INNOVATING PRIVATE SECTOR ENGAGEMENT IN THE INDO-PACIFIC REGION

The Australian Government-supported MDF Programme in Fiji

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INNOVATING PRIVATE SECTOR ENGAGEMENT IN THE INDO-PACIFIC REGION:
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“MDF is the Australian Government’s flagship program for private sector development in Fiji. It creates sustainable livelihoods, boosts growth and creates jobs through partnerships with local business across Fiji’s tourism, horticulture and export processing sectors.”

“Initiatives such as MDF are at the very heart of Australia’s new aid policy which seeks to achieve better development outcomes in partnership with the private sector.”
This case study was written for MDF by Melina Heinrich-Fernandes. It draws on the experiences of MDF’s country team and partner organisations in Fiji, including through interviews and site visits of 12 partner businesses and organisations; consultations with the DFAT post in Fiji; and extensive discussions with MDF’s business advisors, results measurement specialists and the global results measurement manager. In particular, in-depth and wide-ranging insights on the programme’s operations and lessons learnt were provided by MDF’s Fiji country representative, Mohammad Shahroz Jalil. The case study also benefitted significantly from the global perspective provided by MDF’s Team Leader, Harald Bekkers, as well as strategic advice by Jim Tanburn. Production of this case study was managed by James Maiden and layout by Stella Pong.
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Why it is so important to ‘break barriers’ in private sector engagement to be relevant in a small island economy – a snapshot of MDF in Fiji

Fiji is an archipelago of more than 300 islands with a population of just over 880,000. It is a middle-income country but, nevertheless, 35% of the Fijian population is classified as poor or vulnerable to income shocks. The traditional ‘export engines’ of the economy – sugarcane, copra and garments – are in decline or went through a period of restructuring. The domestic market for agricultural produce is small and mostly saturated. Farming household are sending their children to the city for a better future or leave the land altogether. There is significant migration, to the cities and abroad. The urban services sector is growing but cannot provide employment for all. There are many niches in the tourism sector and in exports that offer good potential for growth, and there is room for diversification and improvements in the range of inputs and services available to farmers and SMEs, but the number of local entrepreneurs is limited (yet rising). Many are first-generation businesses with limited means to invest and limited managerial capacity to expand and overcome hurdles. The business environment can be discouraging; essential support services such as finance and logistics are just emerging.

Thus, there is no shortage of good business ideas in Fiji, but the mechanism to make these ideas become a reality is weak. In part this is due to the small island of the economy – there is not much room for specialisation. But in part this is also due to the fact that Fiji still needs to develop a critical mass of enterprises that taken together strengthen the country’s economic fabric and thus help increase the overall competitiveness of this small island economy. MDF decided to focus on three ‘growth engines’ in Fiji, which bring together many of the opportunities and issues raised above: Horticulture and Agro-Export, Tourism and Related Support Services and Industries, and Export Processing.

MDF quickly realised that in order to be relevant in these sectors and to be relevant for inclusive impact for both women and men in Fiji it needed to find a way to work with emerging enterprises, help them grow and reach a scale relevant to address the market gaps and niches that should be filled. MDF had to engage entrepreneurs with the right ideas, the right incentives, but who otherwise struggled for lack of support. In the process it also quickly realised that technical assistance, the typical tool of choice in the private sector engagement toolkit, would not be adequate. What was also needed was to develop business plans, investments in factory set up, machinery and working capital, investments in better bookkeeping to make enterprises more bankable and, above all, enable entrepreneurs to sustain over a longer period of time until the business had achieved that critical mass and control over operations that it should be able to grow and innovate on it own. Currently over half of MDF partnerships in Fiji are with ‘first-of-its-kind’ business ventures or with the vanguard, that will drive growth in Fiji in the future.

In horticulture, MDF is active on two fronts – helping agro-exporters grow and diversify by being able to lean on a better
organised supply chain, and making the market for agricultural inputs work better so that farmers can produce better quality in-demand crops to exports at a better price. **Maqere was the first agro-exporter in Fiji to invest in a full-time technical field agent** with the specific objective to help plan farmers what to grow, and teach them how to grow it, so that export demand and local supply add up. **South Pacific Elixirs (SPE) is the first company in Fiji (and worldwide!) to develop a patented formula for a relaxant and (medicinal) anti-anxiety drink from local yagona roots** targeting market in the US, Australia and Europe. **Standard Concrete Industries** is as the name suggests a construction company. Supported by MDF the company diversified to become **the first company in Fiji to produce agricultural lime (‘aglime’) from local lime stone**, thereby making ‘liming’ a feasible option for thousands of local farmers to reduce increasing soil acidity (which hampers yields). **Devesh Bharos Farms became the largest commercial nursery in Fiji** supplying a large variety of seedlings throughout the year to hundreds of farmers, enabling them to tap into demand from the export and tourism sector.

In tourism MDF is active on three front – enabling tourism to spread to less visited parts of the country (spreading opportunities along with it, creating employment in places with few alternatives); reducing the imports of food items for tourists by increasing the volume, quality and diversity of locally available produce; and increasing the number of ‘things to do and things to buy’ for tourist (again reducing imports, but also creating a more ‘authentic’ Fijian tourism experience). When MDF met **Adi Chocolates** he was making chocolate in his kitchen (literally!). Now he runs the **first semi-mechanised artisanal chocolate**
factory on the island, buying cocoa from local farmers and suppling to many hotels and resorts. Sales have increased five times. In a similar vein, premium cut fish was always imported in Fiji. MDF supported an emerging company Southern Solutions to increase its capacity to source from local fishermen, process, pack and store to become a first-of-its-kind business selling to hotels and resorts. Since then, sales have leaped frogged ten times. In a similar vein, in tropical Fiji, all fruit juices served in hotels for tourists were thus far imported. By partnering with Western Dairy, MDF is supporting the launch the first fruit juice drink, “Fresh and Juicy”, to be made with local fruits. Finally, despite its lush interior, Fiji was never considered a trekking destination, but Talanoa Treks, Fiji’s first trekking company saw it otherwise. With MDF support for community sets up, capacity building and promotion they have seen their clientele double and now a small, but growing group of new travellers are travelling to Fiji for the first time for trekking; around 80 households within the communities have reported getting benefit from such visits. Finally, access to finance is another documented constraint for many SMEs in Fiji. MDF has partnered with ANZ Bank to launch the first kind market based advisory services that will help connect interested small business to ANZ loan schemes with the help of independent financial advisors who will be paid, from the loan schemes itself.

These ventures are just few examples of how growth opportunities are being created with catalytic support from MDF. There are more such examples of such innovative partnerships. However, it must be appreciated that working with such emerging companies requires more support, more guidance and more ‘handholding’ from MDF. These companies typically operate with the owner/manager having to multi-task at various levels. Maintaining strategic oversights and objectives at times becomes a ‘casualty’ in managing day-to-day operations. Hence MDF staff needs to make frequent field visits to interact with these partners to monitor, go over plans and make changes as and when necessary. MDF needs to work with partners and solve problems as they arise. At times these can be solved by reworking a plan or bringing in new equipment; but also at times the solution lies in MDF being patient, given the business a chance to digest its ‘growing pains’, and resume discussions when the business is in a better place and the partner is more comfortable to drive the process forward. More often than not, partners have come back saying that these visits and the advice provided by MDF staff were of equal importance, if not more important, than MDF’s financial support! However, there are times when MDF needs to make the call to cancel the partnership when it realises that pushing forward with the partnership will not be beneficial for the partner of MDF. These calls are not based on a formula set in stone – it is not a tick box exercise. It is about knowing sectors and knowing partners – knowing when to push, when to pause and when to pull out.

In this manner MDF has developed a healthy portfolio of partnerships in Fiji, which it hopes to expand in years to come. It has demonstrated that private sector engagement in small Pacific island economies works and can yield real results in terms of increases in investment, in economic activity, and in jobs and income earning opportunities available for the poor women and men who need these to improve their livelihoods.
Like many other bilateral donor approaches, Australia’s development cooperation is in a phase of transition and change – including through the integration of Australian Aid with the Department of Foreign Affairs and Trade (DFAT) and, in particular, a shift towards innovative forms of private sector engagement as a central instrument for inclusive growth and poverty reduction. In addition, DFAT’s new Aid Policy (2014) has an unprecedented focus on gender equality and new operational principles, including a strong focus on results and performance management, and flexible programming guided by evidence-based decision-making. As these changes represent new terrain for many programme funders and implementers alike, this case study illustrates how DFAT’s priorities – and indeed similar aspirations by other donor agencies – can be implemented in practice.

A leading DFAT-funded programmes in this context is the Market Development Facility (MDF), which has spearheaded an innovative and strategic approach to private sector engagement. The principles at the heart MDF’s approach mirror DFAT’s ambitions: MDF promotes self-sustaining, large-scale impacts on poverty reduction for women and men, through private-sector generated economic opportunities and women’s economic empowerment. To achieve this, MDF forms strategic and genuine partnerships that harness business innovation for inclusive sectoral growth; and it engages with partners in smart and flexible ways, assisted by real-time evidence on results. MDF is also the first programme to use such an approach across various countries in the Indo-Pacific, DFAT’s priority region: As a multi-country facility, it currently operates in Fiji, Timor-Leste, Pakistan, Papua New Guinea as well as Sri Lanka.

This case study takes a deep dive into MDF’s experience in Fiji. It offers detailed insights into the key processes underlying MDF’s work, from assessments and partnership design to implementation and results measurement; the results it has achieved so far; its organisational and multi-country set-up, and the lessons it has learnt on each aspect of its approach. These are of high relevance not only for programme designers and implementers seeking to follow a similar approach; they also generate new knowledge on the opportunities and constraints of private sector engagement in small island economies in particular.

Before considering each individual aspect of MDF work, it is important to understand that MDF is guided by the objective of poverty reduction for women and men at all stages – that is across the programme cycle. To achieve this, it has put relevant systems, processes and programming tools in place – including a staff manual on women’s economic empowerment (WEE). The manual serves to summarise and further enhance MDF’s practices to promote WEE in a way that connects women sustainably with growth processes. These and related efforts mean MDF is one of just a handful of programmes globally that are known to work towards robust mechanisms for promoting both economic growth and WEE.
Gaining a thorough understanding of the economies that MDF is working in forms the foundation of its private sector engagement approach. The philosophy is simple: Only by knowing which economic sectors are showing growth potential, how their growth can be accelerated, and what impedes poor women and men from taking part in these growth processes, can strategic partnerships with businesses be formed. MDF therefore puts a lot of effort into initial analytical work, including: Scoping studies, which identify sectors with poverty reduction and growth potential; Inclusive Analyses of Growth, Poverty, Gender and Ethnicity at Sector Level which lead to Inclusive Sector Growth Strategies for Poverty and WEE; and various in-depth studies examining particular issues in the sector, such as Household-Level Analyses of Poverty and Gender Dynamics. Most of these studies are done in-house by the MDF team. In Fiji’s case, tourism and related support industries, horticulture and agro-exports, as well as export processing emerged as the most promising intervention sectors. Various lessons are emerging from MDF’s analytical work – including the importance of treating analyses and strategies as ‘living’ rather than ‘static’ documents that can evolve over time as new insights about target groups and sectors are being gained.

**Having identified both opportunities and binding constraints for inclusive sectoral growth, MDF then identifies partners that are strategically placed to harness and address these.**

Partners are identified based on MDF’s research, calls for proposals or unsolicited project ideas submitted by businesses. In assessing each potential partner, MDF follows a clear methodology, the Partnership Proposal and Justification guidelines. These require the team to develop a clear logical reasoning behind each partnership: How the company addresses constraints for inclusive sectoral growth; why MDF support is needed; and if the company is strategically placed, compared to other actors in the market, to partner with MDF. For each diagnostic question, specific issues related to WEE are also reviewed. Further, any risks and possible mitigation strategies are elaborated. In practice, many proposals are rejected by MDFs’ management because the case for a partnership is not strong enough; conversely, if a partnership proposal is approved by MDF’s management, the details of each partnership are specified in official Partnership Agreements. These agreements are based on genuine partnership: Companies have real ownership and a clear commercial interest in the project and are therefore also expected to share its costs.

**In deciding how best to support businesses in making a strategic contribution to inclusive sectoral growth and poverty reduction, MDF has learnt that it needs to take a pragmatic approach** – rather than one that is restricted by conventional communities of practice in private sector development. Fiji’s economy is characterised by many first-generation businesses which need to go through comprehensive change processes and require support at various levels before they can begin to have a transformative impact on the functioning of an economic sector. Hence, MDF opts for tailor-made support packages that can include technical assistance, co-investment in hardware and/or working capital support. The ways in which MDF supports WEE equally varies from partner to partner: For example, MDF may work with a partner to address women-specific constraints in its supply chain, or collaborate with a rights-based women’s organisation to address issues that cannot be addressed based on commercial incentives.
Another key feature of MDF is its ‘smart’ ongoing engagement with partners. This is about being responsive and flexible in addressing changing needs and opportunities of the partner, assisted by real-time results data about what is working and what is not. Based on this, MDF may adjust the nature of its interventions, extend support, or link up different stakeholders in order to be as effective as possible. As part of its smart engagement approach, MDF has also learnt that Fiji’s emerging businesses often require significant levels of ongoing advice, and that partnerships may take longer time frames to mature and reach conclusion. Having some level of flexibility with budget targets and the necessary team capacities to manage partnerships are therefore crucial factors for ensuring effectiveness. This also means that a significant share of staff time is spent on partner visits and exchanges, as a basis for effectively supporting and adjusting partnership activities; unlike many other types programmes partnering with business, MDF does therefore not perceive staff time as an ‘overhead’ – but as part and parcel of a strategic and smart private sector engagement approach.

While MDF is an innovative programme that is testing new approaches in new contexts, it is also beginning to deliver concrete results. By the end of 2014, it has supported 23 partnerships and 29 innovations to Fiji’s economy, and more have already been added. Many of these are beginning to gain traction in their sectors, as new services are being increasingly taken up and customers of new products are growing. So far, partnerships triggered additional market transactions worth USD 654,000. Thirteen partnerships have reached sufficient maturity to benefit the poor: in total, 1016 poor people had earned USD 609,000 in additional income from wages and sales by the end of 2014.

It is also important to put MDF’s results in Fiji into context: Given the nature of MDF’s approach, it is expected that its results will not increase in a linear but exponential way, as other actors in the sector respond to the goods and services introduced by MDF’s partners, and the sector begins to grow and function better. Commercial incentives mean that this process, and the associated benefits for the poor, should continue to gain in scale over time. Comparing Fiji’s results data in 2013 and 2014 shows that MDF is on track to achieving substantial increases in results at all levels. Results projections for 2017, based on the current portfolio of partnerships, further show great potential for realising exponential increases in results. It is however important to recognise that it will be impossible to reach a similar scale of results in Fiji’s small island context as in larger, more dynamic economies. Interestingly though, this does not prevent MDF from achieving ‘deep’ impact in some of its target sectors: As results data on some of MDF’s more advanced partnerships show, it is possible to improve the economic opportunities of a significant percentage of the population in specific sectors, such as horticulture.

MDF is now looking for ways to enhance its likelihood of achieving transformative, lasting impacts on the functioning of intervention sectors. One way MDF is going about this is to review signs for transformative changes, in a systematic and nuanced way, to identify entry points for leveraging initial momentum gained. Scale, i.e. the number of total partnership beneficiaries, is only one sign of transformative impact. More detailed insights can be gained by tracking signs that the number of poor beneficiaries is growing over time and that women in particular are gaining sustained access to new services, jobs and other benefits. MDF is also looking for indications that partners (or indeed other actors in the sector) are taking autonomous decisions to expand or improve the business model; that the business model is proving commercially viable for the partner; and that other actors in the market step in to collaborate with the partner business, e.g. through supporting services.
MDF has also been able to learn more about binding constraints to inclusive growth through the lens of individual partnerships. In fact, several, previously unaddressed issues have emerged in the context a number of partnerships and sectors. MDF is therefore now exploring a ‘second layer’ of partnerships that would help to address such cross-sectoral concerns – including, for example, access to finance, inadequate regulations or inter-island logistics. Through such interventions, MDF increases the prospects of far-reaching and sustained economic improvements for women and men.

There are several cross-cutting organisational processes that allow MDF to work the way it does: MDF does not just use results measurement as a way to enhance transparency and accountability vis-à-vis all stakeholders, but to reflect on its interventions and overall strategies, and adapt them when needed. This ‘adaptive management’ approach has been inspired by the adoption of the DCED Standard for results measurement, which is a widely recognised tool in private sector development. Adaptive management is facilitated by a number of routine systems that create a regular feedback loop between implementing and results measurement staff as well as MDF’s leadership – such as weekly, monthly and six-monthly strategy meetings. Reviews of issues that are of special interest, such as WEE, are integrated in these processes.

MDF’s evidence-based approach is however not just about its results measurement and management system; it is also about mindset and capacity of the team to challenge their own assumptions about what should and what shouldn’t work. Moreover, the team needs to be willing to react flexibly to the evidence they find and be willing to take calculated risks and test new approaches. This could be compared to operating principles of the private sector itself.

