



Annual Aggregation of Results

January 2016 – December 2016

Market Development Facility

May 2017



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ABBREVIATIONS AND ACRONYMS

ACIAR	Australian Centre for International Agricultural Research
ADR	Aggregate Development Results
AMT	Additional market transactions
ANSATL	National Agro Input Association
AUD	Australian dollars
AUSABBA	Australian Assistance to Agriculture in the Balochistan Border Areas
BPO	Business process outsourcing
DCED	Donor Committee of Enterprise Development
DFAT	Department of Foreign Affairs and Trade (Australia)
DMO	Destination marketing organisation
DSS	Duty Suspension Scheme
FAO	Food and Agriculture Organization of the United Nations
FCEF	Fiji Commerce and Employers Federation
FMCG	Fast moving consumer goods
FTE	Full-time equivalent
GDP	Gross domestic product
HACCP	Hazard Analysis and Critical Control Points
IADE	Institute for Business Development
ICT	Information Communications Technology
IFC	International Finance Corporation
MDF	Market Development Facility
MFEE	Market Development Facility Fiji Enterprise Engine
MITT	Ministry of Industry and Trade (Fiji)
MOU	Memorandum of understanding
MRM	Monitoring and Results Measurement
MSD	Market Systems Development
MT	Metric tonne
NAQDA	National Aquatic Development Authority (Sri Lanka)

NGO	Non-government organisation
PMEX	Pakistan Mercantile Exchange
PNG	Papua New Guinea
PSB	Phosphorus soluble bacteria
SLASSCOM	Sri Lankan Association for Software and Services Companies
SME	Small and medium enterprise
SMS	Short message service
TBC	Travel Blogger's Conference
TC Winston	Tropical Cyclone Winston
TOMAK	To'os Ba Moris Diak (Farming for Prosperity) Programme (DFAT Timor-Leste)
UNDP	United Nations Development Programme
US	United States
USD	United States Dollars
WEE	Women's Economic Empowerment
WHO	World Health Organization

TECHNICAL

DEFINITIONS

ESTIMATES, PROJECTIONS, ACTUALS

Definitions of 'estimates', 'projections' and 'actuals' are provided below. We recommend that readers keep these three elements in mind, as they underpin the Market Development Facility's (MDF) monitoring and results measurement process.

It is also important to understand the purpose of these elements. They are not intended solely as indications of programme performance. The process of comparing actuals with projections (per partnership) and actuals and projections with estimates (per country portfolio) is an important management and learning tool for the programme to understand differences between data sets, progress, and emerging and promising avenues through which to increase results.

// STEP 01

Estimates are floating performance benchmarks for a country portfolio.

Estimates are 'floating performance benchmarks' developed at the outset of a new country or a new engagement area and updated every two years thereafter. The first estimates set out what the programme thinks can reasonably be achieved based on programme parameters (time and budget),

specific requests in terms of where the donor wishes MDF to work in the economy, and an (early) assessment of the local context – as long as there are no major economic, political or environmental shocks, in which case a reassessment would be needed. This assessment includes the size of the economy, population density

and connectivity; drivers of economic growth; the maturity and diversity of the private sector; the capacity of the public sector; and specific factors influencing job creation and economic activity. Contrary to many conventional programme targets, estimates calculations are informed by fieldwork.

In the graphs presented in this 2016 Annual Aggregation of Results, the estimates for each country are shown as the 100 percent line. For each of the six headline indicators – explained in detail below – this 100 percent line

demonstrates what the programme aims to achieve over its lifespan. It is expected that the majority of estimates per indicator will be met. Realistically, externalities e.g. a cyclone in Fiji, and fluctuations in

the (global) economy, in programme budget/s, and in how partners perform all can all influence the final results and mean that some estimates will unlikely be met.

Within each graph, estimates curves are inserted which model a timeline for each headline indicator to reach 100 percent. Not all partnerships are signed up at once. An investment portfolio in a country is developed over time, starting slowly and building as the team develops its skills, networks and confidence, and as the

programme's reputation grows. There can be a relatively long lead time, up to four years, between partnership activities (such as building new production lines, setting up supply chains, conducting training programs, and developing new products and services) and benefits (in terms of markets starting to work better,

small farms and firms being able to increase productivity and sales value, and more income and jobs for poor women and men). This holds true for most development efforts, activities can be completed relatively quickly, but the strategic, systemic and sustainable higher-level results emerge later.

