019, MDF adopted the approach of looking for segments of industry where there was growth potential, a shortage of labour and the potential for hiring women because of pressure and incentives from buyers to adopt more inclusive practices.

In 2019, MDF signed its first partnership outside of the footwear industry with JMS Tradewell, a mid-tier glove manufacturer and exporter based in Sialkot. The rationale for this partnership was to create greater visibility of women-inclusive workplaces and leverage this model to get access to buyers and compliance bodies to encourage them to adopt more inclusive practices. This partnership aims to create jobs for 143 workers, the majority of whom would be women workers. So far, 60 workers have been hired; giving women a chance to diversify their skillset by working in more specialised functions such as laser cutting, which are usually male dominated roles.





## Inclusion Interview



### A Role Model for Women in Agriculture

*Shabana Kamar is a leading silage entrepreneur and headmistress at a school in Khanewal, Punjab, Pakistan. In 2017, she started selling silage in her village. As her understanding of the material and strong ties with the community have grown, so has her business. This season, she has expanded her venture to produce fodder on 20 acres of land.*

*MDF Business Advisor Izza Sabahat sat down with Shabana to find out more about her journey as an entrepreneur and opportunities for women in agriculture.*

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**MDF: What are the opportunities and challenges for women in the dairy business in Pakistan?**

**Shabana Kamar (SK):** Although women play a significant role in small-scale dairy farming, their contributions are often ignored or widely underestimated. I think there are a lot of opportunities to enter this domain and come into the mainstream. Unfortunately, the social and cultural context of Pakistani society, especially in rural areas, is predominantly patriarchal. Rural women in particular have a low percentage of participation in the world outside their home and are limited by domestic boundaries. I would encourage them to step out of their households and become leaders.

**MDF: What motivated you to enter the silage business?**

**SK:** Since I was a child, I have been taking care of our animals, so I was very interested to know more about animal health. I started to feed them silage when I first heard about

it from Pioneer Seeds. It worked wonders! My animals increased their milk production. It requires less effort and saves time. I wanted other women to benefit from it too but unfortunately, we had no common point where women could get information on silage or purchase bags. I decided to make use of my family's inherited land and experiment by growing silage and selling it in my village. Harvesting it on my own land also reduced my production costs and resulted in healthier animals.



*I belong to an agriculture family; to date all men in the family have led businesses. I am proud to say that I am the first woman in my family to enter this domain.*

---

Shabana Kamar

**MDF: What challenges did you face?**

**SK:** Almost all livestock farmers are seriously concerned about the availability of quality nutritional products for their animals. This is especially a problem for small farmers who are located in villages far from market towns, where you just don't have access to these inputs. I was forced to rely on green fodder, which alone was not sufficiently nutritious. Being a farmer in Khanewal, I faced similar issues until I was introduced to silage.

When I later started my silage business, it was not very profitable because it took some time to spread the word among the other female farmers. The idea of getting out of the home and purchasing a fodder alternative was a very new concept to women in my village. In the first season, only two or three women came to get silage bags and I ended up feeding the remaining silage to my own animals. Businesses come with risks and challenges, but a true entrepreneur eventually manages to overcome those issues.

**MDF: What is the most important part of your work?**

**SK:** The most important part of my work is sharing what I've learned with other women working in agriculture. I build awareness in the community by offering female farmer days and training sessions for extension workers. We started off with a group of about 10 women and now we conduct farmer days with 25 female farmers in attendance. The trained extension workers go door-to-door, meet with female farmers and invite them to the awareness sessions. So far, I have done 15 farmer days in Khanewal and the outskirts and I want to expand these to district-level sessions.

**MDF: How have women in the community reacted so far?**

**SK:** Initially, the number of buyers was low but once the word of mouth spread in the community, more women started to come to my farm to buy silage bags. They now also consult me on best dairy practices and animal nutrition. I am happy to guide and advise them. I want more women leaders to emerge from our community.



*Women of my community see me as a role model and want to learn the tips and tricks of silage making and interestingly, entrepreneurship as well.*

Shabana Kamar

**MDF: What are some of the key lessons from being an entrepreneur?**

**SK:** At times, entrepreneurs are so confident about their research and investment and step into the businesses thinking it will be an automatic success. That's not always the case! I had great interest and energy to enter this space, but I lacked experience. I will be honest: I was struggling because of these reasons.

I got lucky when MDF introduced me to one of their entrepreneur partners who also works in silage in my region. I got a chance to visit his farm occasionally and witness on-farm activities. I learned the tricks of the trade in this field. It clarified all my queries, such as which machinery to buy, how much silage to produce to ensure it's baled in time, how and when to sell it and how to conduct awareness sessions. My son expressed his interest in silage and I sent him to this experienced entrepreneur's farm for one-on-one training sessions.

**MDF: What does the future hold for women-led businesses?**

**SK:** Women can break barriers and enter into the businesses in which they aspire. It is unfortunate that in our culture, women often do not have the support of their family to work outside of the home. At times, women are more skilled in certain tasks, but their talent stays hidden.



*Now that my community sees the benefits and emerging success stories, their mindsets are changing. I want to say it out loud to all the women entrepreneurs out there, be confident in what you do and do not hold your dreams back.*

Shabana Kamar



## Pro-poor Growth Story

# A Tale of Two Heroines

*Some communities in remote areas of Pakistan struggle to access banking services, which makes it difficult to start and grow small businesses.*

*MDF partner Khushhali Microfinance Bank Limited (KMBL), whose mobile banking van "Branch on Wheels," provides financial services to villages in remote areas. The van's staff conduct awareness sessions on livestock and agricultural loans, and offer credit to people with limited access to banking. So far, they have organised over 3,802 livestock and agriculture loans.*

*MDF Pakistan spoke with two entrepreneurs to find out their experience with the Branch on Wheels.*



As the only source of income in her household, Kausar Parveen from Jhang, Punjab, found it difficult to make ends meet. Her work as a tailor was not enough to meet household expenses, so when she heard about livestock loans from her friends, she was keen to buy a dairy animal and try starting her own business.

In Jhang, women tend to be the primary caretakers of their family's livestock. However, because local culture doesn't allow women to engage in economic activity outside their homes, men tend to lead all business transactions.

As an unmarried woman, Kausar was also excluded from family decision-making and participating in any external endeavours, but microfinancing gave her a new opportunity. "My life changed when the mobile bank facility of Khushhali Microfinance Bank Limited (KMBL) came to my village," Kausar said. "I was able to get a loan of USD290 (PKR45,000), which allowed me to set up my dairy business."

Since investing in a cow, Kausar now sells seven litres of milk to her neighbours every day at a price of USD0.55 (PKR80) per litre. By generating new cashflow for her family, she says her position in the household has improved. Her dairy business gives her financial freedom and her involvement in family decisions makes her feel strong: "I am now asked to participate in all family discussions and decisions."



**I am now asked to  
participate in all family  
discussions and decisions.**

— Kausar Parveen

This additional household income has improved the lives of other family members. Kausar's mother suffered from an illness for several years and with a limited income, she had not been able to go to the hospital for treatment. Thanks to the revenue from the dairy business, Kausar takes her mother for weekly check-ups and buys medicine from a local herbalist.



Another of KMBL's valued customers is Zahida Parveen, a single woman living with her family in a rural area of Jhang. Here, as in many other areas of the country, patriarchal values dominate social norms and women are often excluded from economic participation. However, after her father was injured, the responsibility for household expenses fell on Zahida. She took advantage of microfinancing loans to change her family's economic situation.

With her first loan of USD194 (PKR30,000) along with some personal savings earned from her work in a nearby factory, she was able to expand her milk-selling business. She used the income to buy livestock and now produces butter to sell in her village. "My father is crippled, and my brother is very young. I feel proud of myself that I take care of my household expenses and ensure a comfortable living for my family all by myself," Zahida added. Thanks to her thriving business, she has invested in her father's healthcare and her family is financially stable.

Now well-versed in the loan process, Zahida utilised her second loan for USD485.54 (PKR75,000) to purchase a meat animal which she raised and sold during the Eid holiday festival for approximately USD1,942 (PKR300,000).

With the help of local responsible microfinancing loans, Zahida and Kausar have become examples of successful change agents in a location where many are convinced that progress is either slow or impossible. Their achievements have inspired other women in their village to establish their own businesses and move into leadership roles.



Currently, KMBL is successfully operating in the Jhang district of Punjab and plans to extend its services to other areas where, formalised financial services do not exist. The mobile branch offers a wide range of other banking services including opening an account, distributing and collecting loans, organising local remittances and health insurance, as well as offering a reliable savings facility. KMBL's work empowers farmers to improve their income generation capabilities and eradicate their reliance on middlemen to meet their routine financing needs.





## Acknowledgements

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

|                                                                       |
|-----------------------------------------------------------------------|
| Accelerate Prosperity                                                 |
| Aga Khan Development Network                                          |
| Agahe Pakistan                                                        |
| Agriculture Delivery Unit, Government of Punjab, Pakistan             |
| Agriculture Department, Government of Balochistan, Pakistan           |
| Aman Tech                                                             |
| Alliance for Water Stewardship                                        |
| Austrade                                                              |
| Dawn Media Group                                                      |
| Engro Corporation                                                     |
| Food and Agriculture Organisation of the United Nations (FAO)         |
| International Labour Organisation (ILO)                               |
| Lahore University of Management Sciences                              |
| Pakistan Business Council                                             |
| Pakistan Council of Research in Water Resources                       |
| Pakistan Microfinance Investment Company                              |
| Pakistan Tanners Association, Karachi, Pakistan                       |
| Punjab Commission on the Status of Women                              |
| Sialkot Chamber of Commerce and Industries (SCCI)                     |
| Sindh Agriculture Chamber                                             |
| Small and Medium Enterprises Development Authority                    |
| Special Talent Exchange Program (STEP)                                |
| Thar Foundation                                                       |
| United States Agency for International Development (USAID)            |
| The Australian Centre for International Agricultural Research (ACIAR) |
| World Wildlife Fund (WWF)                                             |

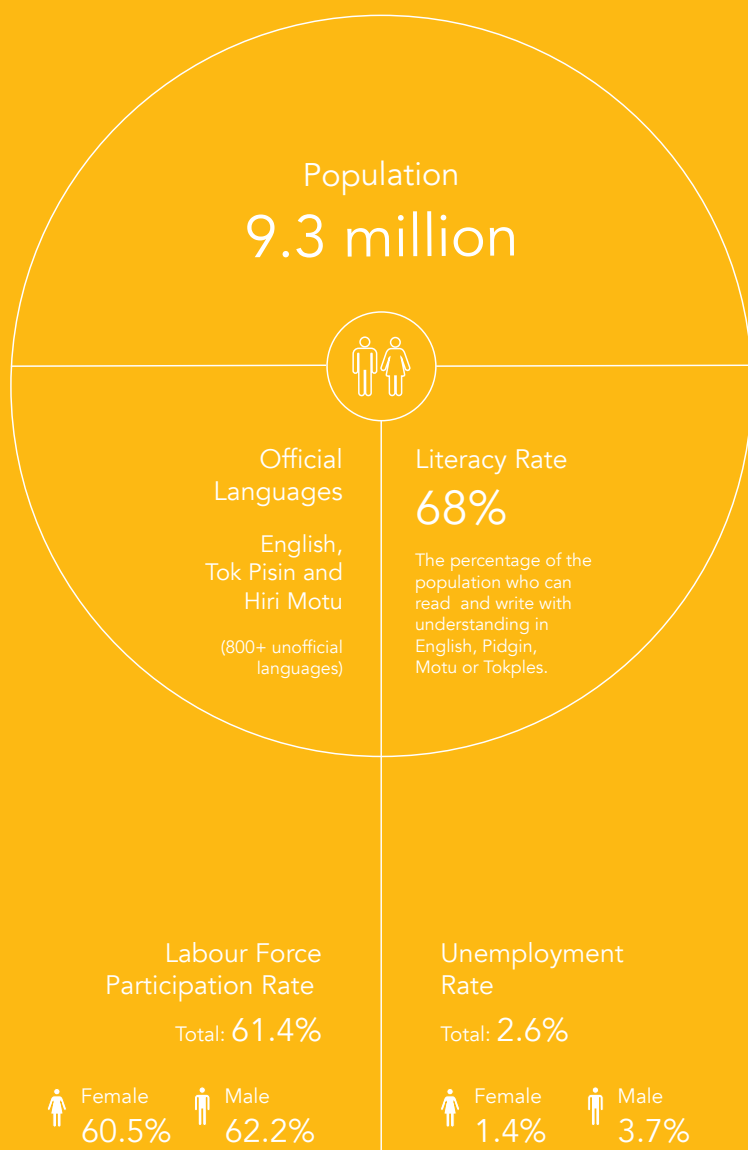
MDF would also like to extend its thanks to all its partners in Pakistan, without whom the team's achievements would not have been possible.





## Quick Facts

# Papua New Guinea



### GDP contribution by major sectors

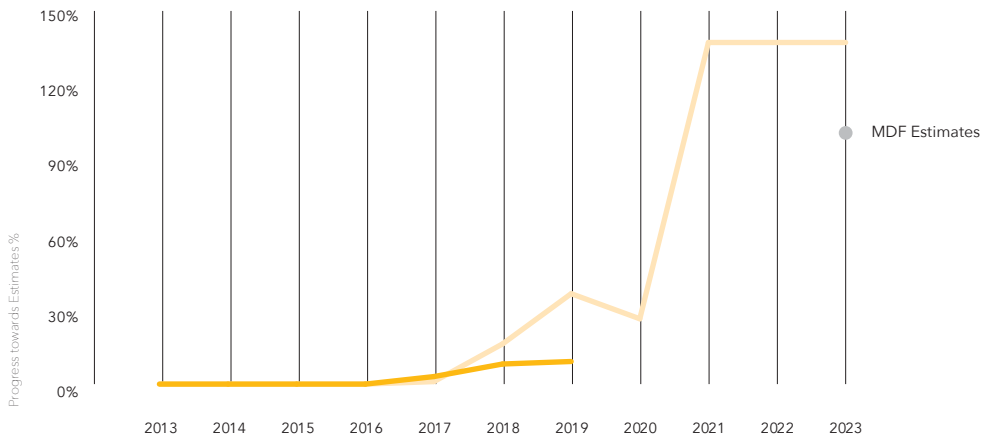






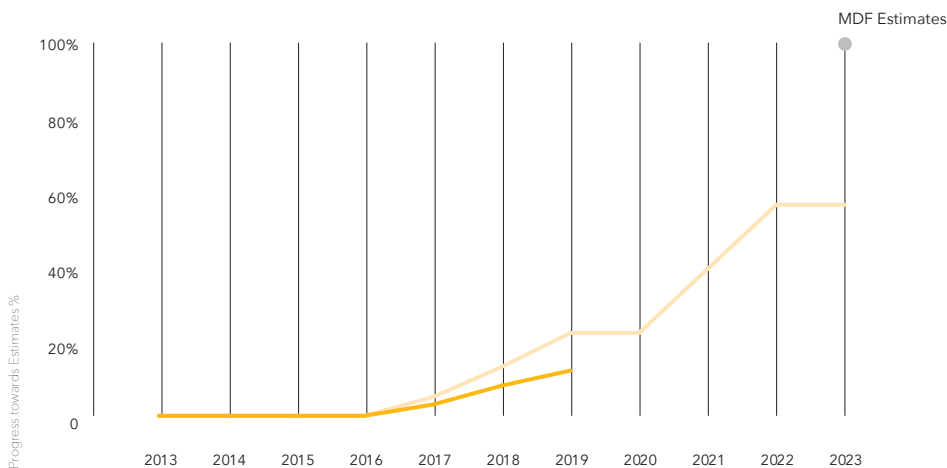
# Highlights

## EFFECTIVE OUTREACH



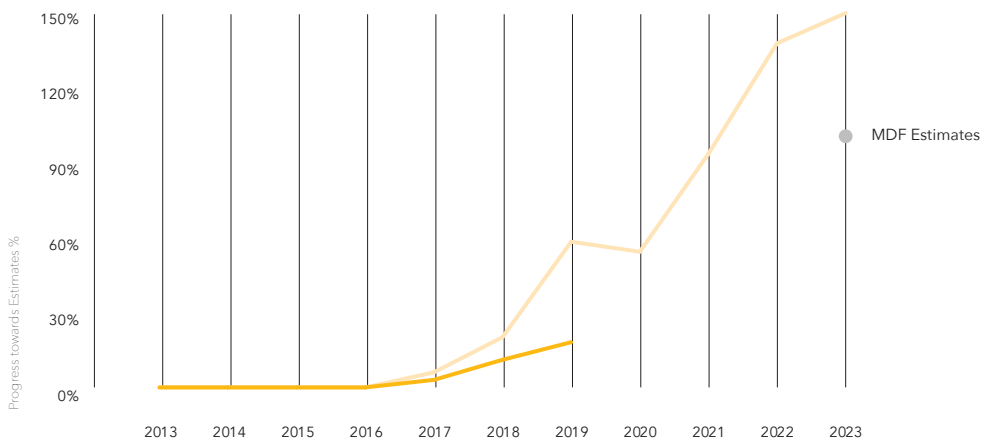
- **9%**  
Cumulative actuals % against MDF estimates
- **136%**  
Cumulative projections % against MDF estimates

## NET ADDITIONAL INCOME (USD)



- **12%**  
Cumulative actuals % against MDF estimates
- **56%**  
Cumulative projections % against MDF estimates

## VALUE OF ADDITIONAL MARKET TRANSACTIONS



- **18%**  
Cumulative actuals % against MDF estimates
- **149%**  
Cumulative projections % against MDF estimates

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#### EFFECTIVE OUTREACH

- The current portfolio has already achieved 9 per cent of estimates and is projected to achieve 26 per cent of estimates by 2020, and 136 per cent by 2021.
- Agribusiness accounts for 68 per cent of cumulative effective outreach. To date, locally-produced honey has contributed most. From 2020, it is projected that most impact will come from high-grade and certified coffee.
- In late-2019 and early-2020, new partnerships were signed in coffee, which are expected to contribute significantly to the portfolio. Interventions will begin in 2020, with results flowing from 2021 onwards.
- Projections for effective outreach by 2021 are expected to exceed effective outreach estimates, as a result of a strategic shift in 2019 towards higher potential markets.

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#### NET ADDITIONAL INCOME (USD)

- The current portfolio achieved 12 per cent of estimates. It is expected to achieve 22 per cent and 39 per cent of estimates by 2020 and 2021 respectively.
- Agribusiness contributed 91 per cent to the cumulative actual additional income in 2019. This share will increase as new interventions generate impact.
- As new interventions and partnerships gather momentum, actuals will draw closer to projections and estimates.
- Coffee and honey interventions will contribute substantially to cumulative additional income actuals in 2020 and beyond.

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#### VALUE OF ADDITIONAL MARKET TRANSACTIONS

- The current portfolio achieved 18 per cent of VAMT estimates in 2019. It is expected to achieve 54 per cent of VAMT estimates by 2021 and 93 per cent by 2022.
- Agribusiness was the predominant sector in the portfolio, contributing 100 per cent of VAMT transactions in 2019. It will remain the main sector contributing to VAMT actuals in 2020 and onwards.
- Because of the number of market actors typically involved in agribusiness markets systems, the scope for increased VAMT is considerable in 2020, especially for coffee.

## Overview of Portfolio and Progress in 2019

As outlined in the Annual Strategic Plan, MDF continues to rebuild its portfolio in the Agribusiness sector in Papua New Guinea, focusing on market systems that have the strongest chance of success. MDF made a significant effort in 2019 to improve the relevance and effectiveness of the portfolio through tighter and more clearly defined strategies. In line with new facility-wide guidance, MDF PNG has implemented the new MSS strategic framework. Throughout 2019, MDF focused most of its effort on the major commodities: coffee and cocoa. Some scoping work was also undertaken in the livestock sectors and niche products such as honey and vanilla, which are expected to become a feature of the program in future years.

In 2019, MDF expanded its footprint in the high-grade and certified coffee market system. Sustainable Management Services (SMS), a partner of ECOM International and a market leader in sourcing sustainable coffee, completed its partnership activities. SMS trained and audited 1,064 farmers, who will be able to sell certified coffee for a premium in 2020. Last year, the partnership with Niugini Coffee Tea and Spice (NCTS), comprising a revolving fund for sourcing certified coffee, was delayed due to seasonal factors. NCTS will roll-out the partnership in 2020. It is expected to benefit 388 farmers in Morobe. To develop the market system for high-grade and certified coffee, MDF has four more partnerships in its pipeline. At the time of writing, MDF has signed partnerships with Niugini Highlands Coffee Exports (NGHCE), Morobe Mountain Coffee (MMCE) and PNG Coffee Exports and is finalising another agreement.

It is estimated that in 2020, new partnerships will result in training and certifications of 10,000 farmers, who will be able to sell high-grade coffee in 2021.

Last year, MDF expanded its honey portfolio to support potential exports through its current partner, Niugini Fruits (NGF). MDF will coinvest to upgrade to the firm's processing facility and improve its product marketing. This support will help NGF export honey and beeswax to new domestic and foreign markets.

During 2019, MDF collaborated with PHAMA Plus and the National Agriculture Quarantine & Inspection Authority (NAQIA). This collaboration will result in policy options for improving PNG's biosecurity regime governing pork imports. Given industry uncertainty about the potential impacts of African Swine Fever, MDF put interventions in the pig sector on the backburner. MDF also participated in a DFAT-led poultry and aquaculture scoping study. The aim of the study was to identify the constraints, and develop options, for ways in which the public and private sectors could work together to address problems of costly feed (for aquaculture) and day-old chicks (for poultry). With the coffee sector interventions now up and running, MDF will revisit both of these sectors over the course of 2020 and invest where opportunities arise.

The portfolio review in September 2019 helped the country team to conduct a health check of the portfolio. It enabled management to shed weak partnerships and replicate





successful intervention models. After an exhaustive review of progress, the country team came to the conclusion that the South Pacific Brewery's cassava project would not be feasible as designed (i.e. using the i2i sub-contractor model). MDF had to wind down its engagement after six months of implementation, handing over its work to co-partner International Finance Corporation (IFC) which wanted to take the intervention in a different direction. After two years implementing the NKW fresh partnership, which yielded some promising early results, MDF decided to wind back MDF's support in this area. This decision was made after it became clear that the model being used by NKW Fresh was not economically viable in the longer-term.

In 2019, MDF PNG's cumulative effective outreach was 755 beneficiaries. Program activities created a cumulative additional income of USD452,836. This represents a very modest outcome. Three factors contributed to the lower than anticipated outreach figures. These included a glut in the honey market which decreased New Guinea Fruits (NGF) sourcing capacity, the disappointing outcome of South Pacific Brewery and NKW Fresh partnerships and the delay in starting the Niugini Coffee Tea and Spices' revolving fund. Each of these factors is explained in the market system section of this chapter below.

Having said this, there are some very promising signs in the program's pipeline. Work conducted throughout 2019 to lay the groundwork for interventions in the coffee and

cocoa value chains promises to deliver significant impact. The total projected effective outreach from these activities is 10,000.

In 2019, MDF solidified its team structure. It retained high performing staff and hired additional national and international staff to complement the team's existing skills. Two highly experienced consultants advised on the PNG business climate and ways to engage private sector partners. MDF also invested in developing staff skills through in-house and external market systems development (MSD) training. In collaboration with DFAT's PNG Governance program, MDF established its presence in Lae by placing a business adviser there.

MDF is aware that in Pacific, investments don't generate swift results. Investors generally take a long-term perspective before making investments and they are highly risk averse. MDF is therefore reconstructing its portfolio in agribusiness to take a long-term view. Instead of capitalising on opportunities which offer quick, but high-risk returns, MDF is focusing on long-term relationships that support its partners to start with small risks before venturing into more complex investments. The team will focus on pro-poor growth opportunities that make markets inclusive, resilient and competitive. MDF's approach is in line with the Australian Government bilateral relationship, which views its engagement with PNG as a long-term partnership.





## Country Strategy

2019 was a mixed year for Papua New Guinea's economy. The devastating 2018 earthquake in the highlands was a setback for a number of resource sector infrastructure projects, although the industry recovered in 2019. Non-resource industries recorded modest growth. According to Treasury figures, in 2019 non-mining growth increased by 2.9 per cent, driven by 2.5 per cent growth in agriculture and fisheries. Political events also had an impact, with the resignation of Prime Minister Peter O' Neill and the appointment of James Marape, former Finance Minister, as PNG's eighth Prime Minister. Since coming to power, Marape has articulated a vision to tackle corruption and has commenced negotiation with ExxonMobil to seek more favourable terms on the USD13 billion P'nyang gas project.

The new government plans to diversify the economy by prioritising growth in non-resource sectors, small and medium enterprises (SMEs), and the informal economy. As agriculture contributes around 17 per cent to GDP and sustains 80 per cent of population, the government considers agriculture a high priority. The government vowed to reduce dependence on the extractive sector and decrease poverty by doubling domestic agricultural production by 2022. The government has also announced that it will invest USD58.7million (PGK200 million) annually in the agriculture sector to 2030. In late August 2019, the European Union (EU) inaugurated a USD99.8 million (PGK340 million) pilot program designed to benefit smallholder farms in East Sepik Province.

The Australian Government's broader economic growth program in Papua New Guinea is aligned with the priorities of PNG Government. The Australian Government seeks to promote economic growth and reduce poverty in PNG by diversifying the economy, creating financial inclusion, enabling economic growth and human development. The Australian Government considers agriculture to be a key component in achieving these ends. Its various programs, including MDF, ACIAR, the Pacific Horticultural and Agricultural Market Access (PHAMA Plus) and the International Financial Corporation (IFC), are supporting rural development and improving rural livelihoods.

MDF's country strategy is in line with the economic development agenda of the Government of Australia and the Government of PNG. MDF supports agricultural development by improving the capacity of local businesses to source, process and market value-added agricultural products – from the large commodity industries through to livestock. In the commodity sector, the main area of focus for the current reporting period, MDF is focusing on helping

the existing industries (coffee/cocoa) to remain competitive in an increasingly challenging global market. MDF connects producers with markets and fosters trade. In this way MDF is well aligned with DFAT's 'Step-up' in the Pacific.



### In 2019, MDF focused on the following objectives:



Increasing PNG's exports in the certified specialty market for coffee by linking growers to specialty markets.



Opening up new markets (domestic and export) for niche products like honey, vanilla and chocolate.



Increasing farm productivity in fresh produce and livestock to meet growing local demand.



## Agriculture

After the resources sector, agriculture is the biggest contributor to the economy in PNG, responsible for 13 per cent of exports and providing livelihoods for the majority of the population. According to World Bank, poverty in PNG is a rural phenomenon and low agricultural productivity in a semi-subsistence setting is closely tied to poverty.

The agriculture sector in PNG is divided into semi-subsistence and commercial farming. According to PNG's 2011 census, around 74 per cent of households grow food crops, and 58 per cent of the total working population is involved in subsistence farming. While subsistence agriculture allows communities to survive in a geographically isolated and disconnected country, it also exposes smallholders to food shortages and price hikes. Climate-driven shocks in 2015 and 2016 affected 300,000 people. It caused price hikes in urban areas, exacerbating economic hardship for the urban poor. Inclusive agricultural markets, higher production and more disposable income can help smallholders cope with economic and environmental shocks.

Commercial agriculture is dominated by coffee, cocoa, copra and palm oil. These are also major foreign exchange earners for the economy. In 2018, the main contributors to PNG's foreign exchange reserves were palm oil (USD401 million), coffee (USD135 million) and cocoa (USD61 million). While village gardens meet the subsistence needs of the farmers, these four major cash crops are the main source of income for rural households. More than 2.4 million people earn cash by selling coffee, cocoa meets the income needs of over 1.9 million people and palm oil supports 220,000 people. Lately fresh produce is also becoming an important source of cash for farmers, many of whom have planted part of their gardens with fresh produce.

There are many reasons for PNG's low performing agriculture sector. First and foremost is the subsistence mindset of the large majority of the nation's farmers. Commercial agriculture was traditionally plantation based, which had established the country as a major exporter of coffee and fine grade cocoa. With the demise of plantations over the last 30 years agriculture has become smallholder centric. This led to a slow but steady decline in productivity as the economies of scale reduced and quality control slipped.

The government of PNG has tried to encourage the formulation of farmer groups so growers can take advantage from economies of scale, collective knowledge and better bargaining power. Despite these efforts, most cooperatives failed because members lacked clear incentives, a commercial mindset and business skills.

The structure of the private sector in PNG also limits engagement with smallholders. There is a large gap between commercial agriculture

and smallholders. The former is characterised by vertically integrated business models. In an effort to mitigate risk and uncertainty, large agri-businesses tend to want to retain direct control every aspect of their supply chains – inputs, cultivation, harvest, aggregation, processing and sales. There are a few exceptions to this model, such as coffee and cocoa, which have learned to work with farmer groups or cooperatives to secure their supply chains. Even here, however, smallholders are grouped and tightly bound to specific exporting companies.

As a result, most smallholders don't have access to inputs and information. Even in cases where they are able to access information and use inputs, commodity prices are so low that it discourages the adoption of, or investment in, crop enhancing practices. The result is both low quality and low productivity. Furthermore, environmental changes and pest attacks put downward pressure on yields. The cocoa pod borer epidemic, which started from East New Britain in 2006 and spread throughout the country, decimated cocoa production. The cocoa sector is still reeling from its effects. The coffee pod borer is now threatening coffee production in much the same way.

A myriad of other factors contribute to slowed agricultural growth in PNG, including the land tenure system, which makes it hard to buy new land or bring new land under cultivation, ageing trees and old varieties, a precarious law and order situation, poor logistics and infrastructure as well as expensive credit.



## The agriculture industry 2019

For most commodities, 2019 proved to be a difficult year. Coffee exports fell to an all-time low with the country exporting around 650,000 bags. It is difficult to point to one factor causing the decline in coffee exports. The decline has been gradual, and the factors contributing to it include climate change and volatility of coffee prices. Low coffee prices internationally have made the situation worse. In June 2019, the coffee price hit a five-year low of USD2.66/kg. The same trend could be witnessed in cocoa with PNG's cocoa exports falling to 38,000mt. The private sector claims that actual exports were even lower around 30,000mt. In livestock, African Swine Fever (ASF) continues to be a major threat. Although PNG is still ASF-free owing to its relative isolation, most observers agree that it is a matter of when, not if. The National Agriculture Quarantine & Inspection Authority (NAQIA) banned pork imports from some Asian countries. NAQIA and FAO have also released a report which discusses PNG's vulnerability to ASF and provides recommendations for the public and private sector in case of an ASF outbreak.

In 2019, good weather, an increasing number of beekeepers and bumper honey production created a glut in the domestic honey market. Due to slow growth in market share, PNG honey processors struggled to sell their existing stocks of honey, prompting a reduction in the amount of honey they bought from smallholders. It also highlighted the fact that for the PNG honey sector to grow, processors must develop new markets for PNG honey. It is possible that the devastating 2019 bushfire season in Australia may have severely affected the country's bee population, leading to a decrease in production. This may present an export opportunity for PNG honey processors.

The only smallholder sector that witnessed an encouraging return on investment during last year was vanilla. High speculation and natural disasters disrupted vanilla production in Madagascar - the world's biggest vanilla producer - driving up the prices. In 2017, global vanilla prices peaked, hitting USD600/kg. This led buyers to look for alternative supply. In 2018-19, international buyers increased vanilla buying from PNG, creating a boon for vanilla farmers, who sold quality vanilla for PGK750-900/kg (2018-2019). High prices and the entry of new exporters suggests an increase in vanilla production in PNG over next few years.

In 2019, MDF made headway in high-grade and certified coffee and locally produced honey. It retrenched in fresh produce and livestock and instead explored high-grade and certified cocoa and vanilla for smallholder growth opportunities.











## Sector on a page

# Agriculture



755

Effective outreach



\$452,836

Additional income



15

Jobs (FTE)



4

Interventions



### VISION OF CHANGE

- Exporters strengthen smallholder supply chains, enabling them to export more of high-grade coffee.
- Processors improve ability to add value, which leads to more exports of better quality cocoa, vanilla and honey.
- Aggregators provide market information, inputs and market access to smallholders, leading to higher returns for aggregators and smallholders.



### CONSTRAINTS

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



Figures presented in this infographic represent MDF's progress to date.

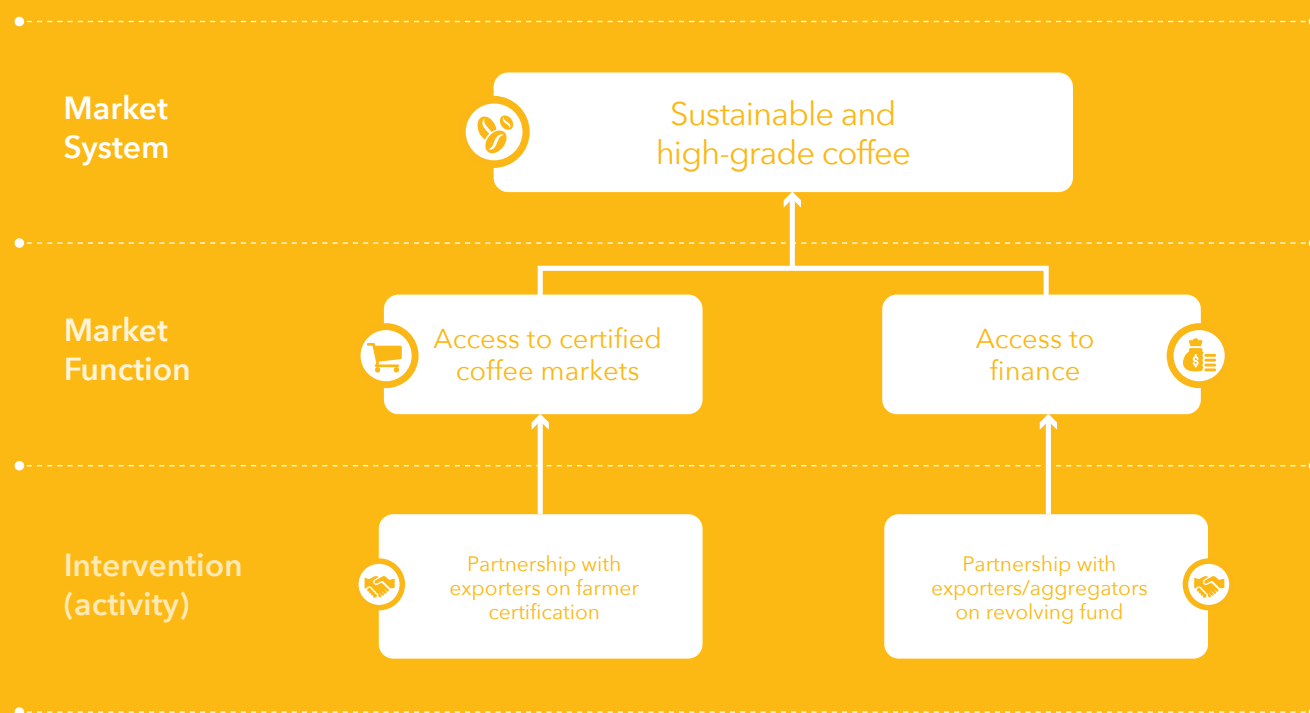


Sector story  
Agriculture



## Market System 1

### Sustainable and High-Grade Coffee



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                                                                                | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | <ol style="list-style-type: none"> <li>1. Train smallholder farmers on best practices for producing high value coffee</li> <li>2. Audit and certify the farms of new farmers enabling farmers to sell at premium margins through certified supply chains</li> <li>3. Develop financing models to improve liquidity of coffee aggregators enabling them to source higher volumes of certified coffee</li> </ol> | <ol style="list-style-type: none"> <li>1. MDF supported SMS in enhancing its capacity to train and certify smallholders for high-grade coffee. Partners have completed intervention activities. MDF signed new partnerships with NGHCE, PNGCE and MMCE. These partnerships are expected to provide market access to 10,000 farmers by 2021.</li> <li>2. MDF supported NCTS in establishing revolving fund to buy certified coffee from smallholders. Intervention activities were delayed because of the seasonal limitation of coffee season. Partners have established the revolving fund. NCTS will use revolving fund to source coffee in 2020. MDF has also replicated the intervention with MMCE. The revolving fund will improve MMCE's ability to source and export more certified coffee from Morobe.</li> </ol> |

| USD                             |                               |                                     |                                   |                                   |                                 |                  |                 |  | Progress<br>(Traffic Light)                      |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--|--------------------------------------------------|
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed | PSI<br>Expensed |  |                                                  |
| 11,456                          | 15                            | 1,658,640                           | 49,492                            | 3,832,618                         | -                               | n/a              | 99,251          |  | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page

### Sustainable and High-Grade Coffee



Coffee is PNG's second largest agricultural export valued at \$135.3 million (PGK461 million) annually.



Once smallholders improve production practices and are linked to high-grade coffee markets, MDF and its partners will identify promising farming clusters to incorporate into specialty coffee supply chains.



Although the country's overall coffee exports have decreased, the certified coffee trade has increased over the last five years, with a growth rate of 22% (3,482mt).



MDF is working to improve aggregation of high-grade coffee and linking smallholders to high grade coffee markets.



There are 22 coffee exporters in the country but seven firms dominate 78% of trade - four are partners of global commodity conglomerates and three are owned by Papua New Guineans.





## Market System 1: Sustainable and High-Grade Coffee

MDF is working to increase the export of sustainably produced high-grade coffee in PNG, by supporting coffee exporters to establish sustainability teams, extension services and revolving funds.

MDF's role in the coffee sector is developing. The current market conditions are favourable, which means coffee exporters are willing to expand their high-grade coffee supply chains.

There are a number of factors behind PNG's declining coffee exports. The shift from plantation to smallholder-based agriculture, as noted above, leads to reduced quality and quantity. But with coffee prices at five-year lows, an industry based on low yield commodity grade coffee is increasingly unviable, especially when Brazil and Vietnam are flooding the international market with competitively produced and priced coffee.

In the face of declining profits, exporters are looking at the higher margins of high-grade and specialty markets as a means of survival. The global market for this quality of coffee has been consistently growing in Europe and the United States, where consumers are demanding sustainably produced, better quality product. As a result, international coffee traders are expanding their global value chains of high-grade, sustainable coffee. PNG coffee exporters see this as an opportunity to reverse their declining fortunes. While they have few options to change the fundamentals - land tenure issues mean that the smallholder farming model is here to stay - moving into a higher price segment of the market could keep the exporters viable. But this strategy is not without risk. To succeed in the high-grade and specialty segments, exporters are required to invest heavily and deal with the notorious unpredictability of PNG's smallholder supply chains. MDF will work with its partners (exporters) to help them identify champions in their supply chains and develop clusters of specialty coffee producers.

Coffee also presents an opportunity to address the role of women in the coffee market system. Women are involved at nearly every level of coffee production, from picking to parchment. MDF's interventions focus on smallholder households as a unit, providing training to men and women. The trainings include topics such as household budget management, the role of gender in coffee production and household farm management.

Against this backdrop, MDF commenced work on high-grade certified coffee. Instead of increasing per hectare yield, which most development programs focus on, MDF partnered with exporters to help increase the supply of certified coffee.

### Market function 1 - improving smallholder access to high-grade certified coffee markets

In 2018-19, MDF signed its first partnership in high-grade coffee with Sustainable Management Services (SMS). The partnership supported SMS in expanding its sustainability team, providing extension services, training sessions and certifying smallholders. This happened despite the delay that ensued after the departure of company's general manager. SMS trained more than 2,000 smallholders, of whom 1,064 farmers were audited and certified. Out of these, 32 farmers are women. In 2020, they will be able to sell to SMS's partner MCEL, creating additional income of USD50,000 (PGK 161,145).

Based on these results, market dynamics and the enthusiasm of exporters, in the September 2019 portfolio review, the country team decided that MDF should expand its portfolio of partnerships aimed at securing access to premium markets for smallholders. New interventions that have been signed recently, or are in negotiation, include partnerships with New Guineas Highland Coffee Exports, PNG Coffee Exports, and Morobe Mountain Coffee.

### Market function 2 - improving aggregation of certified smallholder coffee through access to finance

There has long been a shortage of working capital in the coffee supply chain due to low levels of trust, and a lack of the formal mechanisms needed to smooth the relationship between exporters and aggregators. As a result, the aggregators - small entrepreneurs or cooperatives - purchase only the amount of coffee that they can pre-finance themselves. The remaining crop, even certified coffee, is left to be sold on the local market at low prices. This is a lose-lose situation, damaging farmer incomes, aggregators and exporters.

To address this constraint, MDF has been working with Niugini Coffee Tea and Spice (NCTS) to establish and scale-up revolving funds so there is sufficient working capital in the supply chain to allow more coffee to be purchased by aggregators, which is then exported.

Though the intervention was expected to produce impact in 2019, the establishment of the fund was delayed because of the seasonal nature of coffee. The fund is now established and ready. NCTS will use it to source additional Fairtrade certified coffee beginning in March 2020 with commencement of the coffee harvest. MDF is replicating part of this model with Morobe Mountain Coffee Export (MMCE). The intervention will increase MMCE's capacity to source certified coffee from 1700 farmers of Wasu and Boana.







## Market System 2

### Locally Produced Honey

| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                                             | Summary of performance                                                                                                                                                                                                                                                 |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | <ol style="list-style-type: none"> <li>1. Build partner capacity to provide beekeeping extension services to smallholder farmers to increase sourcing volumes</li> <li>2. Promote beekeeping as a profitable income generating activity to grow farmer base</li> <li>3. Strengthen partners processing and marketing capacity enabling increase in sales volumes</li> </ol> | MDF is helping NGF in improve their ability to process and market better quality honey. Partnership activities are underway. The intervention will allow NGF to develop good quality HACCP certified honey, which it plan to export, targetting niche market segments. |

| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | USD                                 |                                   |                                   |                                 | PSI<br>Committed | PSI<br>Expensed | Progress<br>(Traffic<br>Light)                   |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--------------------------------------------------|
|                                 |                               | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) |                  |                 |                                                  |
| 520                             | 478                           | 410,849                             | 212,903                           | 1,487,110                         | 478,303                         | n/a              | 175,881         | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page

### Locally Produced Honey



There are an estimated 400 active beekeepers with 4,000 hives in PNG. PNG's estimated honey production is currently 92mt annually, with a total market of 155mt.



These measures will improve honey sector's competitiveness, clear the glut and create new markets for the beekeepers and processors.



New Guinea Fruits (NGF) is the biggest honey processor, servicing 90% of local producers.



MDF works with processors to improve their processing quality and product marketing. MDF also support input suppliers to sell cheaper beekeeping additives to smallholder.



Processors have decreased sourcing from smallholders due to slow growth in market share and a market glut.



## Market System 2: Locally Produced Honey

MDF aims to develop new domestic and foreign markets for locally produced honey and honey-related products. MDF's role in the sector is emerging.

PNG's honey sector is developing. It is relatively small, with honey processors and importers selling around 120mt of the product in the domestic market. No estimates exist of how much honey is informally produced and consumed at the village and household level. The sector consists of one large player, NGF, which sold approximately 30mt in 2019, and smaller actors like Mountain Honey, Maoro Honey, Wetis Industries and PNG Beekeepers, which source, process and sell smaller quantities.

In 2019, Lae Biscuit, one of the biggest foods processors in PNG also established a small honey processing facility. The initiative is in a pilot stage, processing small volumes. The company aspires to scale up and target Asian markets. In addition, there are other smaller players that are sourcing from cooperatives and aggregators and marketing their brands in urban areas like Port Moresby. The impact of new entrants on the market is yet to be seen.

PNG's honey sector suffers from low productivity and high production costs, stemming in large part from the high cost of imported inputs, such as hives and wax. This, along with a relatively high local market value, makes the end product expensive and uncompetitive with imported brands like Capilano, which is cheaper than PNG honey brands in the local supermarket.



In the absence of economies of scale and low production costs, an option for PNG honey processors is to develop a niche for their honey through strategic marketing efforts, although capacity to do this effectively is low.

To address this situation, MDF is supporting honey processors to develop their supply chains, upgrade honey processing machinery, implement health and hygiene standards such as International Standards Organisation (ISO) and Hazard Analysis and Critical Control Points (HACCP) to regulate production processes. These improvements will enable the processors to develop a strong brand for PNG honey and expand their market share in the domestic market and develop new foreign markets.

MDF's interventions in honey have also provided information to women. During regular monitoring, MDF found that two main issues deter women from participating in honey production. These are a lack of information on bee handling and the weight of the equipment. MDF plans to address these challenges by working with processors and input suppliers to develop suitable inputs and help make it more convenient for women to raise bees.

### Market Function 1 - extension and value addition

In order to access lucrative domestic and export markets, processors are required to develop supply chains, invest in modern processing facilities, introduce low-cost inputs for beekeepers, reduce production costs and improve marketing to attract new customers.

MDF's first phase of the partnership with New Guinea Fruits focused on strengthening their sourcing capacity by setting-up an extension service, training farmers on bee keeping practices and building its supply of honey. From 2017-2018, MDF's partnership rendered effective outreach of 478. In 2019, NGF's growth in sales slowed. The company couldn't sell the stock it purchased from farmers in 2018. As its inventory grew, NGF reduced the quantities it purchased from farmers reducing the intervention's effective outreach in 2019 to 265.

To address the glut in the honey market, in 2019, MDF signed another partnership with NGF, supporting it to upgrade its processing capacity, improve quality standards, obtain HACCP and formulating a marketing strategy for developing a niche brand. This intervention will increase MDF's effective outreach from NGF from 256 in 2019 to 520 beneficiaries in 2022. Implementation commenced in 2019 and it is expected that once NGF's new facility is up and running, it has the potential to stimulate new local markets for PNG-made honey and beeswax.

## Market System 3: Livestock

MDF is working to improve productivity in the pig and poultry markets by improving access to inputs and extension services. In 2019, livestock remained an exploratory area. MDF's engagement in this sector will be determined by the results of its scoping work, and the potential impact of African Swine Fever.