Further, MDF’s multi-country set-up has proven to play a tremendous role for MDF’s ability to generate knowledge on how to work effectively in different economic contexts, for the team as well as the wider development community. The multi-country structure has also helped MDF to become more efficient by transferring programming processes and systems from one country to the other; and to ensure continuity and exchange of lessons learnt across programme countries.

A note of guidance to the reader: As the case study seeks to take the reader through MDF’s journey in a step-by-step approach, it is recommended to read it chapter by chapter. To learn about specific aspects about MDF’s approach only, it is however also possible to dive straight into to the relevant sections. Most practical examples of MDF partnerships as well as specific findings from MDF’s research studies are indented in the text or included in text boxes – allowing the reader to either ‘skip the details’ or study MDF’s partnership experiences and sectoral insights in more depth.
A NOVEL APPROACH TO POVERTY REDUCTION: MDF IN THE CONTEXT OF DFAT’S 2014 AID STRATEGY
Like many other bilateral donors, the Australian government has recently undergone a number of significant changes in its approach to development cooperation.

“Initiatives such as the Market Development Facility (MDF) are at the very heart of Australia’s new aid policy which seeks to achieve better development outcomes in partnership with the private sector.” Julie Bishop
Like many other bilateral donors, the Australian government has recently undergone a number of significant changes in its approach to development cooperation. These include a merger of the former aid agency with the Department of Foreign Affairs and Trade (DFAT), followed by the launch of a ‘new aid paradigm’ – the government’s new development policy and a performance framework with ten key development targets – in June 2014. While there are many similarities with Australia’s previous aid programme, four key changes represent a genuinely novel development:

The first novelty is the focus on the private sector and innovation. Private sector development is one of two overarching strategic development goals of Australia’s aid to partner countries.¹ This is also linked to a specific performance target, which requires all aid programmes to consider private sector solutions as a first resort to addressing development problems:

“All new investments will explore innovative ways to promote private sector growth or engage the private sector in achieving development outcomes.”²

¹ The second overarching goal is human development.
² Making Performance Count: enhancing the accountability and effectiveness of Australian aid (2014)
A second novelty is the emphasis on economic growth in the Indo-Pacific region as the central means to promote poverty reduction and prosperity. Expanding investment and exports in developing countries is seen as a priority for this, with aid for trade to increase by 7% to 20% of the aid budget by 2020. In addition to trade, the new Aid Policy has several other priority areas which are closely linked to private sector growth and engagement – including, among others, agricultural development, effective governance, and women’s empowerment.

This is where a third novelty comes in: For the first time, an Australian aid policy includes a gender-specific target – with 80% of projects expected to demonstrate impact on gender equality.

Box 1: Unpacking DFAT’s work with and through the private sector

The ‘what’: Promoting the development and growth of the private sector in partner countries is a priority objective of Australian development cooperation. This is because helping businesses and economies grow in a sustainable manner is seen as a key mechanism for creating income-generating opportunities and helping poor women and men to work their way out of poverty.

DFAT highlights three sub-objectives that need to be achieved in order for the private sector to develop in inclusive ways; these include building better business and investment environments; addressing constraints to private sector growth in specific markets; and maximising the development impact of individual businesses.

The ‘how’: In order to achieve its development objectives, including private sector-led growth in its partner countries, DFAT aim to work increasingly with and through business partners (alongside, for instance, government and non-profit organisations). Private sector partners include Australian, global and local commercial enterprises ranging from those in the informal sector to large multinational corporations.

Underlying the prioritisation of private sector engagement is an appreciation that businesses have financial resources, knowledge and outreach that are not available to aid agencies. Where commercial potential exist, private sector partners also have an incentive to carry on their work after donor support ends. Moreover, aid represents an increasingly small proportion of development finance, hence leveraging other sources of capita is increasingly important to have an impact on the ground.

A fourth interesting innovation in DFAT’s Aid Policy is the attention given to performance management and value for money: this includes stronger links between performance, standards of value for money and funding. Simply put, value for money refers to the ratio between development outcomes achieved and the funds spent by a programme. The Aid Policy highlights a number of characteristics that demonstrate programmes’ commitment to being effective and efficient in achieving development results. These include cost consciousness, experimentation and innovation, a focus on results and evidence-based decision-making, appropriate performance and risk management, and accountability and transparency.

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3 Australian Government: Overview of Aid for Trade
Several other cross-cutting operational principles are considered as instrumental in achieving the Australia’s development objectives: These include being more nimble and catalytic in the way programmes operate, and applying ‘flexibility, responsiveness and pragmatism’ as important foundations of their work. Collaborating with the private sector and fostering innovation are also seen to require an active engagement with risk and appropriate mitigation strategies, taking a longer-term perspective on results as well as acceptance of failure.⁷

All these aspects represent a significant evolution from traditional ways of providing aid and represent uncharted territory for many practitioners. It is therefore of particular interest that with MDF, DFAT is already funding a programme that can serve as a hands-on example of how its new aid paradigm can be implemented in practice. Further lessons could also be learnt from other DFAT programmes following a similar approach to MDF, such as CAVAC in Cambodia or PRISMA in Indonesia.

### 1.2 Introduction to MDF’s approach

MDF is both a private sector development and private sector engagement programme: It works with and through business partners in order to catalyse innovation, regulatory reform and lasting improvements in the functioning and performance of different economic sectors. The end goal is to enable poor women and men to get access to increased economic opportunities in these sectors through access to better services, additional employment and income. By doing this through the private sector, MDF also wants to make sure that the opportunities created for poor women and men will be maintained or even increased after the end of its support.

How does MDF’s approach differ from other types of programmes promoting economic development and poverty reduction? In order to place MDF in the spectrum of programmatic approaches, consider the following two examples: In contrast to many other programmes MDF does not provide short-term livelihood support directly to the poor, such as training, inputs or cash grants to informal micro-enterprises or smallholders. Being focused on sustainable change, MDF only helps actors already active in an economic sector to improve what they are doing, so that they can benefit poor women and men better in a lasting manner. MDF also operates differently from business support programmes, such as generic governmental subsidy schemes or ‘off-the-shelf’ training courses and services to small and medium enterprises. Instead, MDF is about creating very specific win-win scenarios that effectively address the individual growth needs of businesses while also promoting transformational impact on entire economic sectors and poverty reduction.

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To unpack this further, it is useful look at the key steps that are at the heart of MDF’s flexible, yet carefully designed approach:

- **Across all programme phases, MDF focuses its activities around its end goal**, i.e. sustainable and scalable impact on poverty reduction through increased economic opportunities for the poor, including women’s economic empowerment.

- **Given that creating sustainable improvements is a priority for MDF, its starting point is to get a thorough understanding of the economy that it is working in:** Which economic sectors have strong growth potential? What factors are holding back their growth and what can be done to address them? What are the roles and constraints of poor women and men in these sectors and what changes need to happen to improve them, including to achieve women’s economic empowerment?

- **Now that the programme has a clear idea of the priority areas that need to be addressed to enable inclusive growth, it looks for potential agents of change in the sectors identified.** In other words, it does not intervene directly, but works through local actors whose commercial or institutional interests overlap with MDF’s objectives. These actors can be private sector associations, government bodies or non-governmental organisations where appropriate, but MDF’s most common partners are commercially driven. Specifically, MDF works with businesses that pursue an innovative way of trying to compete in the market place – with the potential to stimulate growth and to demonstrate a better way of working. After all, it is only through innovation that the current status quo can be changed. The innovation can concern any part of the business model, for example the type of product or service a company offers, the production process it uses, the end market it targets, and who it works with and how, including its employees, suppliers or customers. This focus on innovation and working in a catalytic manner is another way in which MDF operationalises DFAT’s new *Aid Policy*. 
While many potential partners are explored, MDF collaborates with a number of them – based on a clear set of criteria. Two key considerations are at the heart of the partner identification process:

1. Supporting strategic, sector-oriented partnerships: All of MDF’s business partnerships have in common that they are strategically positioned for achieving development impact in MDF’s target sectors. In other words, the activities in a partnership have a clear logical link to sustainable economic opportunities for poor women and men – by addressing strategic priority areas for inclusive sectoral growth that MDF initially identified. It is also essential that MDF adds clear value to what the company is doing. It may help companies overcome obstacles that prevent them from implementing the desired business model, or catalyse the implementation process, so that inclusive benefits can be realised more quickly.

2. Building genuine partnerships: In order to create impact that is sustainable, MDF only supports business models that have the potential to create and sustain positive returns for the companies it is working with. In other words, this means that the company needs to have a clear commercial incentive to enter the partnership and therefore also contribute to the partnership on equal terms.

Using this approach, MDF shows how private sector engagement for inclusive economic growth can be implemented in line with the principles of DFAT’s Aid Policy.

Based on the criteria above, MDF signs detailed partnerships agreements which are individually designed to respond to the needs and capacities of each partner. One aspect that all partnership agreements have in common is cost-sharing: given that it is critical to MDF’s success that the agreed activities and plans are ‘owned’ by the partner company, it typically has to contribute at least 50% of the cost and is in charge of implementation. Such ownership is critical, if a development programme truly seeks to work through ‘private sector solutions’, as demanded by DFAT’s Aid Policy.
The fact that MDF works with innovative businesses also means that it is actively engaging with risks – as is now also encouraged by DFAT’s new Aid Policy. Not everything will work out as originally planned when working in dynamic markets, especially when supporting ‘first-movers’- companies that introduce something new that no other actors in the sector are doing in the same way. In order to be as effective as possible, MDF takes a pragmatic, smart engagement approach by adapting partnership activities and agreements as needed, rather than sticking rigidly to initial plans. To facilitate this, MDF closely monitors results during implementation, to see what works and what does not. In line with DFAT’s Aid Policy, this does not only help MDF to use results for evidence-based decision-making but also to strengthen its accountability vis-à-vis DFAT, its beneficiaries and partners.

While variations of this approach have been applied by other private sector development programmes, MDF was the first programme to introduce it in Fiji, a small island economy, and possibly the entire Indo-Pacific region in 2011. Having started with only six partnerships in the first year, by December 2014 it has now supported the introduction and scaling up of 29 business innovations across the country. Many of these are located in export sectors; as a positive side effect, they therefore also contribute to reducing Fiji’s trade deficit. MDF has leveraged almost USD 1,552,000 in private sector investments in Fiji, by spending just USD 972,000. Impacts on poverty as well as women’s economic empowerment are starting to show in many partnerships, as will be outlined further in the following chapters.

MDF has also expanded to other countries in the Indo-Pacific region and beyond: As a demand-led programme, which is launched in different countries at the decision of DFAT country posts, it is currently also operational in Timor-Leste and Pakistan, and is in the process of expanding its portfolio to Sri Lanka and Papua New Guinea. As such, MDF has a special position within DFAT: While it is formally contracted by DFAT Canberra, its budget largely originates from the respective DFAT country posts. This set-up means that there is a particular value in sharing lessons on how MDF tailors its interventions to each different context – ranging from more dynamic to shallow economies – while using the same operational principles. Given that the core elements and engine of MDF’s approach remain the same across countries, MDF’s is also particularly well placed in ensuring robust learning mechanisms and generating reliable lessons learnt. The remainder of this case study will explain in more detail how MDF works and what it has learnt so far, using the example of Fiji.
HOW MDF WORKS: BREAKING FRONTIERS IN PRIVATE SECTOR ENGAGEMENT AND DEVELOPMENT
Building the foundations for supporting equitable inclusive growth: Original research and frameworks informing MDF’s strategy and intervention design

MDF has taken a leading role in generating cutting-edge understanding on sectoral growth dynamics in Fiji and in developing new programming frameworks for private sector engagement and development. As such it is not just acting as an ‘innovator’ itself; it is also laying the groundwork for identifying innovative partners that have the potential to help achieve MDF’s economic development objectives. This section outlines major original studies conducted by MDF in Fiji to inform its strategy, intervention design and measurement of results, highlighting the rationale behind them as well as selected findings. It also gives an introduction to frameworks relevant across MDF’s programme cycle, in particular in Women’s Economic Empowerment.
2.1.1 Starting with the end goal in mind: A preface on how MDF integrates poverty and gender across the programme cycle

Before exploring in MDF’s assessments and studies in more detail, it is useful get a general overview of how MDF integrates its beneficiary-level objectives – poverty reduction and increased opportunities for poor women and men – in programming. As MDF aims to leave economic sectors not only less poor but also more equitable, poverty and women’s economic empowerment are considered in each part of the programme cycle: assessment, design, implementation and results monitoring. The main focus in this section will be put on women’s economic empowerment (WEE); not only is this an area of particular interest in DFAT’s Aid Policy; while private sector-led poverty reduction is already a more advanced field of practice, WEE is still a relatively young field. In this context, MDF has made a conscious effort to develop new knowledge and methodologies for its own use as well as other practitioners on how to combine economic growth with WEE.

As part of this effort, MDF published a strategic guidance note on How Women Contribute to and Benefit from Growth. Integrating Women’s Economic Empowerment (WEE) into the MDF Approach (2015)\(^8\); this serves as a manual for programme staff on how to embed gender dimensions across every aspect of its work. In effect, the note codifies and institutionalises MDF’s existing WEE-related practices in a hands-on, step-by-step guide, allowing the programme to implement and communicate its WEE approach in a more consistent and effective manner; it also adds new analytical dimensions and nuance. MDF’s concept of WEE is outlined in Box 2 below.


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MDF Partner: Bens Trading Ltd
Box 2: Women’s Economic Empowerment – Definition and dimensions

As a strategic private sector engagement and development programme, MDF is well placed to contribute to improved gender equality in its intervention sectors through women’s economic empowerment. A widely established definition of WEE has been developed by the International Center for Research on Women: “A woman is economically empowered when she has both the ability to succeed and advance economically, and the power to make and act on economic decisions.”

Extending this concept, and building on the evolving research and thinking by donor and development agencies in this area, MDF considers five domains of WEE in its work, as depicted below. Among these, decision-making power and workload are often summarised in the category of ‘agency’, while access to opportunities, assets and services is often simply referred to as ‘access’. Together, they form the basis for the first domain, the economic advancement of women. All five domains are integrated in MDF’s processes for promoting, analysing and capturing WEE impact. This allows MDF follow a much more strategic approach to pursuing WEE than was traditionally done through ‘gender mainstreaming’ approaches.

1 Economic Advancement

- Increased Incomes
  - 2 Decision-making authority and influence
    - Freedom and authority over household income, workload, trade relations, access
  - 3 Manageable workload
    - Ability to manage additional work; Options for making workload lower/more efficient
  - 4 Access to opportunities and life chances
    - Access to jobs and skills development
  - 5 Access to assets, services and support
    - Access to assets, services and other support to advance economically

“In the same manner as it seeks to create win-win scenarios between economic growth and poverty reduction, MDF also seeks also to create win-win scenarios between economic growth and WEE.”

“MDF (...) includes women’s empowerment as a key criterion in the selection of value chains (or sectors) to work on across their portfolio.” DFAT Guidance Note on Gender Equality and Women’s Economic Empowerment in Agriculture. Final Draft/ August 2015

In order to link women sustainably to growth processes, MDF avoids supporting sectors that may be dominated by the poor or poor women, but that have no economic future. This way, MDF would risk locking people into unviable activities; it would also be unable to identify private partners willing to invest.

Instead, MDF identifies and assesses real growth sectors in the economy - which are characterised by both actual involvement of, and opportunities for, a large number of poor women and men. In developing and refining a growth strategy for the sector, MDF uses the five WEE domains to analyse the particular constraints and opportunities each group faces, and how to enable them to contribute to and benefit from economic growth. For women, these constraints tend to be different or greater than for men; often, they hold supporting functions, either under the management of men (in predominantly men-led sectors), or under shared management with men (in jointly-led sectors). Such activities have received little attention by traditional programming, which often focused on small-scale economic activities – and small groups – of women in niche and less dynamic sectors.
“MDF does not enforce plans top-down – and this is no different for WEE – but rather it develops strategies, based on analysis, and seeks partners to implement parts of this strategy, based on their own capacity and incentives.”

“Applying a business case is the next frontier in WEE (...) It takes MDF into uncharted territory.”

Integrating Women’s Economic Empowerment into MDF’s approach, MDF, 2015

In order to turn growth potentials into concrete opportunities for poor women and men, MDF integrates diagnostic questions on their sustainable involvement when assessing a prospective partners’ business model. This will be explained in more detail in section 2.2 on MDF’s Partnership Proposal and Justification tool. While sector selection and assessments focus on the general potential for women’s economic empowerment, the partnership design stage focuses on practical details: Are there any risks that the partner might undermine WEE? What capacities and incentives does the partner have to engage in activities needed to empower women in their supply chains? MDF’s previous research puts it into an informed position to focus on the lines of inquiries in terms likely constraints, risks and opportunities related to the five WEE domains. Depending on the findings of the partner assessment, there are five different options of how MDF expects partnerships to influence WEE. This will also be elaborated in Chapter 2.2.

In this context, it is important to recognise that not all partnerships will be similarly relevant for women’s economic empowerment. As MDF’s technical note points out, MDF must ensure that its portfolio is a reflection of where partners want to invest in the long-run, i.e. where a business case for women’s economic empowerment exists. Overall, MDF currently estimates that about 70% of its partnership will have clear benefits for women’s economic empowerment.