MDF maintains a measurement window of up to four years after completion of activities. Results are expected to come in and monitoring

To communicate progress in the face of the anticipated lead times, six headline indicators have been identified and positioned along the MDF impact logic. Innovation/regulatory reform and investment are part of the activity implementation process and have a relatively shorter lead time, resulting in relatively

Finally, as the programme learns from implementation it may become apparent that some estimates are too low and should be increased, whereas others are unrealistically high and should be lowered. It does not make sense to hold a programme accountable to targets that are unrealistic at the expense of a balanced portfolio supporting

is conducted for up to four years. The graphs present this timeline in its entirety – future years are left empty, with estimates curves providing an

steep estimate curves. The value of additional market transaction (AMT) is an outcome, which follows from the implementation process and takes time to reach its full potential – thus this curve is more gradual. As markets start to work better and business volumes increase, so does the number of new jobs created

comprehensive sustainable, systemic change. Thus, every two years, based on better information, the programme reassesses estimates based on what is realistic and reasonable to expect.

First estimates were developed in 2013, and were updated in 2015 and 2017. For all headline indicators, MDF

indication of results that are expected to increase in time.

– meaning this curve is also more gradual. Finally, the total number of beneficiaries reached and the net additional income they earn may become evident four years after implementation – thus this indicator tends to demonstrate the most gradual curve.

has generally been able to increase the estimates in time (but not always in a straight line!) indicating better than initially anticipated results. Job creation presents a different story, the context of which is explained in the introduction and relevant country chapters.

// STEP 02

Projections to forecast the value of each partnership, adding up to the portfolio.

With the estimates as guidance, the programme sets out to develop a portfolio of partnerships. Partnerships are designed to meet a strategic need and to create systemic change in the economy, but are also tailored to the partners' abilities and

incentives so as to ensure ownership and sustainable drivers of change. Thus, each partnership differs greatly from one to the next in terms of what it does and how many poor women and men it will reach.



Detailed partnership-specific projections are made for each partnership in order to assess its value and provide a tool with which to manage progress; what changes are expected, by when and where?

For estimates, MDF initially has to work with broad-brush strokes as information is limited; projections are typically more granular, better researched, and based on more precise calculations of the potential

value of a specific partnership. Projections cover the six headline indicators, and also other indicators that are relevant for tracking the change process unlocked by the partnership.

The programme actively monitors if and how projections turn into actuals i.e. whether change on the ground happens in accordance with the projected model or not – and it rarely does. Comparing initial assumptions with what actually happens is an important tool for learning. Active monitoring allows the programme to

Since each partnership has a lead time, comparing the total projected value of all partnerships with estimates gives a first indication as to whether the programme is on track to develop a portfolio able to generate results in line with the estimates. For this reason, the graphs presented in this Annual Aggregation of Results

learn what works and what doesn't, and to take corrective measures. By the same token, this learning will result in decreased or increased projections if the information from the field warrants this. Typically, projections for all partnerships are updated every six to 12 months and fluctuation is expected.

Non-performing partnerships are cancelled, and all projected values removed from the results management system.

show a year-by-year representation of the total projected value of the portfolio alongside the 100 percent line and indicative estimates curve.

If the projections meet or exceed estimates, they increase the likelihood that the actuals to follow will do the same.

As all projections for all partnerships are adjusted constantly, it is possible that the total projected value for an indicator decreases between years. This reflects that numbers have been revised down within one or more partnerships.

// STEP 03

Actuals.

As partnerships are implemented, projections are verified through monitoring visits and assessments and are then reported as 'actual results achieved'. Due to the lead time required to complete these field verifications, projections are generally expected to be ahead of the curve, while actuals will sit on or slightly behind the curve (remembering that the estimate curve represents an indicative trajectory only).

As mentioned, all actuals are verified through research. Sometimes research in a subsequent year may cast doubt over the accuracy of research in a previous year, and this may, at times, lead to corrections in actuals.

In time, actuals catch up with projections. Each subsequent research effort provides a clearer picture of what a partnership is delivering, and can deliver. Both actuals and projections are therefore updated, and in time they will converge.