The pig industry is comprised of a formal and an informal sector, where the formal sector consists of a small number of large, vertically integrated commercial piggeries.

The informal sector is comprised of mainly of smallholder farmers and a small number of SME piggeries, which together involves more than 600,000 households and accounts for 98 per cent of the country's pig production. Demand for pigs from informal markets is seasonal, synchronised with annually recurring festivities and ad-hoc cultural activities.

Opportunities exist for MDF to work with SME piggeries on access to inputs and extension services, which could reduce costs and increase growth rates. To date, MDF has one partnership with an SME piggery on silage production. This partnership has been unsuccessful because of a poor business model and issues with energy, which affected the operation of the silage machinery.

The poultry industry, on the other hand, is dominated by two vertically integrated commercial poultry farms, who control the market for meat birds and "day-old chicks" (DOC). Innovative Agro Limited is also planning to launch poultry

and stock feed production operations in East Sepik in 2020. The growth of the industry is heavily reliant on the availability of DOC to sustain regional markets. A smaller number of players in this sector presents MDF with few prospects for strategic partnerships within the poultry value chain, apart from potential partnerships with these commercial farms. However, it is important to maintain relationships with the poultry producers. If ASF significantly affects the pig stock in PNG, there is likely to be a significant protein gap. Poultry is, perhaps, the mostly likely alternative protein source, and there may be an opportunity for producers to expand sales or for new entrants in the market.

### Market function 1 - access to inputs and extension services

Apart from feed and breed, inputs and information are the most important factors determining the growth of pigs, poultry and fish. Smallholders in PNG face constraints regarding all of these factors. Though breed is controlled by a few large-scale piggeries, inputs such as feed and medicine could offer engagement opportunities for MDF. The team is currently in discussions about the extent to which the program engages in the pig sector given the risk of ASF. It will conduct a scoping mission in early 2020 to determine the path and extent of future engagement in the sector, while also exploring the entry points for prevention and awareness at the national level with PHAMA Plus.



## Market System 4: Fresh Produce

MDF has been working on fresh produce with a number of partners for several years. Like other sectors, smallholders in fresh produce face numerous constraints, including poor access to markets, logistical challenges from weak infrastructure and a lack of market information about price, quantity and quality. Smallholders don't have information on proper cultivation and post-harvest techniques. In addition, the perishable nature of the fresh produce compounds the problem, as logistical challenges and poor post-harvest handling result in a high percentage of post-harvest losses.

The last remaining partnership in this sector is with NKW Fresh. Despite yielding some promising early results, it became clear that the model being used by NKW Fresh was not economically viable in the long-term. MDF worked with NKW Fresh across two partnerships and a number

of years on strengthening its backward linkages through extension and information. However, over the years, NKW has struggled to source consistently from a widely dispersed group of farmers, many of whom lack commercial orientation and face difficulties in supplying fresh produce at the right quality. In 2019, NKW decided to scale back its supplier base and planned to focus on a core group of a few hundred farmers with a smaller extension team.

Given the lack of progress in the fresh produce market system over the years and a limited number of suitable partners, MDF will scale down its involvement in this area by completing the current partnership and not actively pursuing further engagement. MDF will maintain a watching brief on the sector but will only invest if a compelling business model or innovation comes to the fore.







## Observations and Lessons



### Agriculture

- In 2019, from the first two coffee partnerships, MDF learned the export potential of niche agri-commodities like high-grade coffee, cocoa and vanilla. The price these niche agri-commodities can command in international markets is enough to absorb the high cost of production. In addition, changing market structure makes the private sector amenable to engaging smallholders in supply chains. This led MDF to expand its work in high-grade coffee and explore cocoa and vanilla as potential pro-poor growth sectors.
- MDF also learned important lessons from its interventions in cassava and fresh produce market systems. MDF's partnership with SP Brewery was part of a bigger initiative aimed at establishing smallholder cassava supply chain for SP Brewery's starch processing plant in Markham valley. MDF contracted i2i for organising farmers into a shareholder company that could grow and aggregate cassava for SP Brewery. However, MDF learned that sub-contracting value chain development does not work without the sourcing company taking active involvement in value chain development. MDF will approach any such intervention in the future, where the partner is unwilling to take ownership of farmer engagement, with caution.
- In partnership with NKW, MDF learned that fresh produce aggregators face significant challenges in developing a viable business model. It is costly for businesses to set up and maintain fresh produce supply chains because of logistical challenges, costly extension and inconsistent production. As many fresh produce companies are offshoots of mining businesses, fresh produce companies sustain smallholder engagement through corporate social responsibility funding. In some cases, fresh produce companies continue activities with the support of donor funding.
- MDF faced the same challenge in its NKW Fresh partnership. From 2016 - 2019, the company experienced slow growth in sales. As extension service failed to improve the smallholder per hectare production, the company kept on sourcing fresh produce from same number of farmers. The additional cost of extension activities was higher than the additional value extension activities created. NKW Fresh therefore supported extension staff with MDF's support. Once MDF's engagement ended, NKW retrenched extension activities, focusing on core lead farmers with limited extension outreach. MDF will look at fresh produce models carefully when considering future engagement, analysing their business models from both a sustainability and an economic viability perspective.





## Inclusion Interview



### PNG's Coffee Pioneers

*Colleen Peni is a field extension officer in Goraka, Eastern Highlands, Papua New Guinea. She facilitates men and women farmer trainings for MDF partner Sustainable Management Services (SMS).*

*In a conversation with MDF, Colleen opened up about her journey in coffee farming, opportunities for women in the industry and challenges she faces as a field extension officer.*

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**MDF: What is your opinion on women in coffee farming in Papua New Guinea?**

**Colleen Peni (CP):** In PNG, female participation in the workforce is high but they usually work on an informal basis. In rural areas, women make significant contributions to the coffee industry. Although they are involved every step of the way, from farm up-keep, to harvest and processing, women's work toward the development and management of coffee farms is not recognised. In the society of the highlands, men are inherited landowners and thus remain dominant income holders.

**MDF: What challenges do women face in coffee farming?**

**CP:** One of the obstacles women face is access to information on modern farming and best practices. Many of the women involved in coffee farming do not have a formal education or they cannot read and that's why they struggle to access information on the latest farming techniques or understand new market requirements.

**MDF: What does your work as a field extension officer entail?**

**CP:** I conduct trainings on agronomy, farm health and safety, budgets, best practices on coffee piking, pruning and shade management. I also lead customised trainings on personal viability, gender equity and social issues, such as family business management. Female farmers easily connect with me. As part of my work routine, I inspect farms to monitor safety checks, sometimes spend weeks in network areas and give on-farm demonstrations.

**MDF: What challenges do you face as a female extension officer?**

**CP:** I was one of the three first female field extension officers recruited by SMS. When I first started, I had trouble getting male farmers to take my advice and accept my inspections. There's a patriarchal mindset in the rural regions. It was a struggle and took time to earn their respect and change their attitude. Fortunately, the female farmers were comfortable with me immediately.

**MDF: What inspires you to do what you do?**

**CP:** I've been doing this job for two years now and I've seen coffee farmers happily adapt to modern practices and willing to learn from my expertise. This inspires me. I am proud of myself and I feel a sense of satisfaction when farmers adopt the best practices and see improvements in their farm yields.

MDF PNG is working with private sector partners to create innovative business models, which are inclusive and benefit women.



The MDF collaboration with SMS works 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 positioned to sell high-grade coffee.



Inclusive growth video  
**Colleen Peni**

Get a glimpse of Colleen's story and the PNG coffee industry in this video.

## Pro-poor Growth Story

# The long road to sustainable coffee in PNG



In the highlands of Papua New Guinea, life can be unpredictable. Even something as simple as everyday chores can be completely disrupted by weather and road conditions. Coffee is the main source of income for most farmers in the region, and the process of coffee farming is labour intensive. Once harvested, the cherries are pulped, fermented, washed and dried. The drying process alone can take up to ten days and even then, only if the weather is warm and sunny. During the rainy season, this process takes even longer, which can slow down income generation.

Moreover, the highland terrain poses a serious challenge because paths are made from a combination of wet mud and clay, which can make travel impossible when wet. This results in the isolation of households and even whole communities, not only from the roadside markets but from each other as well. This seclusion inhibits mobility so much that clans separated by only 5km may speak different languages.

Tokam is from the Yasubi district of the Eastern Highlands. Like most farmers, Tokam walks one to two hours or more to harvest and sell coffee. The heavy coffee bags make walking in the hills on muddy roads difficult. On such days, Tokam and his family have no other option but to wait for the roads to dry, which means foregoing his daily income



**There is only one way that I can get money to look after our family, and that is coffee. Due to the condition of the roads, coffee prices remain low and there are not enough buyers.**

— Tokam

In order to sell and market coffee regularly, value addition is imperative. If the process of production is efficient and meets standards of excellence, it will result in quality coffee and can be sold at a higher rate.

Enter Sustainable Management Services (SMS), an MDF partner that works with a worldwide network of one million farmers with an aim to improve their economic, social, environmental and health conditions. It does this by building and managing transparent supply chains to improve yields and quality, building income for farmers. Roots No. 1 is one of the six supply chains of SMS.





**With Roots No. 1, my family and I are able to count on earning a premium.**

— Tokam

In partnership with MDF, SMS organises training sessions to smallholder farmers, which empowers them to not only increase their revenue by improving production but also to capture a global market for sustainably produced, certified, specialty coffee such as Starbucks, Nestle and Kraft. Tokam explains the results of the sessions.

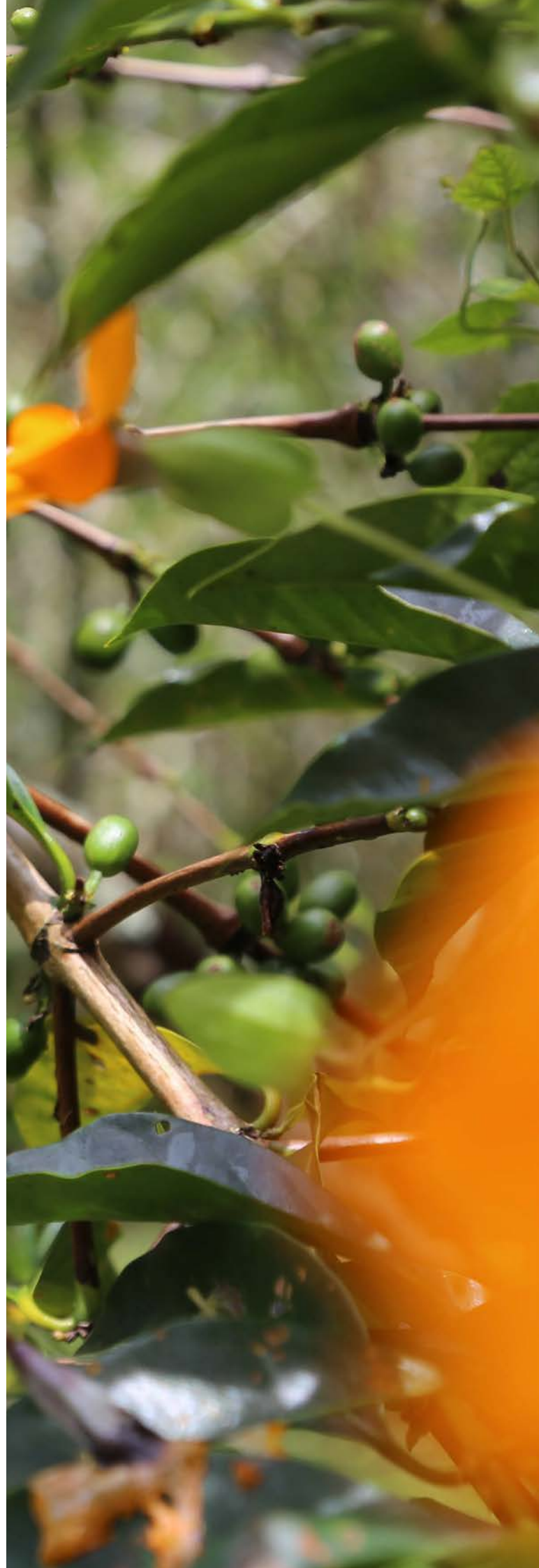


**SMS has also trained women farmers. My wife was lucky to be part of those trainings. So now my wife goes to the coffee fields with me and helps me in every step of the process. We are now producing twice as much parchment coffee as before.**

— Tokam



- In 2019, SMS trained and certified **1,064 farmers** (1,032 men and 32 women). In 2020, these certified coffee farmers will be able to consistently sell to SMS's partner Monpi Coffee Export Limited for reliable, higher prices.
- Farmers receive **USD0.15 (50 toea)** per kilogram premium in addition to the selling price of USD0.88-1.17 (3-4 kina) per kilogram for coffee parchment, which is roughly 10 per cent more than the local roadside market price.





## Acknowledgements

MDF Papua New Guinea would like to thank the following organisations and individuals for their support and collaboration over the past year:

|                                                                                                     |
|-----------------------------------------------------------------------------------------------------|
| Asian Development Bank (ADB)                                                                        |
| Australia Awards                                                                                    |
| Australian Centre for International Agriculture Research (ACIAR), Australian Consulate-General, Lae |
| Bank of Papua New Guinea                                                                            |
| Business Coalition for Women (BCFW)                                                                 |
| Eastern Highlands Provincial Market Authority                                                       |
| East New Britain Provincial Market Authority                                                        |
| Fresh Produce Development Agency                                                                    |
| Indigenous to Indigenous                                                                            |
| International Finance Corporation (IFC)                                                             |
| Lae Market Authority                                                                                |
| Milne Bay Tourism Association                                                                       |
| New Zealand Ministry of Foreign Affairs and Trade (MFAT)                                            |
| National Capital District (NCD) Market Authority                                                    |
| Oxfam Pacific                                                                                       |
| Pacific Horticulture and Agricultural Market Access (PHAMA)                                         |
| Pacific Labour Facility                                                                             |
| Pacific Women                                                                                       |
| PNG Conservation and Environment Protection Authority                                               |
| PNG Department of Agriculture and Livestock                                                         |
| PNG Governance Facility (PGF)                                                                       |
| PNG Incentive Fund                                                                                  |
| PNG Investment Promotion Authority                                                                  |
| PNG Tourism Industry Association                                                                    |
| Tourism Promotion Authority                                                                         |
| Western Highlands Province (WHP) Market Authority                                                   |
| World Bank Group                                                                                    |

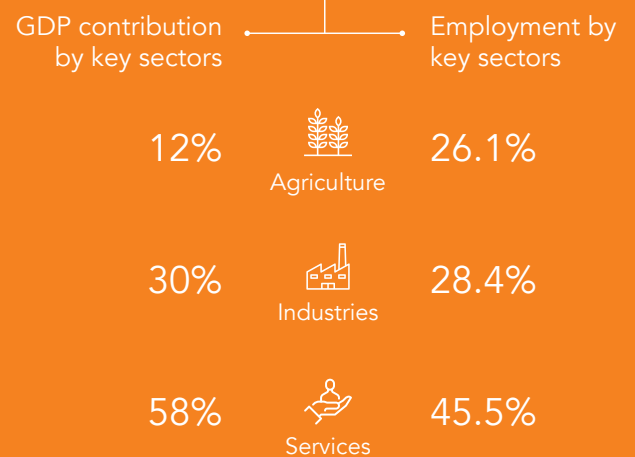
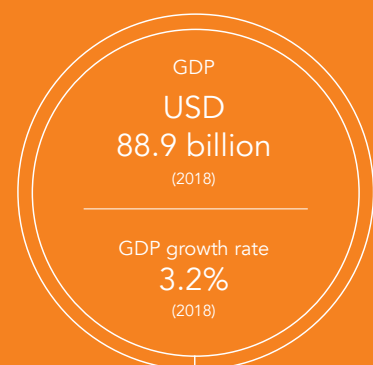
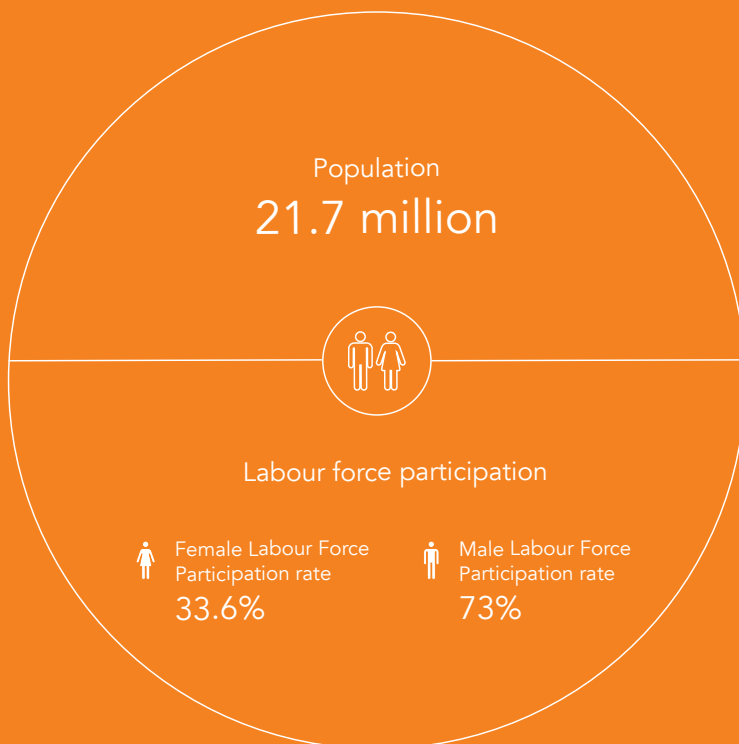
MDF would also like to extend its thanks to all of its partners in Papua New Guinea, without whom the team's achievements would not have been possible.





## Quick Facts

# Sri Lanka





## Tourism

| Tourist arrivals                       |                        | Tourism earnings         |                                     | Contribution to GDP |
|----------------------------------------|------------------------|--------------------------|-------------------------------------|---------------------|
| 2.33 million<br>(2018)                 | 1.93 million<br>(2019) | \$4.38 billion<br>(2018) | \$3.5 billion<br>(2019 - estimated) | 4.9%<br>(2018)      |
| (versus 2018 estimates of 2.5 million) |                        |                          |                                     |                     |

**Key focus area:** MDF supports the tourism industry to become more resilient, competitive and inclusive, enabling more jobs, higher incomes and improved wellbeing for men and women linked to the sector.



## Authentic Sri Lankan Goods

| Average price of Sri Lankan arabica coffee (greenbean)                              |                     |                            |
|-------------------------------------------------------------------------------------|---------------------|----------------------------|
|  | Coffee              |                            |
|                                                                                     | \$2.77/kg<br>(2016) | \$5.54 - 8.30/kg<br>(2019) |

| Blue Swimmer Crabs                                                                                                                                                                          | Organic spices/herbs                                                                                                                                                                                                      | Sri Lankan Giant Freshwater Prawn                                              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Sri Lanka is the only country certified as a 'Good Alternative' (yellow rating) by Seafood Watch, the sustainable seafood advisory list, for Blue Swimmer Crabs in the Indian Ocean region. | Sri Lanka is the ninth-largest global exporter of spices.<br>Share of Sri Lankan cinnamon exports in the world market – <b>33%</b> .<br><b>70%</b> of spices are grown by smallholder farmers, <b>30%</b> in plantations. | Average size of a male Sri Lankan Giant Freshwater Prawn<br><br>Length 60.96cm |

**Key focus area:** MDF supports increased productivity, improved supply chains, higher quality and better market linkages for export-oriented value chains including seafood, specialty coffee, and organic herbs and spices, leading to more jobs and higher incomes for farming and fishing households.

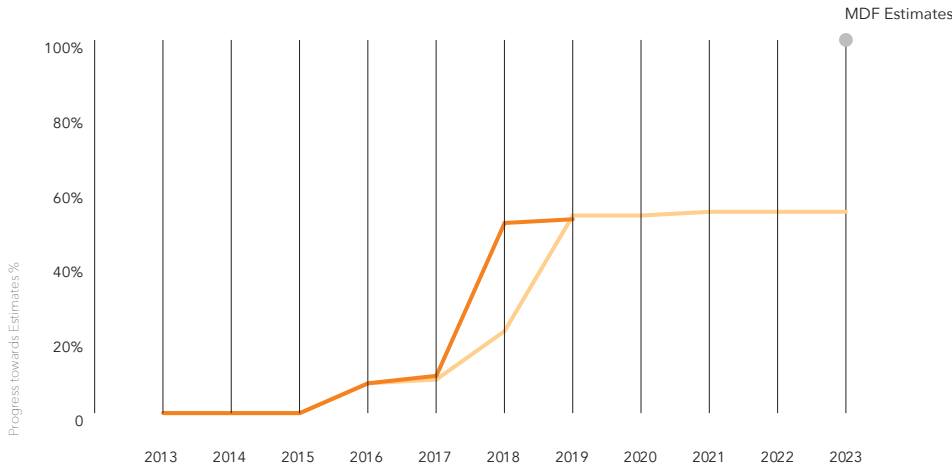


Weight  
750g



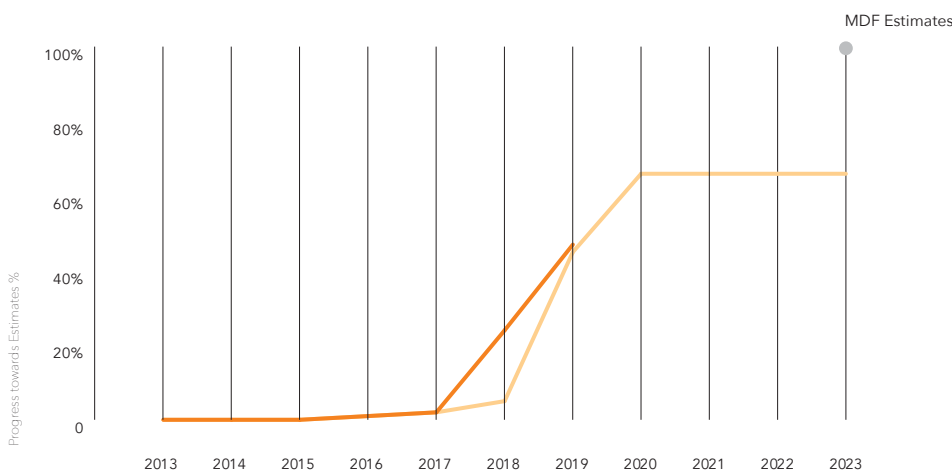
# Highlights

## EFFECTIVE OUTREACH



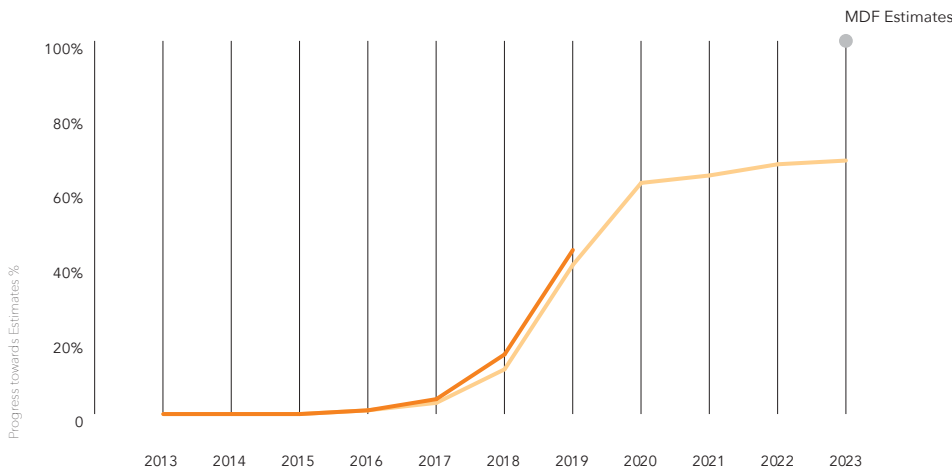
- **52%**  
Cumulative actuals % against  
MDF estimates
- **54%**  
Cumulative projections % against  
MDF estimates

## NET ADDITIONAL INCOME (USD)



- **47%**  
Cumulative actuals % against  
MDF estimates
- **66%**  
Cumulative projections % against  
MDF estimates

## VALUE OF ADDITIONAL MARKET TRANSACTIONS



- **44%**  
Cumulative actuals % against  
MDF estimates
- **68%**  
Cumulative projections % against  
MDF estimates

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#### EFFECTIVE OUTREACH

- ASLG has contributed to 100 per cent of results, mainly through the blue swimmer crab (BSC) and giant freshwater prawn (GFWP).
- The current portfolio of interventions has achieved 52 per cent of estimates.
- New interventions in organic and coffee are expected to contribute to results by 2022.
- The Easter attacks have reduced anticipated outreach in the tourism sector.

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#### NET ADDITIONAL INCOME (USD)

- The current portfolio has already achieved 47 per cent of estimates and aims to achieve 66 per cent by 2020.
- Growth has come from BSC and GFWP. Impact from interventions in organic and coffee is yet to be determined.

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#### VALUE OF ADDITIONAL MARKET TRANSACTIONS

- The current portfolio of interventions achieved 44 per cent of estimates by Dec 2019.
- Results this year were affected by the Easter attacks, which disrupted business activities and investor and consumer sentiment, particularly in the tourism sector.
- VAMT for new interventions in the coffee and organic sectors is yet to be determined.
- VAMT by the end of 2022 is projected to be 68 per cent of estimates.

## Overview of Portfolio and Progress in 2019

Despite a challenging year, MDF's work in Sri Lanka has benefited 28,965 people to date. The year was defined largely by the tragic Easter bombings and a contested national election. MDF focused on improving the portfolio's strategic alignment with DFAT and Sri Lankan government priorities, deepening the reach and inclusive impact of agricultural value chains, and working towards resilience in tourism.

MDF began 2019 with a new Country Engagement Strategy (published in November 2018) in place. The push for greater focus and alignment continued, and the country team defined key market systems on which it would target. In total, five market systems were identified: tourism as the main focus and four (more targeted) market systems in the authentic Sri Lankan goods (ASLG) area. The team prepared three market system strategies and will develop the remaining two in the first half of 2020. This revised strategic framework has helped to ensure that MDF's work is more focused, that individual partnerships add up to drive system-wide changes and that the program is on track to meet its objectives.

MDF's work in ASLG will be the main driver of the program's inclusive impact across a cross-section of the rural population of Sri Lanka. MDF's interventions are benefiting coastal fishers in the North, inland fishers in the North and Northwest and farmers across the island. MDF's early interventions in seafood (both inland and coastal) have created sustainable income increases of USD184,000 for 24,000 disadvantaged households. The focus of new interventions signed in 2019 has been to expand this impact to a wider pool of beneficiaries. This year, MDF's interventions will lead to improved access to information and premium markets for an additional 600 farmers cultivating vanilla, lemongrass, ginger, moringa, turmeric, cardamom and coffee.

The tourism sector is still recovering from the Easter attacks. Not surprisingly, MDF's strategy, portfolio and pipeline were also compromised by the attacks. MDF's focus in the immediate aftermath was to assist the industry in recovery. It did this by **sharing knowledge** and **expertise** with the private sector. **MDF collaborated with all levels of the private sector, ranging from SMEs to national associations (as well as the newly formed Tourism Alliance) to work towards quicker recovery and resilience.** During the second half of the year, MDF revised its tourism strategies to account for the new reality of the sector and began to implement a more ambitious, nationally relevant scope of work.

MDF's portfolio is ideally positioned to achieve both impact at scale and transformative change in Sri Lanka. While the ASLG strategy is designed for large-scale impact, MDF's work in tourism is more strategically focused at catalysing industry-wide behaviour change and increased competitiveness.

Through its work in coastal fisheries in the North, MDF, along with other DFAT partners have contributed to sustained increases of income for the entire crab-fishing population. This has created hundreds of new jobs, mostly occupied by women, who are now benefiting from increased household earnings. There is also positive movement towards system-wide change for inland fishers, as MDF pivoted its strategy to encourage greater private sector investment in the giant freshwater prawn industry. In tourism, the most significant changes are hinged on improved coordination within the private sector, and between government and the private sector. In tandem, MDF is working towards substantive changes in the use of big data, destination promotion and labour practices. The work in tourism has a strong gender focus as it strives to demonstrate the business cases for the industry to employ more women.



## Country Strategy

MDF operates in Sri Lanka against the backdrop of Sri Lanka's graduation to upper middle-income country status and the continued evolution of Australia's bilateral relationship towards economic partnership. In this context, MDF is investing in the growth of tourism and specialty agriculture (organic herbs and spices, coffee and seafood - collectively 'authentic Sri Lankan goods'). These sectors have been chosen because they are growing rapidly, they provide livelihoods for a large number of Sri Lankans and have the potential to generate future prosperity. However, in each of these industries there is fierce global competition. The

business community must adopt a more strategic mindset to remain competitive.

Through its interventions, MDF seeks to create demonstrations of successful innovations (this could take the form of new or improved technology, relationships or behaviour) that lead to growth and inclusive impact. Concurrently, MDF invests to create the conditions necessary for firms to independently adopt innovations. The goal is to create long-lasting, transformational changes in market systems that ultimately benefit large numbers of poor men and women.

## Sector Selection and Rationale

In 2019 MDF Sri Lanka continued the process of sharpening strategic focus and alignment that began in 2017. In keeping with the principles of adaptive management, this is necessarily an ongoing process that ensures that the program remains relevant in a rapidly changing environment. As part of this process MDF discontinued poorly performing or poorly aligned partnerships while building a new set of activities that were more strategically relevant.

A key example of MDF's capacity to remain agile was the manner in which the program quickly reoriented its tourism interventions in the aftermath of the Easter attacks. Tourism has traditionally been a difficult sector for MDF to influence. The industry was characterised by unregulated growth and haphazard product offerings, undermining longer-term sustainability. Yet continued growth in tourist arrivals meant that industry and public sector actors had a low appetite for innovation, even though the sector has been expanding well below potential. The Easter attacks threw into sharp relief the sector-wide gaps in promotion, management and coordination. The industry began to realise that continued growth could not be taken for granted and that they needed strategies to enhance the resilience of the sector (something that more mature destinations like Fiji have long understood). This created an opportunity for MDF to commence a dialogue around national-level constraints with an industry leadership much more attuned to the need for collaboration and coordination.

As with tourism, MDF's ambition for its work in ASLG has been increasing. Each of the industries in which MDF works experienced major changes in 2019. For blue swimmer crabs, competition among processors remained heated but the upward trajectory in prices stabilised. MDF anticipates that increased demand will create pressure for fishers to catch and for traders to buy more crabs, raising the risk of unsustainable practices. MDF's focus has therefore shifted

towards sustainability and resilience to pre-emptively mitigate this risk.

For giant freshwater prawns, MDF tried to understand the lack of crowding in despite strong fundamentals of the market. Through in-depth analysis of fishing communities, the National Aquaculture Development Authority's (NAQDA) policies, and private sector incentives, MDF has launched initiatives to reduce barriers of entry for new players in the market. In organic herbs and spices, MDF found an attractive niche where it can add value for businesses and create impact for farmers. Interventions are now focused on creating demonstrations of buyer-driven information delivery models to increase productivity across a range of in-demand crops.

In 2019, the program focused on scaling up these models. Coffee remains an emerging industry with significant challenges in maintaining quality and quantity. Despite this, MDF's innovations are gaining traction and interest from other industry actors is growing.

In light of these developments, MDF is confident that it will reach and possibly exceed its estimates for the current phase. MDF is already on track to meet the estimate for number of beneficiaries. As new interventions gain traction there is a reasonable prospect of exceeding the beneficiary estimates. Currently, the portfolio is off-track to meet estimates for income and outreach from work in tourism. MDF has the ability to trigger transformational change in the tourism sector. However, the nature of the sector is not amenable to the measurement of impact and outreach in the conventional manner. To address this, MDF has proposed in its Annual Strategic Plan (ASP) that it will explore using proxy indicators to convey the actual inclusive impact of MDF's interventions.



## Systemic Change Story

# Tourism Coordination



Over the last decade, Sri Lanka's tourism industry has been a growth engine for the economy. Between the end of the civil war in 2009 and the Easter attacks of 2019, visitor arrivals grew exponentially to 2.3 million in 2018, accounting for 4.9 per cent of GDP. Formal employment in the tourism industry was estimated at around 388,387 in 2018, although in reality this number is significantly higher when informal employment is factored in.

However, a number of deep-seated issues act as obstacles to sustained growth. Because of the lengthy and largely unplanned boom, there have been few incentives for industry actors to coordinate and resolve issues that compromise the sector's long-term competitiveness. These include labour and skills gaps, unregulated development and overcrowding in key sites - factors that could potentially lead to erosion of Sri Lanka's tourism brand.

The Easter attacks highlighted the fragile nature of the tourism sector and made it clear that recovery would require collective effort. Both the private sector and the government are now much more open to cooperation and information sharing. MDF has been quick to adapt its strategies to support this emerging sentiment.

MDF was an early supporter of the Sri Lanka Tourism Alliance, a private-sector group formed after the attacks to focus on rebuilding and strengthening the industry. MDF connected the Alliance with Australian expertise, which has guided and shaped its mandate and ambitions. This resulted in the Resilience Action Plan, which sets the agenda for the private sector to rebuild the sector into a better condition than before.

MDF is helping Sri Lanka's evidence-based decision-making in tourism by supporting the lead government agency, the Sri Lankan Tourism Development Authority, with an improved research and data framework.

The emergence of serious efforts to enhance industry coordination represent the beginnings of a transformative change in the Sri Lankan tourism sector. While not a neat analogy, this change represents some level of adoption by market actors (government and industry are now actively promoting the benefits of better coordination) and signs of crowding-in (the growing membership and influence of the Tourism Alliance).

Regional tourism bodies have been receptive to the change steps and thinking presented in the Alliance Resilience Action Plan, which suggests the potential for implementation of the same, as well as functional impact, across the tourism landscape. The challenge for the coming year will be sustaining and expanding this. Key coordination bodies, such as the Alliance, will need to ensure that it can deliver tangible benefits for the member base and effectively collaborate with market actors to implement the changes for which the group advocates. Given its diverse member base and expertise, the Tourism Alliance is well-positioned to be the necessary agent of change. MDF will continue work on improving the 'offer' of coordination mechanisms in an effort to realise sustained adoption of new industry practices at scale.



## Systemic Change - Blue Swimmer Crab

Australia has supported the growth of the fishery sector in Sri Lanka for several years through a number of initiatives. MDF's earlier investments focused on complementing these by working with fishing cooperatives to improve governance, increase market access for fishers and boost the productivity of seafood processors.

In 2015 MDF recognised that a lack of processing facilities in the North was depressing prices. The catch in the North was reliable, high quality and of sufficient volume. But the remoteness of the location meant that fishers were being paid well below market prices. MDF invested with partners Coolman and Prawn Ceylon to establish seafood processing facilities to process the local catch. This investment ended up being a turning point for the industry.

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 swimmer crabs has stabilised at a higher point



An estimated 21,000 fishers experienced an increase in income directly attributable to this price increase



Under the Fishery Improvement Plan implemented by the Seafood Association of Sri Lanka (also supported by the Australian Government), the stock of blue swimmer crabs is being maintained at sustainable levels



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

Local processing turned out to be the key missing ingredient in a more profitable fishing industry for both buyers and fishing families alike. By supporting local value addition, it opened access to higher value

markets, driving up the prices buyers were willing to pay for crabs, leading to tangible benefits for all fishing families in this region.

MDF is actively exploring ways to work with Export Development Board (EDB) to promote access to other high value seafood markets and to improve Sri Lankan seafood branding. The program is also testing initiatives to promote sustainable fishing practices to ensure that the benefits continue well into the future.





## Sector on a Page

# Tourism



145

SMEs have access to crisis management information



5

Districts host crisis management workshops



228

Members of Sri Lanka Tourism Alliance



7

Interventions



### VISION OF CHANGE

- Sri Lanka builds a post-crisis tourism sector that is more resilient to external shocks and diverse in terms of activities, products and services available to visitors.
- The public and private sectors collaborate effectively on destination promotion.
- Public and private sector decision-making surrounding promotion and product development is strategically based on research and data that is consistently collected and analysed.
- The tourism sector is an inclusive industry, with strong participation from women and youth.



### CONSTRAINTS

- Limited collaboration inhibiting effective promotion.
- Under-utilisation of data analytics for evidence-based decision-making.
- Low participation of women in tourism.
- Limited diversity in tourism products, activities and destinations outside of traditional hotspots.



#### Labour

- Hammock Studios
- The Hotels Association of Sri Lanka



#### Promotion

- Sri Lanka Tourism Alliance
- Antyra Solutions



#### Coordination

- Crisis-management workshops



#### Data

- Sri Lanka Tourism Development Authority



#### Product Diversification

- Edge Adventure Outfitters
- Pepper Life
- Rainforest Eco Lodge
- Safari Panama
- The Sri Lanka Export Development Board
- LDR Technologies
- Sanasa International
- Sri Lanka Tourism Development Authority





Sector Story  
Tourism





# The Impact of Tourism in the Economy

A thriving tourism industry has a sustainable, cross-cutting impact on employment and business growth

## Globally, for every USD100 a tourist spends

### \$30 on Accommodation and Food Services

Hotels, homestays, rented rooms, restaurants, cafés, bars

### \$33 on Retail and General Merchandise

Clothing, gems and jewellery, electronics, souvenirs and handicrafts

### \$3 on Health and Personal Care

Spas, wellness resorts and centres, hospitals

### \$12 on Grocery and Food Stores

Mom & pop stores, supermarkets, roadside vendors, farmers markets

### \$12 on Experiences, Entertainment and Others

Adventure, cultural and experiential products

### \$10 on Transport Services

Airlines, public transport, taxis, rented cars, bikes

## In Sri Lanka



**2.3 million tourists visited in 2018**



**Staying 10.8 nights on average**



**Spending on average USD173.8/day**



**Contributing 4.9% to GDP**

**This impacted**



### The formal sector



2,312 registered properties, with 38,214 rooms  
388,387 people formally employed in tourism

close to 4.6% of the Sri Lankan labour force



### The informal sector

Largely unaccounted for, the informal sector contributes an estimated 60% to Sri Lanka's overall tourism economy

## Who are the people in tourism?

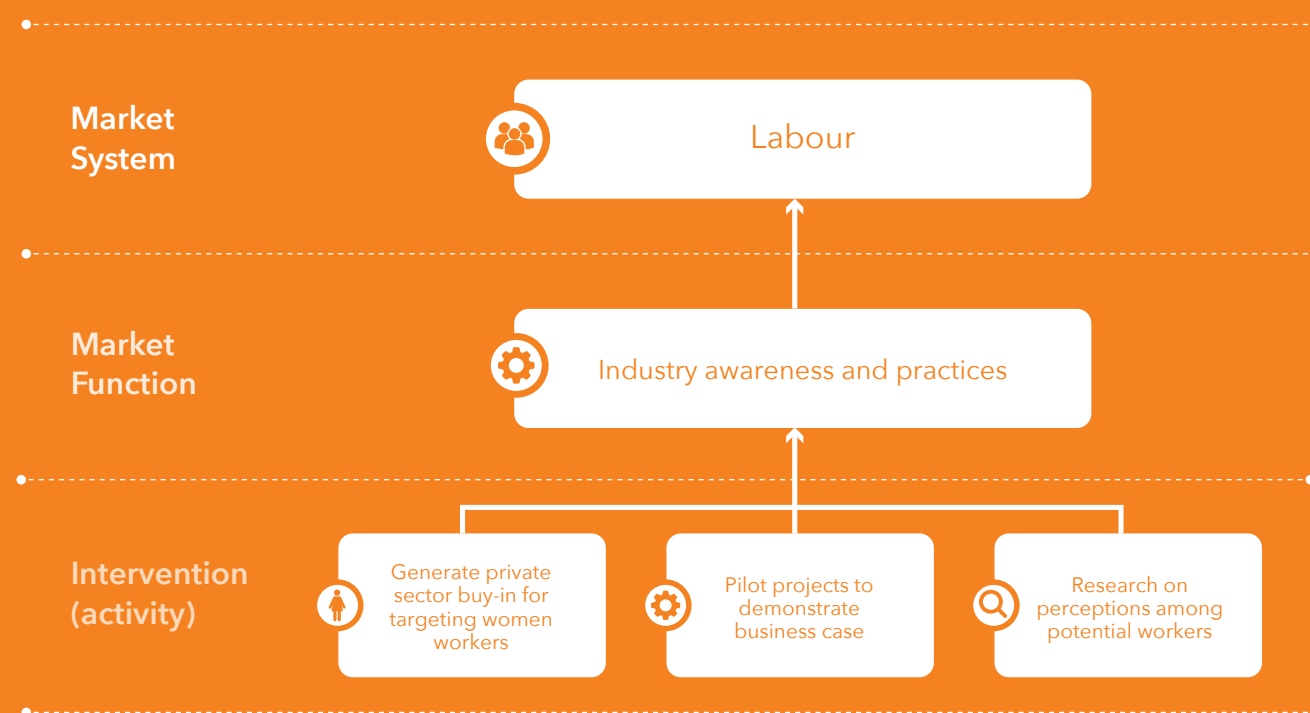
Tourism gains benefit the jobs and incomes of people ranging from hotel workers, to tour guides, to artisans, to tuk-tuk drivers and farmers





## Market System 1

### Labour



| Status of the market system | Interventions (active and/or monitored in 2019)                                        | Summary of performance                                                                                                                                                                                                                                                              |
|-----------------------------|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | 1. Re-strategise labour MSS, focusing on women's employment to address labour shortage | To address the labour shortage in the tourism industry, MDF partnered with The Hotels Association of Sri Lanka (THASL) to conduct a study to understand the reasons for women and youth not joining the industry. At present, the research agency for the study is being finalised. |

| USD                             |                               |                                     |                                   |                                   |                                 |                  |                 |  | Progress<br>(Traffic Light)                      |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--|--------------------------------------------------|
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed | PSI<br>Expensed |  |                                                  |
|                                 |                               |                                     |                                   |                                   |                                 |                  |                 |  | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page Labour



The global tourism workforce is made of up 60-70% women.



A range of negative social perceptions dissuade women from seeking employment in tourism.



Sri Lanka's tourism industry employs nearly 400,000 people, but only around 10% are female.



Women face specific constraints related to safety, mobility and childcare.



In Sri Lanka, the trade does not fully understand the benefits of attracting female workers.



## Market System 1: Labour

MDF's vision is a hospitality industry that is able to meet its workforce needs by attracting more women to tourism jobs. This is an emerging area of work for MDF.

A shortage of labour has been a longstanding challenge for the hospitality industry in Sri Lanka, and particularly for hotels. Labour shortages are adversely affecting quality in the industry. Turnover and migration rates among men and young people are high and female participation in the tourism labour force is extremely low. Globally, about 60-70 per cent of the tourism labour force is female; in Sri Lankan tourism it is less than 10 per cent, and in the hotel sector less than 3 per cent. This is far lower than Sri Lanka's average female labour force participation rate of 36 per cent. The industry could learn from the experience of the local garment manufacturing industry, which in response to labour shortages, developed targeted strategies to promote greater participation of women in the workforce.

Two interrelated constraints inhibit women from working in tourism:

- A lack of awareness or willingness in the industry to specifically target and cater to female workers
- Negative social perceptions, which make tourism employment undesirable for female workers and their families.

In the immediate aftermath of the Easter attacks demand for labour fell, but the underlying factors causing labour shortages have not changed. As visitor numbers start to recover it is vital that the industry tackles the labour shortage if it is to remain competitive. In 2019 the focus for MDF was in establishing relationships and networks for working with hotels to target female workers and introduce new, or improve existing, HR policies and practices.

While some planned activities for the year had to be put on hold due to the ramifications of the attacks, MDF used this time to deepen its understanding of the constraints. The team conducted research about female participation in parallel industries, such as apparel, to find lessons on best practices. The team also consulted a number of hotels and key stakeholders in the tourism industry to analyse constraints in the labour market. It became clear that while hotels grapple with labour shortages, there is not yet an explicit awareness about the benefits of, or the business case for,

hiring women. Gender-blind HR policies discourage women from applying. The small number of women in the industry discourages others from entering. This compounds the social stigma that discourages women from considering tourism employment in the first place. To tackle this challenge, MDF started actively working on generating greater industry buy-in and creating a demonstration effect of successful examples, which can be replicated by others.

### Market function 1 – industry awareness and policies

In 2019 MDF partnered with THASL to design a nationwide study on the factors leading to the low participation of women in the industry. This study will be completed by in the first quarter of 2020 and will focus on barriers and perceptions on the supply side, such as women's attitudes towards, and barriers to, working in the sector. The findings will be disseminated through THASL's significant network, which represents 200 members and accounts for 17,000 hotel rooms across Sri Lanka.