In addition, MDF will enter collaborations with other programmes to address WEE constraints that cannot be easily addressed through a business case approach (e.g. social or broader workplace issues as well as gender-based violence). This may either lead to modifications of partnership agreements where a credible business case can be made (e.g. regarding day care facilities at the workplace) or complementary activities by other programmes with relevant mandates and expertise.
MDF systematically tracks its impact on poverty and women’s economic empowerment during implementation; finding out whether partnerships work for beneficiaries as expected is part and parcel of its monitoring system. Based on this, MDF can communicate learning on WEE impacts externally while at the same time making sure that insights are being used to adjust interventions, where necessary. At the portfolio level, women’s economic empowerment, inclusion of the poor and the scale of poverty impacts on women and men are also key aspects through which MDF gauges transformational, lasting impact on the economic sectors it is working in. This will be further explained and illustrated in section 2.4.

While this case study does not go into any technical detail of results measurement, three key elements of how MDF measures WEE should be highlighted:

- For all partnerships that are expected to have an impact on women, MDF will generate gender-disaggregated data on results.

- While MDF initially tended to focus on economic issues such as employment and income increases for women and men, it now also captures aspects related to other WEE domains, such as access to services or workload implications, as part of its regular monitoring. As a basis for this, the MDF team identifies which of the 5 domains an intervention addresses and how at the very beginning of the partnership, as part of its ‘intervention guides’. These guides include a visual representation of how a partnership leads to inclusive and WEE-related impacts in the form of a results chain, as well as a detailed measurement plan.

- MDF also tracks qualitative changes in the operations of partners and similar stakeholders in the sector to learn about signs of transformational impacts on women in the sector. For example, partners may start to take autonomous decisions on improving their practices vis-à-vis women after their experience of positive business outcomes.

MDF’s focus on results measurement and learning will be particularly instrumental in further refining and improving its practice going forward – given that its business-case based approach represents an innovation and largely untested territory in international WEE programming.

As a ‘prevue’ of the following chapters, the graphic below represents a short synthesis of each aspect of MDF’s programme cycle and the WEE-and poverty related programming tools used in them. A more detailed figure focusing on WEE only is available in Annex 1.
Figure 1: A snapshot of WEE and poverty-related programming tools

Which sectors have growth potential?
Do they involve a large number of
poor People, including poor women?

Sector selection:
- Sector scoping studies (see 2.1.2 a)

What are constraints and
opportunities for the poor to
contribute to, and benefit from
sectoral economic growth? Which
WEE domains does MDF need to work
on to connect women to growth?

Strategy development:
- Inclusive sector analyses and growth strategies
  (see 2.1.2 a)
- In-depth research, incl. Household-Level Analysis of
  poverty and gender dynamics (see 2.1.2 b)

Can partnerships make a strategic
contribution to sectoral growth? Can
they address constraints and
opportunities faced by the poor and
deliver in WEE domains relevant for
sector growth?

Partnership design and implementation:
- Partnership Proposal and Justification (see 2.2)
- Partnership agreement and amendments
  (see 2.2. and 2.3)

Are change steps relevant for poverty
reduction and WEE clearly articulated
in the Intervention Guide? What can
MDF credibly report on partnership
impacts on WEE and poverty? What is
its contribution to transformational
impacts on poor women and men at
sector level?

Results Measurement:
- Intervention Guide (example in Annex 3)
- Results reporting at partnership and portfolio level
  (see 2.4 a)
- Programme management and learning (see 2.5 a)
2.1.2 Learning and planning how to connect poor women and men to growth

_a) Inclusive assessments guiding sector selection and initial strategy development_

Fiji is an archipelago of more than 300 islands, of which about 100 are inhabited. It has two main ethnic groups, including native as well as Indo-Fijians, who were brought to Fiji from India as sugarcane labourers in the late 19\textsuperscript{th} and early 20\textsuperscript{th} century. Its total population amounts to about 880,000 people with about 365,000 being economically active.\textsuperscript{10} Two islands – Viti Levu and Vanua Levu – account for almost 90% of the population. These numbers alone provide a sense of the scale and dynamism of its economy; in comparison, Pakistan’s current labour force amounts to about 54 million people.\textsuperscript{11} In agriculture, for example, Fiji has 65,000 farming households, whereas Pakistan has tens of millions.\textsuperscript{12}

Despite being known as an international tourist destination, poverty levels in Fiji are still high – at 35% or more;\textsuperscript{13}

**Initial scoping study**  

MDF always takes context as a starting point; this is why it conducts an initial analysis of the opportunities for private-sector driven growth and poverty reduction in each country - and whether a programme like MDF has the potential to act as a catalyst. In the case of Fiji, a team of ten consultants, including MDF’s current team leader, embarked on a 2-week ‘study tour’ across the country, talking to a range of stakeholders across different industries and sectors, and reviewing the available economic literature on Fiji. The verdict was clear: Many entry points existed to help make Fiji’s economy grow in a stronger and more inclusive way, building the basis for the formation of MDF. There was also a general sense of increasing stability and economic recovery after the 2006 coup in Fiji, opening the doors for investment and growth. This trend has been confirmed more recently with Fiji’s first democratic government elections in 2014, which have also opened up new opportunities for MDF to involve government stakeholders in its work.

\textsuperscript{10} Based on 2010 data. Source: MDF Export Processing Sector Scoping Study (2013).
\textsuperscript{11} ILO 2013.
\textsuperscript{12} Annual Aggregation of Results, 1 January 2014 – December 2014, MDF 2015, p. 68.
\textsuperscript{13} Devpolicy.org
Two sectors stood out as having a particular potential to serve as ‘inclusive growth engines’: Tourism and horticulture.

1. Tourism and related support industries (to be referred to as ‘tourism sector’): Fiji’s economy is largely dependent on tourism with direct and indirect contribution close to 40% of Fiji’s GDP. It is the country’s largest foreign exchange earner and fastest growing industry in terms of employment creation. With a few exceptions, such as after a coup in 2006, the number of visitors has steadily increased over the last decade. However, the sector has far from reached its socio-economic potential. The bulk of tourists currently stays in resorts concentrated in the same region and apart from day excursions there is little diversification of tourism into other islands or the inland. The majority of food, souvenirs and hotel equipment is imported from abroad, while opportunities for local sourcing are largely untapped. Hence, significant potential exists for growth in local supply chains which include large numbers of poor people, including agriculture. There are also plenty of growth opportunities for hotels as well small and medium enterprises providing goods and services to the tourism industry – both of which involve low-income employees and workers.

2. Horticulture and agro-exports (to be referred to as ‘horticulture sector’): Despite a declining importance of Fiji’s traditionally dominant sugarcane exports, agriculture is still the biggest single source of employment in Fiji. About 14,500 farmers still work in sugarcane. Horticulture, which comprises fruit, vegetables and root crops, is however the fastest growing sector in agriculture; it contributes 47% of agricultural GDP 3.7% of overall GDP, and 15% of Fiji’s labour force (or 51,000 paid farmers and workers). However, local markets for local crops are largely saturated and peak season prices received by farmers are very low. According to national statistics, 37% of rural Fijians are still considered as poor. Better economic opportunities could be created for farmers if more good-quality crops could be exported or sold to domestic hotels as fresh, frozen or processed produce; there is also potential for growing new crops that are currently imported and for cultivating existing ones off-season.

An first exploration of women’s roles and dynamics was also integrated into the sector scoping studies, which found that horticulture and tourism not only offered promising economic growth prospects but also had a significant involvement of women as farmers, workers and employees, albeit often in different roles than men. This provided important information about which supply chains and activities were likely to be most relevant for women.

As will be explained further in section b), a scoping study of a third sector – Export Processing – was undertaken a later stage by the team, in response to new research by the programme. The sector was added to MDF’s portfolio in 2014:
1. Export Processing: As opposed to tourism and horticulture, which have a strong rural and national focus across the country, the motivation behind the Export Processing scoping study was to identify opportunities for reducing urban poverty. A bit more than half of Fiji’s population lives in urban areas. Rural-urban migration is on the rise, as is urban unemployment. According to 2007 Census data, urban unemployment is also significantly higher (at 10.5%) than rural unemployment (6.6%). The scoping study found that the greatest urban economic growth and employment potential was located in sectors that produce goods and services for export, including garment manufacturing, seafood, processed food and information processing.

Inclusive Analysis of Growth, Poverty, Gender and Ethnicity at Sector Level and development of Inclusive Sector Growth Strategies

Scoping studies give MDF only a broad idea of its intervention areas; a more thorough understanding of the most important constraints holding back sectoral development still needs to be built. The programme therefore conducts more detailed assessments of each intervention sectors, in order to devise tailored strategies guiding its work – Inclusive Analyses of Growth, Poverty, Gender and Ethnicity at Sector Level. Each analysis has similar contents:

Analysis of the sector’s inclusive growth potential: This includes an overall analysis of the sector’s organisation, its size within the national economy, growth trends and prospects of the sector, and its potential role for women’s empowerment and poverty reduction.

Mapping of sector’s value chains and actors: This mapping provides data on the sector’s major value chains and stakeholders within them, such as suppliers, processors, retailers, service providers, customers and government bodies in charge of relevant regulations. What follows is a detailed analysis of key growth constraints affecting each of the actors and value chains. It also includes a review of other relevant donor programmes in the sector.

Detailed review of growth constraints for poor women and men: In order to assess how well a sector is functioning for poor women and men, MDF uses three levels of analysis, based on a mapping of the supporting functions underpinning the performance and competitiveness of a sector. In horticulture, for example, these supporting functions include:

(1) production inputs; (2) enabling private services such as banking or training; (3) enabling public services such as business licensing or extension; (4) infrastructure such as irrigation channels; and (5) trade arrangements such as contract farming.

After analysing the general roles and constraints of the poor in the sector, MDF looks specifically into how well these supporting services are working for the poor women and men, as well as different ethnic groups. For example, MDF would ask questions about whether the poor can access the inputs they need; whether public and private service providers reach out to the poor with the services they need; or what supporting infrastructure is required to enhance growth and the roles of the poor. These and additional questions are also asked for women and different ethnic groups specifically, to see how their situation compares to men and how to improve it. In a third level of analysis, MDF draws on the five domains of WEE in order to dig deeper into the issues facing women.
Inclusive Sector Growth Strategy for Poverty Reduction and WEE: The Inclusive Sector Growth Strategy builds directly on the previous analyses. It converts constraints into opportunities for growth and suitable intervention areas for MDF, based on feasibility and added value to existing initiatives. The actual strategy is presented in the form of a practical and accessible table – typically listing up to ten key constraints, how they can be addressed, and with what types of partners. This template forms the basis for identifying firms whose innovations can fill current gaps in the sector.

Consider this simplified example from the tourism sector:

A lack of locally-sourced high quality food for consumption in hotels and resorts is one of nine major growth constraint areas identified in tourism; imported produce means less economic opportunities for local suppliers and that tourists’ are unable to experience fresh, Fijian food. A number of relevant value chains – such as fruit and vegetables, meat, fish or processed food involve a large number of poor women and men – but would need to work more effectively in order to tap into this market opportunity. Each value chain has its own set of actors and constraints. To allow for more local sourcing of fruit and vegetables, for example, priorities include the cultivation of good quality and year-round crops by farmers, processors’ ability to produce a greater variety of food to comply with international food safety requirements. Some aspects of the value chain involve particularly high numbers of women, including seedbed preparation and planting for nurseries; grading, semi-processing/processing and packing for export; and input supply. Input suppliers, processors and wholesalers poor all have a business incentive to provide better support and opportunities to female and male farmers and employees in order to tap into the growth opportunities at hand. They could therefore also serve as potential partners for MDF. On this basis entry in the growth strategy table on this particular growth constraint would broadly look as follows:

<table>
<thead>
<tr>
<th>Constraint area</th>
<th>Areas to be influenced</th>
<th>Expected results</th>
<th>Types of potential partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Access to) Year-round fresh and processed (HACCP certified) produce and food stuff.</td>
<td>Hotels and resorts are able to purchase more of the their fresh and processed food stuff needs locally &gt;&gt; tourists consume more local food stuff.</td>
<td>Less leakage, which means less revenue from tourism ‘leaks’ back into imports &gt;&gt; additional income for female and male farmers, additional business activity and employment for women and men in the support system (in food processing etc.) In addition, fresher and more unique food increases the “Fijian tourist experience”.</td>
<td>Wholesalers, food processors, distributors of greenhouse, tunnel, irrigation and hydroponic equipment, seedling producers, hotel and resorts (food and beverage managers).</td>
</tr>
</tbody>
</table>
Each Inclusive Sector Growth Strategy is then represented in an overarching results chain or ‘sector guide’ – a graphical illustration of how MDF interventions to address sectoral growth constraints are expected to lead to impacts at the levels of partners, sectors and poor beneficiaries. For the MDF team, this figure serves as a useful tool for the selection and results aggregation across partnerships. An example is included in Annex 2.
b) **In-depth studies related to gender, employment and poverty**

MDF is “an example of a program that has undertaken specific gender research (...) to gather information about the key challenges that women face and to identify pathways towards gender equality.” DFAT Guidance Note on Gender Equality and Women’s Economic Empowerment in Agriculture. Final Draft/ August 2015

While *Inclusive Sector Analyses* explore the overall growth, poverty and gender dynamics and programming options in a sector, they are, in essence, only an initial or foundational step of MDF’s analytical work. MDF’s next focus, therefore, was to study Fiji’s poverty and gender dynamics in its intervention sectors in more depth: Who was poor and for what reasons? And how exactly could MDF help create a ‘transmission belt’ between sector growth and poverty reduction?

**Household-Level Analysis of Poverty and Gender Dynamics**

As an important step to answering these questions, MDF undertook a *Household-Level Analysis of Poverty and Gender Dynamics in 2013* – a qualitative study in key economic regions identified by the *Inclusive Sector Analyses of Growth, Poverty, Gender and Ethnicity*, conducted by six MDF team members together with three poverty and gender experts. In summary, this analysis confirmed the overarching findings of the *Inclusive Sector Analyses* while providing a lot more nuance about the situation of MDF’s target groups.

MDF Partner: Coconut Kids
Many binding constraints for improved participation in growth processes were found to be broadly shared by women and men as well as the two main ethnic groups, for example:

**Tourism:** While less than a third of tourism households surveyed could be considered poor, many were just above the poverty line and therefore vulnerable. Poor workers in the tourism sector mainly had entry-level positions (front office, housekeeping, security and gardening) at resorts and small activity providers; these positions are often seasonal and depend on occupancy/customer levels. Smaller or budget resorts and those on the outer islands, in particular, often struggle with inconsistent numbers of guests and a low profile with consumers outside the main seasons. Apart from international hotel chains, small hotels and resort rarely invest in training of their staff; staff, who are able to do access training often switch their workplace to move ahead in their career and increase their income.

**Horticulture:** The poor in the horticultural sector come from both native Fijian and Indo-Fijian backgrounds. They lack market access and hence choose to grow multiple crops in small volumes; they sell whatever they can and consume the rest. Lack of proper inputs (seeds, crop care, irrigation) and farming knowledge also reduce their productivity. Societal obligations, distance to the markets, choice of crops are other underlying reasons for poverty Farm labourers struggle to get consistent work due to low and inconsistent volumes of production.
Some particularities or differences between groups also stood out – for example:

**Tourism:** Native Fijians women and men coming from the villages that leases the land to hotels/resorts, have a higher likelihood than Indo Fijian of getting entry levels jobs in those hotels there. Indo-Fijians that find work in resorts are more likely to work in back office jobs. Among poorer workers, native Fijian women are much more strongly represented in entry-level hotel positions sector than Indo-Fijian women. Female employment (e.g. in housekeeping and restaurant services) is generally more affected by seasonal changes in occupancy levels than male employment (e.g. in security and/or gardening).

**Horticulture:** While women from both ethnicities are very active in horticulture, native Fijians, tend to work as farm labourers and in retailing of produce. Indo-Fijian women, in contrast, work more as family labour in harvesting and post-harvest activities, such as grading and sorting. Women’s workload is generally around 30% more than men’s workload. The majority of the workforce processing agricultural produce for export tends to be women. Limited access to proper skills, knowledge and farming tools are key factors preventing women from increasing productivity and income. Decision-making is very much a shared process between women and men in the farming household. Hence men and women jointly decide where and how to spend their income from farming.

Such insights are highly valuable for MDF to ensure that it does not inadvertently reinforce existing cleavages and to identify pathways out of poverty for the diverse actors in its target sectors. With this in mind, the *Household-Level Analysis* identifies a range of solutions per sector that would contribute to poverty alleviation for either/both ethnicities and across gender; these are then used to refine existing the *Inclusive Sector Growth Strategies*. In addition, MDF verifies important findings of the study during partnership implementation, for example whether decision-making on additional household is indeed shared by women and men.