SIX MDF HEADLINE INDICATORS DEFINED

As mentioned, MDF has identified six headline indicators, positioned along the MDF impact logic. They each measure a key dynamic we aim to create within the economy. It starts with our aim to stimulate investment in business innovation or regulatory reform. We do this with the explicit aim to make markets work better, make them grow, increase the value of business that flows through them. If we stimulate the right markets in the right manner these changes will reach our beneficiaries, poor women and men, who will benefit through being able to sell more at better prices into markets and find jobs. Thus, one change leads to the next, resulting in systemic outcomes in market and high-level impact on the poor.

Headline indicators are aggregated across the whole MDF portfolio, including every country, strategic engagement area and partnership. For each headline indicator we calculate estimates, projections and measures actuals.

THREE COMMON IMPACT INDICATORS TO COMMUNICATE MDF'S IMPACT ON POVERTY REDUCTION

The first three headline indicators capture the changes at the top of the impact logic for our beneficiaries. These indicators communicate the MDF impact on poverty reduction – its main goal – and are gender-disaggregated. We use the same indicators as the Donor Committee for Enterprise Development (DCED) suggests for measuring and communicating impact on poverty.

Effective Outreach

This indicator measures the scale of MDF's impact. For effective outreach, we count every working adult who is poor (or very vulnerable to falling back into poverty), and who experiences a tangible, measurable improvement in their livelihood due to a change in market performance attributable to MDF's work.

This includes working adults who find more paid employment or better paid employment, or employment that is safer, resulting in less sick days and injuries that undermine the ability of that person to provide for him or herself and his or her family.

This also includes all adult family members who work on small family farms or in small family firms, are dependent on these farms and

firms for their livelihood, and benefit when able to reduce costs, increase productivity, or sell more. Benefits can be in the form of more disposable individual income or more disposable household income, which may be used for better housing, better meals, medical services etc.

This also includes all working adults who support or are dependent upon the household, and who benefit from cost savings (e.g. cheaper transport to markets), access to better services (e.g. mobile banking) and improvements in nutrition (e.g. due to improved access to inputs to increase crop diversity).

However, this strict definition of effective outreach does not include household members who

are economically independent. Also excluded are the elderly and underage children, because it should not be that household income is partially dependent on these. To communicate the outreach beyond working adults we use a statement to communicate how many household members in total benefit from more and better jobs and better performing farms and firms.

Finally, effective outreach does not include reach that had no effect. In other words, if we have reached beneficiaries, e.g. through training programs, but monitoring shows that the content of the training programme is not applied, then we do not count this as effective outreach.

Net Additional Employment

This indicator measures the number of jobs generated as a result of MDF's partnerships. It measures net additional employment created, calculated in paid days and aggregated into Full Time Equivalent

(FTEs) jobs, using 240 working days per year and 8-hour working days as the applicable unit.

This includes formal and informal, full-time and part-time employment

- as long as it involves paid labour and wages are not too low to make a living.

This does not include an increase in labour demand met through unpaid family labour.

Net Additional Income (USD)

This indicator measures the amount of income for poor women and men generated as a result of MDF's partnerships. It measures net additional income earned by

beneficiaries, calculated as additional income minus additional expenses (converted from local currencies into USD for comparison).

This includes income from additional or better paid employment, from higher farm and firm profits and household cost savings.



THREE INTERMEDIARY INDICATORS TO COMMUNICATE MDF'S INFLUENCE ON MARKETS AND MARKET ACTORS

Due to the lead time involved before we can measure common impact indicators, along with the fact that the sustainability of improvements in livelihoods for poor women and men ultimately hinges on successful business and government practices and better-working markets, we also aggregate three intermediary headline indicators. These intermediary indicators communicate MDF's influence on markets and market actors.

Number of Business Innovations and Regulatory Reforms

A business innovation can be the introduction of a new product, service, business practice or production method, or the targeting of new suppliers and customers. Innovations can be new to a business, strategic engagement area or even a country. A regulatory reform is a change in the rules and regulations in a country that can reduce transaction costs, stimulate investment and/or open up markets. Some of MDF's

Partnership Agreements may introduce one or possibly multiple innovations and/or regulatory reforms.