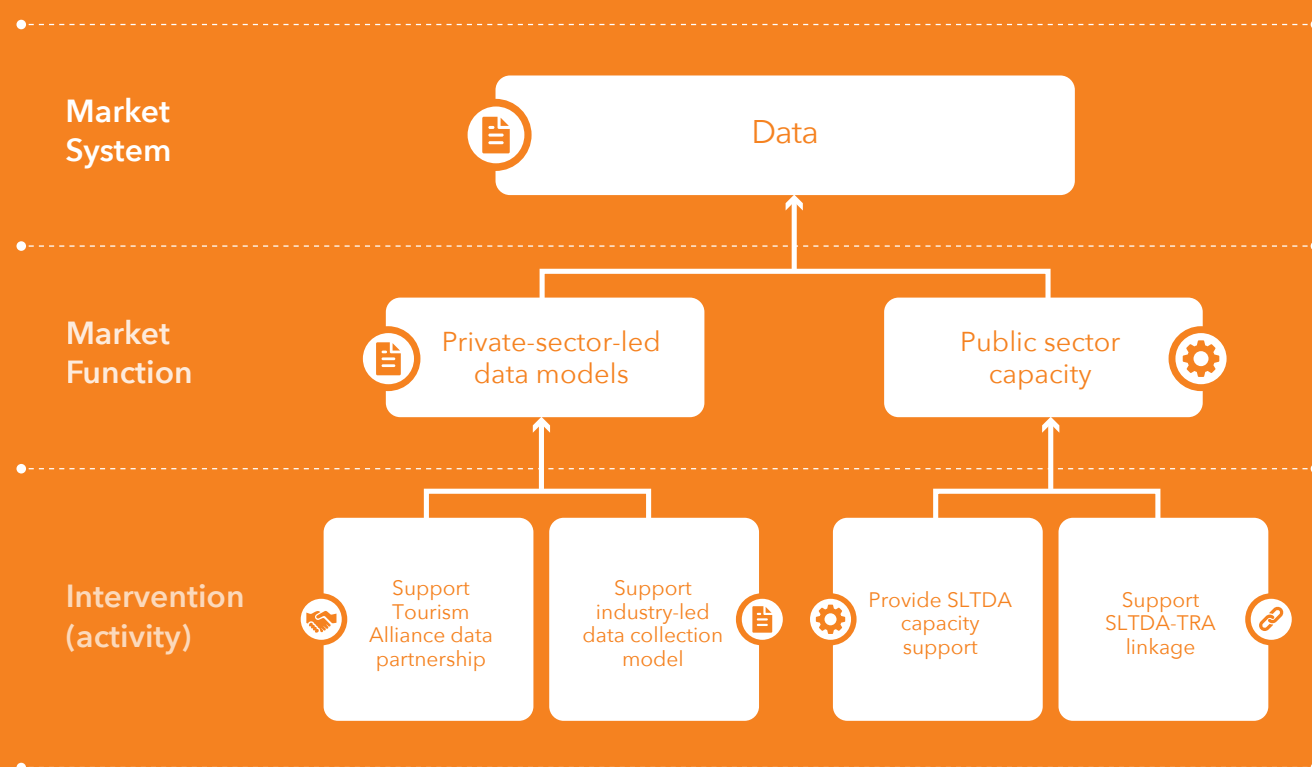
By the end of 2019, MDF had designed a number of initiatives to be rolled out in 2020. These include holding influencing events with key stakeholders in different regions, where the hotel industry will be asked to collectively consider potential solutions to tackle the labour shortage, creating buy-in for testing gender-sensitive HR strategies. MDF hopes to demonstrate the business case for the industry by working with selected hotels and hotel chains to pilot new recruitment techniques, HR policies and facilities to attract more women. The early findings from the THASL study have been used to design influencing events and pilot projects.

MDF's change in approach during 2019 has been informed by lessons from earlier attempts to intervene in the labour market. The initial intervention in the labour market with Hammock Studios did not succeed, because it did not address an underlying constraint. It sought to tackle a labour matching problem, but this did not solve the actual problem of a limited labour pool in the industry. These learnings have informed MDF's current approach, which has shifted from supporting partners that approach the program with a seemingly relevant idea, to analysing and defining a problem or opportunity, and then trying to identify suitable partners that might offer a viable solution.



## Market System 2

### Data



| Status of the market system | Interventions (active and/or monitored in 2019) | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | n/a as new MSS                                  | To address the lack of reliable, up-to-date and relevant data on tourists (particularly on tourist spending), MDF is exploring options for working with both the private sector (including industry associations) and the public sector. MDF has agreed to support the institutional strengthening of SLTDA, the tourism development authority, to improve their data sources and methodology. Elements of data are also incorporated in other MDF partnerships in tourism - particularly in promotion. |

| USD                             |                               |                                     |                                   |                                   |                                 |                  |                 |                                                  |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--------------------------------------------------|
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed | PSI<br>Expensed | Progress<br>(Traffic Light)                      |
|                                 |                               |                                     |                                   |                                   |                                 |                  |                 | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page Data



Data driven decision-making is a key characteristic of mature tourism destinations.





## Market System 2: Data

As the tourism industry has moved increasingly online to generate sales, the role of data in shaping marketing strategies has become indispensable. Sri Lanka's competitors are aggressively using data generated from online activity to build their national brand and stay ahead in an increasingly competitive global market.

Such data has generally not been available or widely used in Sri Lanka. The country is a long way behind its competitors. In the post-attack downturn, there is greater appreciation of the need for good data to drive promotions and hasten the return of tourists. MDF has leveraged this new interest and has focused on strengthening Sri Lanka's data regime: improving collection, analysis and use of tourism-related data by the private and public sectors for evidence-based promotion and investment decisions.

A side-effect of the weak coordination function in Sri Lankan tourism has been the absence of private sector-driven models of aggregating data by industry associations or destination management organisations (DMOs). Tourism-related data analytics by the public sector (SLTDA, coordinating with a number of departments) also has gaps. This is reflected in insufficient analysis, lack of forecasts and delays in publishing tourism statistics.

Since April, both the private and public sectors have started to show more interest in improving the industry's data and research capability. Leveraging on this and MDF's relationships with the Sri Lanka Tourism Development Authority (SLTDA) and the Tourism Alliance, new opportunities have emerged. The private sector is now willing to collaborate on a data model and willing to share data, something they were previously reluctant to do. The main government body responsible for tourism data and statistics, SLTDA, has also expressed a willingness to examine their own research practices and capacity and identify areas for improvement.

As this is a relatively new area of work, MDF is building a pipeline of interventions. The team expects its work in data to be a large and growing part of its portfolio in 2020.

### Market function 1 - private sector data models

Large data analytics firms are moving much faster than government in developing business models focused on packaging and analysing data. It is clear that, rather than government statistics agencies, the commercialisation of data will continue to be the main driver of innovation in this field over the coming years. MDF has connected key stakeholders, such as the Tourism Alliance, THASL and other industry bodies and selected data analytics firms, to explore the feasibility of establishing a more active market for data in Sri Lanka.

MDF is working with the Tourism Alliance to implement their Resilience Action Plan, where "provision of better insights, data and analytics for industry-wide planning, decision-making and performance tracking" has been identified as a priority. MDF and the Alliance have had extensive discussions with STR Global, a data analytics firm with the world's largest hotel performance database. MDF will help facilitate a commercial relationship that generates data and benchmarking insights for the hotel industry. These initiatives are expected to come to fruition throughout 2020.

### Market function 2 - public sector capacity

In the public sector, MDF aims to improve the collection, analysis and dissemination of data by SLTDA. As noted above, most innovation in data usage is likely to come from the private sector, but government still has an important role to play in collecting data (at points of entry, for example) and setting the regulatory frameworks required for collection.

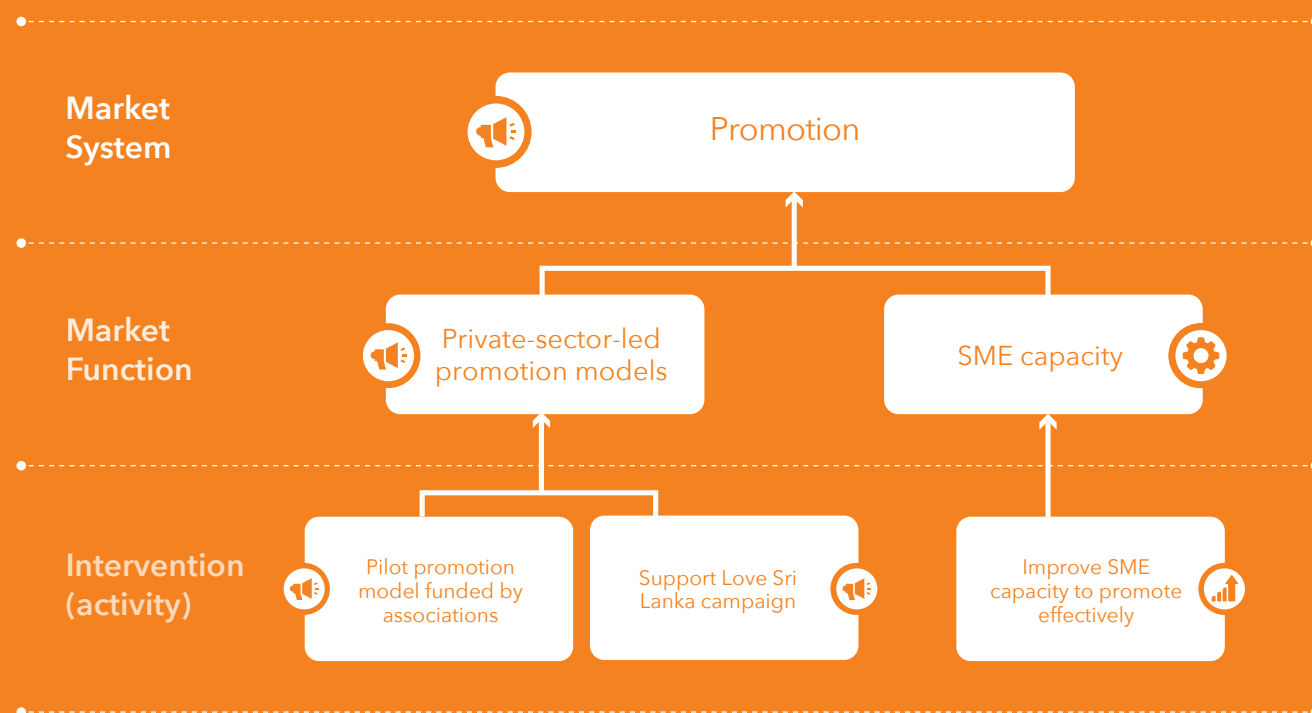
MDF is supporting SLTDA to undertake a gap analysis of its collection practices and institutional capacity. This is a step change in attitude (previous offers of help were rejected) that reflects how dramatically the operating environment has changed in the past year. MDF will also support SLTDA to implement improvements in line with the recommendations of the government's Tourism Strategic Plan 2017-2020 and assist and complement DFAT's support to Sri Lanka Tourism through Tourism Research Australia (TRA).





## Market System 3

### Promotion



| Status of the market system | Interventions (active and/or monitored in 2019)                                     | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | 1. Increasing private sector investment on destination promotion (Antyra Solutions) | <p>To address the lack of destination-level promotion, MDF has partnered with the Tourism Alliance, via Anytra Solutions, a digital marketing agency. The consumer portal looks to be its foremost private sector initiative to promote Sri Lanka to tourists.</p> <p>To improve the visibility of SMEs (small properties) by linking them with channel and revenue management services, MDF is in the process of commencing a partnership with Negete, a company offering channel and revenue management services to hotels.</p> |

| USD                             |                               |                                     |                                   |                                   |                                 |                  |                 |  | Progress<br>(Traffic Light)                      |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--|--------------------------------------------------|
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed | PSI<br>Expensed |  |                                                  |
|                                 |                               |                                     |                                   |                                   |                                 |                  |                 |  | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page Promotion



Sri Lanka participates in most major travel trade shows including ITB Travel Fair in Berlin, MITT Travel Fair in Moscow, JATA Tourism Expo in Tokyo and ITB Asia in Singapore.



Marketing and Communicating Effectively through a sharpened brand presence is a key transformational theme in the Government's Tourism Strategic Plan 2017-2020.



Destination promotion gained prominence after the Easter Sunday terror attacks



As part of a post-crisis promotional drive, global figures like CNN's Riachard Quest visited Sri Lanka and featured recovery efforts on international media.



The #SoSriLanka nation-branding campaign was launched in 2018 by the Sri Lanka Tourism Promotions Bureau but faced several challenges in rollout.



Significantly more people searched for safety-related information on Sri Lanka post-Easter compared to New Zealand after the Christchurch terror attacks.



## Market System 3: Promotion

After the end of the civil conflict in 2009, Sri Lanka's tourism arrivals grew rapidly in an unplanned 'organic' way. This expansion masked Sri Lanka's use of outdated, ineffective marketing techniques. National-level destination promotion is the responsibility of the public sector body, the Sri Lanka Tourism Promotions Bureau (SLTPB). Their approach has largely been to attend trade fairs, with little to no customer segmentation beyond the main source markets. Globally, this type of marketing function entails extensive private sector participation – usually public-private partnerships at the destination level. This does not happen in Sri Lanka, because DMOs are not a feature of the Sri Lankan tourism landscape.

The Easter attacks demonstrated that while tourism is a highly resilient industry, it is subject to major short-term volatility. Improving mechanisms to stimulate tourism demand during downturns is a key feature of more developed tourism markets (e.g. Fiji). In Sri Lanka it became a top priority following the attacks. Responding to this industry need, MDF introduced a new area of work - tourism promotion - designed to stimulate public and private sector investment in segmented destination promotion.

MDF approached private sector associations to pitch coordinated destination promotion and help design and test new models. In parallel, the team also approached a number of digital marketing firms to understand where their services could be leveraged to promote destinations rather than a particular business. Additionally, the team explored how small and medium-sized enterprises (SMEs) could promote themselves more effectively, for example by benchmarking themselves in terms of rates and occupancy and using this information to create better offers on OTAs. This has led to a new intervention in 2020.

Smarter promotion is expected to pay dividends even after visitor numbers recover. More sophisticated, targeted marketing will help the industry attract higher spending tourists to a more diverse range of destinations, driving up visitor and spending levels in less visited areas. This is a new and innovative area of work for MDF, and in 2019 efforts were directed towards defining the scope of work.

This is an emerging body of work and promotion interventions are expected to gather momentum and become more defined throughout the coming year.

### Market function 1 - private sector-led destination promotion

Although the Easter attacks generated greater willingness to collectively promote specific destinations, the habits and mechanisms for coordinated or collective investment are not present. MDF capitalised on existing networks and relationships and approached the private sector to test novel and sustainable models of destination promotion. During 2019 MDF worked with the Kandy Hoteliers Association to design a regional destination promotion model. This pilot model will be rolled out in early 2020. If successful, it will be tested with other hotel associations in other regions.

The Tourism Alliance has developed the 'Love Sri Lanka' promotional campaign and website. This provides safety-related information to tourists to reassure them about Sri Lanka's security, in the absence of public sector action. MDF worked closely with the Alliance to support this campaign and will continue to do so, with a view towards making it financially viable and sustainable in the long run.

### Market function 2 - SME capacity

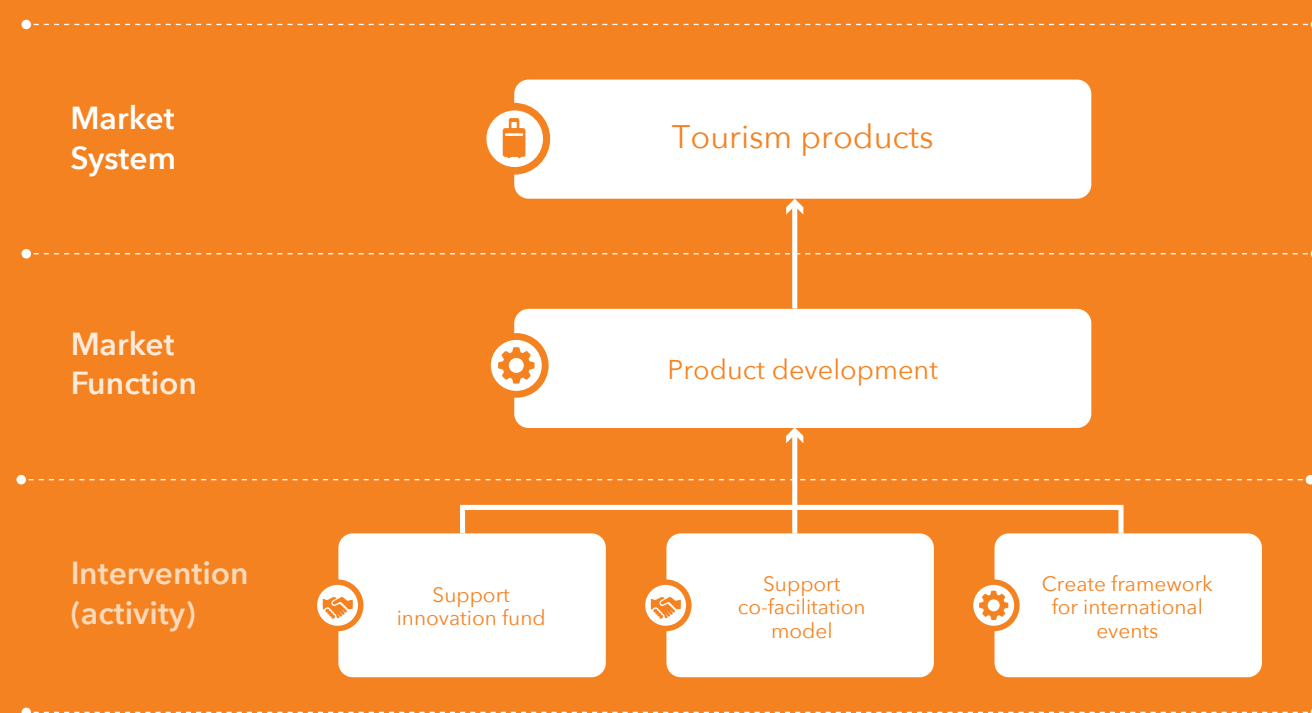
Promotion is also important for smaller organisations, who often do not have the resources or capacity to reach tourists using online booking platforms. International experience suggests that improving basic digital skills such as uploading detailed listings, maintaining social media accounts and dynamic revenue management/pricing can improve booking conversion rates considerably.

Over the course of 2019, MDF has analysed how SMEs in the tourism sector can become more adept at utilising digital promotional techniques to enhance revenue and profitability. MDF then approached a number of companies that offer services such as revenue management and channel management solutions. The team is in the process of designing an intervention with one digital solutions company to target 100 small hotels/properties across the country to improve their conversion rates and digital presence. If successful, MDF will scale up similar models across the industry.



## Market System 4

### Tourism Products



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                | Summary of performance                                                                                                                                                                                                                                                                                                                             |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mature                      | <ol style="list-style-type: none"> <li>Increasing tourist footfall in emerging destination (Safari Panama)</li> <li>New product development (Edge, Rainforest, LDR)</li> </ol> | Due to the lack of products for tourists to experience, MDF worked with several companies to develop diverse range of offerings, including wildlife camping, community tourism, a canopy walk (inside a rainforest), sea kayaking, river canoeing and canoeing. Some of these products have already been developed and are being used by tourists. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 41                        | 41                      | 29,103                        | 23,280                      | 152,317                     | 140,017                   | n/a           | 123,669      | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page Tourism Products



To attract high-yield visitors, offering diverse tourist products and services is crucial.



Tourist footfall is concentrated in highly saturated pockets along traditional tourist routes.



More diverse products and experiences offer an avenue to create higher value through existing tourist flows.



'Developing Sustainable Destinations' by building signature experiences is a key transformational theme in the Government's Tourism Strategic Plan 2017-2020.



The average tourist spent \$173.8 per day in 2018, up 2.1% from \$170.1 in 2017.



## Market System 4: Tourism Products

MDF has worked on product and destination development since 2015. But the strong organic growth of the last decade has disincentivised firms from innovating. Consequently, Sri Lanka's tourism offering has not diversified or matured as tourist numbers have grown. The industry has been stuck in a hotel plus beach/mountains/national park model. This places increasing pressure on the most popular destinations and tends to attract lower yielding tourist segments. With travel trends and preferences changing, more tourists are looking for authentic experience-based tourism. This means tour and accommodation products that provide the tourist with a unique and usually locally 'authentic' experience.

While some larger businesses have begun to innovate, the industry at large has been slow to respond. SMEs lag further behind due to lack of expertise and resources. This has been a focus of MDF's work in the tourism sector for some time. MDF's objective in this market system has been to increase the offering of products, especially by smaller businesses in emerging areas, to drive higher yielding tourist traffic to less developed destinations.

Prior to the attacks, MDF had a handful of interventions focused on destination/product development in emerging regions, such as the Eastern Province. This experience showed that product development is usually driven at the enterprise level, rather than by the industry as a whole. MDF learned that implementing enterprise-specific interventions is resource intensive and challenging to scale up, making it difficult to create wider market changes. Combined with the fact that emerging areas were worst hit by the downturn following the Easter attacks, MDF will scale back/remain opportunistic its work in this area, and focus more on exploring higher potential market segments (as opposed to specific products), such as wellness tourism.

The key lesson for MDF is that, as has been the case in other countries, there are significant risks associated with focusing MDF's work on SMEs/start-ups with limited capacity. This is particularly true in emerging areas when more developed areas and larger actors are still grappling with these fundamental issues.

### Market function 1 - product development

As noted above, the Easter attacks significantly impacted MDF's ability to work on destination and product development in emerging areas. Initiatives already in place, such as the partnership with Pepper Life, to introduce new experiences in emerging areas had to be cancelled, as firms went into damage control. Most were concerned with saving their existing business lines over investment in new products and places. A number of partners (Edge, Safari Panama and LDR Tech) reported severe losses in 2019.

As a result, MDF made the decision to move away from a geographic focus, instead transitioning to product development as a market function more generally. MDF will remain opportunistic and invest in innovative business models as they emerge.

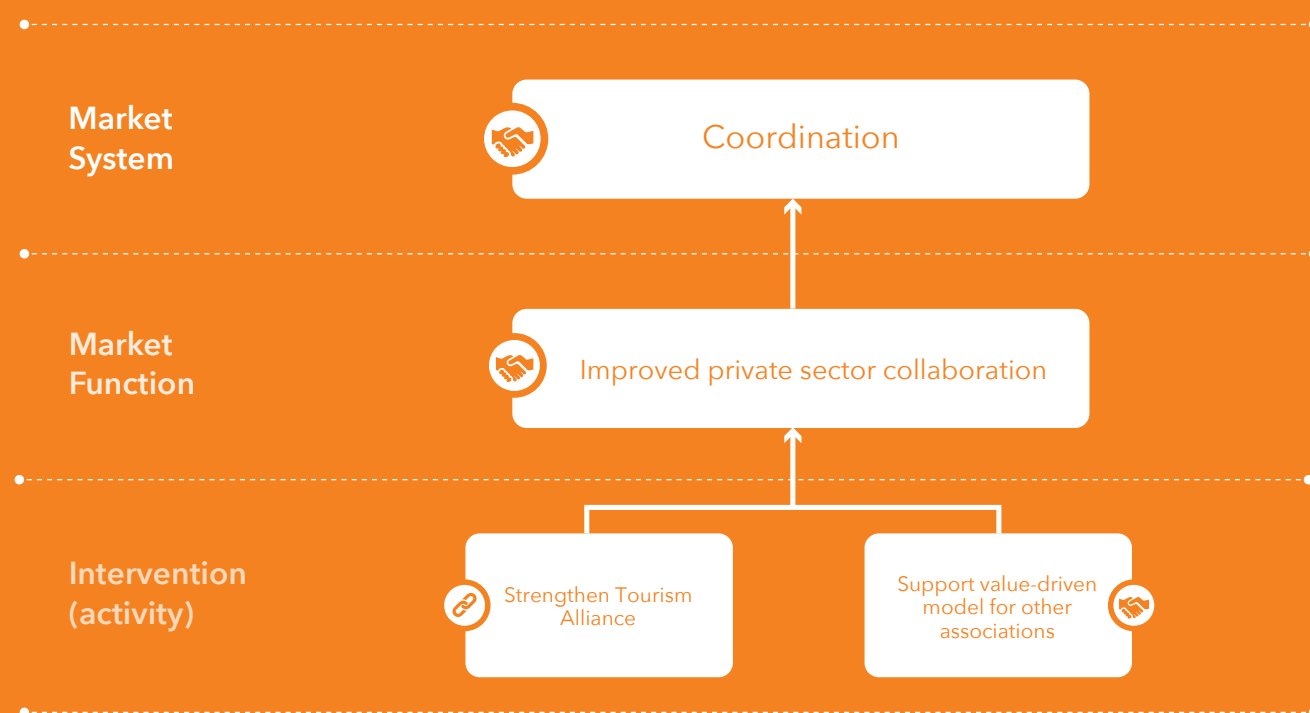
On the periphery of its work in new products, MDF collaborated with Export Development Board (EDB) to prepare an analysis of the wellness tourism segment, particularly from the German-speaking European markets. This high-spending market tends to have a longer-than-average visit duration and is acquainted with Sri Lanka's Ayurvedic offering. The study was conducted in 2019 through stakeholder consultations and field research with existing products. EDB has indicated that it will draft a Wellness Tourism Strategy as a follow-up of MDF's work.







## Cross-Cutting Theme Coordination



| Status   | Interventions (active and/or monitored in 2019)                                                                                                                        | Summary of performance                                                                                                                                                                                                                                                |
|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging | <ol style="list-style-type: none"> <li>Conducted recovery workshop for Tourism SMEs</li> <li>Supported establishment of private-sector-led Tourism Alliance</li> </ol> | MDF is working with the Tourism Alliance to improve the collaboration in tourism between private sector players. MDF supported the Alliance in formulating a resilience roadmap, which is expected to be used to guide the future activities of the Tourism Alliance. |

| USD                             |                               |                                     |                                   |                                   |                                 |                  |                 |                                                  |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--------------------------------------------------|
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed | PSI<br>Expensed | Progress<br>(Traffic Light)                      |
|                                 |                               |                                     |                                   | 1,298,444                         | -                               | n/a              |                 | <div> <div></div> <div></div> <div></div> </div> |



## Cross-Cutting Theme: Coordination

Until the Easter attacks, the benefits of structured collaboration were not apparent. Multiple private sector associations exist, with varying degrees of voice, but have rarely worked towards common goals. Businesses tend to look after their individual interests. This has led to ad hoc decision-making and policy formulation.

MDF has long recognised that more effective coordination is important but had failed to gain meaningful traction. Following the attacks, MDF saw clear interest in the industry to work together to manage shocks and volatility. Coordination is an industry good in its own right but can also serve as a launching pad for the rest of the tourism portfolio.

Immediately following the attacks, the MDF team began researching and informing the industry about **the likely impact of the attacks on the tourism industry**. The team collated **international research on crisis recovery, insights from the Asian Resilience Summit** (organised by the Global Travel and Tourism Resilience Council in Nepal in May), and undertook **primary research in Sri Lanka** to inform not only partners but the sector as a whole.

Recognising the particular challenges faced by SMEs, MDF organised workshops for tourism SMEs in Negombo, Galle, Kandy, Polonnaruwa, Trincomalee and Passikudah. The sessions were led by veteran hotelier and MDF Senior Tourism Adviser, Sri Lal Miththapala, who distilled the experience of managing hotels during the conflict to provide practical tips for small tourism businesses to deal with the slowdown. MDF partnered with Booking.com and Skills for Inclusive Growth (S4IG) to deliver two of these workshops and shared its content to encourage wider distribution and benefit.

MDF will continue to invest in strengthening coordination but will increasingly support coordination within other market system areas as well – i.e. coordination is becoming a crosscutting area of work that can help deliver national, sector-wide impact.

### Market function 1 - improved private sector collaboration

The Tourism Alliance, formed in the immediate aftermath of the Easter attacks, represents the first concerted effort to build industry-level coordination. MDF responded quickly to help the Alliance devise strategies to respond to the crisis and implement mechanisms to better plan for the future. MDF has continued to support the Alliance since its inception, which has allowed the team to develop networks and build credibility.

Initially, MDF influenced the Alliance's work by leading the drafting of a private sector response to the attacks. MDF assisted the Alliance to run a 'Sri Lanka is Safe' campaign and, most significantly, connected the Alliance to an Australian expert, Katherine Droga, to devise and implement a **Resilience Action Plan**. This is a roadmap of interventions that the private sector will undertake in 2020 to support the recovery of the industry. MDF has also participated in and hosted several workshops and board meetings with the Alliance. The Alliance's mandate aligns closely with DFAT's objectives and the recommendations made by Tourism Australia's Andrew Fairley, who was brought to Sri Lanka by DFAT to provide guidance to the tourism industry in 2018. MDF will continue supporting the Alliance as a key partner for its tourism strategy.







## Sector on a Page

# Authentic Sri Lankan Goods



28,571

Effective  
outreach



\$14,924,000

Additional income



392

Jobs  
(FTE)



78%

Female  
participation



### VISION OF CHANGE

- Farmers grow and sell high-value crops efficiently, utilising valuable information provided by exporters; better yields result in higher incomes for farmers and high-quality exports.
- Producers and businesses operating in fisheries and agriculture follow sustainable practices that ensure resilience and enable access to premium export markets.
- Private sector players can join high-potential markets, such as the giant freshwater prawn space, without multiple barriers to entry.



### CONSTRAINTS

- Inability to meet export demand, in terms of both volumes and quality.
- High barriers to entry for private players.
- Limited information at multiple levels of the market – government, industry associations, businesses and small producers.



#### Blue Swimmer Crabs

- Coolman
- Prawn Celyon



#### Others

- Aruna Plant Nursery
- Selyn
- Rice & Carry



#### Giant Freshwater Prawn

- Divron Bioventures



#### Coffee

- Soul Coffee



#### Organic Spices

- Pasanka
- English Tea Shop







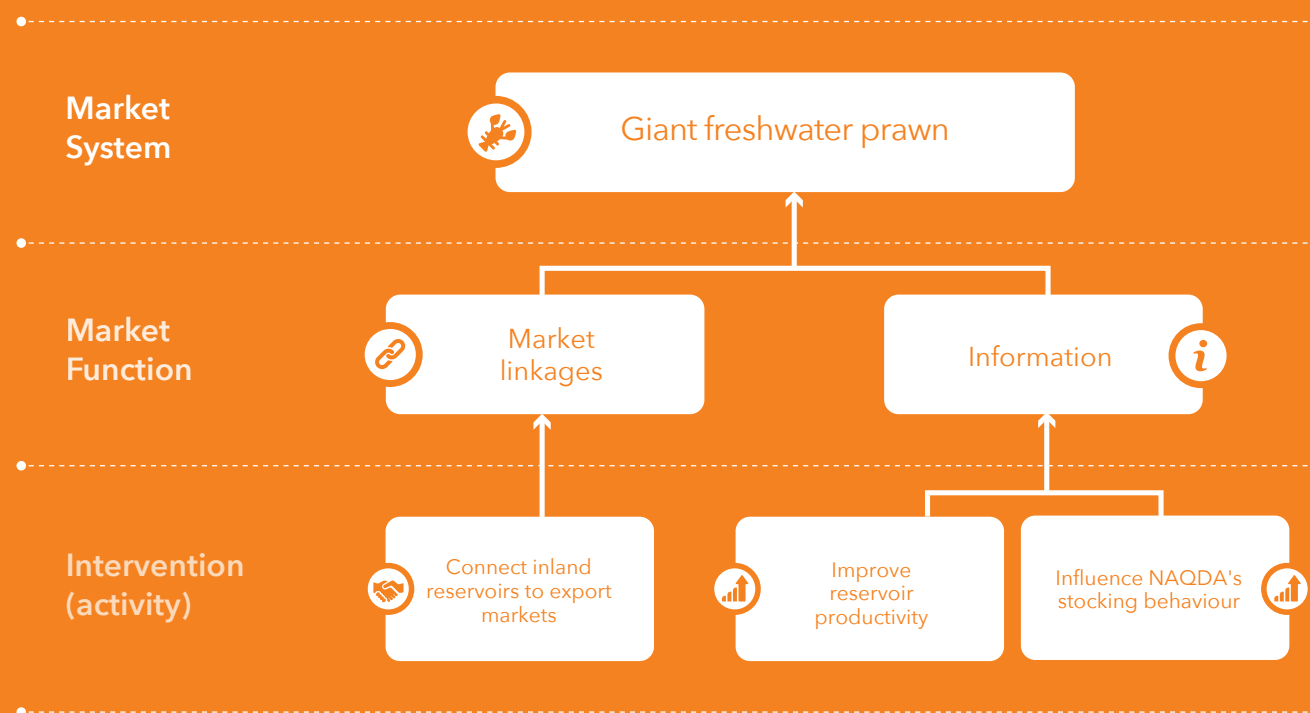
Sector Story

# Authentic Sri Lankan Goods



## Market System 1

### Giant Freshwater Prawn



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                              | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Developing                  | <ol style="list-style-type: none"> <li>Creating an organised supply chain network connecting GFWP fishers to the high value export market (Divron)</li> <li>Providing information and extension services (Divron)</li> </ol> | MDF has worked with a GFWP exporter to strengthen its supply chain and improve market linkages between the business (Divron Bioventures) and the fisher communities from which it sources. Based on the success of this partnership, MDF is now seeking to work with a wider variety of market actors in the GFWP space in order to increase the supply of GFWP, as well as the productivity of the sector. MDF's end goal is to improve the incomes, market access and job opportunities of the fishers connected to the reservoirs. Apart from the initial partnership with Divron, MDF signed an MoU with NAQDA in 2019. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 3,659                     | 3,659                   | 2,009,496                     | 2,009,496                   | 4,091,351                   | 4,091,351                 | n/a           | 216,896      | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page Giant Freshwater Prawn



Giant Freshwater Prawn (GFWP) thrives in inland water bodies across the island.



Despite high returns, private sector investment remains low due to high entry barriers.



Sri Lanka is home to nearly 30,000 reservoirs, 300 of which are viable for GFWP.



Sri Lankan GFWP are in high demand in Southeast Asia, particularly in the Thai seafood market.



The governing body, National Aquaculture Development Authority, of Sri Lanka, invests significantly in GFWP stocks.



## Market System 1: Giant Freshwater Prawn

Giant freshwater prawn (GFWP) is a developing market system. Sri Lanka's GFWP species (*macrobrachium rosenbergii*) is unique for its size and ability to thrive in a natural, uncontrolled habitat – primarily, inland waterbodies. While there is some local demand, its true potential lies in the export market where it attracts premium prices. Due to the expanse of inland reservoirs across Sri Lanka, the GFWP value chain is also intrinsically linked with the livelihoods of thousands of inland fishing communities.

MDF achieved some of its earliest successes in this market system, albeit at enterprise level. Although the market has high potential, only a small number of exporters buy and trade giant prawns. Major constraints include low productivity and the poor survival rates of post-larvae (early-stage GFWP) during reservoir restocking. The governing body, National Aquaculture Development Authority (NAQDA), stocks around 250 reservoirs and is actively encouraging private sector participation. Nevertheless, the market has plateaued.

Through MDF's initial success with Divron Bioventures, 3,374 fishers benefited, and by the end of the current phase, 7,558 more fishers are estimated to benefit. In the longer term, through close collaboration with NAQDA, there is potential to benefit all 65,000 inland fishers of Sri Lanka. Positive signs of uptake from the market include investment by NAQDA in establishing more hatcheries and increased interest from fishing societies to pay for restocking.

MDF's initial hypothesis was that demonstrating that there is a lucrative export market for GFWP would lead to crowding in. However, despite Divron's success, other businesses hesitated to invest. This is a common problem in MSD programs. Initial demonstration effects don't lead to automatic crowding-in. Supplementary interventions are often required to overcome obstacles to investment.

MDF's key focus in 2019 was to identify the major constraints affecting sector growth despite the high level of interest expressed and investment made by NAQDA and fishing associations.

### Market function 1 - market linkages

MDF's initial focus in GFWP centred on strengthening the highly fragmented supply chain that connect reservoirs with export markets. MDF supported Divron to strengthen transportation and storage, enabling more streamlined, regular sourcing from fisher communities. Despite MDF actively sharing these lessons, companies were unwilling to replicate Divron's model, as they did not have adequate knowledge of the value chain and because the supply of post-larvae is ad hoc.

Instead of directly subsidising new businesses to enter the market, in 2019 MDF focused on fostering market linkages. MDF has generated insights into global best practices, which were shared with NAQDA to assess the possibilities for local implementation. MDF has also actively developed networks with international market actors to generate awareness of, and interest in, Sri Lanka's unique environment for GFWP cultivation.

MDF has also encouraged communication and coordination between the private sector and NAQDA. MDF has positioned itself in such a way that it has the credibility to influence the industry.

In 2020 MDF will assess reservoir productivity issues with an appropriate partner, utilising the contacts it has made in the market. This will be completed through an assignment, which has been designed based on learnings from Divron and extensive scoping of the incentives and capacities of fishing societies, NAQDA and potential buyers. This assignment will allow MDF to test several approaches towards increasing productivity, including introducing nurseries, training fishers and working with NAQDA to change stocking volumes and schedules.

This action research will be complemented by investing in private sector linkages, for example by replicating the Divron model, or similar.

### Market function 2 - information

Low reservoir productivity is caused by a lack of information and poor practices at multiple levels. Fishers are not informed of appropriate catching and storage methods, and potential buyers and exporters lack information about the species and the technical aspects of growing GFWP in uncontrolled habitats. There is a lack of synchronisation between NAQDA's stocking cycles and export demand.

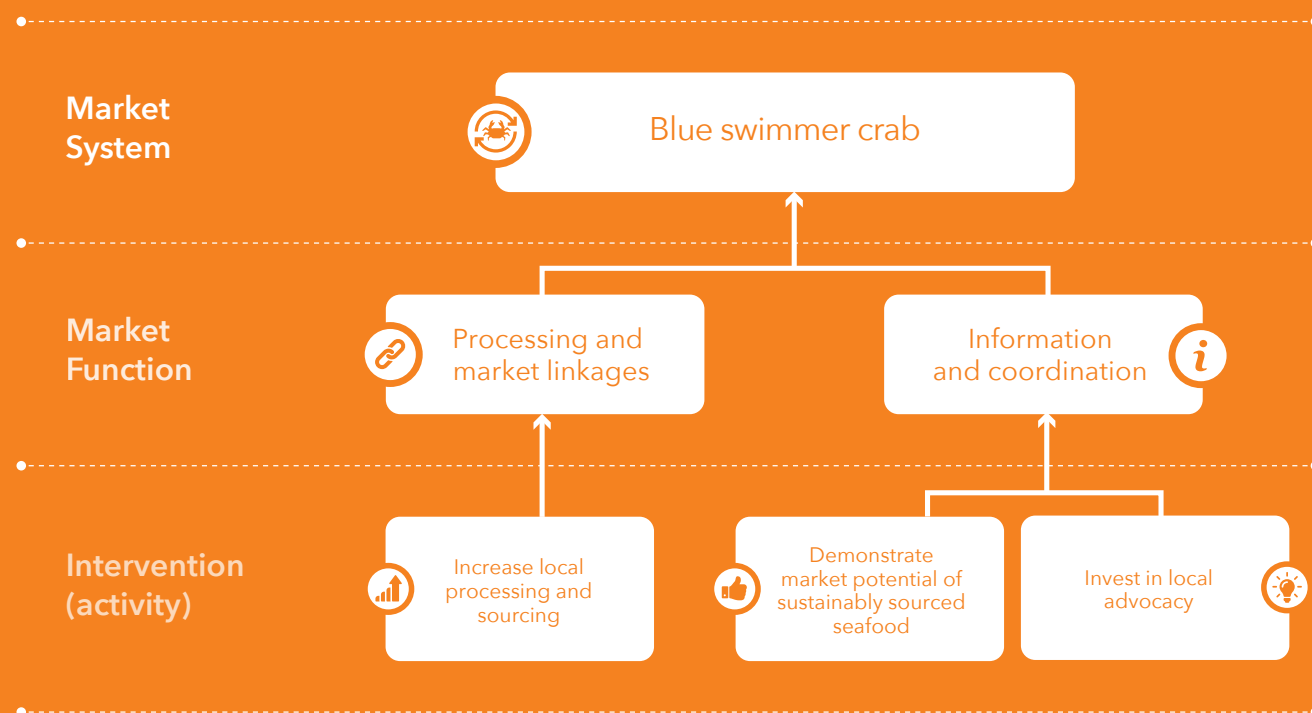
In 2019, MDF worked with NAQDA to implement better stocking methods in line with market requirements and to improve reservoir productivity. MDF and NAQDA conducted an investor forum for the private sector, sharing information on GFWP market potential, the Divron success story and MDF's willingness to support the market. MDF also initiated a dialog with NAQDA on the technological innovations being used to improve GFWP yields globally.





## Market System 2

### Blue Swimmer Crab



| Status of the MS | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                               | Summary of Performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mature           | <ol style="list-style-type: none"> <li>Operationalised cannery and crab processing facilities (Coolman, PCL)</li> <li>Training and creating employment for women in the Northern region (Coolman, PCL)</li> <li>Seafood Study</li> <li>Improving awareness on sustainable sourcing</li> </ol> | One of MDF's initial intervention areas was to increase business activity in the conflict-affected North. The interventions in BSC sought to generate employment in value-adding fish processing facilities in the Northern districts of Jaffna and Mannar. Through improving business activities in the North, the demand for BSC increased, leading to a price increase. Fishers in the North benefited through increased income. MDF currently focuses on mitigating unsustainable practices that could affect Sri Lanka's global ratings, BSC prices and the environment. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 23,982                    | 23,982                  | 18,500,977                    | 12,538,476                  | 11,330,244                  | 6,519,432                 | n/a           | 52,824       | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page Blue Swimmer Crab



The distinctive blue swimmer crab species can be found primarily along Sri Lanka's Northern and Northwestern coasts.



Sri Lanka is well-positioned to access premium markets due to robust crab stocks and sustainable fishing practices.



Close to 21,000 coastal fishers currently catch and sell blue swimmer crab.



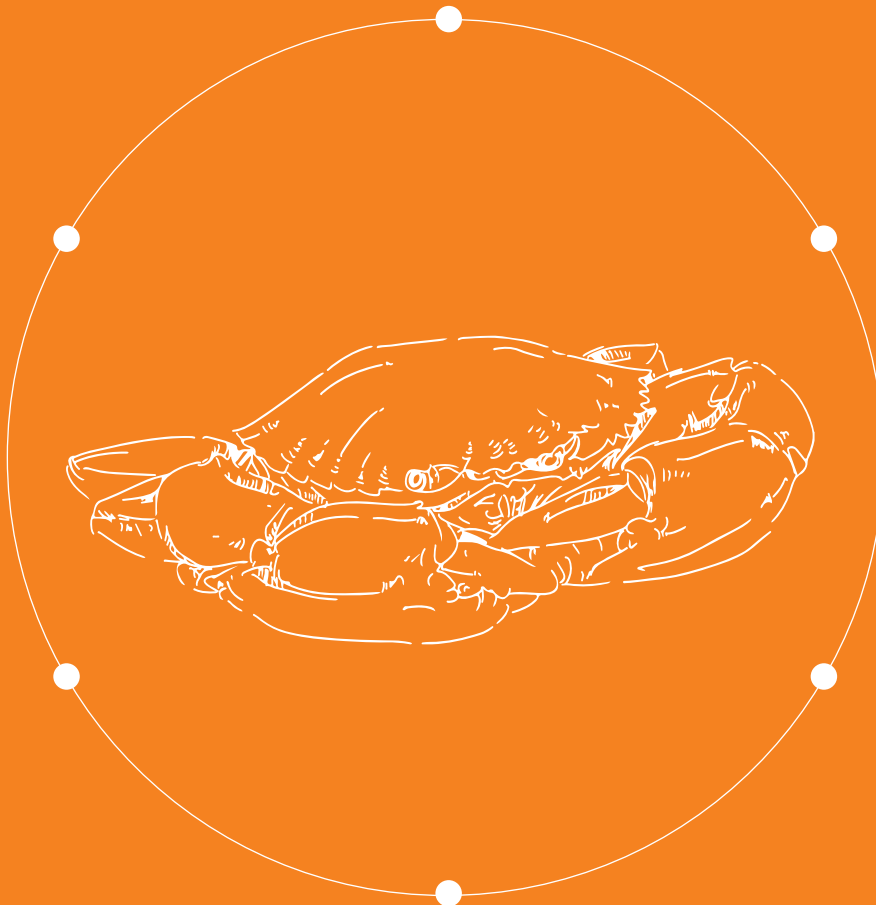
Sri Lanka is the only South/Southeast Asian country rated a "Good Alternative" on SeafoodWatch's sustainable seafood advisory list.



Crab prices rose from \$2.77 to \$4.98 between 2016 and 2018.



Crab processing facilities have emerged as a viable working space for women in the North.





## Market System 2: Blue Swimmer Crab

Blue swimmer crab is a relatively mature example of systemic change in the MDF portfolio, as described in the systemic change case study.

MDF has already reached and reported its estimated impact for Phase 2 (23,700 fishers), with a system-wide impact on the incomes of fishing households. MDF's support in expanding seafood processing for export has also emerged as a viable means of employment, particularly for women in the North, and has led to progress in **women's economic empowerment**.

### Market function 1 - processing and market linkages

As already noted, MDF worked with seafood processors to expand processing capacity so that they would be able to source higher volumes from fishers. MDF created nearly 300 jobs with seafood-processing partners Coolman and Prawn Ceylon, of which 85 per cent were for women. Increased demand and limited supply have resulted in the price of crabs increasing by around 350 per cent over the past few years, benefiting 24,000 households.

In 2019, MDF conducted in-depth research and published a **case study** exploring aspects of these changes. The case study provides insight into the methodology of MDF's contribution analysis which was used to estimate the impact, discusses DFAT's strategy and the collaboration that helped create this impact, and describes the way seafood processing in the North positively impacts women. Considering the processing sector has sufficiently established healthy competition and interest, MDF will not invest further.

### Market function 2 - information and coordination

With increased international demand for canned crab, there is a threat to the sustainability of the wild-caught blue swimmer crabs. Cut-crab and whole-crab markets are less susceptible to unsustainable practices because large crabs fetch premium prices. Conversely, for canned crab, the size of the crab matters less to the market price. High demand creates a risk that juvenile crabs are caught and processed.

The Fishery Improvement Plan is already tackling this issue, with the notable achievement of establishing Sri Lanka as the only South/Southeast Asia country rated "Good Alternative" for blue swimmer crab by Seafood Watch. MDF's work will continue to promote the Fishery Improvement Plan to help the industry qualify for the 'Best Choice' rating. MDF's method of incentivising businesses towards more inclusive and innovative practices is well suited to the challenge.