In addition to research in horticulture and tourism, focus group discussions in poor urban areas revealed that growth in cities could generate further significant gains in poverty reduction. This formed the basis for MDF’s third sector scoping – as described in section a) – which aimed to assess whether the export processing sector could be developed to offer new pathways out of urban poverty. The *Household-Level Analysis* highlighted that a large share of workers in the garments and ICT sectors are women; growth in these areas could therefore have particular benefits for WEE through new jobs and upward mobility into higher positions. In order to realise and expand such benefits, programming options for MDF also include influencing equal opportunities in training and recruitment processes of partners, or the introduction of flexible work hour arrangements.
Studies linking sector growth with employment and income

MDF’s research continued with a deep-dive into the relationship of sectoral growth with employment and income for poor target groups. The primary objective was to support MDF’s measurement and transparent communication of results; by developing an evidence-based multiplier, MDF would be able to link growth data with likely increases in economic opportunities for poor women and men. At the same time, these insights into the role of different growth processes for poor women and men had the potential to inform MDF’s intervention strategies.

To understand what this involved in practice, it is useful to take a at MDF’s study on Employment Dynamics in Key Agricultural Sectors of the Fijian Economy (2014). The combined qualitative and quantitative study examined how two forms of growth in the agricultural sector – increased land use and increased productivity per unit of land – were likely to affect paid farm employment of women and men for major horticultural crops, sugar and root crops. It found that:

- Each additional acre of land brought into cultivation is likely to lead to an additional 24 person-days\textsuperscript{14} of employment for sugarcane, 11 for root crops and 16 for horticulture, based on current production practices. Employment impacts could be bigger if farmers adopt optimal agricultural practices; then one additional are of cultivation could yield 27 person-days for sugar, 42 person days for root crops, and 48 person-days for horticulture; and
- Each additional ton of production within existing areas of cultivation is likely to yield 0.8 additional paid person-days for sugar, 0.2 for root crops and 6 for horticulture annually.

The study also found that female labour is most strongly represented in horticulture (45%) and relatively less in root crops (12%) and sugar (2%), confirming the sector’s relevance for WEE.

MDF is also now planning to conduct an Input-Output study in the tourism sector to determine the impact of an increased number of tourists and increased tourist spending on additional employment and income for women and men.

\textsuperscript{14} Person-days, or full–time equivalent employment (FTE) refers to the number of full-time equivalent jobs, defined as total hours of paid work generated through MDF partnerships divided by average annual hours worked in full-time jobs. For example, if a partner business employs two people for 20 hours a week each as a result of the partnership, and a full time job amounts to 40 hours a week, MDF has effectively helped to generate one full-time equivalent job.
Developing a Progress out of Poverty Index for Fiji

Given that poverty reduction is MDF’s ultimate objective, it also required a practical and not overly resource-intensive way of measuring poverty. The Progress out of Poverty Index (PPI) is a globally established poverty measurement tool originally developed by the Grameen Foundation for organisations and businesses aiming to serve poor women and men. With the PPI, organizations can assess what types of groups are most likely to be poor or vulnerable to poverty, integrating objective poverty data into their assessments and strategic decision-making. In summary,

“the PPI is statistically-sound, yet simple to use: the answers to 10 questions about a household’s characteristics and asset ownership are scored to compute the likelihood that the household is living below the poverty line – or above by only a narrow margin.”
(http://www.progressoutofpoverty.org/about-ppi)

In order to be useful, PPIs need to be constructed for individual countries, taking into account national income and expenditure data. While PPIs are already available in 46 countries worldwide, there was none for Fiji when MDF started operating. MDF therefore collaborated with a regional microfinance based organization, South Pacific Business Development, which had begun to work on a PPI based on a National Income and Expenditure Survey, to complete the work. This allows MDF to use the PPI whenever it does baseline surveys or early impact assessment in order to estimate how many partnership beneficiaries are poor, or have moved out of poverty.

The PPI for Fiji is now publicly available on the PPI website. As the current PPI is based on 2006 data and costs of living are rising, it will be important to revise the PPI based on more recent data, which are due to be published by the government in 2015/16. This will allow MDF to get a more precise idea of how many of its beneficiaries are poor: Using the 2006 poverty line of FJD 6.25 income per day, a minimum of 25% of MDF’s beneficiaries can be considered poor; assuming a doubling of living costs as a result of inflation and a poverty line of FJD 12.5 a day, 64% of MDF’s beneficiaries would live below the poverty line. The actual percentage of poor beneficiaries is likely to lie somewhere between these two ends of the spectrum.
c) **Key lessons on original assessments and in-depth research**

MDF’s initial strategy development was completed in 2012. As demonstrated above and will be elaborated further, this is however not where MDF’s thinking about strategy stopped.

**Lessons emerging from MDF’s strategy development approach include the following:**

1. **Conducting Scoping Studies, Inclusive Sector Analyses and household-level research are not the only way of identifying sectoral intervention priorities as a basis for strategic partnerships.** This can also happen later on during implementation – from the ‘bottom-up’ or in an inductive way, as illustrated in Figure 2 below: Based on monitoring data and continuous exchanges with partner businesses, MDF has learnt more about the real-life problems experienced by them and their poor suppliers or customers, which sometimes go beyond the issues identified in the initial analyses. Where additional binding constraints to inclusive growth are identified across a number of different partnerships, MDF is developing its strategies further and has begun to forge new partnerships to address them. Examples of such growth constraints that cut across MDF’s intervention sectors include access to finance for SMEs or inter-island logistics. This will be elaborated in Chapter 2.4b.

![Figure 2: Complementary approaches to strategy development: Deductive and inductive](image-url)
2. In defining initial priorities for inclusive sectoral growth it can be useful to keep a balance between actionable entry points for interventions and a sufficiently broad framing in order to allow for flexibility. This flexibility is needed for the programme to refine its strategy over time, including in the light of more focused and more in-depth studies.

3. Following a gradual approach from Inclusive Sector Analyses to more in-depth, household-level research on poverty, gender and ethnicity dynamics has a number of advantages: This way, beneficiary-focused studies can be directly linked to the sectors and areas that MDF is operating in. In contrast, if they had been conducted as generic, economy-wide instead, they would have been less practical in informing MDF’s work, and more expensive to do.

4. MDF’s internal guidance on connecting women to growth through a business-case based approach is still relatively new and at the cutting-edge of international efforts; it will likely require updating as MDF’s understanding on how to improve WEE across all five empowerment domains deepens over time.

5. With the above in mind, it is critical to treat strategies and programming tools not as one-off products but as living documents. In MDF, strategies and other key documents are regularly reviewed to incorporate new findings (see also Chapter 2.5). Similarly, having the flexibility to add new intervention sectors over time enabled MDF to act on new insights about growth and poverty dynamics in Fiji’s economy.

Broader lessons also emerge from a comparison with other economic development approaches:

1. Overall, MDF’s bottom-up programming approach with a strong focus on analytical work and identification of interacting, binding constraints for inclusive growth distinguish it from many other types of economic development programmes. Other approaches may include inviting innovative project ideas from companies, with limited knowledge about their relevance for their target sectors; or reacting to particular constraints in an economy, such as access to finance or entrepreneurship training, with ready-made solutions and in a more isolated fashion. While each of such approaches can have important roles to play, a strategic orientation may be less easy to achieve.

2. MDF’s strong focus on the growth potential of end markets, combined with their relevance to poverty reduction, contrasts with the many approaches that support income-generating activities of the poor regardless of their economic prospects. While such approaches may still be able to reach a sizable number of poor people in larger economies (albeit with questionable sustainability), it would be particularly difficult to catalyse scalable progress in poverty reduction in a small island economy this way.

3. An important lesson also relates to responsibilities for conducting major sector studies and research for MDF. While these have traditionally often been contracted out, MDF strongly believes that it is helpful to implement as many of these activities as possible in-house. This has been found to leverage the country- and sector-specific knowledge already present in the team, and support the integration of the findings across MDF’s work. In most cases, it is not realistic for external short-term consultants
to have the same level of understanding or the same ability to draw operational conclusions for day-to-day activities. Hence, while MDF had to bring in external consultants in the early stages of the programme, the growth in size and experience of its team has enabled it to implement a growing share of studies in-house.

MDF partnership snapshot: Southern Solutions

Locally sourced produce for Fiji’s tourism sector is scarce. Southern Solutions is the first premium cut fish supplier to hotels and resorts and has significantly expanded its operations with the help of MDF.
2.2  

**Forming strategic and genuine partnerships: How MDF turns innovative ideas into sector-oriented private sector development projects**

“MDF is very private sector-oriented. They will try to get the business into the driving seat. This is very different from what I know of other development programmes.” MDF partner, CDP

‘Partnership’ and ‘private sector engagement’ are now widely used terms in international development, but can refer to a range of different types of collaboration. To inform future programming in this area, including in light of DFAT’s new focus on private sector engagement, understanding the strategic nature of MDF’s partnerships is therefore essential. They are strategic because their potential results go beyond benefits for the individual partner, to have transformative effects in economic priority sectors identified by MDF. Further, when MDF enters collaboration agreements with companies, these are based on genuine partnership; this is about ‘ownership’ by the business of partnership activities, as opposed to pushing for changes top-down – something that has been proven to be an ineffective and unsustainable development approach.

Companies have a demonstrable commercial interest in the project and are therefore also expected to share its costs and risks. In essence, this is also something that DFAT’s *Aid Policy* refers to, when it instructs programmes to work through ‘private sector solutions’.

**Both strategic sector orientation and its focus on building genuine partnerships make MDF’s partnerships qualitatively different from many other forms of private sector engagement** – enabling them, in principle, to have a more substantial and sustainable impact on growth processes.

How exactly then does MDF find suitable partners to implement this approach?
a) Processes and criteria for identifying and negotiating partnerships

MDF has three main approaches to identifying potential partners:

- **Research and network-based approach**: As part of the inclusive sector analysis and strategy development process, MDF does its own research and receives data from the government on registered companies in the sector, interviews key actors in the market and acquires additional company contacts through them. This puts MDF in a good position to re-approach businesses which may have the potential to address sector growth constraints in a commercially viable way. Opportunities for identifying partners also continue at later stages of programme implementation, through exchanges with existing partners, other stakeholders in the sector and additional research by MDF’s Business Advisors. Most MDF partner companies are in fact found this way.

- **Calls for proposals**: In areas with few, small or geographically dispersed businesses it may not always be possible or efficient to identify a decent number of potential partners through research or networking alone. This is why MDF occasionally also works through calls for proposals – inviting companies in a specific area to apply for support through a competitive process. In 2013, for instance, MDF requested proposals from firms supplying innovative, locally sourced products or services aimed at Fiji’s tourism market, which resulted in a number of partnerships with souvenir suppliers.

- **Unsolicited company proposals**: As MDF gets more widely known in its target sectors, interested businesses are increasingly sending innovative project ideas directly to the DFAT post or MDF, which are then carefully studied and explored by programme staff.

Moving from the identification potential partners to signing a select number of partnership agreements is a bottom-up, multi-step process; in this, MDF gradually forms a deeper understanding of the incentives and capacities of the company to work in partnership with the programme. It includes gathering ‘hard’ information on each company’s history, its core business model and financial statements as well as gauging early signs of commitment based on personal communication. In addition to secondary background research, a focus of the MDF team is therefore to arrange a series of meetings with each potential partner, each of which is used to ask more questions and dig deeper into the opportunities – as well as potential risks – of collaborating. Often, it is useful for MDF staff to start the initial meetings with a clean sheet of paper and to listen; this helps to get an unbiased and clear picture of the real constraints, ideas and growth potential of the business.
Each partnership has to be approved by the Team Leader and Country Representative based on a detailed Partnership Proposal and Justification – typically a 10-page document that essentially captures the business case or reasoning for entering a specific partnership. Given that strategic partnerships have to address a binding constraint to inclusive sectoral growth, each proposal starts with the relevant sector strategy table, which maps the key constraint areas and changes required to make the sector grow and function better for poor women and men. This is important in order to frame the proposal, and to cross-check its relevance against sectoral objectives.

**Box 3: Project snapshots of two early partnerships in the horticulture and tourism sectors**

In its first year, MDF entered six private sector partnerships in the horticulture and tourism sectors, of which five are still ongoing and progressing. Two examples include MDF’s collaboration with Standard Concrete Industries in the horticultural and agro-exports sector, and the Crab Company of Fiji as part of its focus on tourism-supporting industries. Each of these partnerships help address binding constraints to inclusive sectoral growth by introducing something entirely new to Fiji’s economy, benefitting the poor women and men as clients or suppliers.

- **Standard Concrete Industries (SCI):** High soil acidity is a major problem hampering agricultural productivity in Fiji. While applying agricultural lime (or Aglime) is known to be a simple solution for this, the high costs of imported Aglime and low awareness among farmers prevented its adoption in Fiji. MDF therefore approached SCI, a leading cement producer from limestone for Fiji’s construction industry. SCI was unwilling to venture into this new line of business without knowing about its profitability. MDF therefore co-financed a feasibility study which showed that Aglime could be a viable business model for SCI. As a result, SCI has invested in machinery and distribution networks, and now sells Aglime at affordable prices to a growing population of poor farmers across Fiji. Outreach to farmers has also been facilitated by MDF, through cost-shared promotional activities such as demonstration plots; recruitment of SCI field promoters; capacity-building of retailers and SCI field promoters; and awareness-raising among institutional clients. Such clients now include, among others, the Fiji Sugar Corporation, the Fiji Co-operative Dairy Company Ltd and the Ministry of Agriculture.

- **The Crab Company of Fiji (CCF):** The quality and number of wildly caught crabs in Fiji is highly variable. The CCF had the unique idea of setting up the first commercial, sustainably managed mud crab farm in Fiji to cater to the demand of Fiji’s tourism sector, and potentially even international markets. MDF decision to support CCF was motivated by the desire to demonstrate the viability of this new business model to risk-averse banks and other market actors. Working capital constraints had slowed down CCF’s path to profitability, making it hard to scale up its operations and reach break-even. For example, CCF required additional ponds as well as mangrove pens to absorb its hatchery output. It had developed plans to work with an village-based outgrower network of female growers, but had been unable to move forward.

MDF therefore agreed to share the costs of developing a number of ponds and mangrove pens as model sites and to cost-share two technical advisors for one year (until expected break-even) – to oversee operations at the hatchery, ponds and mangrove pens. CCF now supplies mud crabs to more than 30 hotels in Fiji.
The detailed assessment process that follows is similar for all sectors and types of partners; while the focus will be on MDF’s work with businesses, the logic remains the same for other partners: partners need implement and cost-share an innovative approach to addressing sectoral growth constraints – with the potential to deliver lasting and scalable impacts. MDF’s first partnership in the Export Processing Sector, for example, is with Fiji’s Export Council, a membership organisation of exporting business. This partnership will be described in more detail in Chapter 2.4.

The key elements of partnership proposals as well as illustrations from different MDF projects are elaborated below; this includes WEE-related aspects, which, as noted earlier, are an integrated concern in all sections of the proposal. More examples of MDF’s partnerships will be gradually introduced following each element of the project proposal.

**Overall logical reasoning behind partnership:** As a first step in the proposal, MDF staff has to describe, step-by-step, the basic logic behind the intervention idea: who is the business partner and why is it strategically positioned, capable and commercially interested to invest in the project? Why is MDF support required; has commercial finance been explored by the business? The innovative aspect of the project also has to be clearly outlined: Innovation is the mechanism through which MDF seeks to improve the current development path or functioning of a sector. Hence, it needs to be explained how the project changes the way things used to be done, at the level of the partner or the entire sector, and why this is significant.

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**WEE-lens**

As part of the general rationale behind the partnership, also considers current partner engagement with women and a review of the capacity and interest of the partner to undertake activities with women.

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**MDF Partner:**

**Essence of Fiji**
A more detailed intervention plan included in the proposal builds on this and other information to provide a ‘step-by-step’ partnership summary: this narrative links each proposed partnership activity with expected results, from the partner level up to the sector level and poverty reduction impacts. Once a partnership is agreed, this information is represented in a results chain – which serves both as a project measurement and management tool. This will be further explained in Chapter 2.5. An example of a results chain for the second phase of MDF’s partnership with **Standard Concrete Industries** is included in Annex 3.

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**WEE-lens**

For each change step, the team identifies areas where women’s roles are critical for the intervention’s success, the partner activities that need to be accessible by women, and possible support measures to reduce any women-specific constraints. Expected results are presented disaggregated by women and men.

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**KK’s Hardware**: A structural problem in Fiji’s horticultural sector is a lack of sufficient stocks and different varieties of seeds, including those that would allow farmers to grow crops throughout the year and seasons. Currently, Fiji has only one licensed seed importer. KK’s hardware, a company traditionally focused on construction materials with a retail network across the country, saw this as an opportunity to diversify into seeds and other agro-inputs. Complex regulatory requirements of Fiji’s Biosecurity Authority and lack of knowledge of the seed import business has, however, prevented him from entering this business. The main purpose of the partnership was therefore to develop the capacity of KK’s hardware to understand seed import compliance requirements and to identify suitable seed exporters; and to facilitate the process of getting the import permit from the Biosecurity Authority.