We focus on innovations and reforms that are of strategic value for a country's competitiveness and for fostering the systemic changes in the economy that support inclusive, broad-based and pro-poor growth. We focus on innovations

and reforms that are relatively unproven, have a high risk of failing if not well managed and resourced, can be implemented by only a few market actors, contribute to sound market competition and for which commercial finance is difficult to mobilise.

We include in our count all innovations and reforms that have proven to be effective.

Value of Private Sector Investment Leveraged (USD)

This indicator measures the amount of money the partner invests in the development and implementation of the innovations or regulatory reform. This value reflects the amount of partner money that goes into the innovation/reform process before any returns are realised and should therefore not be confused with the return on investment.

The investment can be made directly by partners or additional investment leveraged by partners from private funding sources. The figure reported therefore captures the amount of

expenditure made by the partners within and outside of the investment commitment made with MDF.

This includes investment made directly in partnership activities under the Partnership Agreement as well as further improvements to products or services resulting from a partnership (i.e. 'autonomous' partner behaviour).

This also includes investments made by the partner prior to the MDF partnership, but which are dependent on the MDF partnership to become truly commercially sustainable (e.g. an

investment in a food processing plant that runs severely under capacity and makes a loss until the MDF partnership helps address supply chain issues).

Finally, investments primarily include once-off investments in technical advice, plant operations, supply chain management and market access. Recurring business operating costs are included for a limited period and if relevant for the innovation which the partnership aims to support. MDF does not provide long-term subsidies.

Value of Additional Market transactions (USD)

This indicator measures the value of additional market transactions generated as a result of MDF's partnerships. It shows how market transactions are increasing as a result of MDF's partnerships, representing increased economic activity, which contributes to pro-poor growth.

The market transaction is unique to each partnership and depends on the nature of each partnership. The transaction measured depends

on the type of partnership and which markets are targeted in the Partnership Agreement. The MDF Intervention Guide distinguishes four scenarios: pre-market development, support market partnerships, 'double service market' partnerships and value chain partnerships.

It measures the payments made between the actors, covering the additional revenue generated from the product or service on

behalf of either the partner or the beneficiaries. The indicator is measured at the partner level and measured as revenue, and so should not be confused with net income to beneficiaries or net income to partners.

A high value of additional market transactions suggests a good return on investment.

HOW DO THESE INDICATORS HELP ASSESS PROGRAMME EFFECTIVENESS?

- Partner level:** Since any systemic approach to development hinges on the ability to catalyse local energy and ownership, it is worthwhile comparing the financial investments made by the partner in the Partnership Agreement with the financial investments made by MDF. A low leverage ratio, 3:1 or less, could signal a lack of local ownership and enthusiasm compensated by over-subsidising activities – the traditional pitfall of much development practice. MDF strives for an average leverage ratio of 1:1 to reflect the equal nature of the partnership. Particularly in weak markets, in which companies have been built up from scratch, MDF leverages significantly more. However, leverage ratios will naturally vary between partnerships based on what can reasonably be expected from the partner in terms of investment (which depends on the partner, the potential rewards from the investment and the risk the partner takes). Non-financial investments are not counted because it is assumed that both partners invest significant time and effort in the partnership beyond what is stipulated in the Partnership Agreement. It would not be practical to attempt to quantify this.

- 2. Programme level:** It is worth comparing the total aid investment in the programme (the total contract value) with the total amount of net additional income generated. A ratio that exceeds 1:1 indicates a positive return on investment: the value of development benefits (in the form of additional income for poor women and men) exceeds the investments in creating this additional income. MDF strives for a significantly higher return on investment, between 1:2 and 1:3.
- 3. Market level:** This is measured as systemic change with six separate indicators: autonomous partner behaviour, commercial or political sustainability, system resilience (to face shocks), scale, inclusion and Women's Economic Empowerment.