In 2019, MDF worked with a consultant to understand the potential for Sri Lankan seafood to access premium markets such as Europe and North America. The study also identified segments where the processors could fetch premium prices for certified sustainable products. This information will be used to strengthen the business case for sustainable fishing practices, among businesses as well as fisher communities.

MDF expects effective outreach figures and incomes to continue to increase. However, the future impact will be greater resiliency and not necessarily change actual figures.



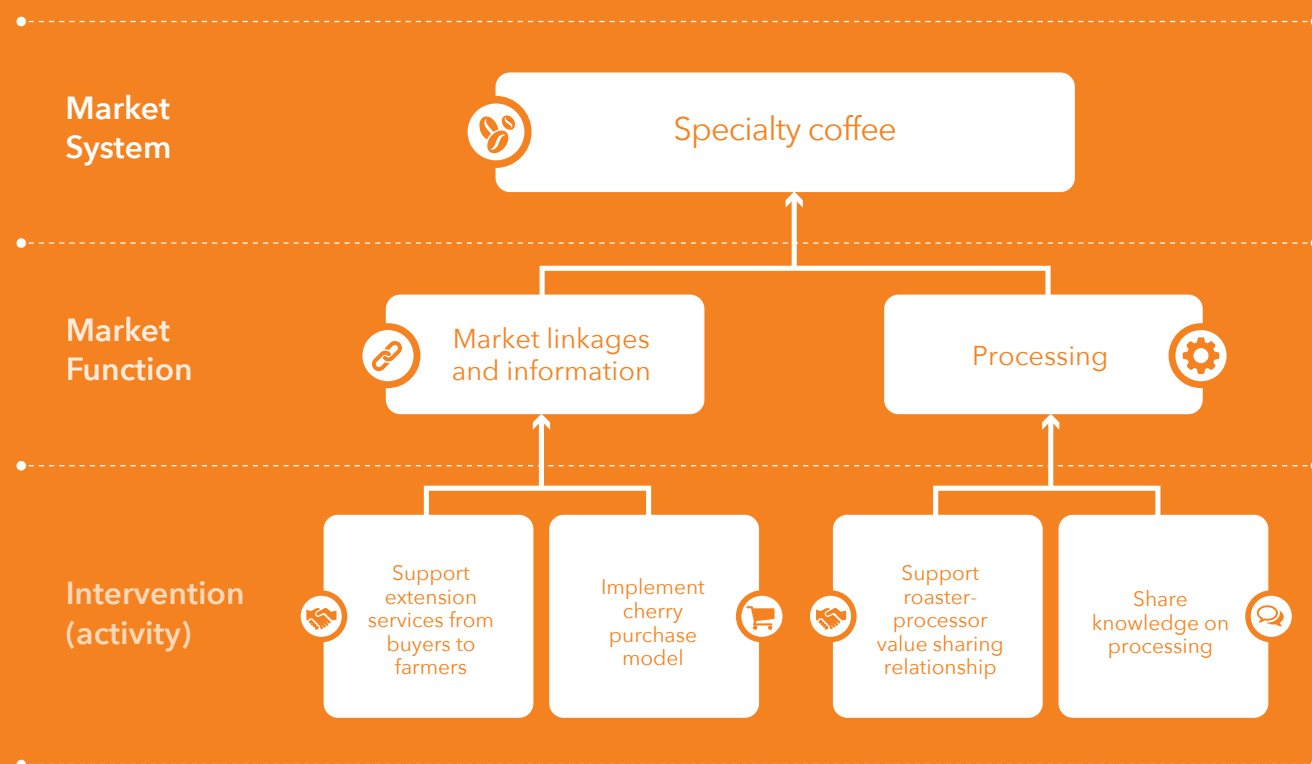






## Market System 3

### Specialty Coffee



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                  | Summary of performance                                                                                                                                                                                                          |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>Setting up cherry collection centre</li> <li>Developing market linkages for smallholder farmers (Whight &amp; Co, Soul Coffee)</li> </ol> | MDF has one active partnership in this intervention area, aimed at setting up an arabica cherry collection system. Due to this intervention a new market for quality coffee cherries will be introduced to smallholder farmers. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 532                       | 283                     | 70,328                        | 33,287                      | 637,079                     | 287,233                   | n/a           | 109,826      | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page Specialty Coffee



Coffee was the 'original' crop of the Central Highlands, preceding the now famous tea.



Smallholder farmers have little to no knowledge of arabica growing, harvesting or selling best practices.



A resurgence in local processing and roasting has developed the 'authentic Ceylonese' coffee brand.



70% of coffee is grown by smallholder farmers, intercropped with spices and herbs.



'Specialty coffee' refers to premium arabica coffee versus robusta coffee, which is more easily sourced.

## Market System 3: Specialty Coffee

Renowned as a tea-exporting country, **the recent uptick in demand for Sri Lankan coffee has been a boon for smallholder farmers**. MDF works in the specialty arabica coffee market system, a niche segment of the industry that has high export potential. A new generation of businesses are attempting to source quality coffee beans, but supply is limited and quality is not uniform.

In Phase I, MDF worked at an enterprise level with a coffee processor-roaster to introduce an out-grower model to secure a more consistent supply. Although this intervention did not yield the expected results, MDF exploited its foothold in the industry to foster growth in an emerging, high-potential export market.

Given the dispersed nature of coffee growing (mostly backyard farming) in Sri Lanka, the focus in 2019 was scoping, identifying potential businesses and negotiating new partnerships. MDF has identified two underperforming market functions on which it will work in 2020.

### Market function 1 - market linkages

MDF's earlier interventions suggest that creating a market for red cherries instead of green beans may help to overcome some of the main constraints in the coffee value chain. By collecting cherries, coffee buyers have more control over the quality of the harvest, while farmers perform less labour and receive higher incomes.

MDF worked with buyers, processors and roasters to disseminate information about the approach – particularly the large plantations that purchase coffee in bulk from out grower farmers and processors. This created a link between smallholder farmers and buyers with an incentive to invest in their supply chain.

In 2019, MDF identified two plantations and introduced the idea of buying coffee cherry to them. The team helped them to design a model to secure greater supply volumes at better quality and to think through what resources, such as staff and networks, they would need. Critically, MDF helped the plantations establish relationships with supplying communities. Other stakeholders too have shown an interest in adopting this new, more efficient model.

### Market function 2 - processing

The quality of coffee is often reduced during the process of converting red cherry to green bean. While some vertically integrated firms manage this process well, most coffee retailers struggle to source consistent quantities of quality green beans. Frequently, buyers are forced to work with multiple specialty coffee processors at the same time, all offering inconsistent quality and quantity. Barriers to effective processing include a lack of machinery/equipment and inadequate knowledge of correct techniques. In 2019, MDF visited processors in the Central Highlands to understand their existing processing techniques, identify gaps, and share information on practices that could yield a better end product.

This is a small focus area, given that the Sri Lankan coffee market has only a limited number of processors. However, MDF will continue to take opportunities as they arise, as more efficient processing will be of value to the entire value chain.



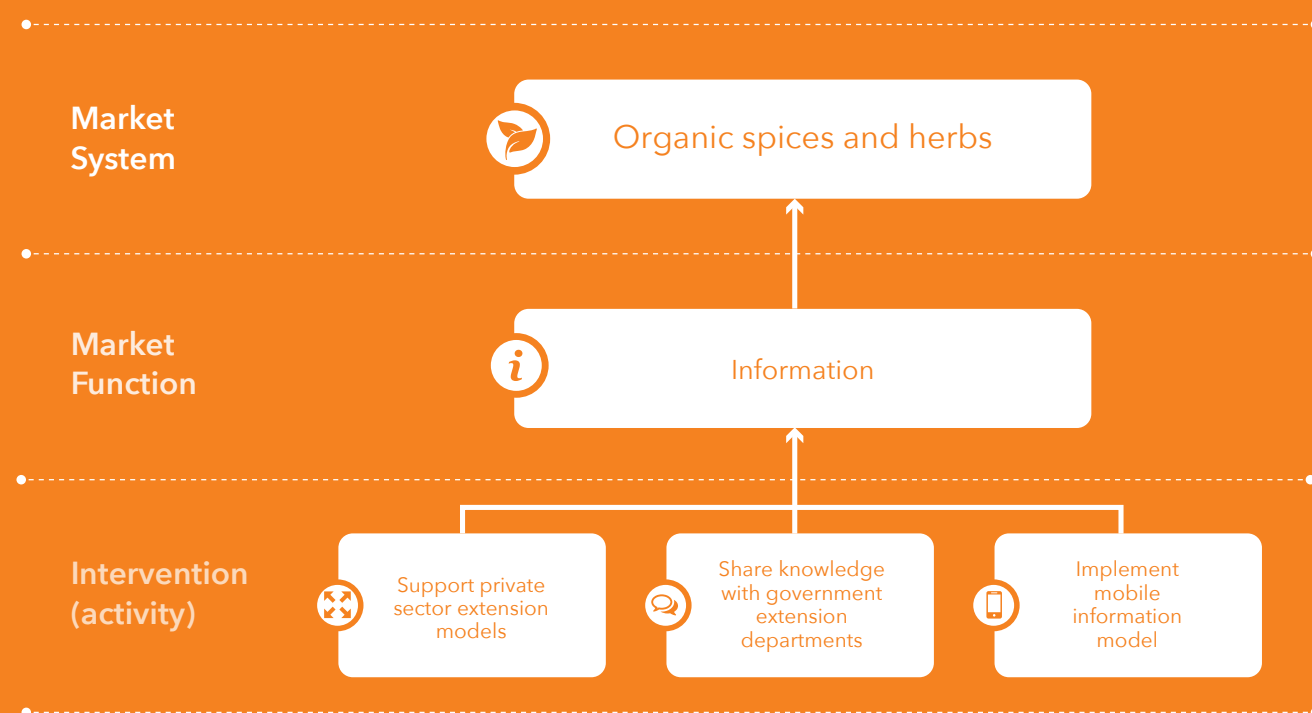






## Market System 4

### Organic Spices and Herbs



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                   | Summary of performance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>Developed a women focused backyard farming model (Pasanka)</li> <li>Providing information and extension services (Pasanka, ETS)</li> </ol> | <p>MDF assisted a small export processor (Pasanka) in 2017, through which MDF demonstrated that access to information can lead to increased yield. The Pasanka-MDF partnership involved improving processing capacity and establishing a backyard farming model with extension services for organic spice products. The partnership reported increased productivity and income. Based on the learning, MDF signed a partnership to scale up information provision business models for organic spices through a larger company that sources from a wider network of farmers using intermediaries.</p> |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 1,666                     | 788                     | 127,267                       | 83,282                      | 744,672                     | 217,775                   | n/a           | 85,060       | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page Organic Spices and Herbs



Historically, Sri Lanka was commonly known as 'Spice Island', driven by the global demand for Ceylon cinnamon ('true cinnamon').



Key market challenges include low productivity and high post-harvest losses.



Local spices and herbs are the key components in traditional 'Ayurveda' medicine.



There are approximately 200 organic spice exporters working in the current market.



Spices and concentrates are identified as potential drivers of export growth in Sri Lanka's National Export Strategy.

## Market System 4: Organic Spices and Herbs

The organic spices and herbs market system is an emerging area for MDF. Organic spices and herbs are a booming global market, increasingly used in wellness products, cosmetics and food. In Sri Lanka, the past decade has seen an almost tenfold increase in organic production. MDF estimates that the number of organic exporters has grown to over 200, with around 15,000 farmers engaged in growing organic spices and herbs.

The main constraint for organic production, across a number of crops, is lower-than-average productivity. Certification costs (borne by exporters) are high and recurring, and based on area under cultivation rather than production volume. Low productivity, therefore, presents a significant disincentive for investments.

In 2019, MDF's interventions focused on identifying specific value chains where it could help processors and exporters develop and test efficient models for getting information to farmers to increase their productivity and reduce post-harvest losses.

MDF's work in this market system stems from a successful intervention with an agri-exporter. In this intervention, the exporter developed a successful model of getting information to farmers. This earlier work has helped MDF establish relationships with key government bodies such as the Export Development Board (EDB). This enabled MDF to act as a 'connector' between public decision-makers and the private sector.

Organic herbs and spices are a key ingredient in wellness products and traditional Ayurveda medicine. Through a highly complementary intervention, MDF worked with the EDB to assess the potential of wellness tourism in Sri Lanka.

### Market function 1 - information

MDF's earlier intervention with Pasanka demonstrated that if buyers provide farmers with guidance on good agricultural practices, it increases their productivity and decreases their post-harvest losses. This increases supply, making it viable to invest in certification.

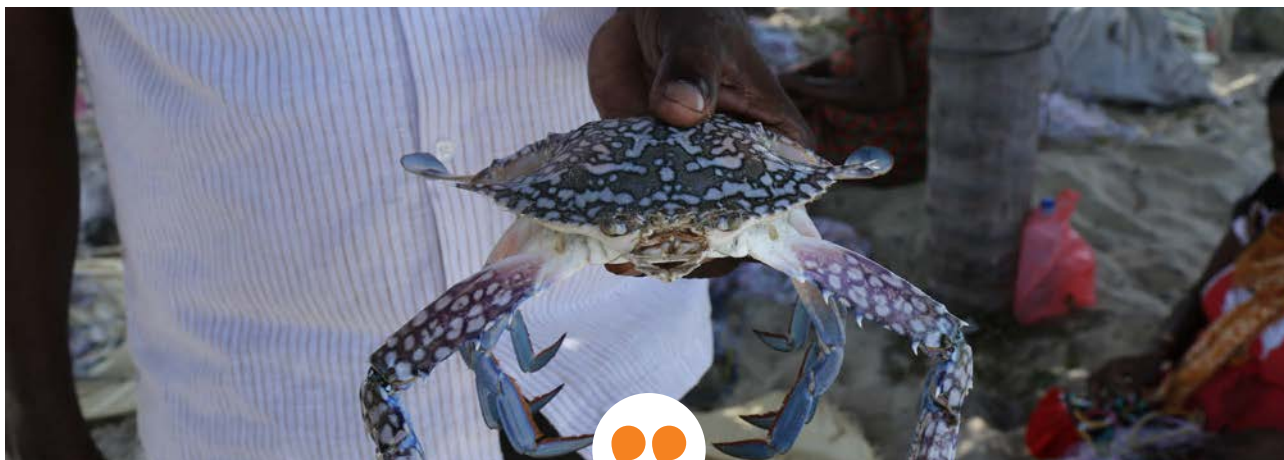
Based on this initial success, MDF developed an offer for larger processors to help them establish an information-based buying model by providing advice and information at the point of trade. MDF has established a partnership with English Tea Shop (ETS) to adopt this model on a larger scale. MDF is also exploring mobile-based models and linking buyers with government extension services.







## Inclusion Interview



### Crab Processing Brings Financial Independence in Sri Lanka's North

MDF Sri Lanka works with the blue swimmer crab market in Northern Sri Lanka, an industry that provides financial independence to their employees and offers opportunities to advance Women's Economic Empowerment (WEE). MDF Sri Lanka Country Team Coordinator Hashim Nazahim, Business Adviser Dulanga Witharanage and Northern Province Field Officer Kanapathippilla Mugunthan travelled to the island of Kayts, in Jaffna, to meet women employed in the Coolman crab meat processing facility.

Vijaya and Santhini are both 20 years old and employed at the Thampaddy seafood processing facility. They explain to the MDF team what their work means to them and to the changing roles of women in the home and workspaces.

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**MDF: How long have you worked at the Coolman facility and what do you do there?**

**Vijaya (V):** We both started working here in 2018. We collect the crab meat, check the shells to make sure we have not missed anything and load it into the designated packaging.

**MDF: How did you find out about this job opportunity?**

**V:** We completed our 'A' Levels<sup>1</sup> in 2018 but we did not have sufficient results to go to university. Our aunts work at the Thampaddy factory and told us about the work opportunity. We joined soon after.

**MDF: Do you work with other girls from your village?**

**Santhini (S):** There are 120 women from our village and the neighbouring village who work at the factory.

**MDF: Do you look to any of your co-workers as role models?**

**S:** Yes. The facility appointed two women from our village as supervisors. They have worked in processing for some time with other companies as well and they have a lot of experience.

<sup>1</sup> The 'advanced' level exam is Sri Lanka's highest secondary educational qualification.

**MDF:** Since you started working at the factory, have your spending patterns changed? If so, how?

**S:** Yes, they have. I can buy whatever I want. I also save some money and I can contribute to expenses at home. I can also use this money to settle any loans we have.

**V:** I was able to buy a motorcycle. I mostly spend what I earn on food, the monthly lease for my bike, household expenses like groceries and I also buy things for my siblings.

**MDF:** Would you say that there have been any significant changes in your life since you started working?

**V:** Yes. I think the biggest thing is that we now have the freedom to buy anything we want.

**MDF:** Is there a difference in the way the members of your household view you since you started working?



*I think so. Since I started contributing to household expenses, they ask me for my opinion on what to buy for the house and how the money should be spent.*

Vijaya

**S:** Yes [laughs] – my younger siblings keep asking me for pocket money! I suppose I am now seen as one of the sources of income in my family.

**MDF:** Do other people in your community view you differently since you started working?

**V:** Most of them are already working in the village, so no.

**MDF:** Since the Coolman facility started hiring women, have you noticed any changes in how the community perceives women?



*I think people are more accepting of women working outside of the home which has not been the norm in this area. Things are changing.*

Vijaya

**MDF:** What has been the biggest advantage of working for you?

**V:** We used to depend on our families a lot before for everything! But now we can contribute to the household and support our families.

**S:** We can also buy whatever we want for ourselves, which we couldn't do before.

**MDF:** What do you think about women working in a place like this? Should more women do it?

**V:** Yes, more women should do it.



- MDF interventions in crab meat processing have created **279 jobs** in the North, of which **88% are filled by women**
- Employment and a generally higher household income led women in the North to earn an **additional income of \$261,395** in 2019
- Overall, **23,979 people** have benefited from MDF's seafood processing interventions in Northern Sri Lanka

MDF's work in the Blue Swimming crab (BSC) market in northern Sri Lanka is also documented in a series of **case studies**.



## Pro-poor Growth Story

# Superfood to the Rescue!

## Moringa's transformative impact on smallholder farmers

*Farming in the Sri Lankan dry zone can be challenging. The land can only support the most resilient crops, which tend to be sold ad-hoc at nearby markets or to middlemen at low prices.*

*But now, the local agricultural industry has found an easy solution to this difficult problem - in the form of moringa. This nutrient-dense vegetable, locally known as 'drumsticks', is packed with antioxidants and sits high on the list of globally coveted superfoods. It can be found in a wide range of products, from medicinal tea to cosmetics and smoothie bowls.*

*MDF partner Pasanka, a manufacturing and export company located in Ambalanthota, southern Sri Lanka, has drastically increased its moringa purchases from local smallholder farmers to supply growing global demand.*



Kankanage Sammy and his wife used to grow a range of crop vegetables for sale at local markets. Since he began working with Pasanka, Sammy has concentrated the bulk of his harvest on moringa. Now he sells more produce than before and at a higher price. Moringa can be harvested nearly every two and a half months, which means the family produces about 200kg annually.

Having a guaranteed buyer for his product offers Sammy stability. But farming moringa also comes with other benefits: human-elephant conflict is increasing in Sri Lanka, where farmers like Sammy stand to lose everything when elephants forage.

However, they are less attracted to moringa than other crops, which helps to keep them at bay.

"Elephants frequently visit our land, so we can't grow anything other than moringa. That is our only source of income. Pasanka is the only business in the area that requires moringa," Sammy commented.



**It is because of Mr. Saman [Pasanka proprietor] that we have an income throughout the year. He buys our moringa leaves and sticks for a consistent price. If I take it to the market, I won't be able to sell at this quantity and I'll get a low price anyway.**

— Kankanage Sammy

Another former mix-cropper, A.A. Ariyadasa, has converted his entire landholding to moringa since connecting with Pasanka's regional trader. This relationship represents vital market access for the elderly farmer and his wife. Moringa has also changed their fortune and helped them support their son and his family. A crucial aspect of Ariyadasa's business relationship is the extension advice he receives.

"Mr. Rishitha (the Extension Officer) gives us a lot of advice on growing matters, especially on natural pest-control methods such as using coconut husks and natural fertiliser options...Moringa is our main source of income."

One of MDF's first activities to support Pasanka was to recruit a capable Extension Officer (EO). The EO visits Pasanka's farmer network, to advise on everything from good growing practices to how to use easily found natural material as organic fertiliser. The business gains prompted the EO to share information with Pasanka's vast collector and trader network which is then passed on to small farmers like Ariyadasa who don't communicate with the EO directly.

The global moringa market was valued USD8.2 billion in 2018, with most demand stemming from Europe and the US. MDF's intervention has successfully linked an entrepreneurial business and rural farmers to a massive market that is only going to get bigger. For the Sammy and Ariyadasa families, this has been a transformative step.



- Since 2017, MDF's work with Pasanka has contributed to **higher incomes for over 750 farmers** growing organic spices and herbs
- Pasanka (Pvt) Ltd. processes and exports organic moringa, sourced from over 70 smallholder farmers in Beliatte, a town in southern Sri Lanka. MDF's intervention with Pasanka focuses on improving competitiveness and quality in the organic spice and herb market. MDF is supporting the business to expand its sourcing from traditional spices to spices/herbs that are used globally for infusions, cosmetics and spa products – such as turmeric, lemongrass and of course, moringa.



## Acknowledgements

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

|                                                                                              |
|----------------------------------------------------------------------------------------------|
| Antyra Solutions Ltd.                                                                        |
| Association of Small and Medium Enterprises in Tourism (ASMET)                               |
| Batticaloa Tourism Association                                                               |
| Booking.com                                                                                  |
| Colombo City Tourist Hoteliers Association                                                   |
| Department of Export Agriculture (DEA), Sri Lanka                                            |
| Department of Fisheries and Aquatic Resources, Sri Lanka                                     |
| Department of Fisheries and Aquatic Resources, Jaffna and Mannar District Offices, Sri Lanka |
| Dialog Axiata PLC                                                                            |
| Dr. A. P. Heenkende, Director General, Department of Export Agriculture, Sri Lanka           |
| Dr. Ananda Subasinghe, Director, Department of Export Agriculture, Sri Lanka                 |
| Dr. Asoka Seneviratne, Former Director General, Department of Export Agriculture, Sri Lanka  |
| Dr. Steve Creech, Fishery Improvement Project (FIP) coordinator                              |
| eMarketingEye (Pvt.) Ltd.                                                                    |
| Sri Lanka Export Development Board (EDB)                                                     |
| Hikkaduwa Hoteliers Association                                                              |
| Hotel Owners Association, Polonnaruwa, Sri Lanka                                             |
| ILO Local Empowerment through Economic Development (LEED)                                    |
| Institute of Hospitality, Sri Lanka Chapter                                                  |
| Ministry of Agriculture, Sri Lanka                                                           |
| Ministry of Tourism and Aviation, Sri Lanka                                                  |
| Mr. Asoka Hettigoda, Managing Director, Siddhalepa Ayurveda                                  |
| Mr. Dileep Mudadeniya, Vice President, John Keells Group                                     |
| Mr. Julian Hawkins, CEO, VeriCatch                                                           |

|                                                                                                           |
|-----------------------------------------------------------------------------------------------------------|
| Mr. Kanchana Nanayakkara, Head of Human Resources, Jetwing Hotels                                         |
| Mr. Kenneth McAlpine, Founder and CEO, Tusker Coffee Roasters                                             |
| Mr. Nimal Chandraratne, Director General, National Aquaculture Development Authority of Sri Lanka (NAQDA) |
| Mr. Srilal Miththapala                                                                                    |
| Ms. Amal Goonetilleke                                                                                     |
| Ms. Katherine Droga, Founder, Droga & Co.                                                                 |
| National Aquaculture Development Authority of Sri Lanka (NAQDA)                                           |
| National Aquatic Resources Research and Development Agency (NARA)                                         |
| National Fisheries Institute Crab Council (NFICC)                                                         |
| Negombo Hoteliers Association                                                                             |
| Seafood Exporters Association of Sri Lanka (SEASL)                                                        |
| Skills for Inclusive Growth (S4IG)                                                                        |
| Sri Lanka Tourism Development Authority (SLTDA)                                                           |
| The Hotels Association of Sri Lanka (THASL)                                                               |
| The Kandy Hoteliers Association                                                                           |
| The Spice Council of Sri Lanka                                                                            |
| The Sri Lanka Association of Inbound Tour Operators (SLAITO)                                              |
| The Sri Lanka Institute of Tourism and Hospitality Management (SLITHM)                                    |
| The Sri Lanka Tourism Alliance                                                                            |
| Trincomalee District Hotels Association                                                                   |
| Women at Work, International Finance Corporation (IFC)                                                    |
| World Surf League (WSL)                                                                                   |
| YouLead                                                                                                   |
| ZOA                                                                                                       |

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.

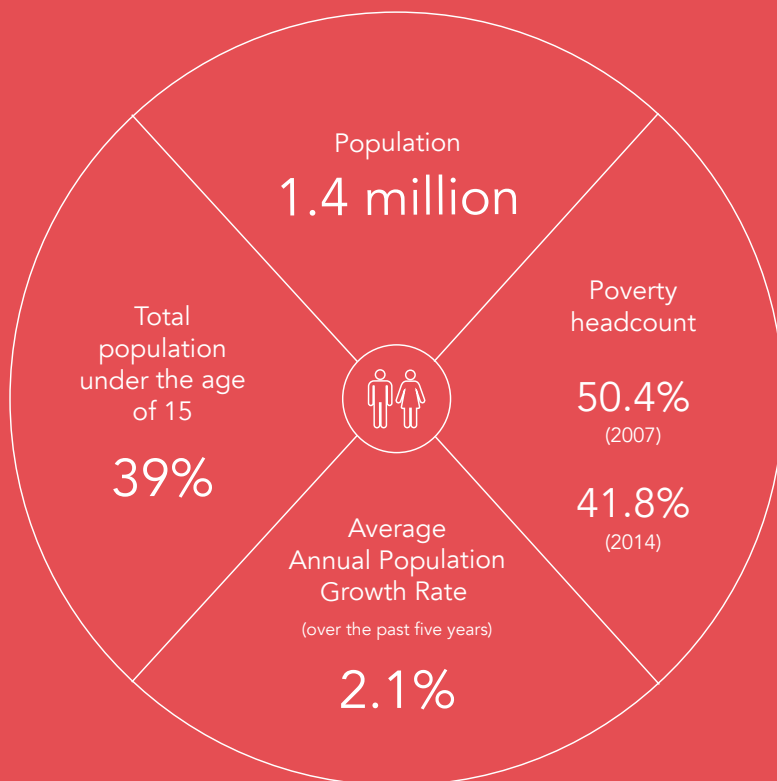






## Quick Facts

*Timor-Leste*



Proportion of population with mobile phone coverage

**Over 95%**

(2016)

Between 2007 and 2014, there were notable increases in ownership of certain consumer durables. Ownership of mobile phones increased by 56%, while ownership of televisions grew by 23%, and ownership of motorcycles by 17%.



In 2018 there were **0.39 million** active mobile social users, meaning that social media has **30%** penetration.



### GDP contribution by sectors

Based on the most recent statistics from the Government of Timor-Leste (2018)



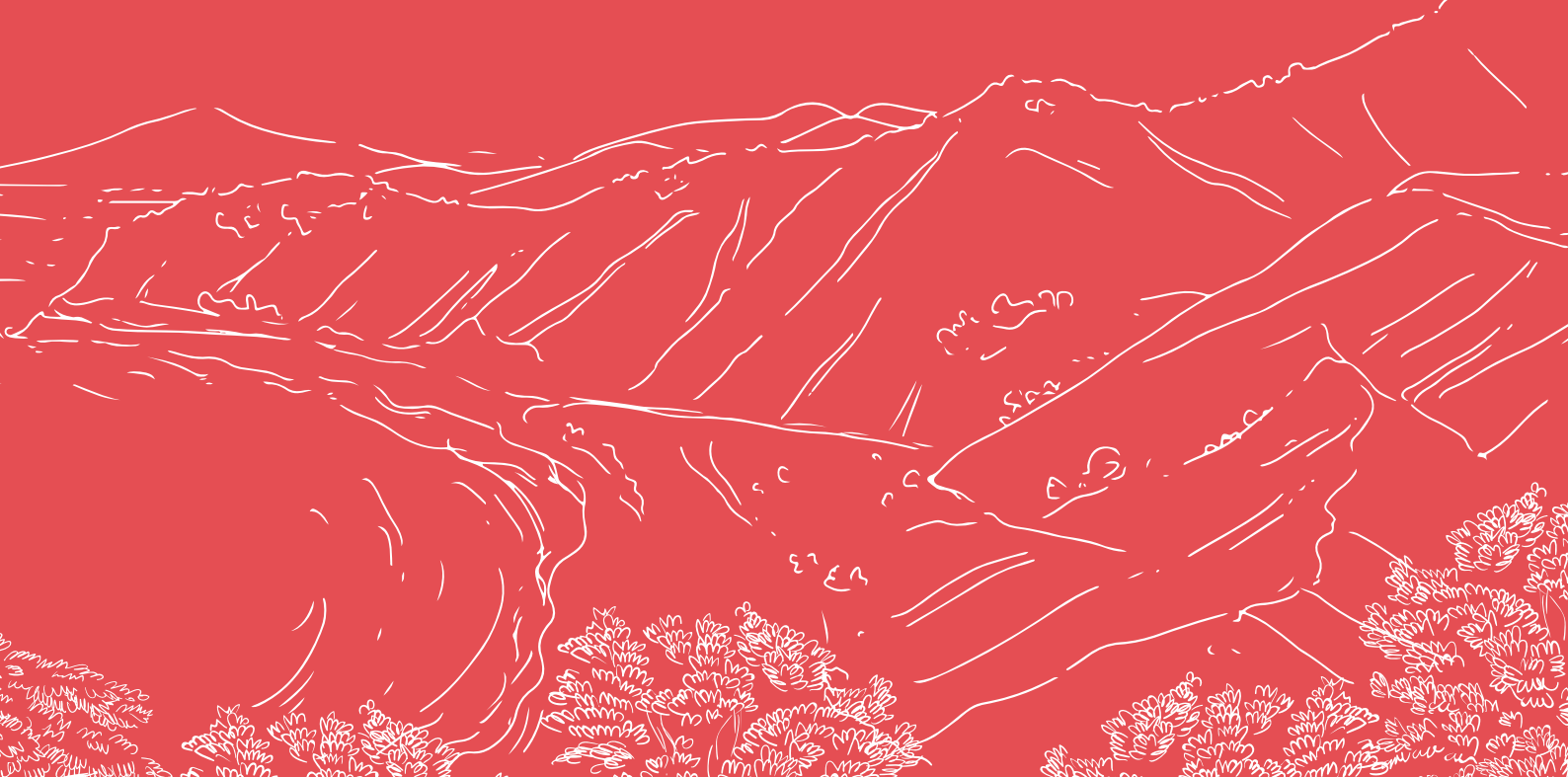
**Construction**  
11%



**Agriculture**  
19%



**Manufacturing**  
1%



## Key Focus Areas



### Agriculture

Boosting productivity linked to domestic and export demand opportunities such as aquaculture, konjac, pigs, cattle, coconut, cocoa and coffee.

**78%** of poor households are engaged in farming

**80%** of poor families living in rural areas

Forest coverage is **47%**, fallen by more than 10% in the past 15 years

Estimated number of pigs infected by African Swine Fever since September 2019: **20,000**, with a fatality rate of 100%



### Official languages

#### Tetum and Portuguese

There are 32 indigenous languages spoken in Timor-Leste today, with only 30% speaking Tetum as a mother-tongue; a further 55% speak it as a second language (Census 2015).



### Tourism

Increasing and improving destination marketing of Timor-Leste, especially by leveraging the country's unique selling points like diving and whale watching. Developing or improving tour products and services, and enabling better policy and sector coordination.

**73,837** Class 1 Tourism Visas were issued in Timor-Leste in 2017

An estimated **12,552** holiday makers visited Timor-Leste in 2017 (The Asia Foundation 2018 Tourism Barometer)

### Employed working age population

Total: **53%**  
(2015)



Female  
**44%**



Male  
**61%**

Over **300,000** people are likely to join the working age population in the next 10 years



### 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.

### Real growth rates on industry value added (2017)



Agriculture  
**3%**



Industry  
**7.6%**



Services  
**5.9%**

### Loans to private sector (2017)



Construction  
**12%**



Tourism  
**11%**

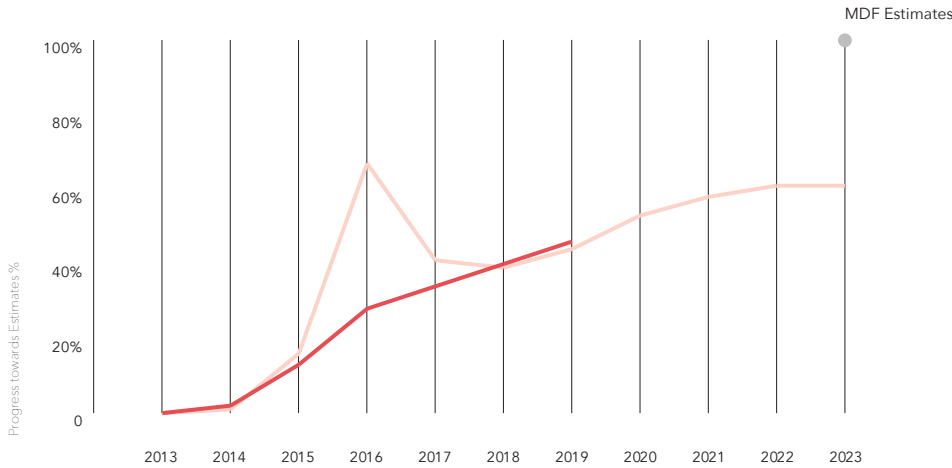


Agriculture  
**<1%**



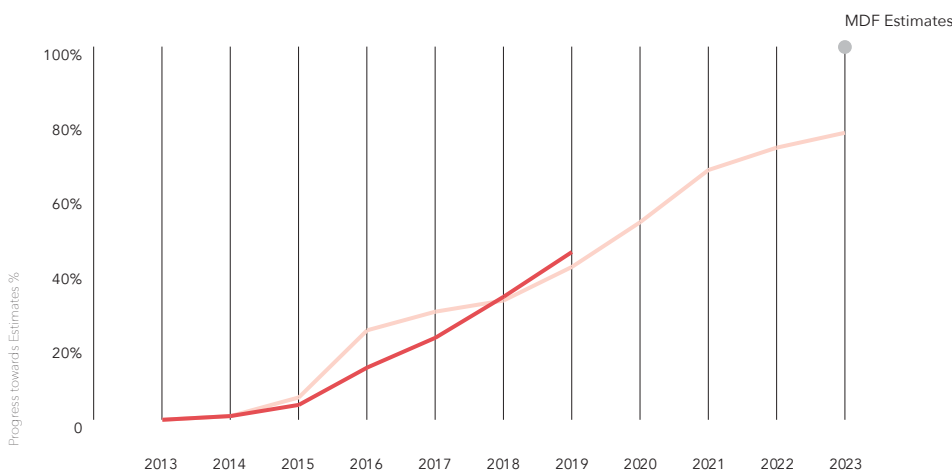
# Highlights

## EFFECTIVE OUTREACH



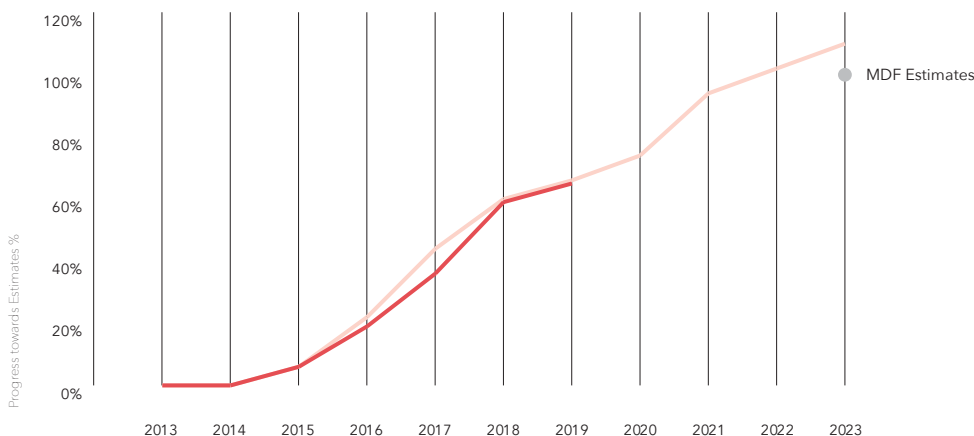
- **46%**  
Cumulative actuals % against MDF estimates
- **61%**  
Cumulative projections % against MDF estimates

## NET ADDITIONAL INCOME (USD)



- **45%**  
Cumulative actuals % against MDF estimates
- **77%**  
Cumulative projections % against MDF estimates

## VALUE OF ADDITIONAL MARKET TRANSACTIONS



- **65%**  
Cumulative actuals % against MDF estimates
- **110%**  
Cumulative projections % against MDF estimates

---

## EFFECTIVE OUTREACH

- Total Effective Outreach estimated to be achieved in Timor-Leste by the end of the current planned monitoring period (i.e. until 2024) is 19,000.
- As of December 2019, the existing portfolio achieved 46 per cent of this estimate (8,800 adults). Agriculture interventions have contributed 56 per cent of total outreach, with large proportion coming from MDF's rice, coffee, cattle and agricultural input interventions.
- Manufacturing and tourism interventions have contributed 33 and 11 per cent of total outreach. The growth in 2019 results came from mature interventions such as coffee and cattle.
- In 2019, the team signed new interventions in pigs, konjac and agricultural input market systems. Results for Total Effective Outreach projected to be achieved through current interventions would allow MDF to achieve 61 per cent of the estimates.

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## NET ADDITIONAL INCOME (USD)

- Net Additional Income estimated to be achieved in Timor-Leste by the end of the current planned monitoring period (i.e. until 2024) is USD5.5 million.
- As of December 2019, the existing portfolio has achieved 45 per cent of this estimate (USD2.5million). Similar to effective outreach, the growth in 2019 came from cattle and coffee interventions.
- The agriculture portfolio contributed 69 per cent of the net additional income, higher than its contribution to outreach, demonstrating that agriculture partnerships generate higher income per beneficiary than other sectors.
- The tourism sector contributed 12 per cent of net additional income and manufacturing contributed 19 per cent. With the new interventions signed in 2019, projected net additional income should allow MDF to achieve 77 per cent of the estimate.

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## VALUE OF ADDITIONAL MARKET TRANSACTIONS

- The Value of Additional Market Transactions estimated to be achieved by the end of the current planned monitoring period (i.e. until 2024) is USD6.4 million.
- As of December 2019, the existing portfolio of interventions achieved 65 per cent of this estimate (USD4.2million). Of this, the agriculture sector contributed to 63 per cent of the results, the manufacturing sector contributed 20 per cent and the tourism sector contributed 17 per cent. Nearly 100 per cent of the projected results beyond 2020 come from the agriculture sector.
- During 2019, MDF commenced interventions in two export-oriented market systems, konjac and virgin coconut oil. These interventions are expected to allow MDF to achieve 102 per cent of the estimate by the end of 2022. The potential impact of supporting coffee exporters through Assosisaun Café Timor-Leste is yet to be determined.

## Overview of Portfolio and Progress in 2019

In 2019, public calls for economic diversification and the development of new industries became increasingly loud. MDF therefore continues to be even more relevant to Timor-Leste's development. It was a year of significant change for MDF, which made great strides in effectiveness by overhauling strategies and the intervention portfolio in line with the new facility-wide strategic framework. MDF now has almost a full complement of new strategies at the country, sector and market system levels. Benefits of these changes have already flowed through to the intervention portfolio, where MDF made much better choices about partners and implementation ideas in 2019.

MDF achieved major increases in the efficiency of activities and outputs, and grew an ambitious new portfolio of interventions, in a variety of exciting new markets. MDF commenced 17 new interventions in 2019 - a huge increase on the six interventions in 2018 - and the highest number on record (the previous record was 13 in 2017). This increased projected outreach results by 32 per cent. Similarly, a total of 32 interventions were active at some point in 2019, again higher than the previous record of 27 in 2017. This large uptick in efficiency was aided by the creation of new portfolio management tools such as an Intervention Tracker, and several facility-wide improvements including a switch to output-based contracting and a new concept note template and procedure.

Good progress was made towards the achievement of outcomes and MDF's high-level results estimates (EOPOs).

MDF recorded a 15 per cent increase in effective outreach, and a 35 per cent increase in additional income earned by beneficiaries. MDF's results on gender equality continued to be outstanding, with women comprising 54 per cent of beneficiaries. Systemic changes were reported for some market systems where MDF has been active in past years like beef and coffee. The annual stocktake of monitoring and evaluation (M&E) systems by M&E House found MDF had the highest proportion of 'good' or 'very good' scores of the eight DFAT-funded programs.

MDF put a lot of effort into maintaining its relevance to the Australian aid program and growing relationships. The team liaised regularly with To'os ba Moris Di'ak (TOMAK) to improve collaboration and an MDF field officer is now based in a TOMAK regional office. MDF built a strong relationship with two other tourism-focused development projects, especially to minimise overlap. MDF strategised ways to complement the Pacific Labour Facility. MDF played a helpful role for the embassy on emerging issues, getting involved in trilateral cooperation, the response to African Swine Fever (ASF), hosting a large number of high-level site visits and publishing a very large number of communication pieces.

MDF hosted a successful Advisory Group mission in October 2019, which focused on the tourism sector. The mission report was very positive, noting the, 'wide-ranging number of changes under the leadership of a new Country Director', positive interactions with sector stakeholders, and that, 'MDF plays a valuable and unique role within the [Post] portfolio'.





# Country Strategy and Sector Selection

## Introduction

Key achievements for MDF in 2019 include improved relevance and effectiveness, facilitated by wholesale changes to strategy at all levels: country, sector, market and intervention. An almost complete set of new strategies were developed in line with new facility-wide guidance. Particularly critical was the development of a suite of Market System Strategies (MSSs) which did not exist previously. These MSSs helped guide intervention choices, focusing MDF's work on priority areas.

Another priority for the MDF Timor-Leste team in 2019 was a renewed push on developing an ambitious and 'full' portfolio of interventions. Ultimately, MDF achieved record increases in the delivery of core activities and outputs. MDF commenced 17 new interventions in 2019, a near tripling of the six interventions commenced in 2018. This was also the highest number of new interventions commenced in a single calendar year, beating the previous record of 13 in 2017. Also, a total of 32 interventions were active at some point in 2019, again higher than the previous record of 27 in 2017. This large uptick in efficiency was aided by the creation of new country-specific management tools such as an Intervention Tracker, as well as several facility-wide improvements including a switch to output-based contracting and a new concept note template and procedure.

These achievements in increased efficiency and effectiveness were confirmed by the Advisory Group which reviewed MDF in October 2019. The mission report noted, "the facility has

implemented a wide-ranging number of changes under the leadership of a new Country Director. These have furthered team efficiency and effectiveness towards strengthening Timor-Leste's private sector."

MDF successfully completed the majority of items specified in annual plans for 2019 (noted in two separate documents – Annual Strategic Plan 8, covering July 2018 to June 2019 and interim Annual Strategic Plan 9, covering July to December 2019). Readers should refer to the Annex to the Annual Strategic Plan for 2020 for a full report on achievement against specific items from 2019.

MDF put a lot of effort into improving its relevance, both within work in target market systems and also beyond. This includes relevance to the Australian Government's broader work in Timor-Leste. MDF was on the front foot with the arrival of African Swine Fever, gathering data and formulating a response which was well received by DFAT. As noted by the Advisory Group, MDF, 'is highly active in its communications, and these products are valued by Dili Post.' MDF did its own audit of communications in 2019 and found it made the second-largest contribution to embassy communication efforts of the DFAT-funded programs, which was particularly significant considering MDF's smaller size than most other programs. MDF also organised site visits for several high-profile Australian officials and delegations including the Ambassador for Women and Girls.

## Results

MDF's recently-completed annual aggregation exercise showed more than adequate progress was made in 2019 towards the result estimates (analogous to End of Program Outcomes). If current trends continue, MDF is well placed to achieve or overachieve these results estimates by the end of the current delivery contract period.

Last year MDF achieved a steep rise in the projected Value of Additional Market Transactions (VAMT) stemming from new interventions. Consequently, as of the end of 2019, VAMT from the current portfolio is likely to exceed the current estimates.

MDF realised 15 per cent growth in results for actual effective outreach in 2019, driven principally by past interventions in cattle/beef and coffee. The sharp growth in new interventions commenced in 2019 have increased actual effective outreach results projections by 32 per cent compared to last year. With the existing portfolio of interventions, MDF should achieve 60 per cent of the estimated effective outreach.

Actual income earned by beneficiaries increased by 35 per cent from last year. As with outreach, much of this came from the cattle/beef and coffee interventions. Projected additional income has doubled, with the biggest contributions coming

from the konjac, virgin coconut oil, pig feed and coffee interventions. With the existing portfolio of interventions, MDF is on track to achieve 77 per cent of the additional income estimate.

The annual stocktake of M&E systems by M&E House found MDF was one of four (out of eight) DFAT-funded programs that met all 15 of the M&E system criteria. MDF also had the highest proportion of 'good' or 'very good' scores of the eight DFAT-funded programs. This assessment also used MDF's "detailed scheduling of M&E activities" as an example of best practice.

MDF maintained its very strong record on gender equality. The share of female beneficiaries increased slightly from last year, from 52 to 54 per cent. Sector-wise the result was 51 per cent in agriculture, 52 per cent in manufacturing and 69 per cent in tourism.