**Essence of Fiji** is an innovative Spa and Beauty product company catering to Fiji’s tourism industry through its own facility, supplies to resorts and retail shop as well as online sales. Its plans to expand into a bigger facility as well as new and larger quantities of beauty products offered particular opportunities for improving tourists’ experience of local goods and services while involving women as employees and suppliers of raw materials. For its seaweed product range, for example, poor quality and irregularity of supply, however, made it difficult for Essence of Fiji to expand its local sourcing. The partnership with MDF therefore included the engagement of two local training specialists in seaweed and coconut production who would develop training manuals for Essence of Fiji and provide an initial training to local suppliers.
**Sector-orientation of the partnership:** The next section serves to demonstrate in more detail potential of the partnership to achieve have a strategic impact, by addressing a binding constraint for sectoral growth; this can be through the business growth, the provision of a better product or service, and/or support to changes in rules and regulations. As noted earlier, sector-level results chains are regularly updated to reflect which growth constraints individual partnerships address (see also the example in Annex 2).

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**WEE-lens**

Particular attention is paid to the relevance of the partnership to addressing constraints faced by women to access jobs, better incomes or services which were identified in the Inclusive Sector Analysis.

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**Tifajek** is a business run by a native Fijian family whose idea was to develop the naturally occurring hot springs on its land into an open-air Spa-like facility for tourists with a mud pool and a hot pool. Being located in a small community outside but within driving distance of several tourist resorts, it offered good opportunities to diversify tourist activities into more remote areas – as recommended in the *Inclusive Sector Growth Strategy* – and create significant new employment and income opportunities for the community. As part of the partnership, MDF agreed to share the costs of a landscape architect to expand the facility. To create additional benefits for local women, MDF also supported the production of makeshift carts which will be used for the sale of locally made handicrafts by 30 local women to tourists. Another example of a partnership in this area is Talanoa Treks, Fiji’s only reputable hiking tours company, in building the capacity of remote, poor communities in hosting tourists.

**Farmboy** is a specialised wholesaler of fruit, vegetables to hotels and resorts across Fiji’s islands. It already had a well-developed network of about 100 supplying farmers, to whom the company also delivers private extension services. The objectives of MDF’s partnership with Farmboy were to expand the business, including by upgrading the company’s cold storage and processing facilities (e.g. for juice production) in order to allow for a more consistent year-round supply of local produce to the tourism sector. This had been identified as a major opportunity for inclusive growth in the Inclusive Sector Analysis.

Examples of partnerships addressing the same inclusive growth constraint include **Devesh and Bharos Farms**, a small-scale commercial seedling supplier who required support in building and managing an upgraded nursing facility following growing demand from wholesalers to provide quality seedlings to growers in their supply chains; and **Southern Solutions (SS)**, which is a one of Fiji’s very few, if not the only local fish processors selling premium portion packs to hotels. MDF partnered with SS to help the company increase it sourcing volumes and processing capacity, as it was unable cater to the growing demand for fresh, portion-packed fish from major hotel chains and resorts. This includes developing a more structured supply network with local fishermen and building the company’s capacity to process, blast freeze and store fish.
**Strategic choice of partners:** MDF only enters partnerships when it is confident that there are no other, more strategic types of partners that it could engage with to achieve the same objectives more effectively. For example, would it make more sense to work with a government body rather than a business to address a particular constraint? Which types of actors in a value chain have the biggest capacity and commercial incentive to move into a new business line? Would farmers benefit more from selling to other types of companies than the proposed partner? Similarly, once it is clear that a certain type of partner is the most suitable one, the team needs to explain why a specific business should be chosen over similar ones. Typically, this is because the business is the only one of its type in the sector or no other business is willing or able to implement the proposed innovation.

**WEE-lens**

Where women are a relevant beneficiary group in the context of the partnership, the team would explore whether the business is strategically placed to address relevant WEE constraints in its sector while advancing its business interests at the same time.

**Farmboy,** for example, was strategically placed to partner with MDF in this area for various reasons: It was the only wholesaler providing significant volumes of local fruit and vegetables to resorts and working with an established, scalable network of local farmers that was willing to work with MDF and influence farmer choices by providing market information and advice. Compared to other actors in the market, the company also has particular incentives to promote local supply, as well as to work towards food safety certification for processed food, as it is the only distributor not importing itself.

**Partner capacity:** The functioning of partnerships significantly depends on the capacity of the partner to engage with MDF. The team therefore reviews the company’s financial track record, such as its cash flow and loan history, as well as the capacity and availability of staff to implement the partnership activities.
Innovating Private Sector Engagement in the Indo-Pacific Region

To assess the likelihood of sustainable changes for women, the team evaluates whether working with women would be commercially viable for the company, and if women have incentives for continued engagement, e.g. by being able to control income earned.

**Sustainability:** In order to justify a partnership, MDF staff needs to present an informed view on why the partner has an incentive to continue the activities after the end of the partnership. This requires the team to get into the ‘nuts and bolts’ of the business model: For example, in what way does the partnership help the business in meeting the conditions for profitability? How will the needs and demands of poor consumers or suppliers be met? And can profitability be achieved within a reasonable time frame? It is also important for the team to show that opportunities exist for other businesses to copy the business model if successful, or to provide new supporting services around it. This is one way in which MDF can build significant momentum in sectoral growth.

**WEE-lens**

To assess the likelihood of sustainable changes for women, the team evaluates whether working with women would be commercially viable for the company, and if women have incentives for continued engagement, e.g. by being able to control income earned.

A new partnership in the Export Processing Sector with the garment factory **Mark One Apparel**, focuses on proving the sustainability of providing better services to women – by introducing a company-managed daycare centre for the children of workers. Arguments in favour of sustainability include the prospect of reduced absenteeism by women in particular, reduced staff replacement cost and turnover, and, potentially, higher productivity and incomes by women. MDF’s has agreed to cost-share a feasibility study to assess the commercial viability of such a daycare centre, as shown in the figure in Annex 4.

**MDF Partner:** Farmboy
Risk assessment and mitigation, including environmental considerations: The Partnership Proposal and Justification also considers any major risks associated with the partnership and how the programme can prevent or mitigate these. This includes a summary of any possible environmental risks, based on the findings of MDF’s environmental checklist. This checklist has been specifically developed by MDF to integrate environmental considerations into its day-to-day operations. It operationalises environmental guidelines developed by MDF in order to comply with both Australian and Fijian environmental law. If any concerns emerge during the check, MDF can commission further in-depth studies, integrate additional support interventions or even decide not to go ahead with a partnership.

WEE-lens

To assess the likelihood of sustainable changes for women, the team evaluates whether working with women would be commercially viable for the company, and if women have incentives for continued engagement, e.g. by being able to control income earned.

As crab farming can cause significant environmental impact, MDF did not commence its interventions with the Crab Company of Fiji before an Environmental Management Plan approved by Fiji’s Department of Environment was in place. Similarly, to comply with Australian Law, MDF contracted a consultant to conduct an initial environmental assessment which would identify whether a full Environmental Impact Assessment would be required.

Expected cost-sharing arrangement: Finally, the anticipated contributions of each partner to different activity areas are clearly quantified. In essence, this is the core element of the more comprehensive Partnership Agreement, which outlines the respective roles and responsibilities of the partners in more detail after approval of the partnership proposal.

In the case of Adi Chocolate, a chocolate producer sourcing cocoa from Fijian farmers, MDF helped to work towards a ten-fold increase of production volumes through a range of cost-shared support interventions:

* Adi – 100% of costs of 8 new machines | MDF – 100% of the costs of a refining machine

* Adi – 100% of the costs of hiring an architect and fitting out the new facility to ensure that it meets the requirements for international food safety certification | MDF – 100% of the costs of a consultant on international food safety certification

* Adi – developing a plan for plantation rehabilitation and farmer training; 50% of the cost of a farm manager to help enhance quality of dried cocoa | MDF – 50% of the cost of the farm manager (for the first year of his employment only)
Box 4: Would this happen anyway? Additionality in MDF’s business partnerships

At frequent question about financial support to the private sector is: Would the business not have done this anyway, since it is in their commercial interest? Was donor support adding any value, i.e. was it ‘additional’? In MDF’s case, its detailed partner selection process ensures that additionality is achieved in every partnership. For example, as part of the overall logical reasoning behind the partnership, MDF will enquire why its support is needed and whether other forms of financial support, e.g. from banks, have previously been explored by the partner. It also reviews whether other partners in the market would be better positioned to implement the project – as outlined above.

The exact added value can however vary from partnership to partnership. In many cases, MDF finds that partners don’t have enough financial resources to implement the project – or at least to implement within the short to medium term. Many MDF partners have unsuccessfully applied for a bank loan before. In fact, because MDF is seeking out highly innovative projects, it is generally much less likely that commercial finance is an option for them. More than half of MDF’s partners not only introduced an innovation to their work, but are ‘first-of-its-kind’ business ventures in Fiji. Tifajek, for example, was rejected by banks and other donor projects before MDF agreed to support its business model. In many other cases, MDF has helped companies to implement and expand their business model at a much quicker pace. Essence of Fiji, for instance, recently added a new product line using seagrapes – a fruit mainly harvested by women; without MDF’s support in other areas, it would not have been financially capable to expand into new areas so quickly. In other cases, MDF’s support was instrumental in leveraging in commercial finance; Devesh and Bharos Farms, for example, was able to secure a loan only because of MDF’s involvement.

MDF also often approaches partners with new ideas, and pushing the boundaries of what they would have normally done, for example in favour of women’s economic empowerment. MDF also adds value through its regular advice on various aspects of the business model, often focusing on issues that businesses are less familiar with, such as training of poor suppliers. This means that MDF helps companies to change the quality of their growth process and to make it more inclusive.

Ultimately, MDF’s additionality goes beyond its role for each individual partner: Based on its initial analyses and Inclusive Sector Strategies, MDF catalyses sector-wide growth processes through the interaction and sum of its partnerships – something that is highly unlikely to have happened otherwise.
Once a Partnership Proposal and Justification has been approved, a formal Partnership Agreement is drafted by the team based on discussions and negotiations with each partner. The contents of these agreements are further outlined in Box 5 below.

**Box 5: A MDF Partnership Agreement: What’s in it?**

Each MDF Partnership Agreement includes two parts: One standardised section, and one that describes the details of the individual partnership.

**The ‘Standard Terms and Conditions’ specify key aspects, responsibilities and obligations, such as:**
- the parties to the agreement and its structure;
- the responsibilities of the partner in results monitoring and agreement of both parties to share and exchange relevant information;
- the terms of payment and procurement;
- who the partner may liaise (e.g. not directly with DFAT) and the conditions for using the MDF and DFAT names;
- confidentiality and conflict of interest issues;
- conditions for sub-contracting of activities under the agreement;
- condition for terminating the contract and resolving conflicts;
- insurance requirements; and
- MDF’s anti-fraud policy.

**The ‘Partnership-Specific Section’ begins with a summary of the partnership duration and time-bound deliverables by each partner. The following sections include**
- specific information on monitoring and information responsibilities by each partner, by area of activity, type of information, and with an indication of frequency (e.g. every six months for two years);
- a overview of the partnership idea and introduction of each partner, including a description of the partner company’s business model and strategic role in its sector;
- a detailed rationale behind the partnership and relevance for the Inclusive Sector Growth Strategy for Poverty Reduction and WEE;
- the partnerships’ specific objectives and a detailed intervention plan and expected results for each intervention area;
- the intervention budget, detailing who is paying for what;
- the deliverables and conditions for payments by MDF to the partner by intervention area and specific activity; and
- any other relevant information.

Any amendments to an agreement that may be made over time are attached to the original document.
b) Lessons learnt on building strategic and genuine partnerships

**Partnership identification and negotiation**

Identifying and negotiating sector-oriented partnerships is a complex effort in which MDF has become increasingly proficient, based on the growing experience and capacity of its team.

*In particular, the team has to balance its needs for robust and detailed information with the time-constraints and interests of the business:* a time-intensive and demanding process would risk putting off potentially strategic partners. One way in which MDF ensures a good quality process is to team up junior staff with one or more senior staff members in the initial discussions with businesses. The MDF team also functions as a ‘sounding board’ for the lines of inquiry and decisions taken by individual staff, based on frequent exchanges with other staff during the process. This will also be further elaborated in Chapter 2.5.

*Managing the expectations of businesses is also critical.* Many are used to traditional donor-funded programmes which operate on a full grant basis. This is why MDF makes clear from the very first meeting with partners that cost-sharing is a condition for collaboration. Businesses that only seek free subsidies are also quickly filtered out this way.

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**Different scenarios of how partnerships influence women’s economic empowerment**

A critical question for MDF is, of course, how the various diagnostic questions regarding WEE ultimately inform the design of partnerships. In MDF’s experience so far, five different scenarios emerge of how potential partners relate to WEE and what MDF will do about it. While these are outlined in more detail in MDF’s *Strategic Guidance Note on WEE*, they are be briefly summarised in the table below:
<table>
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<tr>
<th>Role for women</th>
<th>Description</th>
<th>MDF/ partnership activities</th>
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<tbody>
<tr>
<td><img src="#" alt="potential" /> <strong>Potential for better economic opportunities via household income</strong></td>
<td>The partnership is strategic for achieving sectoral growth and poverty reduction for women and men. Women benefit primarily through benefits to poor households as the economic activity relevant for the partnership is dominated by men. There are no indications of risks in any WEE domain.</td>
<td>MDF monitors results for women and men; changes interventions if any risks to women emerge. WEE-focused activities of the partner are encouraged and are opportunity led.</td>
</tr>
<tr>
<td><img src="#" alt="potential" /> <img src="#" alt="potential" /> <strong>Potential for WEE in various WEE domains</strong></td>
<td>The partnership is strategic for achieving sectoral growth and poverty reduction for women and men. The economic activity linked to the partnership is relevant for WEE and there are no binding WEE constraints that prevent women from contributing to growth – and benefitting from it. There are also no indications of risks that any WEE domain could be undermined by the partnership.</td>
<td>MDF monitors results for women and men; changes interventions if any risks to women emerge. WEE-focused activities of the partner are encouraged and are opportunity led.</td>
</tr>
<tr>
<td><img src="#" alt="potential" /> <img src="#" alt="potential" /> <strong>Potential for WEE in various WEE domains if...</strong></td>
<td>The partnership is strategic for achieving sectoral growth and poverty reduction for women and men. The economic activity linked to the partnership is relevant for WEE but there are indications of constraints in one more of the WEE domain that limit women’s ability to contribute to and benefit from growth. Based on its capacities and incentives, the business can be reasonably expected to address these constraints as part of the partnership activities.</td>
<td>A partnership with dedicated WEE activities is formed. Results are monitored, informing changes in interventions, if required. MDF will not enter a partnership if the company rejects working towards the WEE-solutions identified – unless • a separate, supporting partnership can be formed with another partner to address the WEE constraints; • or the strategic relevance of the partnership means that benefits are much higher than the opportunities lost. Women’s’ positions may however not be undermined.</td>
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### Role for women

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<td></td>
<td>The partnership is strategic for achieving sectoral growth and poverty reduction for women and men, but the nature existing WEE constraints means that they are outside of the scope of what a business can address.</td>
<td>MDF will enter the partnership while working with seeking a supplementary partnership with another organisation that is able to address the constraints. Results are monitored and inform changes in interventions, if required.</td>
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<th>WEE constraints are addressed in partnership with another organisation</th>
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### The bigger picture: Thinking outside-the-box of conventional approaches

An effective response to the needs of diverse and evolving partners requires thinking outside the ‘boxes’ of conventional categories of economic development support – this is one of the key conclusions that MDF has drawn for its work. To illustrate this, it is useful to consider two ends of the spectrum of economic development support. On one end, traditional enterprise support programmes focus on providing advice and 100% subsidies for machinery and other ‘hardware’ needs to standalone businesses, without being concerned about catalysing private sector contributions or their strategic relevance for the wider economic sector. On the other end of the spectrum, a newer generation of programmes uses partnerships with business strategically to promote inclusive sectoral growth; another difference to traditional programmes is their exclusive focus on technical assistance to partners and sharing the costs of agreed project activities. The rationale behind this was to avoid attracting the wrong partners, which may only be interested in ‘freebies’ handed out by development projects.

Such strategic technical assistance-based partnerships have been appropriate and effective in larger, dynamic economies, where programmes were able to choose from a wide range of partners. This enabled them to work with those that were well positioned to promote inclusive change in a sector, but only required additional know-how or technical assistance to do so. MDF realised that this was not always workable in thin markets like Fiji, with relatively less advanced and smaller partners – many of them first generation businesses. In addition to knowledge, these often lacked the financial resources or
infrastructure to take their business to the next level. As was illustrated in the previous section, most business – ranging from Essence of Fiji, to Devesh and Bharos Farms or Adi Chocolate – required a combination of financial support to investment in facilities or equipment, technical assistance to build their supply chains and, sometimes, assistance with working capital. The standard ‘toolbox’ of other strategically-oriented private sector engagement and development programmes therefore seemed to be at a mismatch with what businesses really needed to develop and contribute to poverty reduction in their sector.

**MDF is therefore ‘breaking the barriers’ between existing communities of practice by adapting its approach to the specific contexts it is working in:** Like other newer generation programmes, it focuses on strategic, sector-oriented partnerships that leverage private resources based on cost-sharing; the type of support is, however, decided in a flexible manner based on what the partner really needs in order to grow – typically in the form of a mixed package of growth support measures – to create an effective stepping stone towards the desired sectoral development impacts. In other words therefore, MDF has opted for a pragmatic rather than purist view on how development partners should support sustainable economic growth and poverty reduction. This is also clearly in the spirit of DFAT’s *Aid Policy*, which instructs programmes to use pragmatism and results-orientation as important principles of their work.