DFAT INDICATORS

AGGREGATE DEVELOPMENT RESULTS (ADR)	COMMENTS
Number of poor women and men who adopt innovative agricultural and fisheries practices	This reports the effective outreach (number of adults that increase their productivity and/or benefit financially or otherwise from MDF's partnerships including self-employment and jobs) from all MDF-supported agriculture-related partnerships only. For the ADR only the additional/incremental numbers for the year are reported; the rest of the Department of Foreign Affairs and Trade (DFAT) indicators are reported as cumulative.
Value of additional agricultural and fisheries production in USD	This reports the additional value of agricultural production that is sold by the beneficiaries (that is sales revenue of our beneficiaries) in USD.
Number of poor women and men with increased incomes	This reports the effective outreach (number of adults who increase their productivity and/or benefit financially from MDF's partnerships including self-employment and jobs) and from all MDF supported partnerships (both agricultural and non-agricultural). For the ADR only the additional/incremental number for the year is reported; the rest are reported as cumulative.
Value of private sector investment leveraged (AUD)	<p>Measures the amount of money the partner invests in the development and implementation of the innovations or regulatory reform in Australian dollars. The investment can be made directly in partnership activities or in further improvements to products or services resulting from a partnership. The investment can be made directly by partners or additional investment leveraged by partners from private funding sources. The figure reported therefore captures the amount of expenditure made by the partners within and outside of the investment commitment made with MDF.</p> <p>In the past years, MDF had reported on Commitment of Investment made by the partners, but now it can capture the actual expenditures made. From this year forward, MDF will report on the actual expenditures made within, and outside the commitment made relevant to the partnership.</p>
Value of exports facilitated (AUD)	This reports the additional sales revenue earned from goods exported (in Australian dollars).

ABOUT THE MARKET DEVELOPMENT FACILITY

The Market Development Facility (MDF) stimulates investment, business innovation and regulatory reform in order to create additional jobs and increase the income of poor women and men in rural and urban areas in the Indo-Pacific region. MDF began in Fiji in July 2011 and has since expanded to Timor-Leste (in 2012) and Pakistan (in 2013). In 2015, MDF expanded to Papua New Guinea and Sri Lanka. Current funding for MDF ends in June 2017.

To stimulate investment, business innovation and regulatory reform, MDF negotiates partnerships with strategically positioned private and public sector organisations in its countries of operation. Each partnership is comprised of a tailor-made package of activities that enables the partner to innovate, invest and/or undertake reforms in such a manner that small farms and firms benefit from better access to production inputs, services and end markets. This makes them more productive and helps them grow, which in turn creates jobs and increases incomes for poor women and men.

Each partnership promotes business innovations or reforms; leverages private sector investment or public sector ownership ('cost sharing'); has a demonstrated link with pro-poor growth, job creation and income generation; and contributes to systemic changes in the economy of the country in which it is active.

MDF's portfolio of partnerships expands year by year as MDF negotiates more partnerships with more organisations in more countries. MDF's Annual Aggregation of Results reports on the value of this expanding portfolio.

This is the fourth Annual Aggregation of Results and covers the period from January 2016 to December 2016.

For more information about where and how MDF works visit
<http://marketdevelopmentfacility.org>





ABOUT THE

ANNUAL AGGREGATION OF RESULTS 2016

The Annual Aggregation of Results is designed to serve the following purposes:

- To inform the Australian Government and other stakeholders of MDF's achievements to date, whether it is on track, the scale of its impact and its projected achievements. For this reason, we report against relevant aggregate development indicators and provides information necessary for the Aid Quality Check process.
- To share information with the broader development community to promote transparency in results measurement and communication, and to contribute to the comparability of results between approaches and

countries. With this aim in mind, the DCED developed the Standard for Results Measurement in Private Sector Development. As a multi-country facility, MDF is uniquely positioned to support this aim and this report is accordingly compliant with DCED criteria for annual reporting.

- To discuss achieved results in their context, provide insight into 'why MDF does what it does' and contribute to the dialogue on what constitutes good development practice.

MDF RESULTS IN 2016

// WHAT WE'VE ACHIEVED

(as of December 2016)



USD 7.81

million invested by partners



USD 20.15

million new market transactions generated



USD 13.27

million in additional income for **24,170** men and women



Benefiting **74,380** members

of these households

USD 7,815,000

invested by partners and

USD 2,523,000 invested by MDF

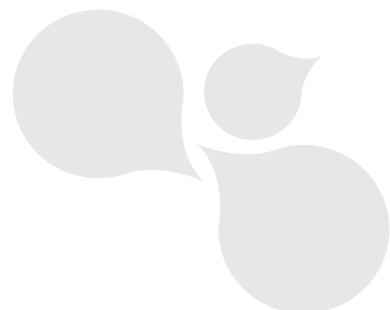
USD 20,155,000

additional market transactions (purchases and sales) generated

USD 13,275,000

from **24,170** new income generating opportunities (jobs, farms, and small enterprises) for poor men and women, including **549** FTE jobs