In 2019, MDF Timor-Leste set out to improve its capacity on disability inclusion. The Quality and Inclusion sub-unit conducted analysis on disability inclusion and then finalised a Timor-Leste-specific Disability Strategy in September 2019. A couple of actions have started to be implemented. Others will commence in the next reporting year.

## Country Strategy

Since it became a sovereign country in 2002, Timor-Leste has achieved a lot. It began its independent existence with few institutions, little infrastructure, a limited numbers of educated people, and the trauma of long-running conflict. Yet, in less than a generation, Timor-Leste has reduced its poverty rates, improved security, increased school attendance and invested heavily in infrastructure.

Timor-Leste has one of the most resource-dependent economies in the world. Petroleum accounts for a majority of government revenue and GDP. So, whilst there is economic growth, most of this is driven by government spending on public service wages, infrastructure, cash transfers and other stimulus projects. There is a consensus that diversification of Timor-Leste's economic base is vital, as future oil revenue receipts look increasingly volatile.

To support a more diverse economy and a large vibrant private sector, MDF's approach in Timor-Leste includes:

1. Working across a variety of economic sectors
2. Building upon existing business activity as well as driving the start-up of new industries
3. Prioritising collaboration with the private sector and actively seeking opportunities to improve business and human capacity within companies.

Most commentators and the government of Timor-Leste respectively suggest for economic development to focus on three sectors: agriculture, tourism and manufacturing. In 2019, MDF's portfolio continued to be closely aligned to these priority sectors identified by the government. MDF focused on two sectors – agriculture and tourism – and complemented this with a smaller contribution in manufacturing.









## Agriculture

Around three quarters of Timorese households practice agriculture. A majority practice subsistence farming, largely producing food crops for personal consumption. With low productivity and a large percentage of its population working in agriculture, the achievement of higher incomes and employment (MDF's goal) can most directly be achieved through working in the agriculture sector, particularly increasing productivity.

In the past, MDF had oriented its agriculture strategy around a suite of market functions like processing and inputs. As agriculture in Timor-Leste hasn't changed that much in the past five years, there is still merit in this strategy, and MDF will continue some work on general agricultural inputs. However, to improve efficiency and better tailor interventions, MDF has or will create MSSs for each target agricultural product.

It is important to note that in 2019, MDF's work in agriculture was largely in market systems where it had not worked previously. This means that most of MDF's ongoing work in agriculture is at the 'emerging' end of the spectrum (with some exceptions such as coffee). It also means that many of the results recorded against the estimates reflect achievements from market system work completed in previous years, which may not be ongoing (e.g. cattle/beef). These market systems are largely not the subject of the discussion below, which focuses on active/ongoing market systems.

MDF's work in the agriculture sector has resulted in some emerging signs of systemic change:

- A definite trend towards improved quality in coffee: MDF's collaboration with Assosiasaun Café Timor-Leste (ACT) allowed them to establish a cupping facility and implement processing quality training. Farmers participating in the training have been applying improved practices and participating companies have continued to disseminate lessons from the training to more of their producers. Association members used the

cupping lab for testing and demonstration purposes. Two of the five companies receiving better prices as a result of improved quality have paid better prices to their farmers. Six out of the ten top scoring coffees in the recent national coffee competition were from producers benefiting from MDF's collaboration with ACT.

- Significant changes in the cattle/beef value chain: MDF's collaboration with a meat processing company allowed them to more than double their capacity. Their trading network more than doubled, four new butcher shops have replicated their business model, many supermarkets have started stocking fresh beef and advocacy at the national abattoir has had an impact on efficiency. MDF found that over 200 farmers increased their incomes and the import of frozen beef has reduced from 330 tonnes in 2017 to 85 tonnes in 2018.

MDF tried in 2019 to understand what other development partners were doing in agriculture and collaborate where it made sense. MDF met frequently with the DFAT-supported TOMAK program to build on the existing formal collaboration. An MDF field officer moved to the TOMAK office in Baucau and assisted both programs with their delivery. MDF also liaised regularly with a number of NGOs, donors and donor-supported projects to share information, avoid overlap and otherwise assist each other.

Aside from the key market systems reported on below, MDF made good progress in scoping a range of other market systems, including cocoa, fruit, peanuts, chicken, spices, cattle and distilled tree oils. Scoping of each of these market systems is at a different stage, and as interventions did not officially commence in 2019, no further reporting is provided below. However, MDF found a number of good opportunities to promote pro-poor growth and a variety of prospective intervention partners. Several new MSSs were drafted as well as some intervention concepts.



## Tourism

Tourism is very limited in Timor-Leste, but there is growing recognition that tourism could make a modest contribution to economic development. Plenty needs to happen to allow tourism to grow, and little public investment has been made to date. The private sector in tourism is small, fragmented and has limited capacity. Because the number of tourists is currently so small, the viability of many tourism businesses is regularly threatened. Without an increase in tourist arrivals, there is limited incentive for the private sector to invest and grow.

Challenges in the tourism sector are complex and many are beyond the scope of MDF. These include air connectivity, the US dollar economy and infrastructure. It is therefore crucial for MDF to focus on those market systems and functions that present plausible targets for unlocking growth.

Accordingly, in 2019 MDF gradually shifted its tourism strategy. In previous years, most MDF interventions in the tourism sector were focused on supply, i.e. accommodation, handicrafts, and

product development. Improvements in the supply of products and services remains important. However, MDF's key strategic shift in 2019 was to focus on demand creation, particularly through destination marketing. Most of the tourism interventions commenced or negotiated in 2019 were in some way related to destination marketing.

Another fundamental change in strategy connected to destination marketing was made during 2019 and relates to the role of tourism players outside Timor-Leste. One of the basic gaps in tourism promotion for Timor-Leste is that there are limited relationships with international operators which are crucial in growing tourist arrivals. That is why MDF started to engage with prospective partners based outside of Timor-Leste, including travel agents, wholesalers, cruise lines and airlines.

MDF continued to see sector collaboration as a key constraint to growth. Consequently, many of the interventions implemented by MDF include some element of fostering collaboration, including between public and private sector actors.

While the bulk of MDF's interventions were directly with private sector partners, MDF further built its relationship with the Ministry of Tourism, Commerce and Industry (MTCI). MTCI has already agreed to co-invest in at least two interventions next year, demonstrating early signs of change.

Until now, MDF's tourism portfolio has not been targeted towards a specific source country or countries. But based on data from incoming tourists, Australia has emerged as the primary source market for tourists for Timor-Leste. MDF has therefore decided to commission a market analysis on Australia.

By the end of 2019, MDF amended its tourism strategy to incorporate all of the above-mentioned constraints, findings and lessons. MDF's strategy in tourism now includes a heavy emphasis on the destination marketing 'market system'. Complementary to this are market system strategies developed for cruise tourism and dive tourism (also incorporating whale watching). These have been chosen because they present immediate market opportunities where Timor-Leste has relative advantage. The other key issues noted above – the role of offshore market actors, the importance of collaboration and target market segmentation – have been woven into these three market system strategies.

MDF's work in the tourism sector over the past couple of years has resulted in some emerging signs of systemic change:

- **Greater collaboration within the private sector on dive tourism**

The tourism private sector is highly fragmented, and there is mistrust amongst businesses which limits their capacity for collective action. Through MDF's work, there is a greater degree of collaboration emerging in certain market systems, such as the dive industry. MDF's intervention has brought the dive operators together. They are starting to discuss industry issues through this platform and taking a united stand on issues such as industry regulations, conservation efforts and advocacy.

- **Improved support from the government**

The relationship between the public sector and private sector in tourism has been tense. Though there is a popular rhetoric about tourism being a priority, this has not been followed up with investment from the government. But to grow tourism, public-private collaboration is crucial. MDF has therefore been trying to build a bridge between MTCI and the private sector. This includes facilitating greater engagements between them as well as MDF regularly presenting the views and challenges of the private sector and suggesting tangible ideas for support. This has helped the MTCI better understand the needs of the businesses and offer support, within their limitations. For the upcoming year, they have allocated budget for multiple initiatives to assist the private sector in areas of destination marketing, digital marketing and cruise management.

- **Improved stakeholder coordination in cruise tourism**

In cruise tourism in particular, MDF is starting to notice better coordination among different organisations. Each cruise arrival involves a large number of local stakeholders. Because this is such a new industry, the way the cruise visits were managed before were ad hoc and chaotic. Now, there is a better system where the key players are aware of their individual role, who and how they have to coordinate with which improves the overall experience of the cruise lines and the tourists in Timor-Leste.

MDF hosted a successful Advisory Group mission in October 2019, which focused on the tourism sector. The mission report of the Advisory Group noted that, "MDF is justified in pursuing a market development approach in [the tourism] sector." The report also explained that, "the durability of the new practices introduced, as the building blocks of an emerging private sector, will allow the program to demonstrate the value for money being delivered in this challenging context."

## Systemic Change Story

# Talho Moris

Talho Moris is local butcher based in Dili. Established in 2015 by CJ and Kunfi Sequeira, the store quickly gained a reputation for supplying high quality, local meat. Previously, the only fresh meat available to customers was at local markets, where rudimentary slaughtering and long-distance, unhygienic transportation of animals meant meat quality was low.

In Timor-Leste, most rural households own approximately three cattle. In 2017, when MDF decided to support Talho Moris, there was only one other quality butcher in Dili, which processed its cattle once per week. Most cattle trade remained in the districts. Farmers typically sold their cattle after two to three years - USD250-450 for small cows and up to USD750 for larger cows. No feed or silage was available, so all farmers used open grazing. Grass was plentiful in the wet season, but in the dry season farmers usually had to walk their herd some distance to find grass.

Talho Moris had recognised the high demand for good quality, local beef in Dili, but were constrained by processing capacity. They were sourcing and processing cows from 11 traders across the country, but at about 50 cattle per month, they were still about 50 cattle short of demand.

MDF supported Talho Moris to expand its facility and purchase processing machinery. As a result of increased processing capacity, they were able to source, process and sell at a faster rate.

MDF's impact assessment in 2019 found that farmers now find it easier to sell cattle than they did two years ago. Farmers have also started selling cattle at a younger age, as they now have better sale potential. Furthermore, many farmers stated their interest in purchasing silage to increase cattle growth rates now that they have better prospects of selling their cattle to quality-driven markets.



### Some highlights from this market expansion include:



Within the last two and a half years, Talho Moris has increased its processing from 50 cattle/month to 130 cattle/month.



Talho Moris is sourcing from a greater number of traders from new locations, increasing from 11 in 2017 to 26 in 2019.



They have established relations with six supermarkets, some of which have replaced all imported beef with local beef.



Imports of frozen beef reduced from 330 tonnes in 2017 to 85 tonnes in 2018.



Four new quality butcher shops opened in Dili in the past year, all with links to Talho Moris.







## Systemic Change - ACT

The coffee market in Timor-Leste has started showing some early signs of systemic change. Assosiasaun Café Timor-Leste (ACT) members have started using the quality testing lab MDF supported to assess coffee quality and train farmers in their supply chain, and to secure new buyers.

In 2019, one of the ACT members, Timor Global, shifted from exporting only commodity grade coffee to exporting both commodity and boutique coffee. Timor Global received a better price from its buyers and as a result, farmers supplying to Timor Global received a USD1.25/kg premium for their coffee parchment, which resulted in USD133 in additional income for each of their supplier farmer households. Farmers from another ACT member, Café Organiku Atsabe, received a USD0.11 premium for their coffee cherries, which translated into an additional income of USD532 per supplier farmer household.

Another positive outcome was that most of the winners of the 2019 Coffee Festival were participants of the quality improvement training that ACT delivered with MDF's support. In 2019, MDF also started working with partners interested in increasing the yield from their existing trees or in rehabilitation to increase the quantity of coffee production.





## Sector on a Page Agriculture



4,908

Effective  
outreach



\$1,715,147

Additional income



\$2,642,591

Value of additional  
market transactions



51%

Female  
participation



15

Interventions



### VISION OF CHANGE

- Konjac is increasingly sourced through deliberate cultivation rather than wild harvesting, enabled by increased seed availability and improved farmer knowledge.
- Smallholder pig farmers improve productivity through use of commercial pig feed, improved breeds and better farming practices.
- Improved information and access to inputs like fingerlings and feed allow higher tilapia fish aquaculture productivity.
- Coffee quality continues to improve, and Timor-Leste increasingly focuses on the speciality coffee market.
- Export opportunities are opened up for Virgin Coconut Oil.
- There is an increase in the amount of proactive agricultural input suppliers and retailers, particularly outside of Dili.



### CONSTRAINTS

- Lack of access to agricultural inputs such as seeds, fertiliser, pesticides and equipment.
- Low levels of knowledge and skills in productive farming techniques.
- Limited access and connections to domestic and export markets.



#### Virgin Coconut Oil

- LOSCO SS Lda  
(Los Palos Coconut Oil)
- HAFOTI



#### Aquaculture

- WorldFish,  
Nautete Unipessoal Lda



#### Pigs

- Casa Agricultor Unipessoal Lda
- Manu Fahi Lui Unipessoal Lda



#### Konjac

- Manu Fahi Lui  
Unipessoal Lda



#### Others

- Marga Enterprise Agricola National Lda
- Bucoli Green
- Sarjoli Unipessoal Lda
- Peoples Trade Company, Unipessoal Lda
- WFour Unipessoal Lda
- Consultant (export offtakers)



#### Agricultural Inputs

- Vinod Patel Investments  
Timor S.A.TOMAK





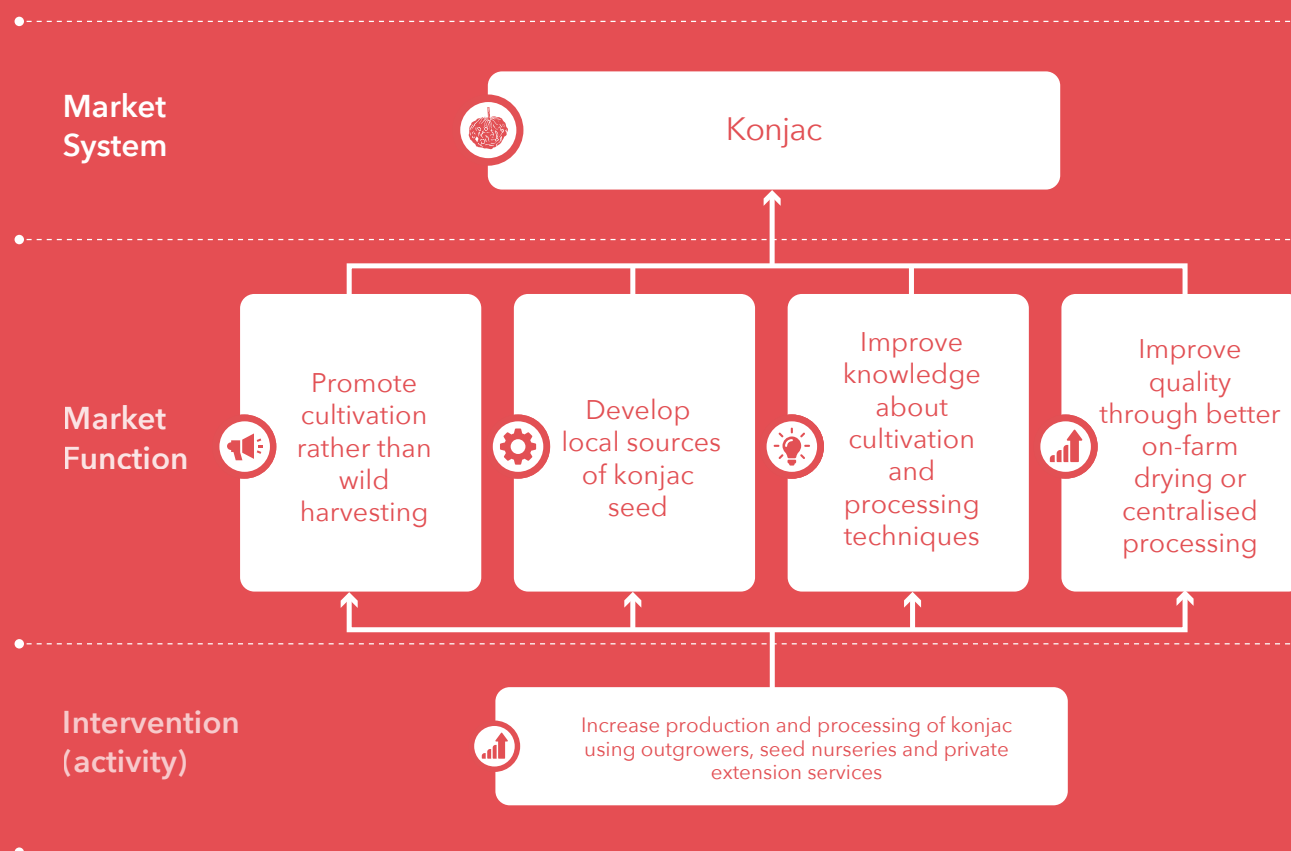
A man with dark skin and short hair, wearing a red shirt with orange accents, is smiling as he harvests coffee cherries from a branch. His hands are shown picking the red and green cherries. The background is a lush coffee plantation with many green leaves and branches.

Sector Story  
Agriculture



## Market System 1

### Konjac



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                    | Summary of performance                                                               |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| Emerging                    | 1. Increasing production and processing of konjac using outgrowers, seed nurseries, and private extension services | The first intervention in this market system is in early stages but on track so far. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 806                       | 6                       | 767,486                       | 1,820                       | 1,504,138                   | -                         | n/a           | 8,875        | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page Konjac



Konjac is a hardy crop that grows wild in Timor-Leste.



To support growth, MDF is working with local market actors to develop local sources of konjac seeds and share information on farming techniques.



There is currently little to no understanding of its commercial use or konjac farming best practices.



There is growing international demand for this tuber with the processed konjac corm used for niche beauty and dietary products.



Even though the plant has high income earning potential for rural Timorese households, it is not farmed – only wild stocks are collected.



## Market System 1: Konjac

Konjac is a relatively new industry for Timor-Leste, but with exciting potential for pro-poor growth. Growing demand in East Asia has meant that buyers have been looking to source konjac from new places like Timor-Leste, which has wild-growing konjac. Konjac is already Timor-Leste's second largest agricultural export, and there is good potential to grow this further with some changes to market functions related to sourcing and processing.

MDF's vision for the konjac sector in Timor-Leste is to help the industry shift from wild harvesting (current practice), to deliberate cultivation by smallholder farming households. MDF also wants to see the quality of the processed konjac chips improve. To support this, MDF hopes to see konjac seeds or seedlings become available for purchase, and for farmers to improve their knowledge about farming and processing techniques.

Konjac is a new market system for MDF in 2019. Scoping work began in early-mid 2019. This scoping identified strong and growing farmer and private sector interest and a number of potential partners, but a very basic industry. An MSS was developed with four target market functions. MDF's first intervention commenced in September 2019.

The baseline assessment showed both men and women were involved in konjac cultivation and both are expected to benefit through this intervention. MDF estimates that as a result of MDF support, the partner will be able to export an additional 1,500 tonnes of konjac between 2020-23, resulting in additional income of USD700,000 for 800 farmers. Additional interventions were actively pursued, with some negotiations with prospective partners taking place in late 2019.

### Market function

MDF's first intervention in this market system commenced with the set-up of three new konjac seedling nurseries, directly contributing to MDF's second target market function in this market system – developing local sources of konjac seed. The company has also hired five extension staff and trained them, which will support the third market function – improving knowledge about cultivation and processing techniques. Together, these two activities will support the broader market functions around the switch from wild harvesting to cultivation, and improved processing.



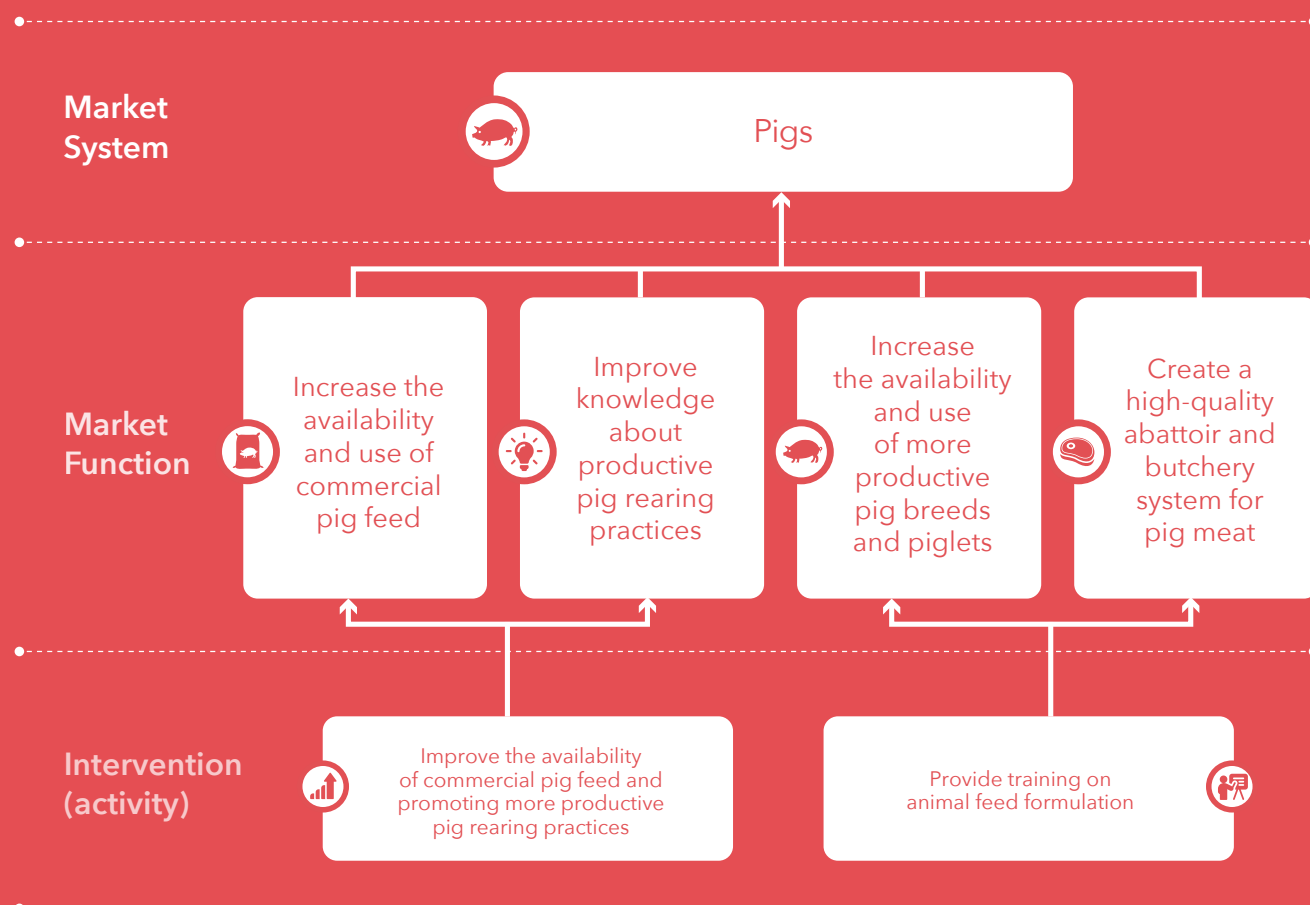






## Market System 2

### Pigs



| Status of the market system | Interventions (active and/or monitored in 2019)                                                          | Summary of performance                                                                                                                                                       |
|-----------------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | 1. Improving the availability of commercial pig feed and promoting more productive pig rearing practices | Early stages but key intervention on-track to improve access to feed and information in multiple districts. Major risk to sector now due to outbreak of African Swine Fever. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 701                       | -                       | 170,140                       | 300                         | 157,500                     | -                         | n/a           | 27,500       | <div> <div></div> <div></div> <div></div> </div> |

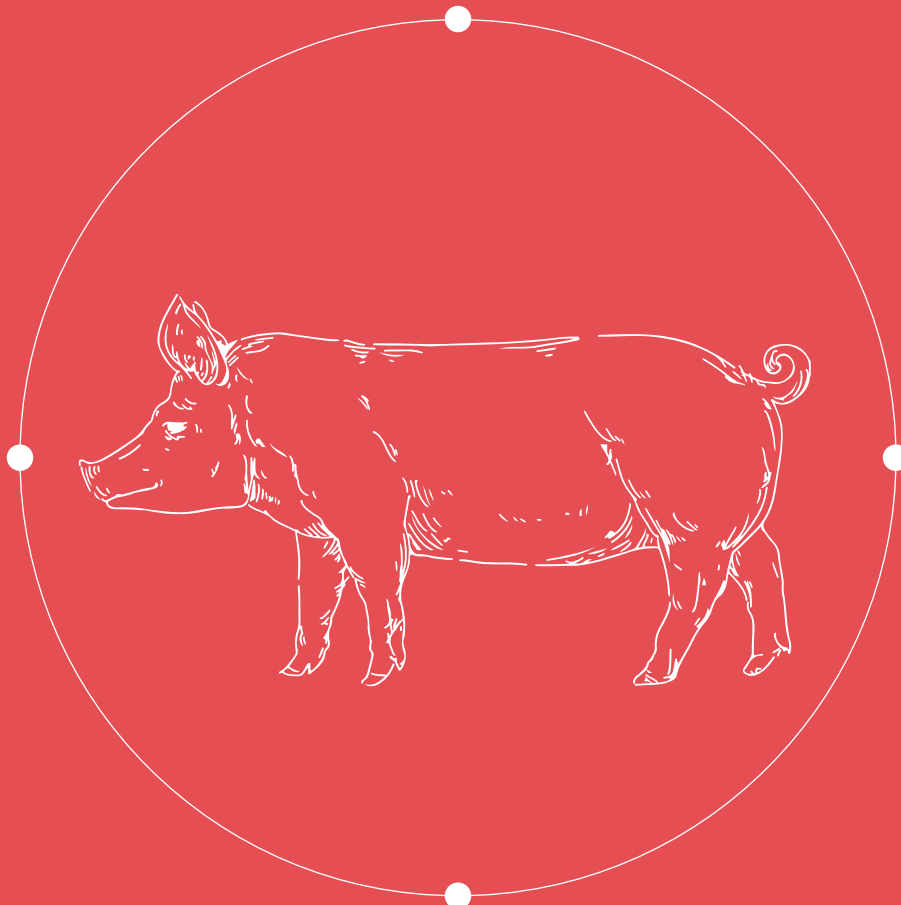
## Market on a Page Pigs



An important assets for Timorese households, pigs are traded informally, used in cultural ceremonies and act as a financial savings investment.



MDF is seeking to encourage improved pig rearing practices, commercial feed utilisation and use of more productive breeds, to help boost farmers' income.



Pigs are currently reared using local forage techniques and using home-made feed, but this is extremely slow and can be costly.



Inefficiencies in these farming practices place a disproportionate burden on women, who are traditionally responsible for the livestock's welfare.



## Market System 2: Pigs

Pigs are raised by almost all rural households in Timor-Leste, which means there is huge impact potential for MDF in this market. Whilst the national herd is large, productivity is extremely low. Limitations in – or absence of – several market functions related to feed, breed, information and meat processing mean that farmers are not getting anywhere near the potential income they could from pigs.

MDF's vision for the pig sector in Timor-Leste is to see more smallholder farmers shift to dedicated, productive pig rearing, rather than the basic, foraging-based production practised now. This would include using better piglets and breeds, pig pens, commercial feed and good animal health practices. MDF's vision also includes some of these pigs entering the formal meat supply chain, substituting for frozen pork imports. With the recent arrival of African Swine Fever, MDF also hopes to see the impact of this disease limited where possible, and a new, more modern pig rearing industry emerge.



MDF first started scoping pigs in late 2018 and commenced its first intervention in September 2019. As such, MDF only expects to see our first farmer-level impacts in 2020 and it is too early to speak about systemic market changes. That said, results from the first intervention on the introduction of commercial pig feed are encouraging. Our baseline assessment found that when households use homemade feed, pigs take on average two years and four months to reach sale weight. Using commercial feed, the time is expected to reduce to six months. This would allow households to sell their pigs at a faster rate and make a higher profit per pig. Between 2019 and 2022, 700 farmers are expected to benefit. Additionally, because women spend on average two hours a day preparing homemade feed, those switching to commercial feed could achieve significant time savings.

The arrival of African Swine Fever will have a big impact on pig production in Timor-Leste, and on MDF's plans for the sector. There will be sharply elevated risks for any interventions in this market system. MDF has liaised closely with the embassy on an appropriate response, and carefully considered adjustments to its plans, including halting some planned work on the market function related to breeding and piglets.

### Market function

In late 2019 MDF started working with one Timorese animal feed importer to make commercial feed more widely available. This includes working with four district-level retailers and also setting up six demonstration plots with farmers using commercial feed. This intervention therefore targets two of the four target market functions – increasing the availability and use of commercial pig feed and improving knowledge about productive pig rearing practices. Although in its early days, demonstration plot farmers are reporting strong growth and a lot of interest from nearby farmers in using commercial feed (comments include: "your pigs is growing every night and day like balloon" and "most visitors are surprised and they want to get access to this complete feed").

Given the impact of the arrival of African Swine Fever on some planned interventions, MDF started looking at alternatives in late 2019, but will have to move cautiously in such a high-risk environment. MDF did not prioritise work on the market function related to meat processing but commenced some discussions with a prospective partner late in the year.





## Market System 3

### Coffee



| Status of the market system     |                               | Interventions (active and/or monitored in 2019) |                                   |                                   |                                 | Summary of performance                                                                                  |                 |                                              |
|---------------------------------|-------------------------------|-------------------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------|
| Mature                          |                               |                                                 |                                   |                                   |                                 | No active interventions in 2019. New strategy partially formulated for new activities to begin in 2020. |                 |                                              |
| USD                             |                               |                                                 |                                   |                                   |                                 |                                                                                                         |                 |                                              |
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative)             | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed                                                                                        | PSI<br>Expensed | Progress<br>(Traffic<br>Light)               |
| 1,548                           | 1,272                         | 436,538                                         | 320,258                           | 1,527,694                         | 1,527,694                       | n/a                                                                                                     | 59,882          | <div><div></div><div></div><div></div></div> |



## Market on a Page Coffee



Coffee is Timor-Leste's largest agricultural export, totalling \$25 million annually.



Improving coffee production and handling techniques are key steps in shifting the market from commodity-grade coffee to more lucrative specialty coffee.



Approximately 38% of Timorese households earn income from coffee.



Low productivity and the resulting low prices keep coffee farmers entrenched in long-term poverty.



Coffee productivity is in decline and overall quality remains low.



## Market System 3: Coffee

Around USD25 million of coffee is exported yearly from Timor-Leste, making it the country's largest agricultural export. It is grown by a sizeable portion (around 38 per cent) of households. However, the sector is facing significant challenges. Ageing trees are reducing already-low productivity and quality remains low overall. Combined, these factors mean incomes are low, but there is strong pro-poor growth potential for this market system.

MDF's vision is to shift Timor-Leste's focus from commodity to specialty coffee. This will bring higher economic returns for farmers and companies. Beginning several years ago, MDF implemented two interventions in the coffee sector, primarily establishing quality management practices and building the capacity of companies and farmers on processing techniques. There is evidence of growing adoption of these newly introduced practices and an overall increase in quality awareness.

Most of the farmers interviewed during MDF monitoring visits were able to recall the content of MDF-supported training through Assosiasaun Café Timor-Leste (ACT), and stated they applied better practices in 2019. Many have changed methods for picking, sorting, drying and storing coffee beans. Participating companies have continued to disseminate lessons from the training to more of their producers because of the positive results. Members of the coffee association continued to use the cupping lab

supported by MDF for training, cupping and demonstration purposes. All five companies who attended the MDF-supported coffee training in 2018 (ACT provided a refresher training in 2019) received a better price from their end buyers. Two of the five companies transferred the better price from their end buyers to their farmers. The price premium resulted in USD90,000 in additional income for 460 farmers in 2019 alone.

Whilst there is still a way to go, there are definitely signs of systemic change towards improved quality amongst many participants of Timor-Leste's coffee market. Six out of the ten top scoring coffees in the recent national coffee competition were from producers that participated in the training.

### Market function

MDF did not implement any new interventions in coffee in 2019. Rather, the focus was on evaluating the uptake of some of the sector innovations introduced by the ACT intervention from the previous year, including to guide decisions about MDF's future support. MDF also completed a thorough re-assessment of the sector, in order to develop a new MSS (in development at time of this report) and started negotiations with prospective new partners.



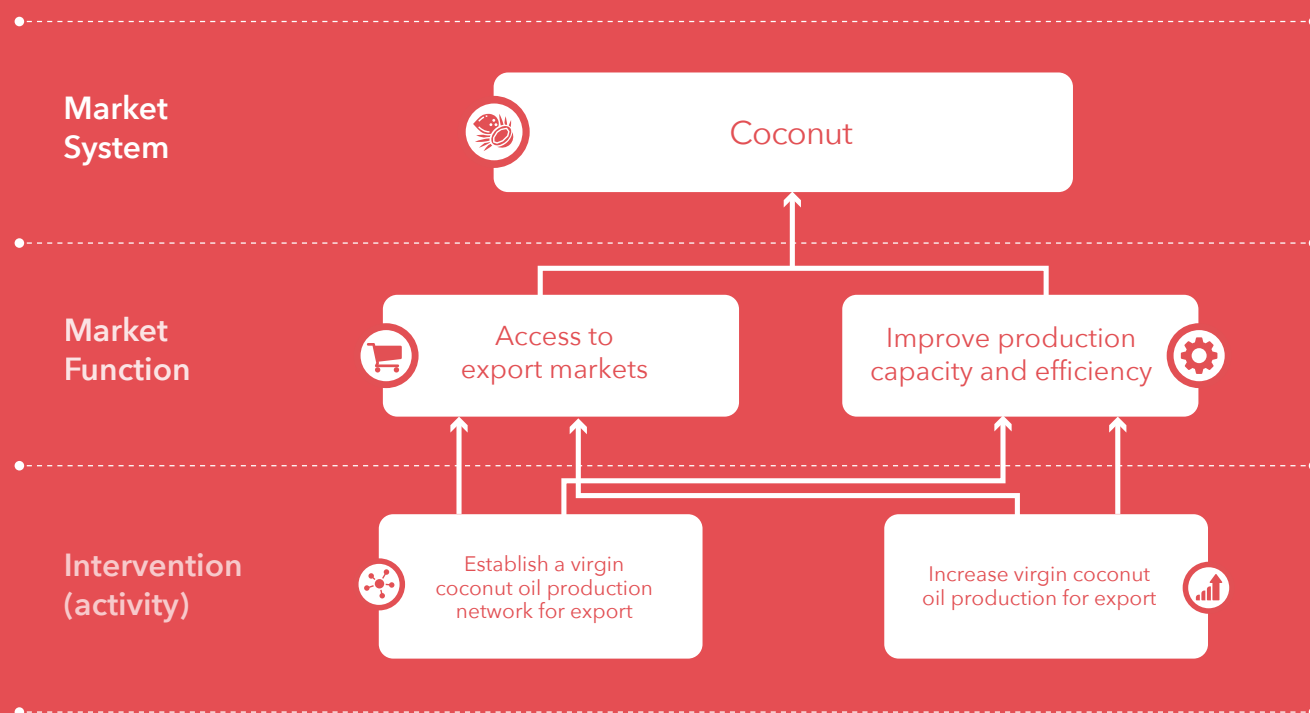






## Market System 4

### Coconut



| Status of the market system     |                               | Interventions (active and/or monitored in 2019)                                                                         |                                   |                                   |                                 | Summary of performance                                               |                 |                                              |
|---------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|----------------------------------------------------------------------|-----------------|----------------------------------------------|
| Emerging                        |                               | 1. Establish a virgin coconut oil production network for export<br>2. Increase virgin coconut oil production for export |                                   |                                   |                                 | Some delays to original timelines but proceeding largely as planned. |                 |                                              |
|                                 |                               |                                                                                                                         |                                   |                                   |                                 |                                                                      |                 |                                              |
| USD                             |                               |                                                                                                                         |                                   |                                   |                                 |                                                                      |                 |                                              |
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative)                                                                                     | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed                                                     | PSI<br>Expensed | Progress<br>(Traffic<br>Light)               |
| 213                             | 52                            | 656,752                                                                                                                 | 14,272                            | 1,163,010                         | 25,410                          | n/a                                                                  | -               | <div><div></div><div></div><div></div></div> |

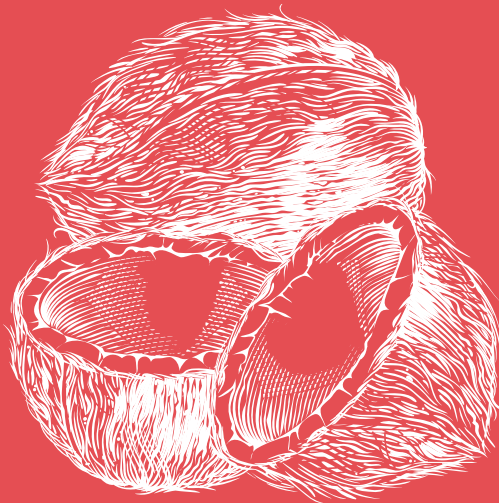
## Market on a Page Coconut



Coconuts grow throughout Timor-Leste and are an important source of food, oil, fibre and wood.



MDF is working with virgin coconut oil producers to expand production and link to export markets.



There are several local virgin coconut oil producers supplying the small domestic market but production is often inefficient and they lack connections to export markets.



MDF identified virgin coconut oil as a potential new export to meet growing international demand in markets such as Australia.

## Market System 4: Coconut

Coconut trees are found throughout Timor-Leste, which makes them an excellent existing resource from which many smallholder farmers could grow their incomes, especially from virgin coconut oil (VCO). At current prices, there isn't enough local VCO demand to enable significant sector growth. However, there is growing international demand which Timor-Leste could tap into if producers are willing and able to access these markets.

MDF's vision for the coconut sector is that Timor-Leste better leverages its good existing tree resources to access new commercial opportunities, in particular by producing high-value VCO for export markets. Other coconut products could ultimately form part of this vision, but VCO is the focus for now.

MDF's current work in VCO is relatively new, with two linked interventions starting in mid-late 2019. Both involve scaling up production capacity, improving logistics and building export-focused business models. Although slower than planned, both are proceeding largely as envisaged.

Baseline visits with coconut suppliers in Lautem municipality found that all were subsistence farmers and previously did not have any sources of income. In late 2019, 46 coconut

suppliers earned an additional income of USD12,000 through the increased processing capacity. Between 2020 and 2021, MDF projects the VCO producer could export 189 tonnes, which would result in an additional USD1.14 million export revenue. Through this, 207 coconut suppliers and factory workers would benefit with USD642,000 additional income. Over 60 per cent of the beneficiaries are expected to be women.

### Market function

MDF's support enabled one of the two partners to double its production capacity, employment and sourcing of coconuts from the local community. This business has already garnered national attention, with the Timorese President visiting in October. MDF was responsive in adapting our arrangement with this company to take into account changing business priorities. The other partner recently trialled new processing equipment at one of its six production centres, and based on its usefulness, will now order similar machinery for the other centres and scale up production. These are positive signs, but the real test will be translating this to new exports in 2020.



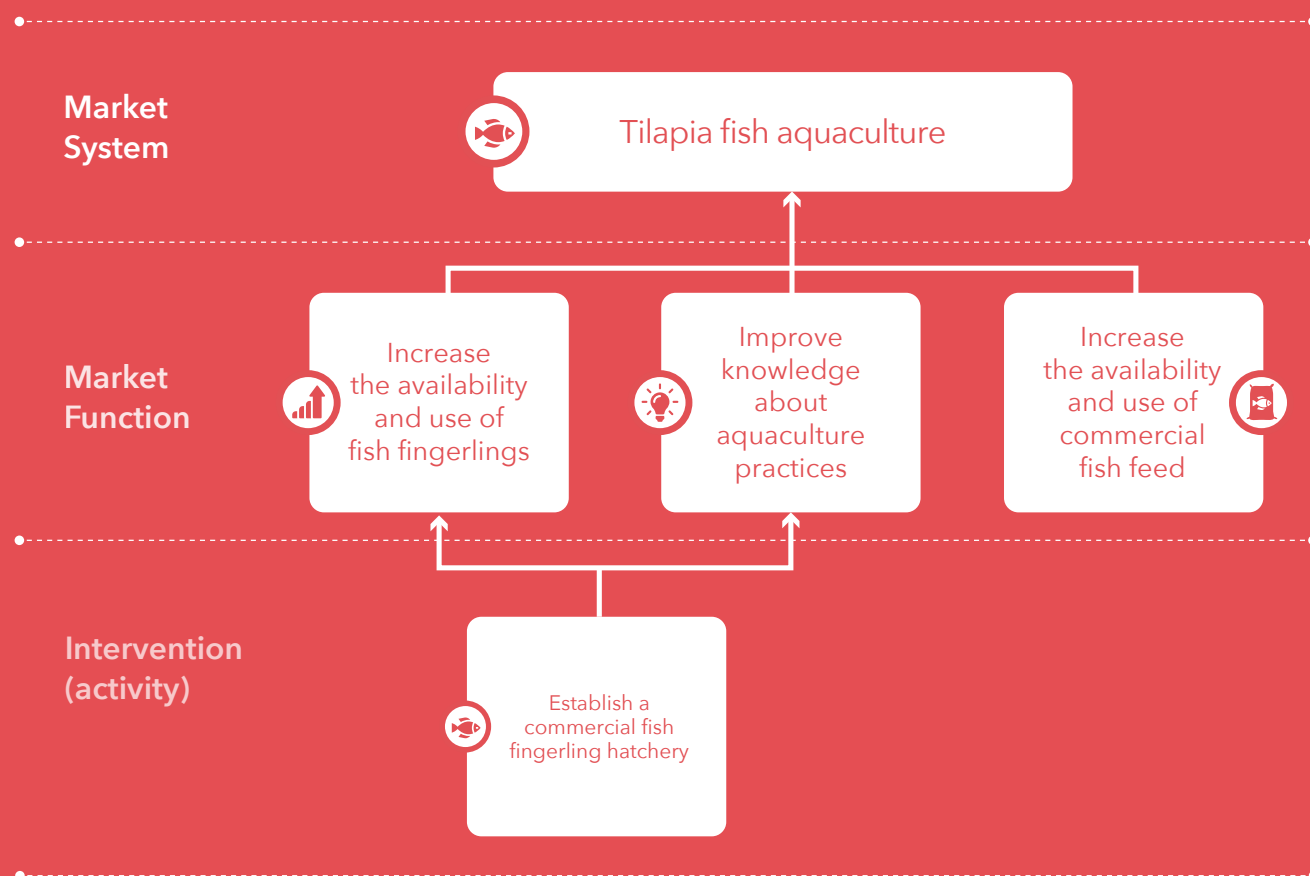






## Market System 5

### Tilapia Fish Aquaculture



| Status of the market system | Interventions (active and/or monitored in 2019)    | Summary of performance                                                         |
|-----------------------------|----------------------------------------------------|--------------------------------------------------------------------------------|
| Emerging                    | 1. Establish a commercial fish fingerling hatchery | EOI for selection of entrepreneur was slower than hoped for, but now complete. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
|                           |                         |                               |                             |                             |                           | n/a           |              | <div> <div></div> <div></div> <div></div> </div> |

## Market on a Page Tilapia Fish Aquaculture



Demand for fish is much higher than domestic supply - a gap of 2,000 tonnes of fish per year.



To increase tilapia growth rates and income in aquaculture, farmers need to access appropriate inputs such as fingerlings and commercial fish feed.



If productivity increases, tilapia fish aquaculture could help satisfy domestic demand.



For many rural districts which do not have access to coastal fisheries, freshwater aquaculture is a valuable opportunity increase protein in local diets and reduce malnutrition.



As of 2014, only about 2% of fish consumed came from aquaculture, with the other 98% sourced from marine catch.



## Market System 5: Tilapia Fish Aquaculture

There is a big gap between supply and demand for fish in Timor-Leste. Timor-Leste imports frozen fish already and demand is rising. Of the domestic supply, only a small fraction (one to two per cent) comes from aquaculture, with the majority coming from marine catch. There are over 2,000 households currently practising fish aquaculture in Timor-Leste, largely tilapia fish, and their productivity is very low.

MDF's vision is to have a larger number of smallholder farmers practising aquaculture with increasingly higher productivity. MDF sees this being achieved through three main avenues: fish fingerlings, fish feed, and farmer information. MDF's vision for fish fingerlings is aligned to the policy of the Government, whereby they stop providing fingerlings and instead this role is taken over by private hatcheries. Our vision for fish feed is that farmers increasingly use commercial feed in addition to, or instead of, other feeding practices.

MDF's primary focus in 2019 in this market system was the development of a new, privately-operated, tilapia fish fingerling hatchery. This involved the negotiation and signing of an MOU with WorldFish, and then a very thorough Expression of Interest (EOI) process to find a suitable entrepreneur and site for the new hatchery. Whilst

these steps were successfully completed, they took longer than expected. Accordingly, construction of the hatchery had not commenced by the end of the reporting period.

MDF's development of an MSS for this market system and the Portfolio Review process led to further consideration about market functions that need to be addressed to enable growth. As such, in the second half of 2019, MDF began scoping activities related to commercial fish feed availability and use, as well as boosting marketing/sales of an existing fingerling hatchery.

### Market function

As noted above, construction of the hatchery to address the market function on fish fingerling availability has not started due to the rigorous and therefore slower than anticipated EOI process, as well as the need for commercial negotiations with the chosen entrepreneur. Independent activity by WorldFish and other development partners to develop hatcheries and otherwise support the sector may influence changes to MDF's strategy with regards this market function.