In order to avoid the risk of dependencies created by traditional enterprise development support programmes, MDF’s has adopted a nuanced approach to cost-sharing: Where hardware support is part of the partnership activities, MDF reimburses a maximum of 50% of the costs; in the case of technical assistance, the programme is more flexible. For example, if an initial feasibility study is expected to leverage substantial investments by the partner later on, MDF can consider paying a higher share of the study cost. It is also important that MDF typically does not pay directly for joint activities. The business is always put in the driver seat and reimbursed based on relevant paperwork.
“MDFs continuous follow-up is like a sounding board for my business decisions. For example, I have learnt a lot from MDF’s expertise in working with poor suppliers and that the training we provide needs to be refreshed regularly, and not done as a one-off. MDF has also been very flexible in helping to address my changing needs during the company’s growth. Having said that, they didn’t give me money for everything that I proposed – and I now understand better why.”

MDF partner, Essence of Fiji

“Australia’s development programme has an international reputation for flexibility, responsiveness and pragmatism. We will draw on these strengths to implement the required shifts in focus outlined in [the] new aid policy.” Australian Aid: promoting prosperity, reducing poverty, enhancing stability, DFAT, 2014.
**a) Key elements of a smart engagement approach**

In MDF’s experience, the effectiveness of partnerships does not only depend on their initial design, but on the quality of the ongoing engagement with the partners. In a nutshell, and in line with the principles outlined in DFAT’s *Aid policy* quoted above, MDF’s engagement with partners aims to be ‘smart’ –

- adapted to the needs and capacities of the individual partners;
- focused on the strategic development objectives of the partnership; and, at the same time,
- responsive and nimble enough to react to new challenges or opportunities that arise at partner or sector level.

This means that, rather than relying on a blueprint for what to do to manage partnerships, MDF focuses on the how; it does not offer standardised solutions but always tailors them to the specific issues faced by the company. To make this possible, MDF considers regular exchanges with partner companies and field visits as a central function of the programme team. These help ensure that partnerships keep progressing as planned, any risks are anticipated, and appropriate actions can be taken where necessary. This responsiveness is facilitated by MDF’s regular results monitoring, as will be further explained in Chapter 2.5. A small number of partnership agreements have been terminated prematurely if the partner was no longer committed to fulfilling the agreement. In general, however, these actions involve giving some kind of advice, linking up different actors, or, if need be, extending, adding or adjusting interventions.

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**MDF partnership snapshot: Farmboy**

A look into Farmboy’s fruit and veg processing facility. Farmboy sources from local farmers to supply to hotels and resorts, which traditionally rely on imports from overseas.
The following examples illustrate the importance of flexibility and adjusting interventions.

In the first phase of MDF’s partnership with Adi Chocolate, extension services were given in a generic format to male and female cocoa farmers. As men were more active and more visible in the field, their needs were initially better known to MDF than those of women. Through household-level interviews, MDF learned about the different roles of women, who were particularly involved in the fermentation and drying of cocoa. This process is particularly critical for the quality and price of cocoa. In the second partnership phase, MDF will also consider the introduction of new technologies that could help reduce the workload and increase the productivity of women. This will form an initial step towards transforming women’s opportunities in this supply chain.

As touched on in Box 3, MDF also entered a second partnership phase with Standard Concrete Industries after the business case for selling Agricultural Lime to Fiji’s farmers had been successfully demonstrated and production started. Exchanges between SCI and MDF, however, soon revealed that sales were not picking up as expected and that SCI’s marketing activities had been ineffective in raising awareness among potential clients. Given that Agricultural Lime was a new business line for SCI, it had underestimated the amount of promotional activities and level of marketing expertise required. The second partnership phase, in which MDF supported field demonstrations as well as marketing vis-à-vis institutional clients was therefore essential in catalysing SCI’s success and reaching the poor.

MDF support to South Pacific Elixiers (SPE) included the set-up of a new outgrower scheme through which SPE sources the local Kava crop to produce the first range of Kava drinks for international markets. However, trust issues soon seemed to undermine buyer-supplier relationships. While Fijian farmers normally dry Kava for several weeks before they sell it, processing the drink requires SPE to buy fresh, wet Kava. As MDF found out during monitoring visits, trust issues stemmed from the fact that SPE only weighed Kava at its processing facility, paying farmers on that basis; farmers further did not understand why they received a lower price for the same weight of wet Kava as dry Kava. In response, MDF and SPE agreed to cost-share a farmer relationship manager, who would answer questions, weigh Kava in front of the farmers and pay them directly; the manager also provides training and advice.
Over time, MDF has spotted opportunities to facilitate business collaborations between different partners, to support their growth further and achieve more traction for sectoral growth. One example in the tourism sector is the spa facility and beauty product producer *Essence of Fiji*; in its newly established beauty facility, it has begun to sell products from other MDF partners, including *Coconut Kids* (a local producer of kids’ toys), *Mailife* (a local travel magazine producer showcasing tourism options in outer islands and rural inland areas) and *Adi Chocolates* (Fiji’s first chocolate producer sourcing from local cocoa farmers). It is also offering excursions to the naturally occurring hot pools of MDF partner *Tifajek*. Separately, MDF is also looking into opportunities to raise awareness among fruit and vegetable farmers supplying farming about the benefits of agricultural lime.

Sometimes flexibility is required for simple reasons, such as weather patterns. In the case of the fruit and vegetable exporting company *Maqere*, MDF extended its cost-sharing of a private extension officer who was due to provide training to supplying farmers. His work got delayed due to severe drought that had affected the area for several months. MDF therefore saw the need to allow for more time in order to fully demonstrate the value of hiring a private extension agent to Maquere. During the extended contract, the agent has also begun to integrate advice on irrigation in his services.

Another key insight emerging from MDF’s work is that strategic partnerships in Fiji often require more than a relatively short-term or light-touch input. As outlined above, MDF typically needs to support business through comprehensive change processes, which may include investment into machinery, technical assistance and supply chain development. The business culture in Fiji often means that things progress more slowly than anticipated, and business management skills may be rudimentary. Overall, this also means that a significant level of ongoing mentoring and advice is required, typically involving at least weekly follow up by the MDF team. Exit from support may happen later than in other contexts. Accepting and addressing such context-specific needs and timelines is therefore central to a responsive engagement approach.
b) Lessons learnt: Requirements and challenges for smart engagement

Smart engagement with the private sector requires a new way of thinking about the role of donor-funded initiatives in catalysing change.

First of all, strategic programmes can only be effective if they have the necessary human resources to meaningfully engage with each individual partner. In other words, while staff time has often been considered as ‘overhead’ by donors, MDF perceives it as part and parcel in the implementation of a strategic private sector engagement and development programme. This is in contrast to other types of initiatives working with business. Challenge Funds, for instance, work with less staff as their engagement with partners is typically kept to the necessary minimum; cost-shared activities are agreed upfront, with limited programme inputs and scope for changes during implementation. While such an approach may offer opportunities with more advanced partners, it might have its limitations in encouraging local private sector development and sectoral growth in a context like Fiji.

The ambition of smart engagement with business can also pose new challenges for programmes like MDF, for example in balancing flexibility with fixed annual budget targets. For MDF, adopting a private-sector oriented management approach did not only require flexibility in addressing new challenges and opportunities; it also meant, to some degree, accepting the local ‘pace of things’. In 2014, for example, MDF has only been able to spend about half of the amount originally committed (however leveraging almost twice the amount in private sector investment). Delays can occur for various reasons – ranging from limited capacities of the partner to slow bureaucratic processes. For example, it took one partner in horticultural processing an entire year to obtain government licences for constructing a cold storage facility that MDF had agreed to support. Even though such partnerships may have been slow to start, they are now functional and progressing.

To create better conditions for MDF’s engagement with business, DFAT posts as the main funders have therefore made steps towards greater budget flexibility in each programme country: MDF can now inform the post until May of each financial year at the latest about any spending shortfalls it expects; shifting unused funds to the next year can then be negotiated. MDF has also drawn its own lessons for how it manages the partnership process: As a consequence of experiences with bureaucratic delays, MDF generally now holds off signing any partnership agreement until all licenses are fully in place.

Smart engagement also requires staff to be savvy about managing both the growth needs of businesses and the broader principles and objectives of the programme. This is not always an easy task and can involve important trades-off, for example between the sustainability or and speed of change: As noted earlier, one of MDF’s fundamental principles is to work through local actors of change, rather than implementing the change itself. In thin markets like Fiji, however, MDF found that this principle was not always easy or practical follow.

• For instance, weak management practices are a common problem in MDF’s partners. However, commercial advisory services for small businesses are hardly existent in Fiji and businesses are not aware of their added value. Developing this service sector would be a longer term process. MDF therefore opted to directly hire management consultants from Ernst&Young to support six partners in setting up appropriate accounting systems. This was intended to generate some quick wins – including making the business more bankable – and demonstrate the value of management advice to partners as a first step towards creating demand for local services.
• **Another example is MDF’s support to businesses in the horticultural sector in achieving compliance with international food safety standards (HACCP).** Initially, MDF directly bought in consultants to provide this service. It realised, however, that demand and supply of HACCP services could be a commercially viable model in itself and procuring these services should be the role of the business. As a result, MDF now only undertakes quick assessments of partners’ readiness for HACCP compliance; consultants then have to be hired by the partner itself.

• **A related issue is the right sequencing of support to businesses.** In Fiji’s context, an important lesson for MDF was that partnerships often have to begin with building business capacities first; it is only once relevant production facilities or processes are beginning to be in place that it makes sense to shift the focus to support measures for poor suppliers or customers.

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**MDF partnership snapshot: Tijafek Mud Pools and Hot Springs**

Diversifying tourism – from well-established resorts to rural adventures. Naturally occurring hot and mud pools owned by a family-run business being further expanded and developed with MDF’s assistance.
The Market Development Facility is “an existing pilot project, (...) which provides Australian development assistance money partnering with private sector businesses, (...) that is working.” Julie Bishop

**a) An overview of MDF’s progress on the pathway to development impact**

Across its target sector and countries, MDF expects development results to emerge according to a broadly similar pathway or logic. This logic, in simplified terms, and relevant headline indicators, are illustrated below:

**Figure 3: Simplified Impact Logic for MDF’s portfolio of interventions**

- Additional jobs and income for poor women and men as employees, clients or suppliers...
  ... due to improvements in access to products, services, skills, infrastructure etc. and in agency domains for women
- # of businesses, small farms and workers – that are able to increase their productivity and/or benefit financially
- Value of additional market transactions: value of payments made between the partner and other actors covering the additional revenue generated from the product or service on behalf of either the partner or the beneficiaries; this indicator gives an immediate feedback on the extent to which a new partner product or service gets traction in a sector
- # of Innovations successfully introduced
  # of Regulatory Reforms implemented
MDF is making concerted efforts to be transparent about its achievements and advancing knowledge on promoting economic development in different contexts. As such, MDF is one of a few programmes globally in its field that publish an Annual Aggregation of its Results. Two reports have been published on portfolio-level results in Fiji (for the years 2013 and 2014), including data against DFAT’s Aggregate Development Indicators and information for DFAT’s Aid Quality Check.¹⁵

This section will look at MDF’s progress towards results from three different angles: It will begin with a short summary of portfolio-level results in Fiji for the year 2014, based on the Annual Aggregation of Results. Secondly, to put these results into context, it is useful to take a closer look at two aspects: how the results evolve over time and how they compare to the results of a similar programme that is operating in a different economic context. Lastly, to illustrate the portfolio-level results with specific examples, the section will explore the achievements of individual partnerships.

### MDF’s portfolio-level results in Fiji in 2014

The results achieved in the year 2014 show that MDF’s approach has begun to deliver results by influencing sectoral constraints for inclusive growth: By the end of the year, MDF was supporting 23 active partnerships and 29 innovations with a strategic role for inclusive growth in their sectors. Most of MDF’s partnerships were located in horticulture and tourism, while one partnership was active in the recently added export processing sector. Many, but not all have been introduced in this case study: Standard Concrete, the first Agricultural Lime producer in Fiji; South Pacific Elixiers, the first company in Fiji and worldwide to develop a patented formula for an anti-anxiety drink made from locally sourced Kava; Southern Solutions, the first-of-its-kind business in Fiji – buying from local fishermen and selling premium cut fish to hotels and resorts; the first agro-exporter in Fiji to invest in a full-time field agent to help farmers increase their productivity and incomes; or Western Dairy, which receives MDF support to launch the first fruit juice drink made from local fruit.

Through these and other partnerships, MDF leveraged USD 1,552,000 in private investment, with a leverage ratio of 1 to 1.6. Partnerships triggered additional market transactions worth

¹⁵ Annual Aggregation of Results, 1 January 2014 – December 2014, MDF 2015.
USD 654,000. Out of the 23 partnerships, thirteen had reached sufficient maturity to benefit the poor – through better access to products and services and additional employment opportunities. In total, 1016 poor people earned USD 609,000 in additional income from wages and sales: 516 women earned an additional USD 266,000 and 500 men earned an USD 343,000. 57 Full Time Equivalent jobs were created, taken up by 26 women and 31 men.\(^{16}\)

**Putting things into context (1): MDF’s results trajectory over time**

This is because MDF’s thorough sector and beneficiary analyses and support to complex change processes at partner level mean that initial results take time to unfold; however, once partner businesses improve or introduce goods or services, and other actors in the sector respond by using or investing in them, the sector begins to function better and grow. Commercial incentives mean that this process, and the associated benefits for the poor, should continue to grow in scale after support ends. While MDF is typically able to measure initial poverty impacts within three years after the beginning of a partnership, the expectation is therefore that these will increase substantially in the medium term, e.g. 5-10 years. Analyses of MDF’s achievements or comparisons with other programmes at any point in time therefore have to be based on a thorough appreciation of this trajectory. This is particularly important in the context of the increased attention given to performance targets and value for money – as part of DFAT’s *Aid Policy* and by other donor agencies.

The charts (Figure 5 and 6) below illustrate that MDF seems to be ‘on track’ in achieving desired results trajectory: By comparing MDF’s early result data in 2013 and 2014, and considering MDF’s results projections (based on the current portfolio of partnerships), increases can be seen at all result levels over time. The programme-wide projections are not simply ‘wishful targets’ but based on documented research, thorough analysis and calculations for each individual partnership for up to two years after the end of MDF activity.

\(^{16}\) Annual Aggregation of Results, MDF, 2015.
Innovating Private Sector Engagement in the Indo-Pacific Region (i.e. 2019). These are typically developed within the first year of partnership implementation, and periodically reviewed and updated – in line with the DCED Standard for Results Measurement. As will be further explained in Section 2.5, the DCED Standard is a widely established tool among donor agencies and practitioners for measuring results in practical, yet credible ways.

Figure 5 starts by showing increases in MDF’s portfolio-level outputs and outcomes between 2013 and 2014: the number of partnerships, innovations and amount of private sector investment leveraged; and the value of additional market transactions triggered. Significant increases in the value of additional market transactions in particular show that the innovations introduced through MDF’s partnerships are beginning to be increasingly taken up in their target sectors.

Supporting data:
- 2013: 12 partnerships; 12 innovations; MDF investment: USD 687,000; Partner investment: USD 1,252,000
- 2014: 23 partnerships; 29 innovations; MDF investment USD 972,000; Partner investment: USD 1,552,000
Figure 6 illustrates early signs of possible exponential increases in MDF’s beneficiary-level results between 2013, 2014 and 2019 (projected based on the current partnerships portfolio) – including in the total number of beneficiaries, the number of jobs created, and increased incomes generated.

Supporting data on FTE (full-time equivalent) jobs created:
- 2013: 17
- 2014: 57
- 2019 (projected based on existing portfolio): 650

Supporting data on additional income created at beneficiary level:
- 2013: USD 39,500
- 2014: USD 609,000
- 2019 (projected based on existing portfolio): 5,789,000

Supporting data on total beneficiary outreach:
- 2013: 22
- 2014: 1016
- 2019 (projected based on existing portfolio): 9860
While the charts above show that in Fiji’s economic context progress towards impacts on beneficiaries takes time to unfold and MDF will continue to verify whether an exponential results pathway is indeed happening, the initial ‘jump’ in beneficiary-level results between 2013 and 2014 indicates that MDF is off to a promising start.

The results figures for 2013 and 2014 also imply that the ‘value for money’ delivered by MDF is increasing over time.

While different views exist of how to best assess value for money, a simple way of looking at it is the ratio of cumulative development outcomes and cumulative investments made by MDF into partnerships. This is illustrated in Figure 7 below – using the ratios of cumulative development outcomes (additional market transactions and additional incomes for beneficiaries, respectively) and cumulative investments by MDF into partnerships in 2013 and 2014.