74,380 family members of these households benefit from the additional income received from these new opportunities



// WHAT WE'VE ACHIEVED

(as of December 2016)

MDF INTERMEDIARY HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016*

	Fiji	Timor-Leste	Pakistan	Sri Lanka	Papua New Guinea	Total
Partnerships	47	23	38	9	8	125
Innovations	56	38	54	18	20	186
MDF Investment (USD)	1,100,000	424,000	913,000	74,000	12,000	2,523,000
Private Sector Investment (USD)	2,839,000	2,954,000	1,738,000	259,000	25,000	7,815,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:2.58	1:6.97	1:1.90	1:3.50	1:2.08	1:3.1
Value of Additional Market Transactions (USD)	12,014,000	1,188,000	6,765,000	188,000	0	20,155,000

*Where applicable, country chapter graphs identify proportion of signed partnerships contributing to actuals and projections.

MDF HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016*

	Fiji		Timor-Leste		Pakistan		Sri Lanka		Papua New Guinea		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Effective Outreach including Jobs	2,760	2,740	2,960	3,240	4,430	3,540	2,220	2,280	0	0	24,170
Additional Jobs (FTE)	108	114	50	17	117	73	5	65	0	0	549
Additional Income (Effective Outreach including jobs) (USD)	1,640, 000	1,656, 000	382, 000	467, 000	6,335, 000	2,601, 000	120, 000	74,000	0	0	13,275, 000

*Where applicable, country chapter graphs identify proportion of signed partnerships contributing to actuals and projections.

// WHAT OUR CURRENT PARTNERSHIPS ARE PROJECTED TO YIELD

MDF INTERMEDIARY HEADLINE RESULTS PROJECTED AS OF 31 DECEMBER 2016*

	Fiji	Timor-Leste	Pakistan	Sri Lanka	Papua New Guinea	Total
Partnerships	47	23	38	9	8	125
Innovations	56	38	54	18	20	186
MDF Investment (USD)	1,418,000	685,000	1,555,000	300,000	147,000	4,105,000
Private Sector Investment (USD)	3,529,000	3,337,000	2,635,000	681,000	181,000	10,363,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:2.49	1:4.87	1:1.69	1:2.27	1:1.23	1:2.52
Value of Additional Market Transactions (USD)	19,436,000	2,343,000	13,697,000	23,071,000	3,383,000	61,930,000

*Where applicable, country chapter graphs identify proportion of signed partnerships contributing to actuals and projections.

MDF HEADLINE RESULTS PROJECTED AS OF 31 DECEMBER 2016*

	Fiji		Timor-Leste		Pakistan		Sri Lanka		Papua New Guinea		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Effective Outreach including Jobs	4,320	4,430	4,520	4,900	79,380	71,310	13,170	13,050	2,960	2,270	200,310
Additional Jobs (FTE)	148	242	84	126	989	348	414	396	9	33	2,789
Additional Income (Effective Outreach including Jobs) (USD)	5,857, 000	6,033, 000	1,375, 000	1,705, 000	52,162, 000	20,503, 000	14,399, 000	6,014, 000	1,989, 000	1,520, 000	111,557, 000

*Where applicable, country chapter graphs identify proportion of signed partnerships contributing to actuals and projections.

// WHAT WE ARE EXPECTED TO ACHIEVE BY 2021

(with additional partners on board)

MDF RESULTS ESTIMATES FOR FIVE COUNTRIES

	Fiji	Timor-Leste	Pakistan	Sri Lanka	Papua New Guinea	Facility Total
	Country Total	Country Total	Country Total	Country Total	Country Total	
Effective Outreach including Jobs	16,320	10,050	168,000	25,090	5,980	225,440
Additional Jobs (FTE)	689	325	6,300	2,040	156	9,510
Additional Income (Effective Outreach including Jobs) (USD)	17,955,000	3,389,000	80,483,000	12,021,000	6,871,000	120,719,000
Value of Additional Market Transactions (USD)	17,299,000	2,040,000	13,709,000	5,549,000	1,958,000	40,555,000
Private Sector Investment (USD)	3,604,000	1,700,000	2,856,000	1,156,000	408,000	9,724,000
Implementation Window	2011-2017 (6 years)	2012-2017 (4.5 years)	2013-2017 (3.5 years)	2015-2017 (2 years)	2015-2017 (2 years)	