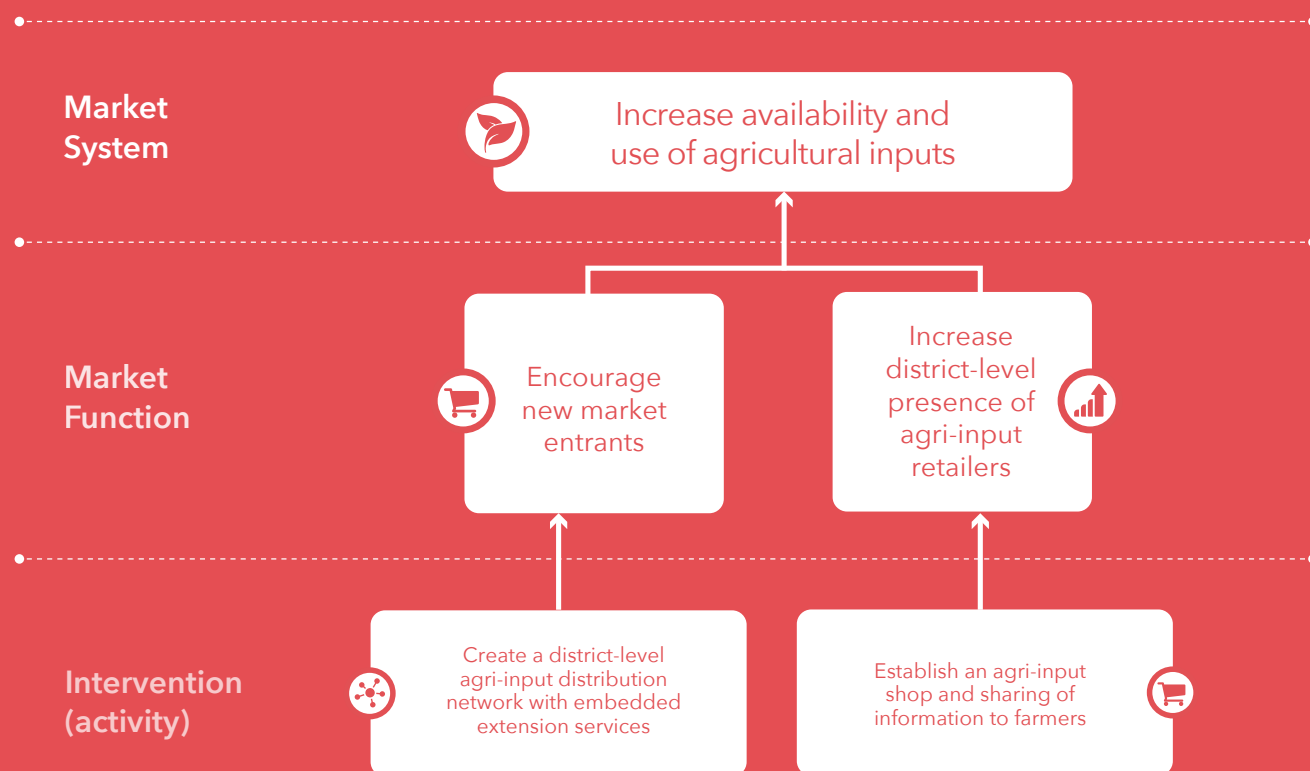






## Market System 6

### Agricultural Inputs



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                | Summary of performance                                                                                                                                                                  |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mature                      | <ol style="list-style-type: none"> <li>1. Creating a district-level agri-input distribution network with embedded extension services</li> <li>2. Establish an agri-input shop and sharing of information to farmers</li> </ol> | Start-up of key new intervention delayed due to slow procurement of key equipment, but commenced as planned by the end of year. Second smaller intervention commenced late in the year. |

|                           |                         | USD                           |                             |                             |                           |               |              | Progress (Traffic Light)                         |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed |                                                  |
| 1,299                     | 683                     | 292,771                       | 255,348                     | 117,873                     | 79,923                    | n/a           | 79,519       | <div> <div></div> <div></div> <div></div> </div> |



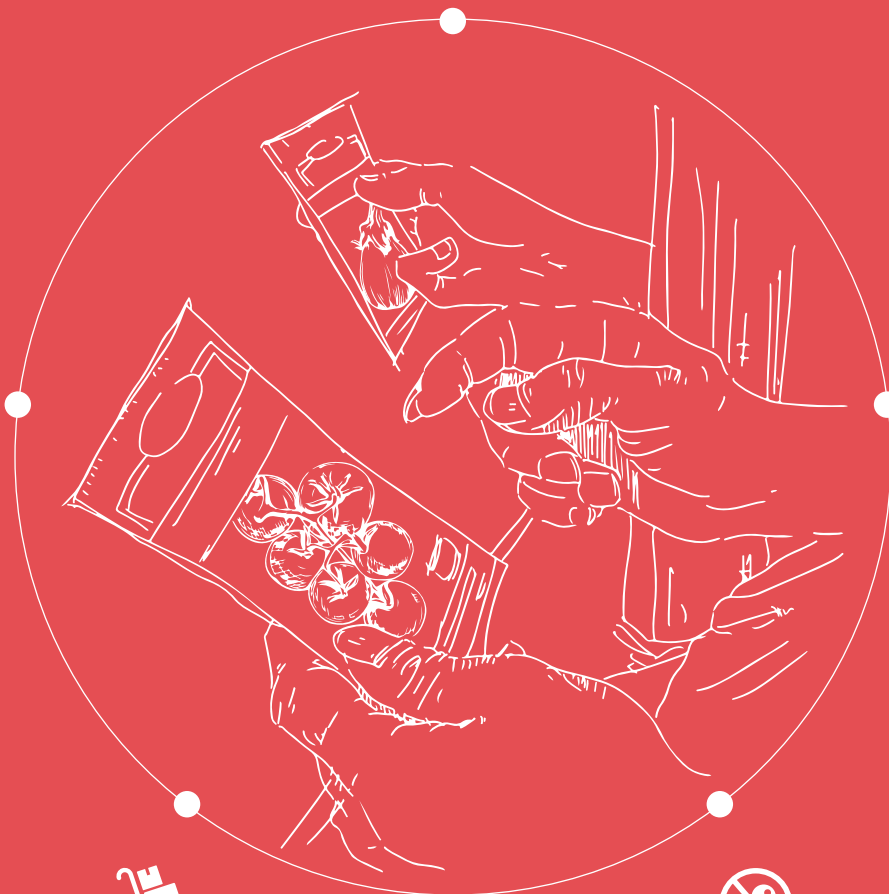
## Market on a Page Agricultural Inputs



In Timor-Leste, nearly 63% of households are dependent on agriculture.



MDF encourages new input market entrants and supports district-level presence of agri-input retailers to increase productivity.



Agriculture production faces a wide range of challenges; natural threats include weather, soil fertility and inconsistent water sources.



Agricultural inputs are only available in select districts, which lead farmers to rely on poor quality, informal sources or go without.



Market limitations include insufficient access to seeds, fertiliser, pest control and equipment.

## Market System 6: Agricultural Inputs

Whether it be seeds, fertiliser, pest control or equipment, inputs are a critical market function in almost all agricultural market systems. Consequently, almost all MDF Timor-Leste's interventions in agriculture have an element related to inputs. For example, two of the three market functions being addressed related to tilapia fish aquaculture are inputs (fingerlings and feed). During 2019, MDF changed its overarching agriculture strategy to largely be structured around specific agricultural products (konjac, pigs, aquaculture, etc.). However, this is a recent change to our strategy. MDF has a strong history of working on the availability and quality of agricultural inputs more generally (i.e. not connected with a single agricultural product).

MDF's vision is that there are more and increasingly proactive input suppliers and retailers, thereby increasing accessibility of agricultural inputs, particularly outside of Dili. This will hopefully lead to significantly increased use of improved agricultural inputs by farmers, leading to higher productivity across a suite of agricultural products.

In 2019, MDF largely pursued only one intervention on this kind of 'general' input supply. This will involve a Dili-based hardware and homeware supplier branching into agricultural input supply, particularly for a suite of vegetables, in partnership with an Indonesia-based seed supplier and district-level agricultural input retailers.

There is little to report from this intervention due to delays in its start-up. Substantive activities are only expected in 2020. However, MDF conducted a baseline assessment of farmers in the location where the partner is likely to sell inputs and the team found a huge demand for inputs and application techniques, none of which are currently available. Both men and women were found to be actively involved in vegetable farming. Men took the lead in nursery and land preparation, and women took the lead in harvesting, post-harvest handling and selling. Men and women were equally involved in watering and weeding. MDF projects that as a result of this intervention, 600 farmers will benefit with USD37,000 in additional income between 2020 and 2022.

### Market function

From previous interventions, MDF has seen some positive developments, such as the creation of a district-level retailer network connected with a Dili-based supplier (Agi Agricultura). The key new intervention, which commenced in 2019, moved slowly due to a long wait for information on appropriate machinery and then a similarly long wait on its delivery. In the meantime, MDF and the key partner did have some positive discussions about additional collaboration with a third party, the seed supplier based in Indonesia. MDF also signed an additional small intervention to support the establishment of another agricultural input supplier in Ainaro.





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# Sector on a Page

## Tourism



991

Effective outreach



\$284,016

Additional income



\$719,426

Value of additional market transactions



69%

Female participation



8

Interventions



### VISION OF CHANGE

- Tourism businesses in Timor-Leste understand the best places and people to market their products to, then use this information to better promote Timor-Leste.
- Tourism operators in Australia actively promote Timor-Leste as a destination and more Australians decide to holiday in Timor-Leste.
- Timor-Leste builds a global reputation for outstanding diving and whale-watching. Marine tourism operators actively collaborate to grow tourist numbers whilst conserving marine resources.
- Timor-Leste hosts an increasing number of cruise ship visits because it becomes known as a destination that offers unique and authentic experiences to tourists.



### CONSTRAINTS

- Limited air and land connectivity make the destination inaccessible.
- Lack of destination marketing efforts to promote the country for tourism.
- Limited local capacity to provide good quality tourism product and services.



### Destination Marketing

- Beachside Hotel Lda.
- Hotel Owners Association Timor Lorosa'e (HOTL)
- Australia Tourism Market Analysis
- The Asia Foundation



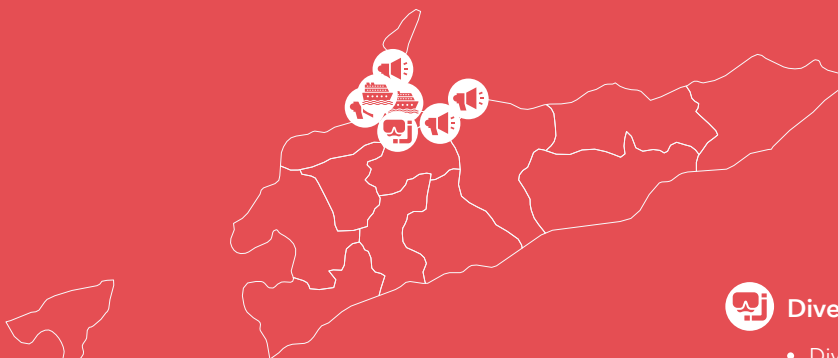
### Cruise Tourism

- Ministry of Tourism, Commerce and Industry
- Mata Dalan Institute



### Dive Tourism

- Dive Operators Working Group

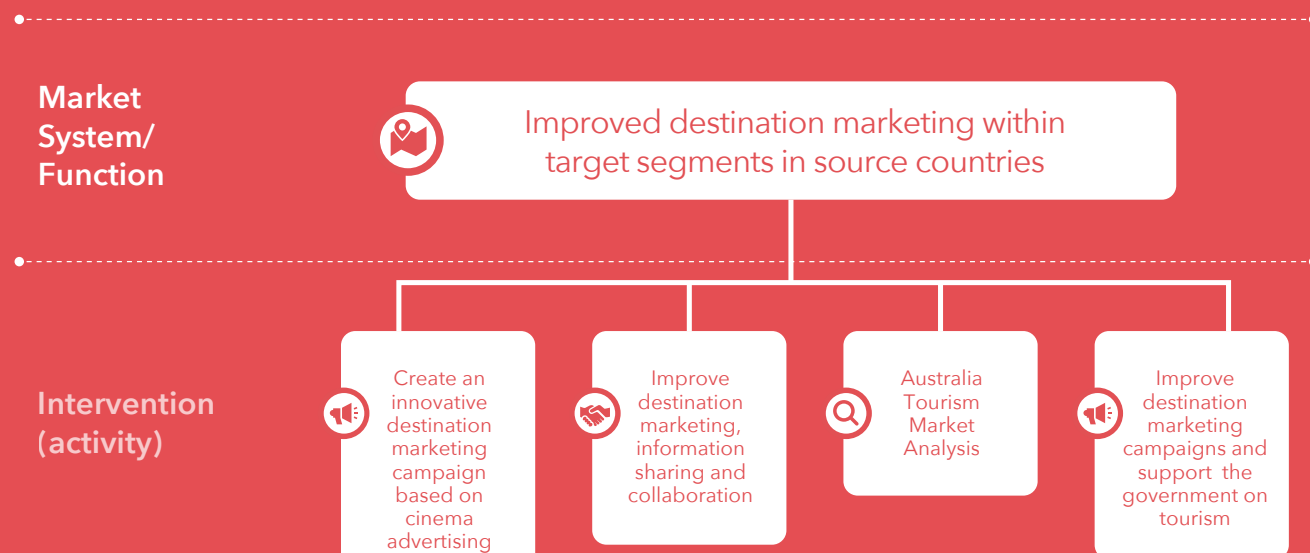


A woman with dark hair pulled back, wearing a light pink short-sleeved button-down shirt and light blue trousers, is smiling at the camera. She is standing next to a glass display case filled with various pieces of jewelry, including necklaces, bracelets, and earrings. Some items are in small white bags, and others are displayed on stands. The background features a red wall with a grid pattern. The text "Sector Story" and "Tourism" is overlaid in the top right corner.

Sector Story  
Tourism

## Market System 1

### Destination Marketing



| Status of the market system | Interventions (active and/or monitored in 2019)                                                                                                                                                                                                                                                                                                                | Summary of performance                                                                                                                                            |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | <ol style="list-style-type: none"> <li>1. Create an innovative destination marketing campaign based on cinema advertising</li> <li>2. Improve destination marketing, information sharing and collaboration</li> <li>3. Australian Tourism Market Analysis</li> <li>4. Improve destination marketing campaigns and support the government on tourism</li> </ol> | Multiple new interventions commenced or were designed, with both the public and private sector. For those that have commenced, they proceeded largely as planned. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| -                         | -                       | -                             | -                           | -                           | -                         | n/a           | 8,020        | <div> <div></div> <div></div> <div></div> </div> |



## Market on a Page Destination Marketing



An estimated 12,552 holiday makers visited Timor-Leste in 2017.



MDF is supporting the promotion of Timor-Leste as a unique destination for diving and whale-watching.



Timor-Leste gained sovereign status in 2002 and is therefore one of the newest countries in the world.



Market research into tourists, as well as collaborative destination marketing involving the Government, hotels, airlines and travel agents, are key to developing Timor-Leste as a tourist destination.



There is very little information available on Timor-Leste for visitors, and it does not yet have a reputation for tourism.

## Market System 1: Destination Marketing

Most public and private efforts to develop tourism in Timor-Leste have been focused on supply. Demand creation has not been a priority. But Timor-Leste has no reputation for tourism internationally. As one of the newest countries in the world, many people have never even heard of it. Consequently, despite having some tourism products and services, the number of tourists is very low. Destination marketing is therefore critical.

MDF's vision for destination marketing is that tourism businesses will understand the best places and people to market their products to, then use this information to better promote Timor-Leste. In time, this will entice more people to holiday in Timor-Leste. In support of this vision, MDF is supporting a variety of public and private stakeholders so that they increasingly see the benefits of investing in destination marketing and learn the best ways of doing so.

This is an emerging market system for MDF: the tourism industry is only beginning to realise the value of marketing. Most of the interventions in this market system started in 2019. As a result, MDF can only see early signs of change such as increased interest and investment from the private and public sectors. The value of investment is still lower than what is necessary, but there is definitely a greater understanding of the need for marketing and a willingness

to rally resources towards it. Particularly in the private sector, selected individuals and business membership organisations are leading by example. The Ministry of Tourism, Commerce and Industry (MTCI) is constrained by their budget, but they acknowledge the importance of marketing and are beginning to actively participate in marketing initiatives.

Destination marketing is by almost by definition an international activity, so there is an important role for international market actors. In particular there are specialised wholesalers and agents in source markets that promote destinations and create demand. However, tourism operators in Timor-Leste have fairly limited relationships with these international market actors, are largely self-reliant for marketing despite being small businesses with limited marketing capacity. Accordingly, in 2019 MDF started incorporating more consideration of international actors into its destination marketing work, which should lead to new interventions with such actors in the near future.

To be efficient and effective with its scarce funding for destination marketing, MDF believes it makes sense for Timor-Leste to focus on its unique selling points, particularly its marine tourism assets – diving and whale watching. Accordingly, in 2019 MDF tried to ensure various destination marketing efforts centred on these features.



## Market function

Australia is the top source of tourists for Timor-Leste. But the tourism industry in Timor-Leste has limited understanding about Australian tourists and the tourism industry, which limits how successfully they can attract tourists from Australia. MDF therefore commissioned a market analysis to better understand the preferences and behaviours of Australian tourists to identify the right target audiences for Timor-Leste. The analysis will also look at marketing options and potential Australian tourism trade partners. A research and marketing company was contracted for this work in late 2019.

MDF has already started supporting selected marketing initiatives. In 2019, MDF partnered with Beachside Hotel to develop video advertisements which are currently being broadcast in a cinema theatre in Melbourne. To ensure that the videos translate into actual bookings, Beachside has partnered with a local tour operator to create tour packages that are promoted along with the videos.

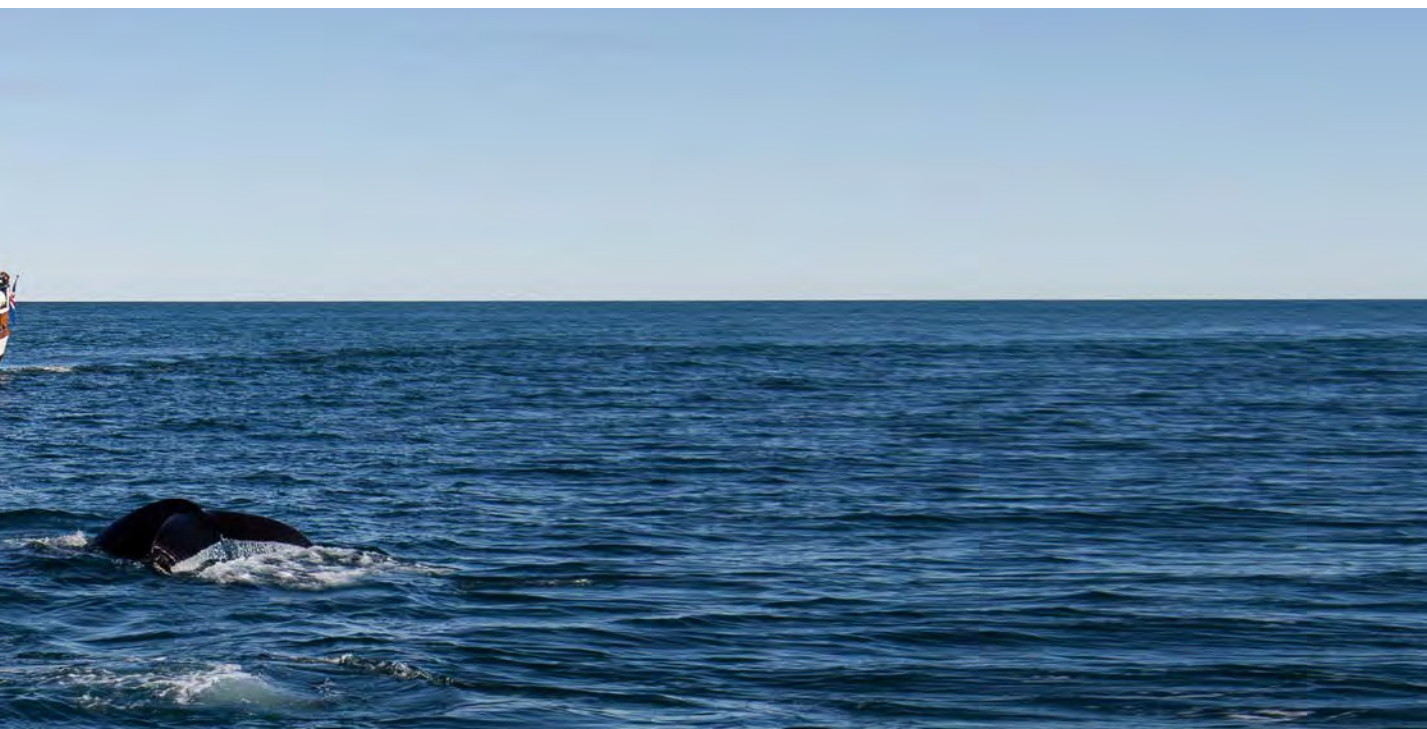
Indonesia is another important market for Timor-Leste because Bali is the most popular port of entry for tourists. However, airlines operating the Bali to Dili route do not provide any information on Timor-Leste or promote the destination in any way. To address this, MDF approached one of the Indonesian carriers on this route. MDF, along with representatives from MTCL and the Timor-Leste hotel owners' association (HOTL) then met with their senior

management in Jakarta to propose promoting Timor-Leste in the inflight magazine, on social media and developing packages with discounted flights and accommodation. The airline expressed interest in the proposed ideas and MDF is currently following up.

Access to information is critical for tourism. Digital platforms are the most popular source of information today, but information on Timor-Leste available online is very limited. A recent traveller survey indicates a growing number of tourists are using TripAdvisor to get tourism information on Timor-Leste. In 2019, MDF therefore commenced negotiations with TripAdvisor and MTCL on an intervention to improve the quality and quantity of content available on Timor-Leste and improve the capacity of local tourism businesses to manage their content on TripAdvisor.

MDF signed a Memorandum of Understanding (MoU) with HOTL, which is becoming a powerful advocate for tourism promotion despite only recently forming. The MoU specified collaboration on destination marketing, developing wholesaler partnerships, improving access to information and improving industry coordination. In 2019, MDF supported HOTL in promoting Timor-Leste to Indonesian wholesalers and operators at the Bali and Beyond travel expo.

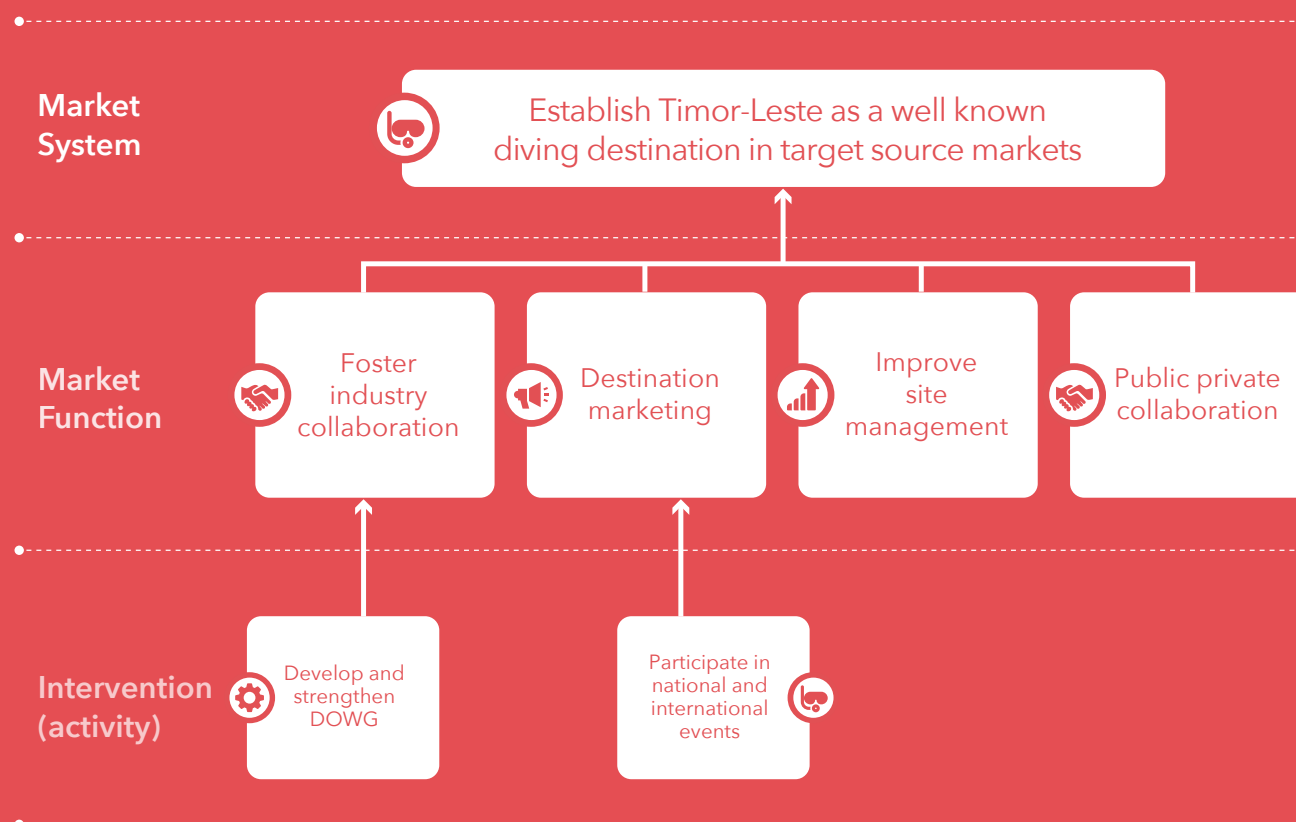
MDF also commenced negotiations with MTCL on an MoU for destination marketing, digital marketing and private public coordination.





## Market System 2

### Dive Tourism



| Status of the market system | Interventions (active and/or monitored in 2019)                            | Summary of performance                                                                                                                                                |
|-----------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emerging                    | 1. Collaborate on improving destination marketing and dive site management | Several new activities designed during 2019 to be implemented in 2020. Progress could be faster but positive signs on key performance measures such as collaboration. |

| USD                             |                               |                                     |                                   |                                   |                                 |                  |                 |                                                  |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|------------------|-----------------|--------------------------------------------------|
| EO<br>Projected<br>(cumulative) | EO<br>Actuals<br>(cumulative) | Income<br>Projected<br>(cumulative) | Income<br>Actuals<br>(cumulative) | VAMT<br>Projected<br>(cumulative) | VAMT<br>Actuals<br>(cumulative) | PSI<br>Committed | PSI<br>Expensed | Progress<br>(Traffic<br>Light)                   |
| -                               | -                             | -                                   | -                                 | -                                 | -                               | n/a              | 5,894           | <div> <div></div> <div></div> <div></div> </div> |

# Market on a Page

## Dive Tourism



Timor-Leste has one of the most bio-diverse marine ecosystems on the planet, but it is not well known among divers.



Leveraging Timor-Leste's unique dive and whale-watching offering is a key part of marketing activities.



The country's dive industry is fractured and collaboration is challenging.



Recent road upgrades are expected to create significant degradation to the reef at a popular dive site.

## Market System 2: Dive Tourism

MDF's vision is to establish Timor-Leste as a well-known diving and whale-watching destination in selected markets, starting with Australia and Indonesia, and later in Europe. MDF envisages efforts will ensure there will be enough awareness among tourists in these regions to research Timor-Leste as a destination. There will also be well-established tour products and wholesaler relationships with these regions to make Timor-Leste accessible. In the process of achieving this, the diving community will find the incentive and modality to collaborate amongst themselves and with other tourism stakeholders, both private and public.

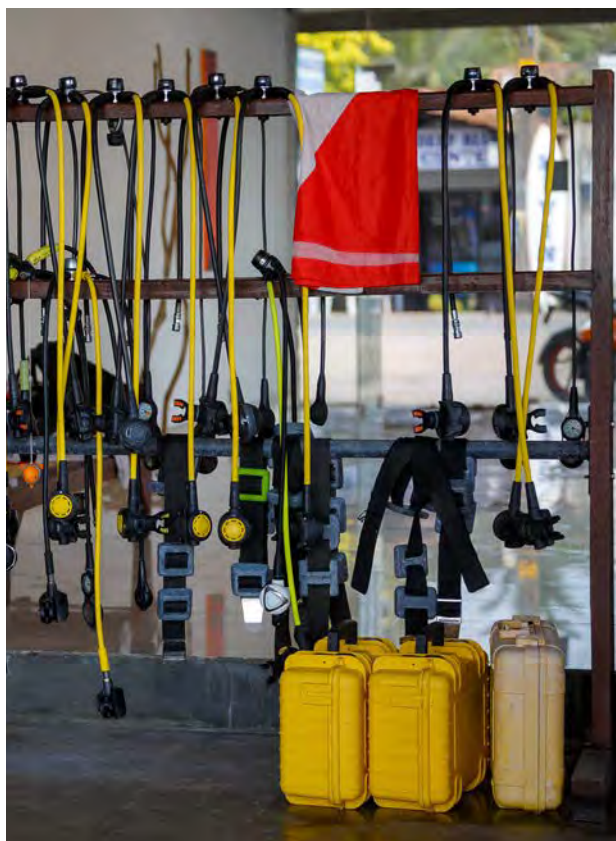
This is a developing market system for MDF. It is a small industry and MDF engagement is still in its early stages, but some of the activities show promise of systemic change. Before MDF engaged, the dive industry was largely fragmented and operators did not collaborate, even on issues that require a collective voice. This affects how effectively they can promote Timor-Leste as a destination, as well as how the diving community is represented in relevant sectoral conversations. Although diving is the foremost tourist attraction in Timor-Leste, the dive industry

receives no support from the government, partly because of a lack of communication and understanding. MDF is therefore working with the dive industry to improve sectoral collaboration, destination marketing, dive site management and public-private collaboration.

MDF helped all the dive operators with the formation of a Dive Operators Working Group (DOWG), and they are starting to demonstrate greater cooperation. For the first time ever, operators are investing in joint destination marketing. Five of the largest operators jointly contributed towards magazine coverage to promote Timor-Leste. They are working together to organise an international underwater photography competition next year. They have also come together on issues related to dive site management and in 2019, with the support of MDF, worked closely with the public sector to minimise damage to a particular dive site. They are representing the diving community to the public sector. MTCI has subsequently offered to fund selected marketing activities for the dive industry.

### Market function

In 2019, MDF focused on strengthening relationships within the DOWG that was set up in 2018. MDF prioritised issues that affect the whole industry and helped the operators to come together to present a unified message. MDF supported the operators to promote Timor-Leste through a specialised dive magazine to the Australian and European markets. MDF also connected selected dive operators with the hotel association; consequently, a representative from the working group began to promote diving in Timor-Leste to Indonesian operators. MDF supported the dive operators to advocate on the issue of road construction damaging dive sites. Consequently, the Ministry of Public Works worked with a construction company to adjust the proposed road design to minimise damage to a nearby dive site. MDF has facilitated a dialogue between the DOWG and MTCI to create a platform where operators can share their priorities and concerns.

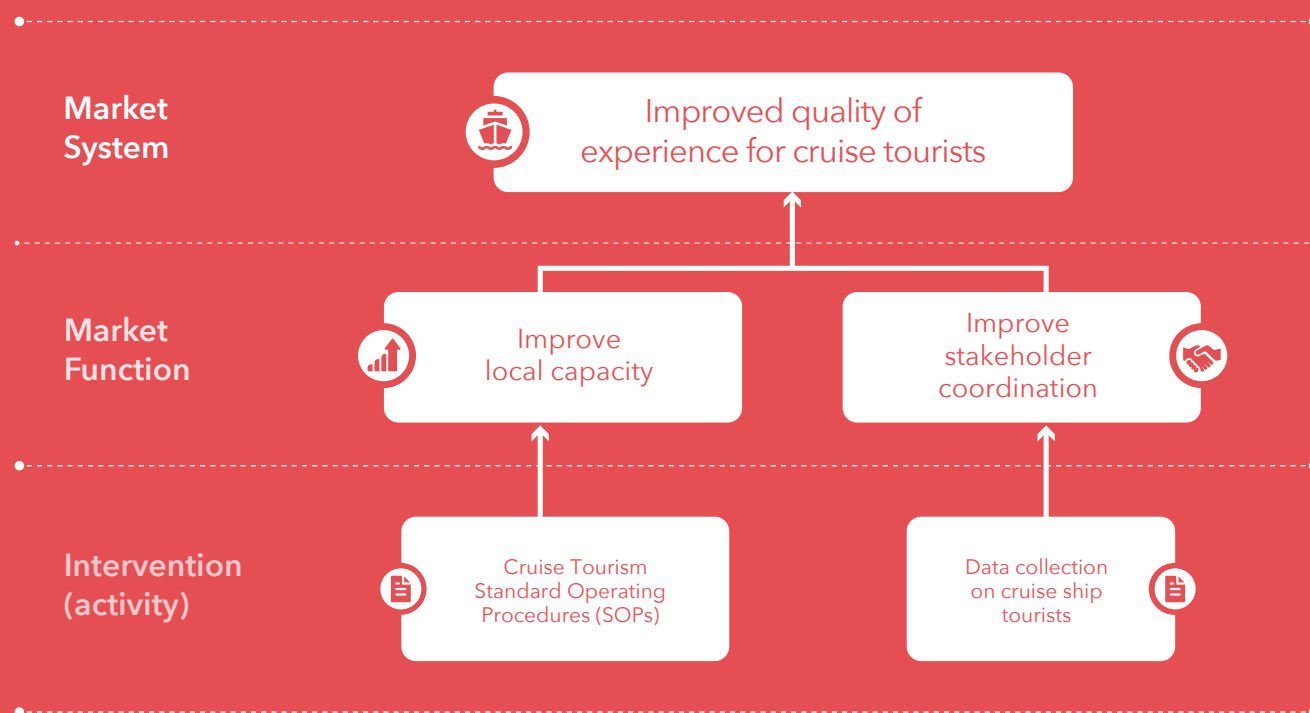






## Market System 3

### Cruise Tourism



| Status of the market system | Interventions (active and/or monitored in 2019)                                                        | Summary of performance                                                                               |
|-----------------------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
| Emerging                    | 1. Cruise Tourism - Standard Operating Procedures (SOPs)<br>2. Data collection on cruise ship tourists | The Standard Operating Procedures are being implemented informally whilst formal approval is sought. |

| USD                       |                         |                               |                             |                             |                           |               |              |                                                  |
|---------------------------|-------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|---------------|--------------|--------------------------------------------------|
| EO Projected (cumulative) | EO Actuals (cumulative) | Income Projected (cumulative) | Income Actuals (cumulative) | VAMT Projected (cumulative) | VAMT Actuals (cumulative) | PSI Committed | PSI Expensed | Progress (Traffic Light)                         |
| 159                       | 159                     | 50,332                        | 50,332                      | 101,751                     | 101,751                   | n/a           | 10,705       | <div> <div></div> <div></div> <div></div> </div> |

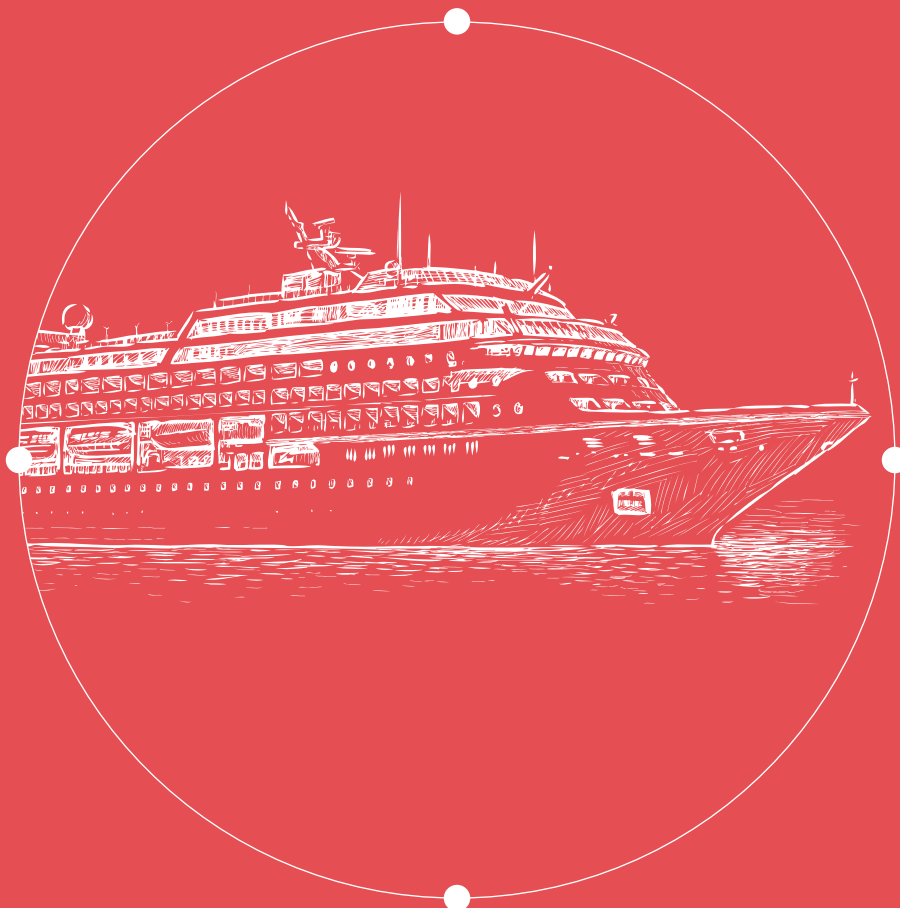
## Market on a Page Cruise Tourism



Since 2016, 16 cruise ships have visited Timor-Leste.



MDF is working to improve local capacity to meet the needs of the cruise industry and improve stakeholder coordination to enhance the quality of service delivery.



The country has a strong geographical advantage to attract cruise lines.



Local tourism providers do not yet fully understand how to best cater to these visitors.



## Market System 3: Cruise Tourism

Because cruise arrivals are a new development for Timor-Leste, local operators have very limited knowledge of how to cater to cruise lines. They find it difficult to develop the right products and establish links with them, and the wide range of stakeholders involved in cruise tourism can be overwhelming. Still, whilst each one needs to perform individual responsibilities, they also need to coordinate effectively with one another to make it work.

MDF's vision in cruise tourism is to establish Timor-Leste as a cruise destination that offers unique and authentic experiences, in order to incentivise a greater frequency of cruise ship visits. To realise this, more local service providers will need to offer high quality products and services resulting in positive tourist experiences. MDF is therefore supporting the capacity building of local operators and improving stakeholder coordination.

Stakeholder coordination supported by MDF in previous years is showing early signs of systemic change. There has been an improvement in how MTCL managed cruise arrivals in 2019, and how the key stakeholders coordinate their efforts before and after each ship visit. Unlike before, preparation and evaluation have become more focused. MTCL now has a much better understanding of their role, and as a result, for the first time ever, a portion of their annual budget was allocated for cruise activities. Other stakeholders are also demonstrating willingness to adapt practices based on the need of the cruise lines. In 2019, five cruise ships stopped in Timor-Leste and over 6,000 passengers disembarked. As a result, MDF estimates over 150 artisans, tour guides, bus drivers and food vendors earned USD33,000 in additional income.

### Market function

In 2018, MDF supported the development of Standard Operating Procedures (SOPs) for cruise arrivals. The SOP document itself is still awaiting high-level government approval, but stakeholders were collectively able to start implementing the SOPs in 2019. MDF focused on working with relevant stakeholders to address some of the recurring operational challenges. MDF worked closely with MTCL, the designated shipping agency and tour operators, to coordinate with relevant stakeholders before each cruise visit and evaluate the visit afterwards. MDF advised MTCL on related issues such as a craft exhibition for cruise tourists and opening other ports. MDF supported the taxi association to set up an easy booking method based on customer feedback.

Cruise lines manage their operation in Timor-Leste through an Indonesia-based tour aggregator, so there is no direct communication between cruise lines and local operators. As a result, there is little information transfer to the local industry about how cruise lines and passengers perceive Timor-Leste, where the performance gaps are and how to improve them. In 2019, MDF commenced negotiations with the key cruise line for a new intervention to improve the capacity of local service providers.



## Other work

Most of Timor-Leste's tourist attractions are suited for adventure travel, so this is a potential area of growth and for promotion. MDF did not and will not focus on adventure tourism to the degree of cruise or dive tourism. However, MDF commenced one small intervention in 2019 in this space.

MDF supported a local tour operator to develop a trekking tour based on World War II history in Timor-Leste. This is the first such development in Timor-Leste, so the operator

conducted significant research to identify a suitable route with historical significance. The tour was tested several times before becoming available for booking. The trek shows some promise with specific groups like military professionals, who have been the first to book this tour. Around 40 tourists purchased the package in 2019, resulting in additional revenue of USD12,000 for the tour operator. It is too early to see any change at the systemic level.

## Manufacturing and Other Sectors

### Manufacturing

The manufacturing sector in Timor-Leste is very small and there are fundamental challenges - such as economies of scale, skills shortages and access to finance - that limit the competitiveness of local manufacturing.

MDF's vision in manufacturing is modest: to grow the number of local manufacturing enterprises from its low base. MDF does not approach manufacturing as a market system, instead they provide support to specific businesses only to set up new manufacturing operations or grow existing businesses.

In 2019, MDF supported a local manufacturer, Dilicious Timor, establish a factory to produce biodegradable plates from locally sourced areca leaves. This idea is of great relevance to vocal public calls in 2019 for reduced plastic in Timor-Leste. These plates are environmentally friendly alternatives to the more commonly used single use plastics; at the same time, they create employment and income opportunities for people in the rural areas. So far, 10 farmers have earned a small additional income from selling the areca leaves and three factory workers gained employment. Various local restaurants and catering companies have started using these plates instead of plastic ones.

### Other Sectors

MDF implemented some other work in 2019 that sits outside the focus sectors of agriculture, tourism and manufacturing.

- MDF continued its collaboration with TradeInvest, the government agency responsible for export and investment promotion. MDF participated as a judge in the annual export awards. As a sign of MDF's success over the years, over half the applicants were organisations that MDF has worked with in some formal capacity. MDF signed a new MOU with TradeInvest in late 2019.
- In 2019 MDF also finalised its collaboration with Monash University on a study entitled, "Speed Matters: The case for an international cable internet connection for Timor-Leste". An event was organised to share some of the findings of this study with public and private stakeholders. Good news was announced later in 2019, with Australia committing to support the government of Timor-Leste install such an undersea internet cable.
- MDF completed another study in 2019, this time on urban poverty and urban industries. A consultant and various MDF team members conducted field research to understand urban poverty trends and urban industries with growth potential. This study was used by MDF for internal decision-making about priority market systems.
- Since its inception in Timor-Leste, MDF has implemented two interventions related to financial services. This work was done within the auspices of existing sector strategies, and not as part of work in a stand-alone 'financial services' sector. During 2019, MDF developed a new intervention concept on financial services and negotiated the details with the key proposed partner.



## Observations and Lessons



### Agriculture

#### Konjac

- As MDF only recently started work in this market, lessons are limited. There is a risk to export volumes in the short term, with supplies of wild konjac dwindling due to overharvesting of wild stocks. However, this supports MDF's objective to help the switch to cultivation. MDF has observed increasing interest in this crop, so it perceives good potential to proceed with our current strategy. Our persistence in getting to know most sector stakeholders has started to pay off in unexpected ways. MDF is likely to implement another intervention connecting an entrepreneur in Baucau to supply seeds to start a new konjac business in Oecusse, which will probably involve a technical specialist currently working in another konjac business based in Dili. MDF is also linking one of our coffee sector partners to a konjac business, to potentially start konjac cultivation.

#### Pigs

- During the scoping phase, African Swine Fever emerged as a critical issue in Asia. The disease arrived in Timor-Leste just as MDF commenced its first intervention and is likely to cause a major decline in pig numbers nationally. This disease almost led to MDF stopping all work in the sector but ultimately MDF decided to proceed on an amended basis. MDF is likely to work with the Australian Government on an additional intervention to combat the disease in Timor-Leste.

#### Coffee

- The training on processing quality has generated good results. Many of the exporters and farmers that were trained have adopted the new practices and seen tangible improvement. This validates the relevance of such training and demonstrates that the industry is ready to adopt changes if and when they see value. The challenge now is to disseminate the information further. For those farmers that have initiated changes, continuity will be the issue. There needs to be a clear financial benefit from improved practices. Some companies offered a price premium for better quality coffee, but this needs to become the norm rather than the exception.

- So far MDF has focused on quality, because it is important for the development of a specialty coffee industry. However, the declining productivity of Timor's coffee trees has become a major threat, so MDF is looking at getting involved in this issue too. In 2018 MDF worked solely through ACT. Although some positive results have come from this, the pace of change is constrained by the capacity and structure of the organisation. MDF has therefore decided to complement this by also working with individual companies

#### Coconut

- MDF's accumulated wisdom is that success is more difficult to achieve in export industries as compared to domestically focused businesses. Time will tell whether these new export-driven business models can be commercially sustainable. Experience from 2019 showed the importance of MDF's adaptive management systems to meet changing partner needs.

#### Tilapia fish aquaculture

- MDF learned many useful lessons from its experience in this market system. This includes the advantages and disadvantages of working in close collaboration with a technical partner organisation (WorldFish). There were also several lessons from utilising an open, thorough EOI process to select an entrepreneur, including on advertising methods and multi-step selection processes. MDF has also been learning about factoring in overlapping interests and behaviours of multiple government, donor and civil society organisations. MDF can see a pathway forward for the transition for fingerlings from handouts to a more commercial basis, but it will take time and collaboration.

#### Agricultural inputs

- MDF continued to learn a lot about agricultural input supply systems in 2019, but mainly connected with work in specific commodity market systems, such as konjac, pigs and aquaculture. With regards the generalised supply systems, such as importers and retailers, little progress was made with our key proposed intervention, so lessons were limited. The shift to product-based strategies (MSSs) and the overlap of market systems and functions has been a conceptual challenge that needs further clarification.