Figure 7: Increase in value for money over time: Ratio of cumulative development outcomes to MDF investments into partnerships – 2013/2014

Supporting data on value for money in terms of additional market transactions and incomes:

- 2013: Value of additional market transactions divided by MDF investments into partnerships in 2013: 88,000 / 687,000 = 0.12

Value of additional incomes divided by MDF partner investments in 2013: 39,500 / 687,000 = 0.057

- 2014: Value of cumulative additional market transactions divided by cumulative MDF investments into partnerships 2013-2014: (88,000 + 654,000) / (687,000 + 972,000) = 0.45

Value of cumulative additional market incomes divided by cumulative MDF investments into partnerships 2013-2014: (39,500 + 609,000) / (687,000 + 972,000) = 0.39
Putting things into context (2): MDF’s results in Fiji in the context of its economic conditions

Both the scale of impacts and the pace at which they can be achieved are influenced by the economic context MDF is working in. Given the size and growth potential of Fiji’s small island context, it has become clear that the scale of outreach is bound to more limited and that impacts will be achieved more slowly than in other economies. For example, learning from its own portfolio of countries, MDF reckons that a single big partner company in Pakistan’s economically vibrant regions may have a bigger outreach than the sum of Fiji’s partners in the horticultural sector. And even though Fiji is more developed than Timor-Leste, its growth rates are much lower. MDF’s results in Fiji therefore not only show where the programme is at on its pathway to impacts; they are also an indication of what may be realistically achievable – and in what time frame – in Fiji’s context.

It is however equally important to consider MDF’s impact relative to the size of Fiji’s economy itself: In fact, as a small country, Fiji may also offer opportunities for deeper impact in a few sectors that involve a significant share of the population.

For example, if Standard Concrete Industries achieves its projected outreach of 8,375 farmers, this would mean – in simplified terms – that about 13% of Fiji’s 65,000 farming households could benefit from increased productivity through agricultural lime. Similar potential for ‘deep’ sectoral impact may exist in other intervention areas – such as seed imports (through KK’s hardware and other potential market entrants) or improved inter-island transport links through barge services (see the example of CDP, section b).

MDF Partner: Standard Concrete Industries

See also MDF’s Annual Aggregation of Results (2015)
Innovating Private Sector Engagement in the Indo-Pacific Region

The parts of the sum: Results assessments of individual partnerships

At this point, it is useful to continue looking at some of MDF’s individual partnerships, and what they have achieved so far. As a background to this, it is important to note that when MDF interprets quantitative and qualitative data from businesses, it also stays focused on the bigger picture: it regularly assesses what this information means for the partnership’s current contribution to transformative and lasting impact on the inclusive functioning of the sector. All partnerships are strategically placed to have this kind of impact, but to what extent have they already realised this?

In order to unpack this, an introduction to how MDF structures its internal assessment of partnerships can provide more clarity. For partner businesses and related organisations will look for the following indications of transformative and lasting impact; these are also elaborated in more detail in a new strategic guidance note18 by MDF:

1. **Autonomy:** This includes signs that the partner takes independent decisions to further develop and apply a new business model; it could also include indications that other, similar businesses adopt the partner’s business model, having accepted it as a smart business strategy. For example, complying with the commitments outlined in the partnership agreement would only be an initial step towards autonomy; taking significant and sustained action to use, further improve or expand the business model beyond the partnership – by the partner itself or other businesses – would be a sign that more substantial contributions to transformative impact are being made.

2. **Sustainability:** This includes signs that the partner has the necessary commercial incentives to continue working through the agreed business model, or even re-invest in it. Data on sales figures and end user’s uptake of the new product or service give MDF insights into this. The prospects for sustainability are gradually strengthened when sales figures increase over time, the business model becomes profitable, and stays profitable over multiple business cycles.

3. **Resilience:** A business model is more likely to have a lasting and growing impact on an economic sector, if it is embedded in commercial or other mutually beneficial relationships with other organisations. MDF therefore looks out for signs that other organisations have a vested interested in reinforcing the partner’s business model, or undertake actual initiatives to do so.

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Similarly, when MDF assesses impacts on poor beneficiaries, it tries to draw conclusions on what these really mean in the bigger picture. The following categories are used to this:

4. **Inclusiveness**: Whether people in the target group described in the partnership agreement are indeed gaining access to services, products and/or jobs as expected is a first step in achieving more inclusive economic sectors. If the numbers of poor people benefitting from the business model increase over time, and begin to represent a relevant share of the population group that could potentially benefit, MDF can conclude that the partnership has matured enough to have a transformative impact on how the sector functions for the poor.

5. **Scale**: In this category, MDF seeks to assess the overall scale of impact of the partnership and whether increases in scale are sustained over time. The scale of impact comprises the overall number of people gaining access to services, products and/or jobs as a result of the business model, and the additional income gains they are obtaining.

6. **Women’s Economic Empowerment**: As outlined earlier, a partner can lay the foundations for WEE by providing women with access to services, jobs or other benefits. At the more advanced stages of a sector’s transformation, MDF expects to see signs that women benefit from increased incomes, time savings due to decreased workload and/or decision-making power, and that these benefits are sustained over time. Commercial benefits by the partner from including women as central actors in their business model would reinforce such findings.

Based on these categories, some of the partnership examples outlined below will also include indications of how far these have progressed towards achieving transformative and lasting impacts on inclusive sectoral growth. Note that the results mentioned are *not* an exhaustive reflection of what has been achieved in each of MDF’s partnerships and target sectors, but rather serve as anecdotes and illustrations of results at partnership-level.
Farmboy, the fruit and vegetable wholesaler supplying to hotels, has completed the construction of his processing and storage facility at the end of 2014. In anticipation of the increased capacities, it had already begun to source higher amounts of produce and doubled the size of its network of regular suppliers from 100 to about 200 farmers. Hence, while Farmboy is only at the initial stages of developing sector-wide impacts, there are early signs that additional market transactions are taking place, the business is growing and more suppliers are being included.

Other businesses are at a similar stage. The Crab Company of Fiji has increased its sales of mud crabs to resorts and hotels to 7.4 tonnes in 2014 compared to 5 tonnes in 2013. Southern Solutions, the fish and seafood processing company, reports that the installation of a blast freezer has allowed it to triple its business within three weeks only, demonstrating its commercial potential. Sales have now leapfrogged ten times. Southern Solutions’ suppliers include about 30 fishermen. The company has also already made autonomous decisions that help to expand the business model, including the purchase of a freezer truck; it also plans to install blast freezers on other islands.

Following the upgrading of its production facility, Adi Chocolate has begun to supply locally made chocolate to tourist retailers, in addition to hotels and resorts. More than 50 farmers have benefitted from better prices by supplying cocoa to Adi. Some businessmen have also independently approached Adi with an interest in replicating their business model, which shows at least a potential for wider sectoral impact through new entrants in the sector. These is a significant developments, considering the fact that Adi Chocolate was essentially operating from its own kitchen when it was first approached by MDF.

Essence of Fiji, the Spa and beauty company, has opened its new, expanded facility in 2014; it now employs 30, primarily female, new staff members in a range of roles, including in processing, customer treatment and child care. The company also sources to a large extent from female suppliers. In the drying of seaweed and subsequent soap-making, for example, Essence of Fiji works with about 35 women in villages. With the facility in place, the company is now in a position to further develop its local supply chains. The fact that it collaborates with many other companies, including MDF partners as outlined in 2.3a, helps to strengthen the resilience of each of their business models. Similarly, Essence of Fiji has recently entered a partnership with inbound travel operators that will offer Spa visits to Essence of Fiji before and between flights. Hence, Essence of Fiji’s customer base is growing, the business model is becoming more sustainable and the scale of impact on local suppliers is likely to increase.
**Holticulture**

**Devesh and Bharos Farms**, the seedling supplier, has successfully established a new nursery with MDF assistance and sold over 160,000 seedlings to more than 130 farmers in 2014. It has now become the largest commercial nursery in Fiji supplying a large variety of seedlings throughout the year to farmers, enabling them to tap into demand from the export and tourism sector. **South Pacific Elixiers**, the Kava drink producer, has completed its new processing facility in line with international food safety requirements and strengthened the provision of training and inputs to farmers. As a result, it was able to increase its sourcing from farmers, reaching about 50 suppliers by the end of 2014. Both partnerships are therefore clearly showing signs of business growth and are at the early stages of contributing to a more inclusive horticultural sector.

**Standard Concrete Industries**, the company which introduced agricultural lime to Fiji, has already advanced more than other partners in leaving a lasting footprint on the functioning of the horticultural sector. By the end of 2014, the company had sold more than 20,000 bags of Aglime, reaching more than 1,500 female and male farmers and helping them to earn about USD 400,000 in additional income. MDF research also confirmed that decision-making on the additional household income was indeed shared by women and men, as expected based on the initial Household-Level Analysis in the horticultural sector. The company is on track to take the business model to scale, with more than 2,000 beneficiaries likely to adopt Aglime this year. SCI has also taken the autonomous decision to continue employing 9 field promoters without MDF support; this also demonstrates that the company believes in the viability of the business model going forward. However MDF support is still critical to strengthen the business case. Its work with supporting actors in the market, such as retailers, and growing sales to institutional clients, are further likely to make the business model more resilient.
b) Lessons learnt on achieving transformative impacts

MDF’s results so far show tangible progress towards sustainable development results – driven by a number of different partnerships that are gaining traction in their sectors. The jury is still out, however, to what extent MDF will really be able to achieve far-reaching transformative impacts.

Due the size of the economy and MDF’s business partners, only a few partnerships are likely to achieve scale on their own – which, in Fiji’s context, could be considered as starting from 1,000 to 5,000 beneficiaries. The sum of smaller partnerships, and their potential to attract ‘copycats’ that launch a similar business models – such as potentially in the case of Adi chocolates – represents another opportunity to achieve substantial sectoral impacts. Again, however, markets are not always big enough to offer viable opportunities for two players in the same space.

MDF is therefore actively looking for other ways to strengthen the transformational impact of its partnerships on their sectors – in line with the categories outlined above. This includes a review of the Inclusive Sector Strategies, to assess which areas of work are gaining traction with partners, customers, suppliers and supporting actors. These could become more of a focus in the future.

In addition, MDF is also looking into increasing the resilience and scale of its partnerships by learning, through the lens of individual partnerships, about constraints that continue to put a break on wider transformational effects in its target sectors (as outlined in Figure 2, Chapter 2.1.2). Some underlying constraints have crystallised as particularly burdensome for individual partners, while others have come up again and again across MDF’s partnerships. They include:
• **The lack business information and support services, in particular finance and management advice for small and medium enterprises (SMEs):** Banks in Fiji are perceived as highly risk-averse, in particular in working with SMEs and highly vulnerable sectors such as agriculture. Many MDF partners have unsuccessfully applied for bank loans in the past. As noted earlier, a lack of management skills and access to local advisory services is also a particular concern for many of MDF’s smaller partners, hampering efficiency and growth. More generally, there are very few channels in Fiji for wider awareness-raising and education for farmers or SMEs, for example on good agricultural practices.

• **The lack of appropriate infrastructure and logistics:** MDF’s efforts to integrate outer islands and poorer communities into supply chains depend on adequate water or plane transport services for fresh produce; similarly, inter-island transport links are critical to diversify tourism into more remote areas. Constraints range from the lack of any commercial barge services to inappropriate runways on smaller islands. Secondly, MDF partners that aim to diversify into exporting to international markets have frequently faced shortages in airfreight capacities of the national airline.

• **The regulatory environment for business:** Obtaining basic business permits and licenses such as for construction work or buying land is often time-intensive and holds back business growth. Trade-related rules and regulations are also stifling economic diversification.

  o For example, MDF’s work with KK Hardware in obtaining an import license from the Fijian government’s Biosecurity Authority for seeds from new foreign suppliers, flagged the difficulties of businesses attempting to move into this market:
These include limited access to information by potential importers from the government on regulatory requirements and Biosecurity Authority’s limited experience in processes for approving foreign seed exporters.

For Fijian exporters, the fact that Fiji only has a small industrial sector means that a lot of inputs have to be imported from overseas. Import duties and taxes increase raise their running costs, meaning that they operate below their maximum potential.

While MDF initially tried to work around these constraints and to generate some momentum in its target sectors first, it is now exploring a second ‘layer’ of interventions. Recognising that issues such as infrastructure would be beyond its current scope and budget, MDF has started to make some concrete headway with the following initiatives:

- **Financial and business advisory services:** MDF’s ambition is to find a sustainable solution that would help SMEs access commercial loans while changing banks’ risk appetite in the long run. It came up with an innovative idea: embedding SME advisory services into loan applications. If an SME submit a loan application that look promising but does not fully meet a bank’s criteria, they would benefit from the assistance of an independent business advisor. The advisor would review the business plan, cash flows and loan application and re-submit it to the bank. As part of the loan conditions, the advisor would continue supporting the SME for one to three years, and provide periodic reports to the bank. The fee for these services would be added to the principle loan amount. According to a MDF survey, SMEs, business advisory organisations and banks all showed an interest in this concept. ANZ, a leading bank in the region, has now signed a MoU with MDF on piloting this model. If commercial viability is demonstrated, ANZ may be the first bank to roll this model out in Fiji and possibly the South-Pacific region.

- **Logistics:** MDF has recently signed its first partnership agreement with a courier company in Fiji in order to improve the inter-island transport system for horticultural produce. The company is interested in launching Fiji’s first commercial barge service – an entirely new business line for the company. This would have the potential to haul a high volume of goods for exporters and wholesalers – at a cheaper rate that existing ferry services. As a first step, MDF is therefore cost-sharing a feasibility study that will determine the commercial viability and recommend next steps. In a separate effort, MDF has conducted interviews with Fiji Airlines and a range logistics companies to analyse how airfreight capacity could be used more efficiently and what kind of partnerships could be instrumental in achieving this.

- **Seed import regulations and processes:** Breaking the monopoly of a single large seed importer in Fiji could have substantial benefits for other firms wishing to enter the sector and, especially, Fiji’s farmers. MDF has therefore begun to explore new initiatives that could benefit a wider range of businesses – based on a better understanding of regulations and a more customer-oriented Biosecurity Authority. One option would be to form a strategic partnership with the Biosecurity Authority itself in order to elevate its capacity.

- **Access to information through media development:** MDF reckons that there is a significant commercial potential in providing agricultural information through widely used media. It has recently succeeded in negotiating a new partnership with a media company, which will lead to the development and piloting of a new TV series targeting rural households.
• **Export-related regulations and processes:** MDF’s first partnership in the Export Processing sector is with Fiji’s Export Council – a membership organisation promoting the interests of Fijian exporters. The Export Council administers the government’s Duty Suspension Scheme, a customs arrangement which allows companies to import raw materials and other inputs free from duty and tax payment if they export 100% of their processed products. Such schemes, albeit with lower thresholds values, are common in many countries to increase export competitiveness, including the EU. As only 44 of about 300 Fijian exporters currently qualify for the scheme, MDF cost-shared a comprehensive assessment, leading to recommendations to the government on how to allow organizations who export at least 70% to benefit from it.

• **Other regulatory environment constraints:** MDF is also interested in addressing other regulatory environment constraints that increase the cost of doing business in Fiji. As with all of its operations, this would be done through strategic partnership with local agents of change who can own and drive the process. MDF is therefore looking into opportunities for partnering with business associations beyond export processing. Finding partners has however been challenging so far as most associations are inactive or weak in capacity.
This gradual approach outlined above is an interesting feature of MDF’s evolving strategy: MDF has used its lessons from partnerships in key economic growth sectors to identify a new set of cross-cutting binding constraints — such as in service sectors that support the growth of other sectors, or the business enabling environment. Although different views may exist among practitioners about the best approach to sequencing (or indeed implementing different ‘tracks’ in parallel), the evolution of MDF’s strategy may have a number of advantages: First, it allows the team to deepen its understanding of the economy and real-life constraints faced by business, enabling them to develop a more informed strategy over time. Secondly, by the time MDF has started to work in areas such as financial and advisory services, it has already been able to create an increased demand for them through awareness raising and concrete results in business growth.

This strategy evolution is also interesting from the perspective of other types of donor programmes in the country; for example, MDF has the potential not only to complement but to inform business environment reform programmes that work primarily through government instead of the private sector. Such synergies will partly depend on the facilitation role of DFAT country posts. The current relationships between the DFAT post in Fiji and MDF could serve as a potential role model for this: the post has a constructive cooperation relationship with MDF and helps the team extend its networks to new stakeholders; MDF provides technical knowledge and market intelligence to support the strategic direction of other DFAT programmes.

**MDF partnership snapshot: Devesh and Bharos Farms**

Poor farmers in Fiji have difficulties in accessing good quality seedlings throughout the year. With MDF’s support, Devesh and Bharos Farms have been able to grow their business and become a leading seedling supplier in Fiji.
a) Results measurement and adaptive management

“Being new to the programme, I initially did not fully understand the value of results measurement. Now I wouldn’t know how to manage partnerships without it. Results measurement and programme implementation are really one unit.” MDF team member

“Regularly reporting to MDF about how the business is doing has actually helped me in understanding and managing it better.” MDF Partner, Southern Solutions

Regular results measurement has already been highlighted as being central to MDF’s private sector engagement and development approach: it is the backbone of MDF’s regular, transparent results reporting and accountability vis-à-vis all stakeholders and it helps MDF being ‘smart’ and responsive to needs and opportunities of each individual partner during project implementation. Making results measurement really useful – not only to inform how MDF engages with partners but also to create a feedback loop on the validity of its overall strategy – is at the very heart of how MDF seeks to make its work with and through the private sector as effective for inclusive growth as possible.
**Box 6: The DCED Standard for results measurement**

The Results Measurement Standard of the Donor Committee for Enterprise Development (DCED)\(^{19}\) is a tool for monitoring results during programme implementation in line with international good practice. It specifies eight key elements of a robust monitoring system, starting with the logic, or results chain specifying what the programme is doing, and the results it expects to achieve. Indicators are then set to measure each key change expected, and measured according to good practice.