By 2021, MDF's work will result in over **USD 120 million** in additional income for **225,440 men and women**, including **9,510 FTE jobs**, benefiting **744,620 household members**



DFAT AGGREGATE DEVELOPMENT RESULTS REPORTING

Along with MDF's own programme impact indicators, MDF also reports on the relevant DFAT Aggregate Development Results (ADR) – namely, the value of additional agricultural and fisheries production (in USD), the value of private sector investment leveraged (in AUD), the value of exports facilitated including new exports (in AUD), the number of poor women and men who adopt innovative agricultural

and fisheries practices, and the number of poor women and men with increased incomes. It is important to note that these values are reported incrementally for the given year. This differs from MDF's impact indicator reporting, which reports achievements cumulatively for the entire programme implementation period to date.

DFAT Aggregate Development Results from 01 January 2016 to 31 December 2016

Aggregate Development Results	Fiji		Timor-Leste		Pakistan		Sri Lanka		Papua New Guinea		Total
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	
Number of poor women and men who adopt innovative agricultural and fisheries practices	1,160	1,160	372	372	2,120	2,120	2,210	2,210	0	0	11,724
Number of poor women and men with increased incomes	1,210	1,190	1,800	1,450	2,490	2,230	2,220	2,280	0	0	14,870
Value of private sector investment leveraged (in AUD)	1,250,000		1,678,000		1,661,000		347,000		34,000		4,970,000
Value of additional agricultural and fisheries production (in USD)	405,853		336,000		2,483,000		151,000		0		3,376,000
Value of exports facilitated, including new exports (in AUD)	5,934,000		570,000		117,000		342,000		0		6,963,000

SIX YEARS, SIX LESSONS LEARNED (WITH MORE TO COME)



This MDF 2016 Annual Aggregation of Results is an important one. It is the final results aggregation for Phase 1, but it *does not* represent the final results for Phase 1. There are still many numbers to come in, many lessons to be captured and we will move into Phase 2 building on and continuing the momentum of our current portfolio. Our calendar year results aggregation schedules will be maintained into Phase 2, and there will be no disruption to ongoing monitoring and measurement activities.

MDF's portfolio is still young. Currently, only 40% (approximately) of the total Phase 1 portfolio has contributed to actuals. The bulk of partnerships remain 'active', meaning activities are still being implemented and the results are yet to be generated. Partnerships classified as 'activities completed, monitoring ongoing' are generating some results, but are yet to fully mature and monitoring continues. Monitoring of a partnerships can continue for up to four years after activities are completed, particularly in thin markets where partners often need time to fully reap the benefits of its joint investments with MDF. Results for Phase 1 will therefore continue to come in up until 2021.

While the complete results picture will take a few more years to coalesce, there are good reasons to reminisce, and even celebrate, the progress of MDF as Phase 1 draws to an end. While not all is known yet, Phase 1 has generated significant lessons – for MDF, for DFAT and the development community more broadly.

I It IS possible to reduce poverty through private sector engagement in less dynamic economies; we can also stop saying "...but this country is different".

The depth and breadth of the MDF portfolio, across five countries and 16 strategic engagement areas, is evidence that a systemic approach to private sector development can be applied in any economy. As this Annual Aggregation of Results demonstrates, MDF has generated results in relatively isolated and (former) conflict-affected areas such as Vanua Levu (Fiji), Bougainville (PNG), Chitral and Baluchistan (Pakistan) and Sri Lanka's Northern Province. We also work in one of the world's youngest nations, Timor-Leste.

We have now mobilised to five countries, and each mobilisation was met with a degree of scepticism that a market systems development

(MSD) approach would not work. We encountered a range of arguments - people are not profit-oriented, there is no entrepreneurial culture, companies are not willing to invest due to the potential for conflict, people traumatised by conflict will not respond to markets, people are too poor to buy farm inputs, government subsidies crowd out market actors, and communal (ownership) structures limit private enterprise.