## Tourism

### Destination marketing

- Marketing a destination is not easy, especially a destination which is virtually unknown around the world. Destination marketing activities for Timor-Leste need to be highly targeted. It needs to be clear what tourism product is on offer, what the target market is and what the best marketing channels are. Without the required level of specificity, marketing will not produce any results.
- Demand creation has not been a priority for the government. The level of investment in destination marketing is grossly inadequate: the Ministry of Tourism has a very small budget and the private sector does not have the required capital. To manage this resource limitation, marketing needs to be done by multiple actors through a variety of mediums to have the necessary reach.
- There is also a serious lack of marketing expertise in both the public and private sectors, so it will be important to source the necessary expertise.

### Dive tourism

- Dive operators are accustomed to working individually and it is difficult to change that outlook. As such, it is important to find change agents that see the value of collaboration and can bring others on board. It is vital to select activities that they collectively see value in, which is difficult because they have different markets and different management approaches. But this is fundamental for any sustained change: it has to be a gradual path towards building trust and openness. It is important to understand the particular characteristics and dynamics of the diving community to be able to get buy-in.
- Additionally, assessing and understanding where MDF can add value and prioritise our investments is crucial. There are certain issues in the diving industry that involve a large number of players with conflicting interests, such as conservation around Atauro island. It is better to avoid such areas where MDF does not have the necessary expertise and leverage.

### Cruise tourism

- Cruise ships are one of the few visible sources of tourists in Timor-Leste. Many are eager to get involved. Almost all passengers disembark during the cruise stops, which shows that tourists are interested in Timor-Leste. However, feedback from the cruise lines suggests tourists are not satisfied with the quality of experience they get when they land.
- It is important to better understand the performance gaps. There are some factors that are difficult to change in the short term, such as the quality of roads and transport. So, the quality of tours needs to be high enough to counter these challenges. Very few operators have the know-how to cater to cruise lines, so increasing local capacity is crucial. The shore excursion operator needs to be dynamic enough to understand tourist needs and come up with innovative products. The performance of MTCL has improved considerably but there are still plenty of opportunities to improve stakeholder coordination.



## Inclusion Interview



### Manufacturing Hope

*In Dili, Timor-Leste's capital, women often struggle to find stable work. Traditional gender norms dictate that women are expected to prioritise their domestic chores above entering the job market. Access to education is rare, making it even more difficult to secure a position within an already limited market.*

*Enter the Lay family, long-time Dili residents, who built a factory in Bidau with the specific intention of starting a garment factory. They recognised two gaps in the country's manufacturing: the underutilisation of the female labour force and a disparity in apparel supply and demand. Most clothing in Timor-Leste is imported from Indonesia, but there isn't enough to satisfy domestic needs.*

*MDF spoke with Mel Lay of Mahanaim Garment, who shared her family's experience of establishing the country's first clothing production line and providing reliable, sustainable employment for women.*

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**MDF: How did the vision for Mahanaim Garment come to life?**

**Mel Lay (ML):** My parents are both business owners and I have been working in the family business since I was 14. After coming to the end of a stint working in advertising in Australia, I returned to Timor-Leste permanently and was rapidly pulled into discussions about the factory. My mum has always been passionate about creating jobs for women and has led by example locally in terms of what women can achieve.

We discovered that most clothing was imported and we saw an opportunity to make local products with the added benefit of creating employment opportunities for women. With that, we decided to establish Mahanaim Garment.

**MDF: Did you face any initial obstacles?**

**ML:** Absolutely! This wasn't my field of experience, so I had to teach myself everything - and fast - to get a direction and a plan in place for execution. We needed both local staff with the right skill level and an expert to run the production side of things. It was a huge challenge to find the right people.

**MDF: With all the constraints in the manufacturing sector, how did you decide on a concept?**

**ML:** We knew that we couldn't solely rely on one income stream, so the goal was to touch different markets with different product offerings to generate multiple revenue streams. Initially, the concept was to produce uniforms for

institutional clients but as the idea evolved, along came the concept of ITA NIA, an emerging ethical, high-end women's clothing range. We decided that this would be our focus and from that, Mahanaim Garment and the brand ITA NIA were born.

#### **MDF: How has MDF supported Mahanaim Garment?**

**ML:** Despite having a strong concept and vision, finding skilled workers and employees with the right expertise to get the venture up and running was challenging. This is where MDF provided crucial help: they helped us recruit a product development specialist/designer to conceptualise and develop product lines and a pattern maker to produce garments of various sizes. They also supported us with training local staff in production techniques and gave our staff the confidence to ask questions. Traditionally, women remain quiet and subservient in discussions and it is unusual for them to speak out, so encouraging active participation can be trying. The progression that our female staff have made since we set up the factory has been incredible.



*There were moments during the training where it was pure silence and no one said a word. But after a month of learning, someone asked a question and I literally started to cry. We had created a safe environment for women to know that it was okay to be wrong. At that moment, I knew that no matter how much money we sink into this, it will be worth it.*

\_\_\_\_\_  
*Mel Lay, General Manager*

#### **MDF: How have women benefitted as a result of the new job opportunities available?**

**ML:** It usually takes about four months to train new employees, so progress can seem slow initially, but the resulting benefits to both the employee and the enterprise are worth the wait. Since the factory has opened, we have created 13 jobs, employing 11 women and two men. This has had a hugely positive impact on women's employment opportunities. The skill development that they receive will enable them to have a regular income and higher wages in the future.

#### **MDF: Have there been any individual success stories as a result of MDF support**

**ML:** So many! The women are fabulous. Natalia da Silva started working for Mahanaim Garment factory as a cleaner. With a passion for sewing by hand, and a real talent for embroidery, she was keen to know more about using a sewing machine. Through MDF's support, Natalia has been receiving basic sewing training from a professional designer.



*I started working as a cleaner, but I have always loved to sew by hand. From the training that I have received, I can now use the sewing machine and I help the team with technical hand sewing.*

\_\_\_\_\_  
*Natalia da Silva, Cleaner*

Another seamstress that has not only gained new skills but is also sharing them with the rest of the team is Regina Alfriana. Regina is an expert at the overlocking machine and is the go-to person to provide training to the other women on using that piece of equipment.



*I really enjoyed the training as I learned new things. Now that I have experience using the overlock machine, I can teach other people how to use it. I enjoy teaching them because I can see the good result of their work at the end.*

\_\_\_\_\_  
*Regina Alfriana, Seamstress*

#### **MDF: What does the future hold for this partnership?**

**ML:** We are building strengths upon our strengths. We have a local label that we are launching soon that will be sold in our new store Mana Maria, in Dili. We are launching our second collection for ITA NIA and we recently wrapped up our first government uniform job - which was a huge success!

The manufacturing sector in Timor-Leste is small. There are various challenges that limit the growth of local manufacturing, including economies of scale, skill shortages, access to finance and access to markets. MDF aims to support the growth of the manufacturing sector in Timor-Leste. MDF supports enterprises, such as Mahanaim Garment, to establish new business ideas, expand operations as well as encourage new start-ups.





## Pro-poor Growth Story

# Beefing up Sales of Local Meat in Timor-Leste

In March 2017, MDF signed an intervention with a Dili-based butcher, Central Moris (CM), to help the company expand its processing facility. Over the last two years, this intervention has not only succeeded in this original goal but has made systemic changes to the local beef industry.

Livestock is the second most important source of income, after crop agriculture, for many rural households in Timor-Leste. Although scale and size vary across districts, 87 per cent of households engage in some form of poultry, cattle, pig and goat rearing.<sup>1</sup> The cattle industry is the most established as a partially commercial enterprise as it is the preferred meat for cultural ceremonies and is a means of household savings. Despite the reliance on cattle as a source of income, most households do not invest in nutritious fodder or veterinary services which affects meat quality.

Domestically, about 5,000 cattle are slaughtered annually for sale in local markets. Although consumers tend to prefer regionally sourced fresh meat over comparably priced imported frozen meat, in 2017, around 300 tonnes of beef was imported and sold in supermarkets. MDF and Central Moris identified a gap between the supply and demand and resolved to fill it by increasing the partner's processing capacity.

Before CM opened their butcher shop in Dili, fresh meat was only available for purchase in local markets. There were several quality issues for consumers, such as unhygienic facilities, outdated slaughtering systems, improper handling during transportation and inconsistent weighing mechanisms. CM quickly gained a reputation for supplying a high quality, local alternative to imported frozen options. The business saw fresh beef profits improve after they received external technical support on slaughtering skills such as cutting, hygiene and abattoir assessment.

Although CM proved the quality of their product, they could not keep up with quantity demands. Timorese customers, expatriates and supermarkets would like to purchase 100 cattle per month, but CM only had the capacity to process around 50.

Through this partnership, MDF co-financed a bandsaw and mincer to increase the variety of meat cuttings and produce higher volumes. Central Moris added a new cool room to their facility, doubling the available storage space and a generator to be used in the event of a blackout. MDF also helped CM purchase a vacuum pack machine to increase product quality, shelf-life and ensure products were packaged in a retail-ready manner. MDF also provided business advisory support on market intelligence and day-to-day operations.

Once CM's processing capacity expanded, the business hired four new full-time staff - three to operate the machinery and one customer service employee - all of whom received training to use the equipment safely and efficiently. As a result of the intervention, CM's processing capacity has more than doubled. Central Moris co-owner Kunfi Sequeira said, "Increasing the capacity of our processing facility has made a positive

<sup>1</sup> (MAF, 2015) Timor-Leste Population and Housing Census 2015

difference to our business. Before, we were only able to process one cow a day and now, we have increased to four per day. This means that we have been able to triple our staff and in turn our income has increased.”

This growth had positive consequences for cattle farmers. With an increased demand for meat, local cattle traders are motivated to source more livestock, in turn increasing the overall size of the domestic cattle market. CM’s market network expanded from 11 traders to 26, across all districts, and 670 additional farmers sold to CM and earned an additional total income of USD550,000 (after calculating rearing costs).

The most significant result in this intervention is the evidence of systemic change across the sector. In the past two years, four new butcher shops have opened in Dili. The new businesses were either opened by former CM employees or by local people who were inspired by CM’s business model. The increased supply of high-quality, fresh beef, hygienically and ethically butchered to Dili’s consumers demonstrates the partnership’s success in carving out a lucrative space that others are keen to reproduce and reap further benefits.

Many supermarkets have limited or discontinued supplying imported frozen beef. Central Moris is currently supplying six supermarkets and the new butcher shops are supplying another three as well as selling in their own establishments. Consequently, frozen beef imports decreased from 330 tonnes in 2017 to 85 tonnes in 2018, highlighting the system-wide change that MDF helped facilitate.

From strengthening and job creation at the processing facility, to increasing incomes for rural households and facilitating a growing demand for local beef, the positive outcomes of this partnership are clear on all levels.



## Acknowledgements

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---

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---

Turizmu Ba Ema Hotu or "Tourism for All"

---

TradeInvest Timor-Leste

---

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---

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Anne

yes



## Annex

# Intervention Tables



### Sector: High Value Agriculture

| Market System              | Status of the Market System | Function                   | Intervention                                        | Status of the Intervention | Partnership                        | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------|-----------------------------|----------------------------|-----------------------------------------------------|----------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quality Agriculture Inputs | Emerging                    | Information & Distribution | Introducing Aglime (soil enhancer) for Fiji farmers | Measurement Completed      | Standard Concrete Industries No. 1 | Increasing farmer access to a quality and affordable locally produced soil enhancer. The first company in Fiji to produce agricultural lime under the brand name 'Aglime'. Has established localised supply chains to farm gates to improve farmers' yield and income by helping counteract high levels of soil acidity. A consistent supply of affordable lime is encouraging farmers to engage in better soil management practices.                                                                                              |
| Quality Agriculture Inputs | Emerging                    | Information & Distribution |                                                     | Measurement Completed      | Standard Concrete Industries No. 2 | Promotion, awareness and correct application of Aglime. Marketing, promotion, awareness and education of aglime through targeted door to door promotion and field promoters, equipped with portable soil testing kits to accurately advise farmers on the uses and application of aglime. Improved farmer access to and knowledge of agricultural lime can help to improve soil pH, yields and incomes.                                                                                                                            |
| Quality Agriculture Inputs | Emerging                    | Information & Distribution |                                                     | Measurement Completed      | KK's Hardware No. 2                | Distribution of aglime to sugarcane farmers through field promoters that worked in close collaboration with the Fiji Sugar Corporation to organise aglime demonstration plots in Viti Levu's western division – Sigatoka, Nadi and Lautoka. Field promoters provided farmers with access to alternative inputs and information on how to address soil acidity and improve crop yields while ensuring crop resilience during natural disasters.                                                                                     |
| Quality Agriculture Inputs | Emerging                    | Information & Distribution |                                                     | Measurement Completed      | Global Cargo Traders Ltd           | Distribution of aglime to sugarcane farmers through field promoters that worked in close collaboration with the Fiji Sugar Corporation to organise aglime demonstration plots in Ba, Tavua and Rakiraki (west Viti Levu). Set up proper infrastructure needed to stock and supply aglime to its farmers in Ba to Rakiraki area. Field promoters provided farmers with access to alternative inputs and information on how to address soil acidity and improve crop yields while ensuring crop resilience during natural disasters. |

| Market System              | Status of the Market System | Function                   | Intervention                                                                        | Status of the Intervention                 | Partnership                                | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|----------------------------|-----------------------------|----------------------------|-------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quality Agriculture Inputs | Emerging                    | Information & Distribution | Tissue culture plantlets                                                            | Measurement Completed                      | Biotec Limited                             | Develop technical capacity (lab and nursery) towards commercial production and promotion of tissue cultured planting materials via demonstration plots and farmer field days. Greater access to disease free and high quality (high yielding) planting materials will enable more regular and plan staggered planting, ensuring greater consistency of income, and therefore increase economic resilience of these farmers for natural disasters. Better quality planting materials will lead to better yields and eventually increased incomes for farmers. |
| Quality Agriculture Inputs | Emerging                    | Information & Distribution | Commercially produced seedlings to local market                                     | Measurement Completed                      | Devesh and Bharos Farm                     | Upgrading nursery facility for production of larger and new varieties of seedlings on a year-round basis. One of the largest commercial greenhouse nurseries in Fiji. Because of access to better quality seedlings and newer varieties, farmers increased sales will result in additional income.                                                                                                                                                                                                                                                           |
| Quality Agriculture Inputs | Emerging                    | Information & Distribution | Commercially produced chicken manure as fertiliser                                  | Activities Completed<br>Monitoring Ongoing | Ram Sami & Sons Fiji Ltd                   | Production and distribution of commercial grade poultry manure. Ram Sami and Sons are Fiji's largest egg producer and distributor. Build Ram Sami's production and technical capacity to turn chicken manure into commercial grade poultry manure into the Fijian retail market.                                                                                                                                                                                                                                                                             |
| Quality Agriculture Inputs | Emerging                    | Information & Distribution |                                                                                     | Active                                     | MOU Fiji National University               | To foster better linkages with the private sector in agriculture in Fiji and to provide greater exposure to agribusinesses and sharing of information on modern cultivation and food processing practices.                                                                                                                                                                                                                                                                                                                                                   |
| Quality Agriculture Inputs | Emerging                    | Information & Distribution | Introducing new seed varieties in Fiji                                              | Active                                     | KK's Hardware No. 1                        | Large hardware retail chain that sources, imports and distributes a wide range of new commercial seed varieties that are suitable for year-round production to increase production in off-seasons, saving of production time, better quality produce and farmers will generate additional income. Facilitating the understanding of seed import requirements and exposure to potential seed suppliers.                                                                                                                                                       |
| Quality Agriculture Inputs | Emerging                    | Distribution               | Establishing a barge and port service to enhance connectivity of Fijian islands     | Measurement Completed                      | Courier Documents and Parcels Services Ltd | Investing into 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.                                                                                                                                                                                                                                                                                                   |
| Quality Agriculture Inputs | Emerging                    | Distribution               | Using mechanisation to address labour shortages in the sugar industry in Vanua Levu | Measurement Completed                      | Charan Jeath Singh Group                   | One of the largest diversified businesses in Vanua Levu, Charan Jeath Singh Group introduced a mechanised sugarcane harvesting service in Vanua Levu to address labour shortages and reduce 'standover' (unharvested) cane volumes. Increased farmer incomes through more efficient sugarcane harvesting and in the long run, cost-savings on labour.                                                                                                                                                                                                        |

| Market System                | Status of the Market System | Function                   | Intervention                                                                                          | Status of the Intervention                 | Partnership                            | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------|-----------------------------|----------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quality Agriculture Inputs   | Emerging                    | Information & Distribution | Improving access to inputs through access to finance                                                  | Activities Completed<br>Monitoring Ongoing | MOU South Pacific Business Development | Improve access to finance for rural women to purchase good quality inputs from selected agricultural input suppliers.                                                                                                                                                                                                                                                                                                    |
| Premium Agriculture Products | Developing                  | Sourcing                   | Processing and exporting of premium cinnamon from Fiji                                                | Activities Completed<br>Monitoring Ongoing | Cinnamon and Spice Fiji Ltd            | Focus on a market feasibility study to establish quality food standards for exporters of cinnamon. The feasibility study will look more closely at the supply chains, production capacity requirements, international market dynamics and financial analysis and will determine the company's investment plan into developing a turmeric market going forward.                                                           |
| Premium Agriculture Products | Developing                  | Marketing                  | Improving quality and exports of Fiji sugar                                                           | Activities Completed<br>Monitoring Ongoing | Fiji Sugar Corporation 1               | Work closely with this key strategic partner to trigger quality consciousness in Fiji's sugar industry through the introduction of an internationally accredited quality certification process, such as HACCP. This will be a first step in ensuring the introduction of Fijian sugar into the direct consumption and higher value retail markets.                                                                       |
| Premium Agriculture Products | Developing                  | Marketing                  |                                                                                                       | Activities Completed<br>Monitoring Ongoing | Fiji Sugar Corporation 2               | With MDF's support, FSC has rebranded its Sugars of Fiji products for export, commencing with the New Zealand market. FSC will also be able to improve its food quality standard at the Packaging Plant. The rebranded product range will allow FSC to enter new markets and achieve higher profit margins, which can in the long run contribute towards improved profitability and better prices for sugarcane farmers. |
| Premium Agriculture Products | Developing                  | Marketing                  |                                                                                                       | Activities Completed<br>Monitoring Ongoing | MoU Windward Commodities               | Scoping exercise in Fiji to shed light on how local commodities such as sea urchins, coconut oil, chocolate and sugar can strengthen their supply chains and improve branding.                                                                                                                                                                                                                                           |
| Premium Agriculture Products | Developing                  | Sourcing                   | Strengthening supply chain and reducing post-harvest losses through information and farm-gate pick up | Measurement Completed                      | Herbex Ltd                             | Strengthening supply chain and reducing post-harvest losses through use of information brochures and farm gate pick-up. One of the few organically certified noni exporters in Fiji. MDF co-shared logistics costs, enabling the company to source produce from wider locations, and with measures to reduce post-harvest loss through proper handling thereby increasing quality and payments for farmers.              |
| Premium Agriculture Products | Developing                  | Sourcing & Marketing       | Establishing supply chain and end markets for premium kava                                            | Measurement Completed                      | South Pacific Elixirs                  | Fiji's first manufacturer and exporter of flavoured kava-based relaxation drinks - Taki Mai has penetrated the US market and is making inroads into the powdered kava and kava capsule markets in the US and elsewhere. Using the skills, techniques and seedlings provided by South Pacific Elixirs, farmers are increasing their kava production, yields and harvest.                                                  |



| Market System                | Status of the Market System | Function             | Intervention                                                                                               | Status of the Intervention | Partnership             | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------|-----------------------------|----------------------|------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Premium Agriculture Products | Developing                  | Sourcing & Marketing | Accessing new markets through certification and improving business efficiency                              | Measurement Completed      | Ben's Trading Ltd       | Gained access to several major overseas supermarket chains - Fiji's largest root crop exporter is strategically located in different parts of Fiji (West and Central). Spreading the benefits from cultivation for exports and is a catalyst for other exporters to grow and tap into new export markets by investing in their local supply chain. Farmers' incomes will increase, and additional employment is created through increased selling of larger volumes of higher grade export produce |
| Premium Agriculture Products | Developing                  | Marketing            | Increasing processing and marketing capacity to ensure higher volume and value of exports and local market | Measurement Completed      | Fijika Natural Products | Increasing virgin coconut oil (VCO) export through capacity building and marketing. Fijika Natural Products is one of the major producers of virgin coconut oil in Vanua Levu. VCO machinery operational and staff trained together with new villages identified for coconut supply.                                                                                                                                                                                                               |
| Premium Agriculture Products | Developing                  | Sourcing & Marketing | Introducing new processed products for local market                                                        | Measurement Completed      | Wallsons Foods          | Improved capacity to develop new products with a focus on using locally sourced raw materials. Facilitated product diversification through enhanced technical and production capacity to enter new markets.                                                                                                                                                                                                                                                                                        |
| Premium Agriculture Products | Developing                  | Sourcing             | Expanding supply chain and processing capacity to meet unmet export demand                                 | Measurement Completed      | Labasa Farm Fresh 2     | Support for business expansion by increasing export volumes with the procurement and installation of a cooler room and freezer, strengthening backward linkages by hiring a Field Manager who would be responsible for building relationships between the business and their suppliers (farmers); and strengthening and upskilling management capacity to better manage the business expansion.                                                                                                    |
| Premium Agriculture Products | Developing                  | Sourcing & Marketing | Improving backward linkages and private extension services                                                 | Measurement Completed      | Maqere Exports          | Utilisation and expansion of processing facility to improve and increase the sourcing of produce from farmers in the Ra-Lautoka corridor. Contribute to private extension services, which equips nearby farmers with advice on better farming, crop care and post-harvest practices. This will ensure that Maqere is able to meet expanding demand from its target markets, and expand its sourcing in a sustainable manner from farmers in the area.                                              |
| Premium Agriculture Products | Developing                  | Sourcing             | Establishing feasibility of sourcing sea urchins locally                                                   | Measurement Completed      | Sai Yee Foods Ltd       | Establishing supply chain with coastal community on sourcing of sea urchins for processing for export market using a commercially viable business model. Employment at the processing facility increases and women collectors earn additional income from supplying sea urchin to Sai Yee Foods.                                                                                                                                                                                                   |

| Market System                | Status of the Market System | Function  | Intervention                                                     | Status of the Intervention | Partnership           | Explanation/Update of Partnership or Influencing Event                                                                                                                                                             |
|------------------------------|-----------------------------|-----------|------------------------------------------------------------------|----------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Premium Agriculture Products | Developing                  | Marketing | Access to exports information through developing the guide       | Active                     | Investment Fiji       | Supported the development of the Fiji Exporters Guide to allow new and existing exporters access to better information and understanding of what is required in becoming or growing as an exporter.                |
| Premium Agriculture Products | Developing                  | Marketing | Reaching higher value markets through marketing and online sales | Active                     | Three hundred islands | MDF will support THI through the engagement of a local export facilitator and a beverage consultant to promote its ginger beverage product into selected premium retail outlets in the Australian beverage market. |

## Sector: Urban industries

| Market System        | Status of the Market System | Function                               | Intervention                                                                                             | Status of the Intervention                 | Partnership          | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                        |
|----------------------|-----------------------------|----------------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outsourcing services | Emerging                    | Human resource development             | Enhancing productivity of female garment workers through support service reducing absenteeism / turnover | Activities Completed<br>Monitoring Ongoing | Mark One Apparel     | Enhancing productivity through a support service that reduces absenteeism and staff turnover. Productivity of women workers having access to and using day-care service increases. Additional income earned by women workers using day-care service as employment is saved/maintained through reduced absenteeism/resignations of staff.                                      |
| Outsourcing services | Emerging                    | Marketing & Human resource development | Technology for access to new BPO markets                                                                 | Measurement Completed                      | DHL Express Fiji Ltd | Investing in advanced PABX technology and capitalizing on Fiji's advantages (location, neutral accent, time difference). DHL has invested in upgrading their current call centre operations, technologies and upskilling their staff capacity to deliver cost effective back office processing operations and functions to DHL customers regionally (Australia, New Zealand). |
| Outsourcing services | Emerging                    | Human resource development             | Upskilling staff to meet market demand                                                                   | Measurement Completed                      | Danam Fiji Ltd       | Upskilling local capacity (for specialised garments) and increasing productivity to manufacture high-value niche export garment. These skills allowed Danam to diversify into the production of new certified structural firefighting garments for the export market and meet customer standards.                                                                             |

| Market System                      | Status of the Market System | Function                      | Intervention                                                                          | Status of the Intervention | Partnership                          | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------|-----------------------------|-------------------------------|---------------------------------------------------------------------------------------|----------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Outsourcing services               | Emerging                    | Human resource development    | Improving operational efficiency through use of modern technology                     | Measurement Completed      | Hydra Sports                         | Adopted modern systems and new technology to improve both operational and production efficiency. This led to increased volumes and sales to (new and existing) markets. As its sales function improved, customer orders increased as well as additional income and job opportunities at the factory.                                                                                                                                                                                                                           |
| Outsourcing services               | Emerging                    | Marketing                     | Direct marketing of Fiji OS providers                                                 | Active                     | Greymouse Fiji Limited               | Supporting Greymouse in sales and marketing to Australia to boost the back-office support services sector in Fiji. Through this partnership Greymouse will undertake marketing initiatives that is expected to help the business expand and create more local employment for the urban youths and women in Fiji. The potential for the growth of Fiji's back-office support services sector is expected to increase with businesses seeking to capitalise on the demand from nearshore markets like Australia and New Zealand. |
| Outsourcing services               | Emerging                    | Marketing                     |                                                                                       | Active                     | Packleader Pacific Limited           | Supporting the business in sales and marketing initiatives to embark on the new international market to sell the business process outsourcing services.                                                                                                                                                                                                                                                                                                                                                                        |
| Outsourcing services               | Emerging                    | Marketing                     | Reaching nearshore markets for BPO companies using direct marketing in target markets | Active                     | Business Process Outsourcing Council | Supporting the Fiji BPO industry to proactively market their services to Australia and promote Fiji as OS destination.                                                                                                                                                                                                                                                                                                                                                                                                         |
| MSME business development services | Emerging                    | Business development services | Improving exports of Fiji MSMEs through advocacy for policy change                    | Measurement Completed      | Fiji Export Council                  | Building capacity to develop and implement better policy instruments that encourage the growth of exports in Fiji through policy change and evidence-based reform recommendations. FEC submitted a proposal to government to reduce the 100% export threshold to 70% for export and 30% for domestic goods allowing other exporters to benefit from DSS.                                                                                                                                                                       |
| MSME business development services | Emerging                    | Business development services | Ease of doing business for MSMEs through doing comprehensive research                 | Active                     | Reserve Bank of Fiji                 | Conducted a landscape study for Micro, Small and Medium Enterprises (MSMEs) to inform sector development and policy.                                                                                                                                                                                                                                                                                                                                                                                                           |



| Market System                      | Status of the Market System | Function                      | Intervention                                                                                                                | Status of the Intervention                  | Partnership                            | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------|-----------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| MSME business development services | Emerging                    | Business development services | Cooperating with largest employers organisation to offer sustainable business advisory services to MSMEs through incubation | Activities Completed<br>Measurement Ongoing | Fiji Commerce and Employers Federation | Piloting the first private-sector leading incubation and acceleration program (FEE) with the largest private sector association in Fiji.                                                                                                                                                                                                                                                                                                                                                 |
| MSME business development services | Emerging                    | Business development services | Piloting sustainable business advisory services to MSMEs through incubation                                                 | Activities Completed<br>Measurement Ongoing | MDF Fiji Enterprise Engine (10 MSMEs)  | Pilot initiative to support SME growth. The initiative offers a practical learning platform and provides Small & Medium Enterprises (SMEs) required guidance and tools to operate efficiently. The approach is results oriented and will enable businesses to focus on growing their business, developing business skills and internal processes, to work towards a sustainable and scalable business model that improves their chances of success in the Fijian economy and the region. |
| MSME business development services | Emerging                    | Business development services | Access to Finance                                                                                                           | Measurement Completed                       | Access to Finance                      | Developed a market mechanism through ANZ Banking Ltd where SMEs can improve their ability to access finance from formal financial institutions by working with experienced business advisors.                                                                                                                                                                                                                                                                                            |
| MSME business development services | Emerging                    | Business development services |                                                                                                                             | Measurement Completed                       | Ernst & Young                          | Business advisory support for accounting and financial advisory services through onsite partner's location visits and accounting software trainings, respective financial policies and procedures and compliance requirements.                                                                                                                                                                                                                                                           |

| Sector: Tourism                             |                             |           |                                                                                         |                                            |                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------|-----------------------------|-----------|-----------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Market System                               | Status of the Market System | Function  | Intervention                                                                            | Status of the Intervention                 | Partnership                        | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Integrated air travel to niche destinations | Emerging                    | Marketing | Increased tourist awareness on other touristic places and attractions available in Fiji | Activities Completed<br>Monitoring Ongoing | Tourism Suncoast                   | Increasing farmer access to a quality and affordable locally produced soil enhancer. The first company in Fiji to produce agricultural lime under the brand name 'Aglime'. Has established localised supply chains to farm gates to improve farmers' yield and income by helping counteract high levels of soil acidity. A consistent supply of affordable lime is encouraging farmers to engage in better soil management practices.                                                                              |
| Integrated air travel to niche destinations | Emerging                    | Marketing |                                                                                         | Activities Completed<br>Monitoring Ongoing | Savusavu Tourism Association       | Supporting the existing Savusavu Tourism Association (STA) to improve governance, operations, destination marketing and engagement with national tourism stakeholders. It is envisaged that a professional and effective regional tourism association will be able to assist in the growth of tourism in Savusavu.                                                                                                                                                                                                 |
| Integrated air travel to niche destinations | Emerging                    | Marketing |                                                                                         | Measurement completed                      | Tourism Kadavu                     | Developing 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.                                                                                                                       |
| Integrated air travel to niche destinations | Emerging                    | Marketing |                                                                                         | Activities Completed<br>Monitoring Ongoing | Tourism Fiji                       | Supporting Tourism Fiji (TF) to fund events held in niche destinations, i.e. those outside of Denarau, Coral Coast and the Mamanuca Islands. Proposals for the events would be submitted and approved through TF's Event Development Fund (EDF) and agreed to by MDF. Events funded through the EDF require a minimum of 100 international tourists. Organising such EDF-funded events in niche destinations would increase tourist traffic to these regions, increasing its visibility and profile significantly. |
| Integrated air travel to niche destinations | Emerging                    | Marketing |                                                                                         | Measurement Completed                      | MoU Pacific Corporation Foundation | Provision of technical training for the development of digital strategies for destination associations in Savusavu and Rakiraki (Ra), including for individual tourist operators in this region to help improve their on-line presence and bookings. The support was provided through in-country workshops and follow up one-on-one mentoring support by James Kemp of Growth HQ, technical partner of the Pacific Cooperation Foundation (NZ).                                                                    |
| Integrated air travel to niche destinations | Emerging                    | Marketing | Increasing tourist arrivals to less visited areas in Vanua Levu                         | Activities Completed<br>Monitoring Ongoing | Tour Managers Fiji                 | Leveraging the familiarisation (FAMIL) tour to Fiji in late 2015 for the company's "Top Ten" Chinese Travel Agents to Vanua Levu to market and sell tour packages to Savusavu. The FAMIL was linked to the Tour Managers marketing campaign for the 2016 Chinese New Year and promotion of their Vanua Levu tourist package in the Chinese market.                                                                                                                                                                 |

| Market System                               | Status of the Market System | Function            | Intervention                                                              | Status of the Intervention | Partnership              | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------|-----------------------------|---------------------|---------------------------------------------------------------------------|----------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Integrated air travel to niche destinations | Emerging                    | Bookings            | Online booking and reservations engines for direct bookings for customers | Measurement Completed      | Pacific Bed Bank 1       | Supporting the development of a new online booking and reservations system for a 'one-stop shop' Fiji Portal, inclusive of accommodation and activities. The new digital platform now 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. |
| Integrated air travel to niche destinations | Emerging                    | Bookings            |                                                                           | Active                     | Pacific Bed Bank 2       | Supporting the building of new on-line 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.                                                                                                                                                                                 |
| Integrated air travel to niche destinations | Emerging                    | Marketing           | Promoting niche destinations through travel information                   | Measurement Completed      | Mai Life Travel          | Supporting Mai Life Travel magazine to improve awareness by featuring new and emerging tourism destinations in Fiji. This content has now also been included in the Fiji Airways inflight magazine which is published by Mai Life Travel.                                                                                                                                                                                                                                                                                    |
| Fijian Products and Experiences             | Developing                  | Branding and retail | Increasing production capacity and strengthening local sourcing           | Measurement Completed      | Adi Chocolates           | Sourcing and processing of locally sourced cocoa beans from local growers into high quality chocolate products for the tourism industry. Adi Chocolates was supported to improve backward supply linkages to local cocoa farmers and setup of their new facility in Denarau, Nadi, including the procurement of specialised equipment to increase their production capacity.                                                                                                                                                 |
| Fijian Products and Experiences             | Developing                  | Product development | First commercial mud crab hatchery and farm in Fiji                       | Measurement Completed      | The Crab Company of Fiji | Supporting the commercialisation of mud crab farming for the tourism market. This involved technical support for the hatchery, rehabilitation of mud crab ponds and development of a community sourcing/contracting model.                                                                                                                                                                                                                                                                                                   |
| Fijian Products and Experiences             | Developing                  | Branding and retail | Year-round supply of vegetable                                            | Measurement Completed      | Tripeaks                 | Upgrading and use of hydroponic technology for year-round supply of hydroponic produce for the tourism sector. This included the piloting of a low-cost hydroponic system for the production of lettuce which were provided by Tripeaks to small contracted out-growers in the Navua area.                                                                                                                                                                                                                                   |
| Fijian Products and Experiences             | Developing                  | Branding and retail | Community engagement for supply chain establishment                       | Measurement Completed      | Essence of Fiji No. 1    | Supporting the scaling-up of production capacity and market presence of the local cosmetics and spa products manufacturer. The growth in business had a direct impact on the local sourcing of raw materials by the company for its beauty products.                                                                                                                                                                                                                                                                         |



| Market System                   | Status of the Market System | Function            | Intervention                                                                                               | Status of the Intervention                 | Partnership                        | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------|-----------------------------|---------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fijian Products and Experiences | Developing                  | Branding and retail | Establishing supply chain for processing / value adding and sales to tourism sector                        | Active                                     | Essence of Fiji No. 2              | Develop a sustainable sourcing model for procuring nama from women collectors in the Yasawa Islands and Ra. MDF is also assisting in developing a line of skincare and beauty products using nama, as well as helping the company develop a comprehensive branding and marketing strategy to better market their spa and skincare range to a wider international market and local tourism markets.                                                                                               |
| Fijian Products and Experiences | Developing                  | Branding and retail | Increasing the volume of local fish in Fiji ho-re-ca sector                                                | Measurement Completed                      | Southern Solutions                 | Increasing the supply of local seafood into the tourism industry through the use of blast-freezer technology and portion packs. Southern Solutions also piloted the use of contracted local fishing agents to provide quality control and aggregation of fish for the company from key fishing areas in Vanua Levu and Kadavu.                                                                                                                                                                   |
| Fijian Products and Experiences | Developing                  | Branding and retail | Fijian-made products made available to tourists                                                            | Measurement Completed                      | Coconut Kids                       | Increasing the production capacity and management skills for the growth of quality kid's products for 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.                                                                                                                                                                                        |
| Fijian Products and Experiences | Developing                  | Product development | Connecting community producers of innovative handicrafts to tourism market                                 | Measurement Completed                      | Rise Beyond the Reef               | Supporting the organisation to build stronger linkages, quality assurance and marketing of locally sourced handicraft to the tourism market. Growth in sales has been seen through improved training, product development, branding and internal business processes. The work of RBTR now provides a sustainable livelihood for many rural craftspeople who are mostly women.                                                                                                                    |
| Fijian Products and Experiences | Developing                  | Branding and retail | Promoting local suppliers to tourism industry                                                              | Measurement Completed                      | Fiji Hotel and Tourism Association | Supporting the association in setting up a subsidised allotment of booths for a select number of their local supplier members to key tourism events to promote more local sourcing by the industry.                                                                                                                                                                                                                                                                                              |
| Fijian Products and Experiences | Developing                  | Branding and retail | Increasing the number of cruise ship and other tourists and their spend on Fijian products and experiences | Activities Completed<br>Monitoring Ongoing | Tifajek Mud Pools and Hot Springs  | Expanding 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 promoting more local tourist spending in Nadi. The upgraded facility can now accommodate more tourists, which has provided additional revenue to the business and associated livelihood opportunities for those involved from the nearby Sabeto village, in particular women. |

| Market System                   | Status of the Market System | Function            | Intervention                                                                                         | Status of the Intervention                 | Partnership                              | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------------------------|-----------------------------|---------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fijian Products and Experiences | Developing                  | Branding and retail | Conducting a needs assessment to improve Museum's capacity to attract and host more tourists in Suva | Activities Completed<br>Monitoring Ongoing | Fiji Museum                              | Collaborating with Government on a review report, including costed recommendations on how to improve the Fiji Museum's operations, image and services. The report is 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 that frequent Suva. The report highlighted that the Fiji Museum has the potential to be the main tourist attraction for Destination Suva. |
| Fijian Products and Experiences | Developing                  | Branding and retail | Increasing the capacity of coffee processors and productivity levels of local suppliers              | Measurement Completed                      | Bula Coffee                              | Improving the company's production capacity by modernising its processing facilities, strengthening its supply chain through mechanisation and training. This emerging industry provides a new livelihood option for rural communities now involved in the picking wild coffee cherries for the company.                                                                                                                                                                                                                              |
| Fijian Products and Experiences | Developing                  | Product development | New experiences for niche markets made available to tourists                                         | Measurement Completed                      | Walks & Trails (Talanoa Treks)           | Supporting the company to grow the emerging local and overseas market for walking and trekking in Fiji. Integral to the business is working with the local communities involved to improve the quality of tour guiding, accommodation and meals. 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.                                                                                                                        |
| Fijian Products and Experiences | Developing                  | Product development | New local handicrafts from locally sourced material                                                  | Measurement Completed                      | Namana Arts Fiji                         | Improving capacity to produce a diversified range of handicrafts for the tourist market. Working with the company to support their local artisan suppliers with product development and better links to the tourism market in Sigatoka through the Namana craft carts located in several major hotels.                                                                                                                                                                                                                                |
| Fijian Products and Experiences | Developing                  | Branding and retail | Increasing capacity to supply more to tourism industry                                               | Measurement Completed                      | Prasad's Agricultural Services (Farmboy) | Improving 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. Improving backward linkages with farmers to increase quantity and improve the quality of supply and to diversify into crops that are in demand from the tourism industry.                                                                                                                                                        |

| Market System                          | Status of the Market System | Function             | Intervention                                                                        | Status of the Intervention                 | Partnership         | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------|-----------------------------|----------------------|-------------------------------------------------------------------------------------|--------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fijian Products and Experiences        | Developing                  | Product development  | Increasing demand of local cuisine in tourism industry                              | Measurement Completed                      | Food Inspired MOU   | Increasing local sourcing by hotels, an action research project was commissioned with six hotels and resorts ranging in size and from different regions in Fiji. The project provided technical advice to the participating hotels on availability of suppliers for quality local produce, training of food and beverage staff in the hotels and menu development, including the costing, plating and serving of meals.         |
| Fijian Products and Experiences        | Developing                  | Product development  | Increasing sales of Fiji made products and experiences in traditional tourist areas | Activities Completed<br>Monitoring Ongoing | Vou (Dance) Fiji    | Supporting the set-up of Fiji's first Cultural Entertainment Hub ("HUB") that will showcase quality contemporary entertainment to tourists visiting Fiji through the provision of technical inputs and business management to make the HUB operational and commercial. Additional support provided to get the company "investment ready" so they can secure impact investment for future development phases of the project.     |
| Fijian Products and Experiences        | Developing                  | Product development  | Development of wellness tourism for Fiji                                            | Active                                     | Rosie Holidays Fiji | Supporting Rosie Living to scope new communities for more wellness tours that promote Fijian wellness products and experiences that connect tourists to communities where the products are sourced. . Rosie Living has already launched a 'Nama Life' tour with a community in the Yasawas.                                                                                                                                     |
| Nautical tourism to niche destinations | Developing                  | Maritime mapping     | Feasibility study for expansion of local cruise offer                               | Measurement Completed                      | South Sea Cruises   | Conducted a feasibility study to investigate the potential for day-cruises operating out of Suva. The study also looked at the viability of visiting nearby destinations including Pacific Harbour and neighbouring islands.                                                                                                                                                                                                    |
| Nautical tourism to niche destinations | Developing                  | Enabling environment | Advocacy for policy and infrastructure improvement                                  | Activities Completed<br>Monitoring Ongoing | Port Denarau Marina | 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. It is envisaged that this will improve understanding of the contribution of the yachting industry to Fiji's tourism sector and help yachting stakeholders to advocate for increased Government marketing support and policy reform. |
| Nautical tourism to niche destinations | Developing                  | Enabling environment |                                                                                     | Activities Completed<br>Monitoring Ongoing | Vuda Marina 1       |                                                                                                                                                                                                                                                                                                                                                                                                                                 |



| Market System                          | Status of the Market System | Function         | Intervention                                                                                          | Status of the Intervention | Partnership   | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------|-----------------------------|------------------|-------------------------------------------------------------------------------------------------------|----------------------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nautical tourism to niche destinations | Developing                  | Support services | Cyclone-proofing of Fiji marinas for expanding the length of stay of yachts during the cyclone season | On-hold                    | Vuda Marina 2 | Supporting Fiji's second largest marinas to cyclone-proof their new expansion to ensure the increase of the length of stay of yachts and super-yachts during the cyclone season.                                                                                                                                                                                           |
| Nautical tourism to niche destinations | Developing                  | Maritime mapping | Development of hydrographic map for increasing cruise-ship arrivals to niche areas                    | Active                     | Kenua Fiji    | Supported a new Public-Private-Partnership (PPP) between Fiji Navy (responsible for hydrographic mapping in Fiji) and Kenua Fiji, the largest local cruise-ship agent in Fiji, to undertake the hydrographic mapping for the Yasawa-i-rara region, which will facilitate the return of cruise ships to this remote region at the northern tip of the Yasawa islands group. |



## Sector: Dairy &amp; Meat (Phase I)

| Market System                   | Status of the market system | Function                                                 | Intervention                                                                             | Status of the intervention | Partnership      | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------|-----------------------------|----------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Low cost Nutritious Fodder      | Emerging                    | Access to machinery                                      | Increase availability of silage and alfalfa hay                                          | Active                     | Maxim 1 & 2      | MDF helped Maxim set up the manufacturing and distribution of 60kg silage bales. These bales were marketed and sold throughout the country using Maxim's distribution network, ensuring wider availability of quality and affordable fodder for smallholder farmers. Maxim also manufactured 30kg bales of alfalfa hay for distribution to smallholder farmers.                                                                                                                                                      |
| Inputs and Aggregation Services | Emerging                    | Access to quality livestock feed and healthcare products | Increase availability of FMD vaccination                                                 | Activities Completed       | Mustafa Brother  | This partnership supported vaccine distribution and extension services to increase the adaption of quality preventive medicines among smallholder farmers. The project procured infrastructure for the effective distribution of vaccines and rolled out marketing activities to make farmers aware of the benefits of vaccinating their animals. During the course of the partnership, Mustafa Brother secured a large order from the government to distribute free vaccines to farmers in large quantities.        |
| Inputs and Aggregation Services | New                         | Access to aggregation services                           | Increase smallholder farmers' access to best practices and formal milk processing market | Active                     | Shakarganj 1 & 2 | This project provided information on improving milk quality to small-scale dairy farmers and expanded the partner's milk collection system. A total of 40 Farm Cooling Tanks (FCTs) became operational and now source milk from local farmers in south Punjab and Jhang. Veterinary assistants also provided regular services to farmers selling milk directly to the FCT or through middlemen. The partner has expanded to several new regions autonomously and is currently operating 150 milk collection centers. |

| Market System                   | Status of the market system | Function                                                            | Intervention                                                                                                | Status of the intervention | Partnership                   | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                  |
|---------------------------------|-----------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inputs and Aggregation Services | New                         | Access to aggregation services                                      | Promote feedlot concept in Pakistan and develop backward linkages to ensure meat traceability in the system | Active                     | Oasis 1 & 2                   | MDF supported Oasis Farm to expand its capacity and develop backward linkages with farmers to ensure meat traceability and a consistent supply of quality meat animals for export markets. Several farmer gatherings were held in south Punjab to inform male and female farmers on best animal rearing practices and the benefits of selling meat animals to feedlots. |
| Sector: Leather (Phase I)       |                             |                                                                     |                                                                                                             |                            |                               |                                                                                                                                                                                                                                                                                                                                                                         |
| Market Connectivity             | Mature                      | Connect local footwear manufacturers with export markets            | Connect local footwear manufacturers with export markets                                                    | Measurement Completed      | Inter Connect Global          | MDF worked with Inter Connect Global to support local footwear manufacturers to design and develop products that cater to the needs of the European market. The partner's merchandisers and quality assurance team ensured the appropriate standards were met and the project promoted these products in export markets to secure orders.                               |
| Market Connectivity             | Mature                      | Provide domestic industry access to locally manufactured shoe lasts | Provide domestic industry access to locally manufactured shoe lasts                                         | Measurement Completed      | Intra-Systek                  | This partnership created the first local plastic shoelasts manufacturing facility in Pakistan. Several footwear manufacturers and exporters, including the major shoe exporter Servis, purchased these lasts to supply export orders. The company also invested in a computerised numerical coding machine to produce lasts for premium customers.                      |
| Market Connectivity             | Mature                      | Provide domestic industry access to locally manufactured lasts      | Provide domestic industry access to locally manufactured lasts                                              | Measurement Completed      | Tabraiz Mold Engineering      | MDF supported the partner to locally produce quality shoe moulds to reduce shoe manufacturers' order turnaround time and improve their international competitiveness. The partner procured and installed casted mould manufacturing machinery to produce shoe moulds as per the demand of local shoe manufacturers.                                                     |
| Market Connectivity             | Mature                      | Provide domestic industry access to localised testing services      | Provide domestic industry access to localised testing services                                              | Measurement Completed      | Textile Testing International | 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, which resulted in 45 full-time jobs.                                                                                                                                    |



| Market System      | Status of the market system | Function                                  | Intervention                              | Status of the intervention | Partnership                             | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                    |
|--------------------|-----------------------------|-------------------------------------------|-------------------------------------------|----------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Skills Development | Mature                      | Create employment opportunities for women | Create employment opportunities for women | Measurement Completed      | Footlib                                 | MDF supported Footlib to establish an inclusive women-only production line to make shoe uppers. This provided more employment opportunities for women workers and enabled them to experience upward mobility and diversify their skillset.                                |
| Skills Development | Mature                      | Create employment opportunities for women | Create employment opportunities for women | Measurement Completed      | Servis                                  | This partnership supported a large women-only stitching unit at Servis. The project hired women, provided them with on-the-job training, established a day care facility for employees' children and installed an ATM banking facility at the factory for female workers. |
| Advocacy           | Mature                      | Create employment opportunities for women | Create employment opportunities for women | Measurement Completed      | WEE Engagement and Influencing Workshop | To convene textile, pharmaceutical and leather manufacturers, third party service providers, the public sector and non-profits, this partnership offered workshops to encourage women's engagement in the manufacturing workforce.                                        |