Results measurement based on the Standard enables programmes to improve management and demonstrate credible results to others. More than 120 programmes are now actively using the Standard, on a voluntary basis or on request by funders; in MDF’s case, tender documents required alignment with the Standard. An independent audit service is available to enhance accountability and inform donors and evaluators about the quality of a programme’s monitoring system. MDF, which has recently undergone an audit, achieved a rating in the top category, with a ‘strong results measurement system’ (based on 96% compliance with ‘must-have’ criteria) including ‘strong additional features’ (based on 98% compliance with recommended criteria).\(^{20}\)

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**One of the good practice elements of the DCED Standard for results measurement is to incorporate insights from results measurement into programme management** – both the day-to-day decision making and strategic choices on what to do and how. This is crucial for programme effectiveness: When MDF embarks on a partnership it has a working hypothesis of how it is likely to lead to development impacts. Inevitably however, the information that it has at hand at the beginning of the project is prone to change as businesses operate in complex, fluid environments. It is therefore important to know whether changes unfold as expected, and if not, how interventions and strategies might need to be changed in response.

**Underpinning such an ‘adaptive management’ approach are a number of routine systems that integrate the work of MDF’s leadership, business advisors and results measurement managers;** together, these systems create the foundations and space for a meaningful reflection process and evidence-based decision-making within MDF:

- **This starts from the partnership proposal stage:** Results measurement managers are involved from the very beginning of each partnership and provide a backstopping role, in particular by reviewing the logical reasoning used to link the partnership with sectoral development impact.

- **Once a partnership is approved, MDF’s business advisors together with the results measurement specialists convert the description of logical change steps in a partnership into a results chain** – as a first element of a comprehensive ‘intervention guide’. This guide is both a planning and a documentation tool: It will also include a detailed measurement plan, projections and supporting calculations and other key information on the progress of each partnership. The intervention guide is used by the results measurement managers as a basis for following up with business advisors about progress made, reminding them of when to undertake activities or collect data, and generally keeping them on track. Conversely, intervention managers inform the results measurement team as soon as any unexpected changes occur in a partnership.

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\(^{19}\) The DCED is a global forum for donor and UN agencies that work together to learn from experience and agree on good practice in promoting economic opportunities for poor women and men through the private sector. Australian DFAT is a member of the DCED.

In addition, there are a number of regular mechanisms that allow the team to share information, plan and re-strategise when required. This includes weekly briefings each Monday, in particular to discuss emerging issues and immediate next steps for the week. Progress in each sector is reviewed in monthly meetings. A substantial, sector-specific review takes place every six months; for this review, the country representative, results measurement staff and intervention managers meet for an entire week per sector to take an in-depth look at progress and constraints across partnerships, and to review interventions as well as Inclusive Sector Growth Strategies. A review of signs for transformative impacts on inclusive sector growth (as outlined in section 2.4a)\(^{21}\), including issues affecting women’s economic empowerment, is integrated in these mechanisms. To support this process, and to help provide regular advice to staff on WEE issues, MDF also as designated two staff members in Fiji as focal points, or ‘WEE anchors’, who also work closely together with results measurement staff. One example of an ongoing activity in this context is the development of a new Strategic Plan on WEE: This will summarise the findings of a review of all interventions in terms of progress made across the five WEE domains and convert them into practical priorities for future interventions.

More generally, results measurement managers have important cross-cutting function for programme management: While business advisors have to be focused on progress in each individual intervention and effective relationships with partners, the results measurement team is able to stay focused on the ‘bigger picture’: the contribution to sector growth and better economic opportunities for poor women and men. Since results measurement managers work with the whole partnership portfolio, they also have an important function in capturing learning across all partnerships. As such, they have gradually become a focal point for sharing lessons and advice on intervention design.

An important foundation for the integration of results measurement and programme management is an appropriate level of knowledge by all team members of good monitoring practices. This is why there is regular on-the-job coaching on results measurement for all staff. In addition, MDF conducted an intensive one-week training course on measuring results in-house. All team members also have access to a results measurement manual and all other programme documentation via a cloud-based software.

How do partner businesses fit into this system? While they have to do their part in the results measurement process by providing regular progress data as stipulated in the partnership agreement, they often also benefit from this. Many partners perceive the regular feedback as a helpful tool to review their business model and improve it going forward. On occasion, partners even participate in assessments of beneficiary impacts, giving them first-hand insights into their impacts on suppliers or clients.

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\(^{21}\) These included different ‘levels’ of autonomy, sustainability, resilience, inclusiveness, scale and WEE achieved by partnerships, based on results measurement data and related qualitative information.
A recent example is an early impact assessment by MDF of the effects of Agricultural Lime on farmers’ productivity and incomes. The focal point in the partner company Standard Concrete Industries accompanied the field trip and participated in farmer interviews. According to him, this significantly improved his understanding and confidence about how the product helped to improve farmers’ productivity and lives. This was particularly important as Agricultural Lime has been a new product for Standard Concrete Industries, which was traditionally focused on concrete production for the local construction sector.

b) Team culture and functions: A new type of development programme?

“MDF stands out because of the quality of its staff. They have a different skills set, so they really bring a fresh perspective to our business.” MDF partner, CDP Services Limited

Whoever visits the MDF office for a day, will hear two questions repeatedly: ‘Why should we do this?’ and ‘How does this help to address sectoral growth constraints?’ While MDF’s regular team meetings have a critical role for programme management, open exchanges among staff are part of any regular working day. All important decisions about changes to a partnership, or development of a new one, are exposed to open scrutiny and discussion. This is facilitated by MDF’s open plan office and flat team structure – whose technical core consists of a Country Representative, about 12 Business and Senior Business Advisors managing the partnerships, including the two WEE ‘anchors’, and three Results Measurement Specialists.

Promoting such a team culture of honest inquiry and adaptability is an important role of MDF’s Leadership Team. This is about encouraging critical thinking and logical reasoning; it is also about rewarding information sharing and open discussion over ‘success stories’; and it is about accepting failure. These are principles which have traditionally not always been encouraged in development programmes or indeed other types of organisations. With many staff members initially not used to this new way of working, forging the team culture has been a critical element of MDF’s overall team and capacity building effort – in addition to technical training on MDF’s approach or results measurement.

Similarly, MDF’s evidence-based approach is not just about its results measurement system; it is also about mindset. Adaptive management ultimately relies on team’s capacity and willingness to be transparent about existing or lacking progress, and to challenge their own assumptions about what should and what shouldn’t work. They also need to be willing react flexibly to the evidence they find and be willing to take calculated risks and test new approaches.

Interestingly, a parallel could be drawn between the working culture of MDF and the private sector itself. MDF incorporates many principles that are essential for businesses themselves to succeed: testing what works, learning from good and bad results, and adapting to change. At the same time, MDF also integrates a range of other features: through its in-house economic analyses and sharing of lessons learnt MDF has a clear ‘think tank’ function; and during project implementation
it assumes functions of a business advisory organisation. The bottom line, however, is that MDF remains a development programme driven by the objective of sustainable poverty reduction for women and men. Achieving this through strategic private sector engagement and development requires it to operate as a ‘hybrid’ organisation – which could be a potential new model for development programmes in this sphere.

c) MDF’s multi-country set-up

MDF represents the first time that a strategic first private sector engagement and development programme has been set up as a multi-country facility. The initial motivation for this was a pragmatic one: the shortage of qualified staff and in particular team leader candidates with relevant experience in other programmes. It was hence decided to have one team leader across the programme countries, which were gradually expanded to include Timor Leste and Pakistan, and now Sri Lanka and Papua New Guinea. Little did programme planners expect that this would turn out to have tremendous advantages for knowledge generation and exchange as well as cost-effectiveness.
The benefits of the multi-country set-up can be summarised as follows:

- Efficient processes and transfer of systems: Based on the gradual addition of new programme countries, MDF has been able to establish and test relevant programme design and implementation systems in Fiji first. These include, for example, systems for inclusive sector growth strategy development and household-level poverty and gender analysis, as well as formats for partnership proposals and agreements. These could then be easily copied in other countries – saving time and resources. New technical tools and frameworks developed by MDF Fiji over time, such as on Women’s Economic Empowerment, can be used by other programme countries from the start to inform their strategy and intervention design. A special case is also MDF’s contribution to developing a Progress out of Poverty Index (PPI) for Fiji; based on the experience with this process, MDF is now supporting the development of the first PPI for Timor Leste.

- Continuity and lessons learnt across programme countries: Continuity in programme leadership means that lessons learnt effectively transferred to new programme countries, making it less likely for any mistakes to be repeated. MDF has also been able to harness growing staff capacity in Fiji to do more of the initial analyses in other countries in-house. As such, the initial scoping study in Papua New Guinea, for example, was implemented by three Fiji team members including the Country Representative. This is not only more cost-efficient than hiring external consultants; it has also been instrumental in ensuring the quality and operational relevance of analyses.

- Exchange of knowledge among MDF staff: The set-up has opened up new opportunities for staff development and learning, including through placements of several months in a different programme country. For example, newly recruited staff in the Pakistan office has benefitted from a learning visit in Fiji; conversely, some members of the Fiji team will be given the opportunity to broaden their knowledge and contribute to programme development in some of the newer programme countries. Recently, MDF has also introduced the use of an interactive cloud-based collaborative tool; this means that programme documentation from each country is made accessible to all country teams. This allows them to quickly access information and learn from experiences made across countries. Thematic focal points in each country team facilitate learning processes on substantive issues, as further elaborated on the next page.
Knowledge generation for the wider private sector development and engagement community: MDF is uniquely positioned to advance global knowledge on how to work, and indeed what can be achieved, using a similar mix of approaches in a range of different contexts – including at the sub-national level. For example, some similarities are already being seen between the challenges faced in Fiji and remote areas in Pakistan. This mix of similarities and differences between the programme locations may ultimately enable MDF to add up lessons learnt across its portfolio. It is already scaling up efforts in this area – including through its Annual Aggregations for Results, participation in international practitioner events such as the DCED’s Global Results Measurement Seminars, and the recruitment of a full-time Communications Manager.

A multi-country set-up also comes with its challenges. Financial systems of donors may not be easily adaptable to such an innovation, team leadership across countries is demanding and complex, and there remain questions about how to aggregate and share the knowledge generated at the country-level for Australian Aid more generally. Knowledge exchange among staff needs to be structured. Three unique organisational features have been particularly instrumental in facilitating these processes: MDF’s Core Leadership Group, thematic focal points and the Independent Advisory Group.

The Core Leadership Group is the backbone of MDF’s technical work and learning. It includes the Team Leader; each of the Country Representatives; and two thematic managers to whom country-level focal points report – including the Global Manager leading on Results Measurement, WEE, and environmental issues across MDF; and the Global Knowledge Management and Communications Manager. The group is in continuous exchange and holds periodic meetings in order to provide strategic direction to MDF and inform the work of the Team Leader. A particular focus of the group is on portfolio-wide issues, including MDF’s approach to Women’s Economic Empowerment or assessing the contribution of strategic partnerships to sector growth. As such it has been particularly helpful to the Fiji team, which, given its advanced implementation, has taken the lead in advancing MDF’s thinking on these issues.

In order to facilitate exchange on specific issues and streamline processes across countries, MDF is increasingly working through thematic focal points or ‘anchors’. These serve as key contact points within each country team on areas of work of high relevance to MDF; at the same time they take part in ‘global’ communities of practice and exchange across programme countries. For example, as referred to earlier, each country team has a focal point on WEE. Other examples include anchors on environmental issues; knowledge management; external communications; and the measurement and aggregation of results at country-level, based on partnership-specific intervention guides. Country-level results then feed into the facility-wide aggregation for MDF’s annual results report compiled by a Global Results Measurement Manager. As this ‘three-tier’ results measurement system is unique to MDF, it is also an area of learning. As such, the Global Results Measurement Manager is currently leading efforts to streamline indicators used at country-level, to ensure that each team uses the same indicator definitions and to enable their facility-wide aggregation.
MDF’s Independent Advisory Group consists of two external, long-term consultants to the programme; they bring significant experience in private sector engagement and development, as well as results measurement. Creating an Independent Advisory Group was motivated by two aspects: With MDF being a programme of many ‘firsts’ – in terms of its set-up, geographic location and strategic approach – an external group providing backstopping and guidance seemed to be vital to elevate the capacity of the Core Leadership Group. The Independent Advisory Group conducts periodic missions to each programme country and provides additional advice as required. For the Core Leadership Group, this advice has been highly valuable in developing, reviewing and refining its stance on overarching issues. A second function of the Independent Advisory Group has been to function as an ‘honest broker’ between MDF and DFAT Headquarters and help communicate opportunities and challenges of MDF’s work across programme countries. Two figures produced by MDF outlining its multi-country structure as well as its set-up in Fiji are included below.
MARKET DEVELOPMENT FACILITY: A MULTI-COUNTRY FACILITY
Figure 9: MDF Fiji organisational structure

ABBREVIATIONS:
BA – Business Adviser
SBA – Senior Business Adviser
SRMS – Senior Results Management Specialist
With MDF, DFAT is positioning itself at the forefront of innovative efforts to engage the private sector in the promotion of inclusive growth and poverty reduction for women and men – in the Indo-Pacific region and globally. This case study has shown in detail how exactly MDF implements this approach, and highlighted progress towards tangible results for poor beneficiaries. While it may be too early to conclude to what extent MDF will be able to deliver the transformative economic changes that it is aiming for, it is clear that it is playing an unprecedented role in generating programming tools and lessons learnt – based on its experience in Fiji and other programme countries.

MDF is not only using these lessons to inform its own programming decisions and be as effective as possible – it is also sharing them openly with the wider development community. Independently of how transformative its impact on the Fijian economy will be, MDF is therefore helping practitioners and policy designers to make more informed and effective choices about how to engage the private sector in the future.
Annex 1: How MDF integrates WEE empowerment domains at different stages of the implementation process

1. SECTOR SELECTION

1.1 Scoping Report
- Opportunities analysis
  - Are women engaged directly or indirectly in some of the potential sectors?
  - Is there potential to expand or improve their involvement?

1.2 Assessment of Growth, Poverty and Gender at Sector Level
- Market Dynamics and Market Analysis
  - What are the dynamics of the women in the sector?
  - Are there clear successes in the sector for women entrepreneurs or service providers?
  - Does MDF have the sector to function optimally?
- What opportunities for income generation exist for women (Domain 3)?

1.3 Inclusive Social Strategy for Poverty Reduction and Women’s Economic Empowerment
- Portfolio includes actions where
capacity development or opportunities for
to women entrepreneurs or suppliers, etc.

2. STRATEGY DEVELOPMENT

2.1 Assessment of Poverty and Gender Dynamics at Household Level
- Initial Scoping and Monographean Analysis
  - How are the key drivers of poverty and gender dynamics for women in the household level (Domain 5)?
  - How are the phases of the implementation process
  - What opportunities for income generation exist for women (Domain 3)?

2.2 Partnership Proposal
- Partnership Leveraging WEE
  - How can we maximize the role of WEE partners in contributing to WEE needs for sector growth (e.g., provide greater, shared in both men and women)?

3. IMPLEMENTATION

3.1 Partnership Agreement
- Agreement
  - Does the agreement clearly state the benchmark for contribution to WEE?
  - Are additional incentives required?

3.2 Partnership Agreement Guide
- Partnerships
  - Identify and target the partnership opportunities for WEE
  - Align partnership opportunities with WEE needs

4. RESULTS MEASUREMENT

4.1 Intervention Guide
- M&E and Results
  - Are there clear indicators and tools to measure progress towards WEE’s contribution to WEE?

4.2 Results
- M&E index
  - Are there clear indicators and tools to measure progress towards WEE’s contribution to WEE?

4.3 Social Change Vision
- Social change vision
  - Do we have clear indicators for the social and economic empowerment of women emerging from the partnership?
Annex 2: Illustration of a sector-level results chain and strategic relevance of partnerships: Sector guide for the tourism sector (as at end 2014)
Annex 3: Results Chain example: Promotion and awareness-raising of Aglime – 2nd partnership phase with Standard Concrete Industries in the Horticulture Sector (zoom in to view)
Annex 4: Analysing the business case for a day care centre at Mark One Apparel

Mark One Apparel
- Increased productivity
- Reduced absenteeism
- Increased worker commitment
- Reduced staff replacement cost
- Reduced staff turnover

Day Care Centre
- Child care support for workers
- Access to support service for workers
- Staff pay for cost of service, subsidised by employer.
- Governance - Employer, worker, independent board oversee operations

Export Market
- Export of garments

Administered by child care professionals
• Fiji: Level 5, Fiji Development Bank Building, 360 Victoria Parade, Suva, Fiji Islands
  • 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 18 Police Park Avenue, Colombo 5, Colombo, Sri Lanka
  • Papua New Guinea: Level 6, PwC Haus, Harbour City, Port Moresby, Papua New Guinea

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