#### Sector: Horticulture (Phase I)

| Market System | Status of the market system | Function         | Intervention                                        | Status of the intervention | Partnership          | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------|-----------------------------|------------------|-----------------------------------------------------|----------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Seeds         | Mature                      | Access to Inputs | Access to quality seeds and cultivation information | Measurement Completed      | Kashmala Agro Seeds  | MDF empowered Kashmala Agro Seeds to establish a vegetable seed processing facility in Loralai, Balochistan through a contract farming model. This intervention increased farmer access to cheaper, higher quality seeds in Balochistan.                                                                                                                                                                                                                  |
| Seeds         | Mature                      | Access to Inputs | Access to quality seeds and cultivation information | Measurement Completed      | Khattak Seed Company | This collaborative effort boosted the productivity of cucumber farmers in Khyber Pakhtunkhwa by introducing vertical growing techniques for improved yields and quality, as demonstrated on model farms. Other suppliers also started selling vertical farming seeds and the technique expanded to other crops, such as tomatoes and bitter gourds. This project resulted in 539 farmers earning an additional income of USD2,020 per year on an average. |
| Seeds         | Mature                      | Access to Inputs | Access to quality seeds and cultivation information | Measurement Completed      | National Foods       | 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 where field agents trained farmers on better production and drying practices, leading to improved productivity and higher income for farmers.                                                      |

| Market System | Status of the market system | Function                         | Intervention                                                  | Status of the intervention   | Partnership                | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------|-----------------------------|----------------------------------|---------------------------------------------------------------|------------------------------|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Seeds         | Mature                      | Access to Inputs                 | Access to quality seeds and cultivation information           | Measurement Completed        | Magnus Kahl Seeds (MKS)    | This partnership increased onion seed production and capacity for an onion seed processor in Chitral. MDF's partner, MKS, managed to secure a contract with CKD, a large national seed distributor, which gave farmers access to quality onion seeds cultivated by male and female contract farmers in Chitral.                                                                                                                                                                 |
| Seeds         | Mature                      | Access to Inputs                 | Access to quality seedlings                                   | Mature Measurement Completed | Zia Gardens                | This collaborative effort established a modern vegetable seedlings' nursery. This controlled tunnel nursery system offered early season vegetable seedlings to farmers, thereby enabling farmers to plant earlier and harvest earlier, which helped them fetch higher prices at market.                                                                                                                                                                                         |
| Pesticides    | Mature                      | Access to Inputs                 | Access to quality pesticides and cultivation information      | Measurement Completed        | Ali Akbar Group 1 (AAG)    | MDF helped AAG set up extension services to introduce integrated orchard management techniques for improved kinnow quality. The program demonstrated best orchard management practices on model farms in 24 villages of Sargodha region in Punjab, which led to a significant increase in sales for the local partner. AAG is interested in expanding the model to other borderland areas in Pakistan.                                                                          |
| Pesticides    | Mature                      | Access to Inputs                 | Access to quality pesticides and cultivation information      | Measurement Completed        | Pakissan Technologies      | In coordination with MDF, the partner constructed an in-depth feasibility and roll-out plan to design an ICT-enabled system. This delivered agricultural inputs and relevant crop information to farmers across Pakistan through a team of commission agents.                                                                                                                                                                                                                   |
| Fertilisers   | Mature                      | Access to Inputs                 | Access to quality bio-fertilisers and cultivation information | Measurement Completed        | Vital Agri Nutrients (VAN) | In partnership with VAN, MDF set up a production facility for bio-fertiliser, Phosphorous Solubilising Bacteria (PSB), which helped improve phosphorus uptake by plants and increase yields per acre. The project established over 100 demonstration plots featuring various horticulture crops in Khyber Pakhtunkhwa. Farmers were invited to see PSB application methods and witness yield changes.                                                                           |
| Processing    | Mature                      | Off-take of Horticulture Produce | Access to market and information                              | Measurement Completed        | Organo Botanica            | The collaboration increased the export of organically dried fruits from Gilgit Baltistan to niche international markets. The project improved the local partner's processing capacity, developed market linkages, established their organic certification and expanded orders from apricots, cherries and other dried fruits to include organic dates. To fill date orders, Organo Botanica connected with another MDF partner, Baloch Hamza Dates, which grew both businesses. |
| Processing    | Mature                      | Off-take of Horticulture Produce | Access to market and information                              | Measurement Completed        | Hashwan Dry Fruit Traders  | MDF supported the expansion of a dry fruit processing facility in Gilgit Baltistan to produce better quality dry fruits for sale in high-end markets. This project led to fruit farmers across Gilgit selling to the MDF partner who then processed the fruit for sale in the domestic market.                                                                                                                                                                                  |

| Market System | Status of the market system | Function                         | Intervention                     | Status of the intervention | Partnership           | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                       |
|---------------|-----------------------------|----------------------------------|----------------------------------|----------------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Processing    | Mature                      | Off-take of Horticulture Produce | Access to market and information | Measurement Completed      | Baloch Hamza Brothers | This partnership set up a female employee friendly date processing facility in Balochistan to supply processed, grinded and packed dates to domestic and potential export markets. Women farmers received training to package unprocessed dates at the farm gate. A total of 270 farmers benefited and 26 jobs were created. |
| Processing    | Mature                      | Off-take of Horticulture Produce | Access to market                 | Measurement Completed      | Mountain Fruits       | MDF supported Mountain Fruits to assess the potential for exporting apricot pulp from Gilgit Baltistan to the European market by conducting a feasibility evaluation of apricot pulp business.                                                                                                                               |

#### Sector: Dairy & Meat (Phase II)

| Market System | Status of the market system                                                                                                                         | Function                   | Intervention                                                          | Status of the intervention                                                                                                                                                                         | Partnership                                | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Machinery     | <ul style="list-style-type: none"> <li>• Pioneer 1 and 2: Mature</li> <li>• Pioneer 3: Mature</li> <li>• Silage Interior Sindh: Emerging</li> </ul> | Low Cost Nutritious Fodder | Increase silage availability                                          | <ul style="list-style-type: none"> <li>• Pioneer 1 and 2: Measurement Completed</li> <li>• Pioneer 3: Activities Completed, Monitoring Ongoing</li> <li>• Silage Interior Sindh: Active</li> </ul> | Pioneer *1,2,3,4 and Silage Interior Sindh | <p>With the help of MDF, the local partners started commercial production of small-baled silage and provided information to smallholder farmers on the benefits of using silage.</p> <p>Silage entrepreneurs are currently making small-baled silage in three clusters: south Punjab, Sindh and Khyber Pakhtunkhwa. The partnership rented out silage machinery and gave advice to other farmers on how to make their own silage, which led to increased silage availability, which resulted in improved livestock health and productivity and increased farming household income. The project successfully helped entrepreneurs expand their silage operations and provided small-baled silage to many smallholder livestock farmers.</p> |
| Machinery     | Emerging                                                                                                                                            | Low Cost Nutritious Fodder | Develop financial products and improve access to machinery for silage | Activities Completed<br>Monitoring Ongoing                                                                                                                                                         | Cattlekit Bank Alfalah*                    | The MDF partnership with Bank Alfalah provided a financial product for progressive farmers Bank which improved access to small-baled silage making machinery for potential silage producers. With Cattlekit, MDF promoted the financial product through outreach programs, marketing activities and display centres.                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Machinery     | Emerging                                                                                                                                            | Low Cost Nutritious Fodder | Increase access to silage making machinery                            | Activities Completed<br>Monitoring Ongoing                                                                                                                                                         | Cattlekit (2)                              | This partnership provided maize farmers with both silage manufacturing and packaging. The service brought silage machinery, together with skilled technicians, to the farmer's doorstep.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |



| Market System | Status of the market system | Function                   | Intervention                                                                                | Status of the intervention                 | Partnership                                                        | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------|-----------------------------|----------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Machinery     | Developing                  | Low Cost Nutritious Fodder | Increase access to silage making machinery and support outreach to female livestock farmers | Active                                     | Women Silage Entrepreneurs (Ms. Shabana, Ms. Nadia and Ms. Sana)   | MDF is partnering with three female silage entrepreneurs, in Nowshera (KPK), Okara and Khanewal (Punjab), to produce appropriately sized silage packages and promote them among smallholder female farmers. These women entrepreneurs have strong communal ties with the surrounding farm community, a sound understanding of silage and are conducting outreach activities. They are working to create a more socially acceptable environment for female farmers to receive information on best husbandry practices and access quality inputs. |
| Machinery     | Developing                  | Low Cost Nutritious Fodder | Increase availability of silage in new regions                                              | Activities Completed<br>Monitoring Ongoing | Gilgit Baltistan Silage (Muhammad Bashir)<br><br>Talha Enterprises | This project aimed to increase the availability of silage in new and remote regions where farmers suffer from low productivity due to lack of fodder, especially in winter. With the support of FAO and Baltistan Cooperative society, MDF identified two entrepreneurs, located in Balochistan and Skardu, who have now successfully started the operation of making and selling silage in their regions.                                                                                                                                      |
| Machinery     | Developing                  | Low Cost Nutritious Fodder | Increase smallholder farmers' access to alfalfa haylage in Gilgit region                    | Active                                     | Green Diamond                                                      | The partnership is addressing the constraints of limited input availability and insufficient access to information by introducing a nutritious fodder, alfalfa haylage. The project anticipates that increase quality fodder use will lead to increased milk production.                                                                                                                                                                                                                                                                        |
| Information   | Mature                      | Low Cost Nutritious Fodder | Increase farmers awareness of new fodder types                                              | Measurement Completed                      | Farm Dynamics Pakistan*                                            | This project introduced small packs of Rhodes grass and rye grass seeds for farmers in Pakistan during farmer days and information sessions. This intervention has increased the income of more than 18,000 farmers.                                                                                                                                                                                                                                                                                                                            |
| Information   | Developing                  | Low Cost Nutritious Fodder | Increase awareness of silage business model                                                 | Active                                     | Silage Media                                                       | To popularise the small-baled silage model through a media campaign, the project is airing a television commercial on regional TV, producing an informative documentary for social media and advertising with print publications.                                                                                                                                                                                                                                                                                                               |
| Information   | Developing                  | Low Cost Nutritious Fodder | Engagement and influencing events                                                           | Active                                     | Cattlekit, Pioneer                                                 | MDF, Cattlekit and Pioneer have conducted nine engagement and influencing events, reaching out to approximately 1,700 farmers in various regions, which introduce a scaled silage business model to encourage more entrepreneurs to enter the industry. MDF partners are conducting these events on their own in different formats.                                                                                                                                                                                                             |

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|----------------|------------|-------------------------------------------------|---------------------------------------------------------------------------------|--------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quality Inputs | Developing | Access to other inputs and aggregation services | Increase availability of quality healthcare products for farmers in Balochistan | Active | UM Enterprises | This partnership is developing a distribution and extension network to provide access to quality healthcare products and organising farmer gatherings to explain the benefits of these inputs to smallholder farmers in Balochistan. |
|----------------|------------|-------------------------------------------------|---------------------------------------------------------------------------------|--------|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### Sector: Leather (Phase II)

| Market System      | Status of the market system | Function            | Intervention                                                   | Status of the intervention | Partnership             | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                         |
|--------------------|-----------------------------|---------------------|----------------------------------------------------------------|----------------------------|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Skills Development | Developing                  | Inclusive Workspace | Create job opportunities and a women-friendly work environment | Active                     | Tradewell International | MDF and the partner are setting up a women-only stitching and laser cutting/embroidery unit in which women are employed and given training to work efficiently. Learning these skills will also provide women with the opportunity to work in more lucrative positions, such as laser cutting. |

### Sector: Horticulture (Phase II)

| Market System | Status of the market system | Function         | Intervention                                             | Status of the intervention                 | Partnership        | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                               |
|---------------|-----------------------------|------------------|----------------------------------------------------------|--------------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Seeds         | Emerging                    | Access to Inputs | Access to quality seeds and cultivation information      | Activities Completed<br>Monitoring Ongoing | Haji Sons          | This intervention focused on increasing the productivity of tomato farmers in Thatta, Sindh by sharing information on best production practices and explaining the benefits of vertical farming using quality seeds and staking techniques. The project utilised demo plots at various locations across Thatta.                                                                                                                      |
| Pesticides    | Emerging                    | Access to Inputs | Access to quality pesticides and cultivation information | Activities Completed<br>Monitoring Ongoing | Ali Akbar Group 2* | MDF helped AAG expand their extension services to Balochistan. The company hired extension officers to address the lack of information around modern cultivation practices in the region and provide disease management advice to horticulture farmers.                                                                                                                                                                              |
| Pesticides    | Emerging                    | Access to Inputs | Access to quality pesticides and cultivation information | Activities Completed<br>Monitoring Ongoing | FMC Corporation*   | FMC established an information dissemination system for tomato farmers in Swat Valley, Khyber Pakhtunkhwa. The partnership organized demonstration plots to show the impact of improved tomato practices and disease control, especially concerning the common tomato crop disease, nematode. Since then, more farmers bought FMC's disease prevention product which has resulted in a 30 percent increase in sales for the company. |



| Market System | Status of the market system | Function                         | Intervention                                  | Status of the intervention                 | Partnership         | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------|-----------------------------|----------------------------------|-----------------------------------------------|--------------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Information   | Developing                  | Access to Inputs                 | Access to cultivation and weather information | Activities Completed<br>Monitoring Ongoing | Telenor*            | MDF supported Telenor to provide farmers in Gilgit-Baltistan (GB) and Chitral access to actionable, timely and relevant crop information on their mobile phones. This helped them to reach higher yields and reduce post-harvest losses. After the encouraging uptake of this product in GB and Chitral, Telenor has also launched health and medical insurance services to facilitate the GB and Chitral community.                                                                                                         |
| Information   |                             | Access to Inputs                 | Access to information                         | Closed                                     | Telenor (Nutrition) | This partnership launched a service in KPK and Balochistan to provide an actionable crop and nutrition advisory along with relevant and timely weather updates to farmers on their phone.                                                                                                                                                                                                                                                                                                                                    |
| Processing    | Mature                      | Off-take of horticulture produce | Access to information                         | Measurement Completed                      | Mulberry            | MDF helped the local partner, a farmer's marketing collective, implement training sessions for male and female farmers to improve harvesting and drying practices.                                                                                                                                                                                                                                                                                                                                                           |
| Aggregation   | Mature                      | Off-take of horticulture produce | Access to market and information              | Measurement Completed                      | Star Farms          | This project developed a direct fruit and vegetable procurement model so farmers could save transaction costs by selling directly to Star Farms and the buyer could improve the quality of their sourced produce while lowering wastage costs. The company is currently testing the model by sourcing horticulture crops like kinnows and mangoes, which are typically grown by large farmers.                                                                                                                               |
| Energy        | Emerging                    | Sustainable Technologies         | Access to low-cost fuel                       | Activities Completed<br>Monitoring Ongoing | Bio-Gold            | MDF and Bio-Gold set up a facility to produce charcoal and sawdust briquettes, which are more efficient than wood, the current source of fuel for domestic cooking and heating. The partner used marketing and outreach programs to contact women's groups and community organisations to demonstrate the benefits of the smoke-free bio-briquettes. Households can now access this low-cost and more efficient cooking and heating fuel in the Northern region of Pakistan where winters can last over six months per year. |
| Energy        | Emerging                    | Sustainable Technologies         | Sourcing agri-waste from farmers              | Active                                     | RBDC                | The partnership is developing the biomass supply chain to produce briquettes that are used in industrial boilers. Smallholder cotton farmers and labourers will benefit from increased income through the sale of agri-waste.                                                                                                                                                                                                                                                                                                |

## Memorandum of Understanding (MoU)

| Market System     | Status of the market system | Function           | Intervention                        | Status of the intervention                 | Partnership                        | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------|-----------------------------|--------------------|-------------------------------------|--------------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cross-cutting MoU | Mature                      | Partnership Growth | Identify local partners             | Active                                     | Accelerate Prosperity              | MDF and local partner, Accelerate Prosperity, signed a MoU to explore synergies for businesses in the dairy, meat and horticulture sectors operating in Gilgit-Baltistan and Chitral. This will jointly identify promising partners for technical and financial assistance and then provide them complementary support for their growth and sustainability. This collaboration already identified a promising partnership with fodder producer Green Diamond, in Gilgit. |
| Cross-cutting MoU | Mature                      | Partnership Growth | Increase access to digital services | Activities Completed<br>Monitoring Ongoing | Agriculture Development Unit (ADU) | MDF signed an MoU with the government-run institution, ADU, to explore synergies to provide smallholder farmers with access to digital financial and advisory services.                                                                                                                                                                                                                                                                                                  |


**Sector: Agribusiness**

| Market System          | Status of the market system | Function                     | Intervention                                                                                           | Status of the intervention | Partnership                           | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------|-----------------------------|------------------------------|--------------------------------------------------------------------------------------------------------|----------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Locally Produced Honey | Developing                  | Extension and Value Addition | Develop the capacity to process quality honey and improve the product's domestic and foreign marketing |                            | New Guinea Fruit Company Limited No.2 | By helping NGF purchase and install food grade equipment, the company will develop and implement quality standards, which will improve its production process and prepare NGF's facility for HACCP certification. MDF is also developing the partner's marketing strategy and strengthening NGF employees' up-skilling through participation in Pacific Labour Facility program.                                              |
| Market Connectivity    | Developing                  | Supply Chain Expansion       | Develop supply chains for sourcing and exporting of high-grade certified coffee                        |                            | Sustainable Management Services (SMS) | 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. 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.                                                                           |
| Market Connectivity    | Developing                  | Supply Chain Expansion       | Strengthen supply chains to source and export high grade certified coffee                              |                            | Niugini Coffee Tea & Spices (NCTS)    | The partnership between MDF, NCTS and Fairtrade is establishing a revolving fund to improve liquidity for Fairtrade certified cooperatives, enabling them to source and buy coffee from their farmers to supply back to NCTS. NCTS and MDF have already confirmed their contributions to the fund while Fairtrade is pending approval in-house. The fund will be operational by March 2020 at the start of the coffee season. |

## Sector: Tourism and Hospitality

| Market System | Status of the market system | Function                        | Intervention                                     | Status of the intervention | Partnership                                         | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------|-----------------------------|---------------------------------|--------------------------------------------------|----------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tourism       | Emerging                    | Tourism Opportunities Expansion | Develop niche tourism products                   | Measurement Completed      | Huon Birding Camp and the Walindi Plantation Resort | Through the partnership with MDF, Huon Birding Camp developed and promoted the first professional high-end birdwatching safari product in PNG to the international market. The development of this niche tourism industry will benefit remote and isolated communities.                                                                                                                                                                                                                                                                                   |
| Tourism       | Emerging                    | Extension and Value Addition    | Develop tourism products for business travellers | Measurement Completed      | Port Moresby Nature Park                            | MDF partnered with the Port Moresby Nature Park to enhance its capacity to attract tourists to PNG. MDF's support boosted the park's expansion to draw more visitors and showcase PNG as a unique destination. The partnership resulted in hiring an additional employee to manage memberships, sponsorships and communications as well as drive fundraising for future expansion. Two new exhibits were installed to attract APEC conference goers. All activities in this partnership are completed and the nature park plans to open one more exhibit. |





### Sector: Tourism and Hospitality

| Market System | Status of the Market System | Function                                 | Intervention                                 | Status of the Intervention | Partnership                                     | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                |
|---------------|-----------------------------|------------------------------------------|----------------------------------------------|----------------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Labour        | Emerging                    | Industry Awareness and Practices         | Research perceptions among potential workers | Active                     | The Hotels Association of Sri Lanka (THASL)     | By conducting a comprehensive study, MDF and THASL seek to understand why there are low participation rates among youth and women in the tourism industry.                                                                                                            |
| Technology    | Emerging                    | Industry Awareness and Practices         | Develop innovative IT-enabled service        | Activities Completed       | Hammock Studio                                  | The partnership tried to develop an innovative, IT-enabled service to cater to the skilled labour needs in the food and beverage industry                                                                                                                             |
| Data          | New                         | Public Sector Capacity                   | Support SLTDA capacity building              | Active                     | Sri Lanka Tourism Development Authority (SLTDA) | MDF is supporting SLTDA by providing expertise to conduct a gap analysis of its data sources, collection methods, analysis and dissemination practices as well as implementing improvements in line with the recommendations of the Tourism Strategic Plan 2017-2020. |
| Promotion     | New                         | Private Sector-led Destination Promotion | Support Love Sri Lanka model                 | Active                     | Antyra Solutions                                | This partnership is supporting the marketing and promotion of lovesrilanka.org, Sri Lanka Tourism Alliance's consumer-facing website that focuses on recovery and destination promotion.                                                                              |
| Promotion     | New                         | Private Sector-led Destination Promotion | Support Love Sri Lanka model                 | Active                     | Sri Lanka Tourism Alliance                      | To develop the Love Sri Lanka Resilience Action Plan, MDF is providing ongoing support to implement the action plan across Sri Lanka and monitor progress.                                                                                                            |

| Market System    | Status of the Market System | Function            | Intervention                     | Status of the Intervention                 | Partnership                                       | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                           |
|------------------|-----------------------------|---------------------|----------------------------------|--------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tourism Products | Developing                  | Product Development | Diversifying new products        | Measurement Completed                      | Edge Adventure Outfitters Pvt. Ltd.               | In collaboration with Edge Adventure, MDF introduced new adventure tourism activities, such as river canyoning, sea kayaking and river safari expeditions, which helped attract new tourists to less traveled areas.                                                                                             |
| Promotion        | Developing                  | Industry Awareness  | Develop innovative digital guide | Active                                     | LDR Technologies                                  | This project is developing a mobile-enabled digital guide application for five key tourism destinations in Sri Lanka.                                                                                                                                                                                            |
| Tourism Products | Developing                  | Product Development | Diversify new products           | Cancelled                                  | Pepper Life (Pvt.) Ltd.                           | MDF supported the tourism provider to develop community-based tourism experiences in the Eastern Province of the country. Partnership cancelled as the partner could not pursue expansion following the Easter Sunday terror attacks.                                                                            |
| Tourism Products | Developing                  | Product Development | Diversify new products           | Active                                     | Rainforest Ecolodge                               | In an effort to develop safe and sustainable ecotourism in the Sinharaja Rainforest, this partnership is conducting a feasibility assessment of a potential forest canopy walk project.                                                                                                                          |
| Tourism Products | Developing                  | Product Development | Diversify new products           | Active                                     | Safari Panama                                     | In partnership with a small-scale tourism activity provider, MDF is helping to develop the town of Panama, in eastern Sri Lanka, as a tourist destination. The project is establishing community-based tourism ventures, such as homestays, as well as expanding the business's wildlife/beach camping services. |
| Tourism Products | Developing                  | Product Development | Diversify new products           | Activities Completed<br>Monitoring Ongoing | Export Development Board (EDB) – Wellness Tourism | As part of a key pillar of the National Export Strategy, MDF and EDB carried out an assessment to determine the potential for wellness tourism in Sri Lanka.                                                                                                                                                     |
| Tourism Products | Developing                  | Product Development | Diversify new products           | Activities Completed                       | Sanasa International Pvt. Ltd.                    | The partnership implemented a pilot project to introduce small-scale tourist activities and products through a community-driven model in Kegalle. Upon completion, MDF decided not to pursue further.                                                                                                            |
| Tourism Products | Developing                  | Product Development | Diversify new products           | Activities Completed                       | Sri Lanka Tourism Development Authority (SLTDA)   | In collaboration with SLTDA, MDF developed a micro destination in Unawatuna by establishing a night market concept and organizing the various market stakeholders to participate.                                                                                                                                |

## Sector: Authentic Sri Lankan Goods

| Market System          | Status of the Market System | Function                       | Intervention                                                               | Status of the Intervention                 | Partnership                  | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                  |
|------------------------|-----------------------------|--------------------------------|----------------------------------------------------------------------------|--------------------------------------------|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Blue Swimmer Crab      | Mature                      | Processing and Market Linkages | Increase local processing and sourcing                                     | Activities Completed<br>Monitoring Ongoing | Coolman Fish Canning Pvt Ltd | In partnership with Coolman, the project instituted a seafood processing facility and implemented an individual quick-freezing (IQF) process, which led to a first-of-its-kind value-addition in the Northern Province. |
| Blue Swimmer Crab      | Mature                      | Processing and Market Linkages | Increase local processing and sourcing                                     | Active                                     | Prawn Ceylon Pvt. Ltd.       | MDF is facilitating value-addition by supporting the expansion of seafood sourcing in the Northern Province. The facility has been absorbed by Coolman Fish Canning Pvt. Ltd.                                           |
| Giant Freshwater Prawn | Developing                  | Market Linkages                | Connect inland reservoirs to export markets                                | Measurement Completed                      | Divron Bioventures           | MDF helped Divron establish and strengthen a supply chain which connects inland reservoirs to export markets to feed high international demand.                                                                         |
| Specialty Coffee       | Emerging                    | Processing                     | Support roaster/processor value sharing relationships                      | Activities Completed<br>Monitoring Ongoing | Soul Coffee Co (Pvt.) Ltd.   | This project developed on-site processing and direct trade relationships with smallholder farmers as well as helped the local partner enter the tourism market.                                                         |
| Information            | Developing                  | Organic Spices and Herbs       | Support private sector extension models and information sharing capacities | Active                                     | English Tea Shop             | In an effort to support information sharing, this partnership establishes extension services and mobile-based models as well as linkages with government extension departments.                                         |
| Skills Development     | Developing                  | Inclusive Workspace            | Support private-sector extension models                                    | Active                                     | Pasanka Exporter Pvt. Ltd.   | MDF is working with Pasanka to create an all-female backyard farming network to supply the company. The project is expanding production by upgrading processing and quality control.                                    |
| Research               | Developing                  | Horticulture Health            | Improve local horticulture health                                          | Activities Completed<br>Monitoring Ongoing | Aruna Plant Nursery          | This collaboration established a tissue culture laboratory to produce healthy, disease-resistant plant varieties for local farmers.                                                                                     |

| Market System  | Status of the Market System | Function                                 | Intervention                            | Status of the Intervention                 | Partnership               | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                     |
|----------------|-----------------------------|------------------------------------------|-----------------------------------------|--------------------------------------------|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Promotion      | Developing                  | Private Sector-led Destination Promotion | Increase web-based connectivity         | Activities Completed<br>Monitoring Ongoing | Good Market               | MDF helped Good Market enhance their global web portal to become more user-friendly, accessible to vendors and customers as well as increase connectivity and efficiency.                                                                                                  |
| Recycled Goods | Developing                  | Circular Economy                         | Explore ways to use more recycled goods | Cancelled                                  | Rice & Carry              | The original project aimed to expand the quality and diversity of upcycled plastics and recycled goods. However, it was cancelled once determined to be a poor fit for the overall MDF portfolio.                                                                          |
| Handicrafts    | Developing                  | Expansion and Promotion                  | Support private-sector business         | Measurement Completed                      | Selyn Exporters Pvt. Ltd. | MDF encouraged Sri Lanka's only fair trade certified handloom manufacturer to expand their product design and packaging, which resulted in the launch of a new product line. This project promoted company operation streamlining to better cater to the tourism industry. |





## Sector: Agriculture

| Market System | Status of the Market System | Function                                                                                                                                                                 | Intervention                                                                                                    | Status of the Intervention | Partnership                    | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Konjac        | Emerging                    | 1. Promoting cultivation rather than wild harvesting<br>2. Developing local sources of konjac seed<br>3. Improving knowledge about cultivation and processing techniques | Increasing production and processing of konjac using outgrowers, seed nurseries, and private extension services | Active                     | Manu Fahi Lui Unipessoal Lda   | Support to develop a konjac farming outgrower business model to increase the supply of konjac for processing and export. Includes the establishment of a central management unit, centralised and decentralised staff and extension services, konjac nurseries and the establishment of farmer groups. In its early stages but on track so far. Three konjac seedling nurseries have been set up and private extension systems have begun to be established. |
| Pigs          | Emerging                    | 1. Increasing the availability and use of commercial pig feed<br>2. Improving knowledge about productive pig rearing practices                                           | Improving the availability of commercial pig feed and promoting more productive pig rearing practices           | Active                     | Casa Agricultor Unipessoal Lda | Increasing the availability of commercial pig feed and promoting more productive pig rearing practices through a feed importer/distributor. Rural retailer partners will ensure commercial pig feed is more accessible to smallholder pig farmers and use demonstration farms to promote good rearing practices. Intervention is in its early stages, but on-track so far. Major risk emerged due to outbreak of African Swine Fever.                        |
|               |                             |                                                                                                                                                                          | Training on animal feed formulation                                                                             | Active                     | Manu Fahi Lui Unipessoal Lda   | An expert on feed formulation will be brought to Timor-Leste to assist an emerging animal feed producer. Planning for this simple intervention commenced late in 2019.                                                                                                                                                                                                                                                                                       |

| Market System | Status of the Market System | Function                                                                                            | Intervention                                                                                    | Status of the Intervention | Partnership                          | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------|-----------------------------|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aquaculture   | Emerging                    | 1. Increasing the availability and use of fish fingerlings                                          | Establishment of a commercial fish fingerling hatchery                                          | Active                     | WorldFish, Nautetu Unipessoal Lda.   | Support to create a new privately build and operated tilapia fish fingerling hatchery. MOU with WorldFish was signed. Expression of Interest for selection of entrepreneur to build and operate a private fish fingerling hatchery was slower than hoped for, but complete by the end of 2019.                                                                                                                                           |
|               |                             |                                                                                                     | International scoping on potential investors or off-takers for Timorese agricultural production | Measurement Completed      | Consultant                           | Report including recommendations for accessing export markets delivered largely as expected.                                                                                                                                                                                                                                                                                                                                             |
| Coconut       | Emerging                    | 1. Accessing export markets<br>2. Improving production capacity and efficiency                      | Set-up of a virgin coconut oil production network for export                                    | Active                     | LOSCO SS Lda (Los Palos Coconut Oil) | Support to two VCO producers to scale-up production and access export markets. Some delays to original timelines but proceeding largely as planned. Extension of LOSCO factory was completed and production of VCO increased accordingly. Improvements to HAFOTI production centres to happen sequentially as planned.                                                                                                                   |
|               |                             |                                                                                                     | Increasing virgin coconut oil production for export                                             | Active                     | HAFOTI                               |                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Agri-inputs   | Mature                      | 1. Encouraging new market entrants<br>2. Increasing district-level presence of agri-input retailers | Creating a district-level agri-input distribution network with embedded extension services      | Active                     | Vinod Patel Investments Timor S.A.   | Support for the establishment of a new agricultural input importer/distributor, including district-level retail partners and embedded extension services. Start-up delayed due to slower than expected selection and procurement of key equipment, but commenced as planned by the end of year.                                                                                                                                          |
|               |                             |                                                                                                     | Set-up of an agri-input shop and sharing of information to farmers                              | Active                     | Saknuka Unipessoal Lda               | Support to set-up a new district-level agricultural input retailer in Ainaro, with some embedded extension services. Simple intervention commenced late in the year.                                                                                                                                                                                                                                                                     |
|               |                             |                                                                                                     | Creating a district-level agri-input distribution network with embedded extension services      | Measurement Completed      | Agi Agricultura, Unipessoal Lda.     | Established a commercial agri-input distribution model in rural areas through partnership between an 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. |

| Market System     | Status of the Market System | Function                                                             | Intervention                                                                       | Status of the Intervention | Partnership                             | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                   |
|-------------------|-----------------------------|----------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Coffee            | Mature                      | n/a                                                                  | Setting up a cupping laboratory and training association members on coffee quality | Measurement Completed      | Assosiasaun Café Timor-Leste (ACT)      | 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.                                                                                                                   |
|                   |                             |                                                                      | Setting up a cupping laboratory and instituting a coffee quality management system | Measurement Completed      | Café Brisa Serena Unipessoal Lda.       | Set up of a quality management system, including a coffee cupping laboratory and coffee grading system, and suppliers archive to ensure traceability. This helped the company gain the confidence of existing and new high-end export buyers.                                                                                                            |
| Fruit             | Emerging                    | 1. Improving selection of fruit varieties to suit growing conditions | Feasibility study for a commercial fruit plantation                                | Measurement Completed      | WFour Unipessoal Lda.                   | Feasibility study for a new commercial fruit farm and nursery was successfully delivered. Negotiations were held on a potential follow-up activity.                                                                                                                                                                                                      |
|                   | n/a                         | n/a                                                                  | Exchange information and collaborate on market systems development activities      | Active                     | To'os ba Moris Di'ak (TOMAK)            | Cross-program efforts to exchange information and collaborate on market systems development activities. An MDF staff member was co-located with TOMAK in 2019 and several potential collaboration activities explored such as in peanuts.                                                                                                                |
|                   | n/a                         | n/a                                                                  | Establishment of a commercial vegetable farm in a new region                       | On hold                    | Marga Enterprise Agricola Nacional Lda. | Supports the 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. Limited progress during 2019 as the business considers its next steps.                                                                   |
|                   | n/a                         | n/a                                                                  | Expanding production and technical capacity of a commercial vegetable producer     | On hold                    | Bucoli Green                            | Supporting the improvement of crop quality and quantity and the procurement of specific agri-tools to develop Timor-Leste's largest commercial vegetable farm. Final activities on hold whilst the company considers direction.                                                                                                                          |
| Other agriculture | n/a                         | n/a                                                                  | Set-up of Timor-Leste's first large-scale grain storage and drying facility        | On hold                    | Sarjoli Unipessoal Lda                  | Supporting the establishment of 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. On hold whilst the partner looks at marketing options. |

| Market System | Status of the Market System | Function | Intervention                                                                      | Status of the Intervention | Partnership                                    | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                            |
|---------------|-----------------------------|----------|-----------------------------------------------------------------------------------|----------------------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|               | n/a                         | n/a      | Increasing the processing capacity of a leading butcher                           | Monitoring Ongoing         | Central Moris Unipessoal Lda                   | Supported 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.                                                                                                                  |
|               | n/a                         | n/a      | Increasing productivity of spice farmers through private extension services       | Monitoring Ongoing         | Comodities X-Change Lda.                       | Built 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 was 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. |
|               | n/a                         | n/a      | Set-up of a modern, high-quality rice processing facility and improving marketing | Measurement Completed      | Acelda, Unipessoal Lda.                        | Supported 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.                                                                                       |
|               | n/a                         | n/a      | Creation of vegetable collection centres to increase vegetable supply             | Measurement Completed      | Kmanek Trading (Timor-Leste), Unipessoal, Lda. | This involved the establishment of collection centres to improve the supply chain, connect more farmers with supermarkets and provide a reliable pick-up service for farmers.                                                                                                                                                                                                                                     |
|               | n/a                         | n/a      | Growing sales through better branding and marketing                               | Measurement Completed      | Peoples Trade Company, Unipessoal Lda.         | Improved marketing for a local organic food brand, 'Aroma Timor'. Included creative branding activities as well as capacity building of the marketing staff through formal and informal training.                                                                                                                                                                                                                 |



## Sector: Tourism

| Market System         | Status of the Market System | Function                                                                                                                         | Intervention                                                                       | Status of the Intervention | Partnership                                    | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Destination marketing | Emerging                    | 1. Improving destination marketing within target segments in source countries                                                    | Improving destination marketing, information sharing and collaboration             | Active                     | Hotel Owners Association Timor Lorosa'e (HOTL) | Support to develop and implement activities with HOTL on improving destination marketing, information sharing and collaboration to support tourism in Timor-Leste. Some minor activities completed in 2019 and discussions proceeding on next steps.                                                                                                                                                                                                                                |
|                       |                             |                                                                                                                                  | Creating an innovative destination marketing campaign based on cinema advertising  | Active                     | Beachside Hotel Lda.                           | Support to produce video advertisements that will be used as digital marketing to promote Timor-Leste and high quality tourism in Australia, particularly through a cinema in Melbourne. Advertisements were successfully completed in 2019.                                                                                                                                                                                                                                        |
|                       |                             |                                                                                                                                  | Australia Tourism Market Analysis                                                  | Active                     | Consultant                                     | Consultancy work to understand tourist consumer preferences for Timor-Leste's primary source country and develop marketing strategies. Selection of consultant was successfully completed and early analysis commenced in late 2019.                                                                                                                                                                                                                                                |
|                       |                             |                                                                                                                                  | Collaborate on supporting ministry of tourism and destination marketing activities | Active                     | The Asia Foundation                            | Collaboration in support of the Ministry of Tourism, Commerce and Industry and other tourism stakeholders related to destination marketing and other cross-sector issues such as strategy. Annual Tourism Symposium was held with a focus on destination marketing.                                                                                                                                                                                                                 |
| Dive Tourism          | Emerging                    | 1. Fostering industry collaboration<br>2. Destination marketing<br>3. Improve site management<br>4. Public private collaboration | Collaborate on improving destination marketing and dive site management            | Active                     | Dive Operators Working Group                   | Supports the working group to better understand visitors' experiences and facilitates operator's participation at strategic tourism expos overseas. It also encourages dialogue between the Ministry of Tourism, Commerce and Industry, and relevant communities about conservation issues of the dive sites. Several new activities designed during 2019 to be implemented in 2020. Progress could be faster but positive signs on key performance measures such as collaboration. |

| Market System     | Status of the Market System | Function                                                             | Intervention                                                                      | Status of the Intervention | Partnership                                                   | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                     |
|-------------------|-----------------------------|----------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cruise Tourism    | Emerging                    | 1. Improving local capacity<br>2. Improving stakeholder coordination | Cruise Tourism Standard Operating Procedures (SOPs)                               | Active                     | Consultant, Ministry of Tourism, Commerce and Industry (MTCI) | Stakeholders, both public and private, are being engaged to develop a comprehensive Standard Operating Procedures (SOPs) to clearly outline the specific roles of different authorities, establish a coordinated structure, and make recommendations on operationalising this structure. The SOPs have been drafted and are being implemented informally whilst formal approval is sought. |
|                   |                             |                                                                      | Data collection on cruise ship tourists                                           | Active                     | Mata Dalan Institute                                          | Firm contracted to conduct surveys of cruise ship tourists when they disembark in Dili. One survey was conducted in 2019.                                                                                                                                                                                                                                                                  |
|                   |                             |                                                                      | Developing product and services for cruise tourism and developing company website | Measurement Completed      | Dive, Trek & Camp (DTC), Lda.                                 | Worked with the business on new products and services such as a hop-on and hop-off bus servicing cruise ship passengers docking in Dili.                                                                                                                                                                                                                                                   |
| Adventure Tourism | Emerging                    | 1. Developing innovative tour products and services                  | Creation of a new trek based tour based on history of WWII                        | Monitoring Ongoing         | Timor Adventures, Lda.                                        | Support to develop a new trekking based tour package focusing on the history World War II. Implementation of product development proceeded as planned.                                                                                                                                                                                                                                     |
|                   |                             |                                                                      | Improve marketing of Timorese food and coffee                                     | Measurement Completed      | Agora Food Studio, Lda.                                       | Supported Agora Food Studio to improve their marketing strategy to promote local cuisine and coffee to tourists.                                                                                                                                                                                                                                                                           |
| Other tourism     | n/a                         | n/a                                                                  | Ensuring hotel commercial viability by building management capacity               | Measurement Completed      | Balibo House Trust                                            | Supported the foundation of the first high-end boutique hotel in the north-western part of Timor-Leste. 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.                                                                                                                                  |
|                   | n/a                         | n/a                                                                  | Set-up of a conference centre                                                     | Measurement completed      | Balibo House Trust                                            | Supported the design and construction of a new conference centre at the Balibo Fort Hotel in Bobonaro.                                                                                                                                                                                                                                                                                     |
|                   | n/a                         | n/a                                                                  | Supporting capacity building of cooperative members and business expansion        | Measurement completed      | Boneca de Atauro                                              | Supported innovation and a new retail store for one of Timor-Leste's most established handicraft co-operatives. Also supported an artist in residence program, as well as language, business management and marketing training for the cooperative members.                                                                                                                                |
|                   | n/a                         | n/a                                                                  | Assistance in strengthening supplier linkages and conduct marketing campaigns     | Measurement completed      | Things and Stories, Lda.                                      | Helped promote locally produced handicrafts representing the arts and culture of Timor-Leste. Retailer and their artisan groups supported to improve production efficiencies through use of appropriate machinery and workspace conditions.                                                                                                                                                |

## Sector: Manufacturing and Other

| Market System | Status of the Market System | Function                                             | Intervention                                                                           | Status of the Intervention | Partnership                                          | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                                                                         |
|---------------|-----------------------------|------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Manufacturing | n/a                         | Supporting start-up of new manufacturing enterprises | Set-up of Timor-Leste's first manufacturing facility for plates made from areca leaves | Active                     | Dilicious Timor, Unipessoal Lda                      | Set-up of a factory to produce eco-friendly disposable plates from areca leaves. Establishment of new enterprise proceeded largely as planned during 2019.                                                                                                                                                                                                                                     |
|               | n/a                         |                                                      | Support in developing staff capacity and managing the production facility              | Monitoring Ongoing         | Mahanaim Garment and Manufacturing, Unipessoal, Lda. | Set-up of Timor-Leste's first garment factory. Support helped fund key positions, such as pattern cutter, quality control manager and designer.                                                                                                                                                                                                                                                |
|               | n/a                         |                                                      | Promotion and distribution of fuel efficient cook stoves                               | Measurement Completed      | Concrete Products Business (CPB)                     | Promoted increased use and availability of fuel efficient cook stoves through retail opportunities, demonstrations and marketing campaigns targeting women in different municipalities.                                                                                                                                                                                                        |
|               | n/a                         |                                                      | Operationalising salt refinery and production facility for producing iodised salt      | Measurement Completed      | NPM Industries                                       | Introduced locally refined and packaged iodised salt for the first time in Timor-Leste. Promoted efficiency and modern raw salt production methods from local collectors, trained factory staff on salt refinery and testing facility operations, as well as quality control and to ensure proper iodisation.                                                                                  |
|               | n/a                         | n/a                                                  | Cookstove study                                                                        | Measurement Completed      | Consultant                                           | 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. |
|               | n/a                         | n/a                                                  | Iodised salt study                                                                     | Measurement completed      | Consultant                                           | A study to understand the knowledge, attitude and practices concerning iodine and salt in four districts of Timor-Leste. The findings from the study were used for advocating the need for a Universal Salt Iodisation policy in Timor-Leste.                                                                                                                                                  |

| Market System | Status of the Market System | Function | Intervention                                                                                     | Status of the Intervention | Partnership                                | Explanation/Update of Partnership or Influencing Event                                                                                                                                                                                                                                                                                       |
|---------------|-----------------------------|----------|--------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Other         | n/a                         | n/a      | Promoting export and investment in pro-poor economic sectors (productive sectors) in Timor-Leste | Active                     | TradeInvest                                | This intervention centres on promoting current and potential exporters and investors in the agribusiness, manufacturing and tourism sectors. A new MOU was signed in 2019.                                                                                                                                                                   |
|               | n/a                         | n/a      | Developing and implementing a financial saving product for coffee farmers                        | Measurement Completed      | Tuba Rai Metin                             | Helped 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.                                                                                     |
|               | n/a                         | n/a      | Speed Matters' internet study                                                                    | Measurement Completed      | Monash University                          | This evidence-based study investigated 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. Report was successfully completed and an event held with public and private sector stakeholders to discuss the findings. |
|               | n/a                         | n/a      | Disseminate learning on TL private sector to UNTL students                                       | Measurement Completed      | Universidade Nacional Timor Lorosae (UNTL) | This focused on promoting private sector entrepreneurship and growth amongst students in business fields.                                                                                                                                                                                                                                    |



# THANK YOU

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



**Australian  
Aid** 

- Fiji: Garden City Business Park, Grantham Road, Suva, Fiji
- Timor-Leste: 2nd Street, Palm Business & Trade Centre, Surik Mas, Dili
- Pakistan: 95-E/1, Syed Shamshad Haider Road, Hali Road, Gulberg III, Lahore, Pakistan
- Sri Lanka: No. 349, 6/1, Lee Hedges Tower, Galle Road, Colombo 03, Sri Lanka
- Papua New Guinea: Level 10, MRDC Haus, Musgrave ST, Downtown, Port Moresby, Papua New Guinea

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