There can be a kernel of truth in these and similar statements, but as generalisation they do not do justice to the incredibly diverse socioeconomic realities in all countries. Poor or not, everyone seeks to benefit from exchange in one form or the other, whether we

exchange our labour in return for a salary or sell vegetables for money to buy a bus ticket. Therefore, improvements to the exchange mechanism (labour market, vegetable market, transportation market) stand to benefit all, because the mechanism invites more competition, gets more economical, offers more choice and better quality. Making improvements to the way in which things are exchanged is feasible nearly everywhere. Deeply knowing the diverse realities allows one to see the opportunities for improvement and identify the exceptional first movers who can help forge a new normal for others to follow. What it takes next is a flexible methodology that can respond to opportunities as they emerge.

II While a systemic approach works well in dynamic, 'thick' markets with a mature private sector to create impact at scale, it might be even more critical in 'thin' markets where weak/emerging private and public sector players need more intensive, tailored support - potentially preparing them for commercial investment.

In 'thick' markets, one typically finds relatively more mature market players, who require smaller investments in innovation to improve products, services, or the reach of these. It is typically about a new product but within the same business model and market, or an adjustment to an existing product within the same business model but a new market. There is some change, but significant continuity and the core business model remains unaffected. It is therefore more likely that market players can oversee the change process and manage and invest in it. In this context, a very light-touch, short-term, technical assistance-

based form of development support to 'nudge' innovation in the right direction is appropriate. This in turn makes it easier for a business adviser or equivalent to handle many partners. It may even be possible to use standardised application processes for innovation subsidies (challenge funds), or finance the innovation with commercial finance (e.g. impact investing).

This won't work in a thin market. A cascade of innovations is often needed to break open a new market. It could require a new factory, new technology, new workers, who require training, a new product and new

market clients. While there will be a basis or plan to work from, there will be more change and uncertainty, the core business model will be more deeply affected, and the risks will be greater. For both market players and business advisers, foreseeing the entire change process is impossible – there are simply too many moving parts. A series of change steps is needed over a longer period – the completion of one step prepares the ground for commencing the next. A balance must be found between drowning the market player with support (that would undermine ownership and sustainability), and backstopping

efficient implementation. Being on hand to help the market player foresee/think through problems and solutions is also important. Time invested (but not necessarily money) in each partnership is relatively higher compared to what it would be in a more mature market scenario. In thin markets, one ends up doing ‘more difficult things with less capable partners’. What makes it work is an intelligent team with the creative and analytical ability to respond.

Moreover, thin markets are characterised by bigger gaps in the system: essential functions are not filled, there is simply no one doing them. Our experience in Fiji suggests that inviting proposals from (often small) businesses does not generate the strategic investment plans needed to fill these gaps and ensure the system overall starts to work better.

Plans submitted were often more modest, benefiting a specific business rather than having more strategic, sector-wide value. Thus, building up market systems in thin markets requires – again – an intelligent team on the ground to forge these strategic investments together with interested parties.

It is important to realise that less adaptive/more standardised implementation modalities are light on staff resources as well as commercial sources of finance (including those with a social focus such as impact investing). They often do not have the capacity to support the building of business models and market systems in thin markets. It is not commercially feasible to recoup the costs of the time invested. Standard procedures and finance products often rely on

collateral to cover risks instead of ‘market intelligence’ and adaptive management. With insufficient staff, it is not possible to properly vet and further develop proposals. In short, the weaker the market, the more the systemic the approach needed. A public investment can be needed to lay the foundation for more commercial sources of finance to follow, but only once the business is ready. Developing the interface between public subsidy and commercial finance is on the agenda for MDF in Phase 2.

Thus, no country is so unique and different, and virtually no market is so thin that a systemic approach does not work – if the approach is applied in a pragmatic, sensible manner. This pragmatism requires understanding and adapting to the context.



III Context matters! Systemic development requires an appropriate interpretation/application of development principles, not simply replicating development models.

When MDF began in Fiji, there was scepticism about whether 'this Asian Market Systems Development approach' would work in the Pacific. This scepticism would have been justified if MDF had applied a 'cookie-cutter' approach – using the same models used in large Asian economies. We did not do that. We instead consciously worked to build our understanding of the context and how to tailor the approach. We developed tailored, internal training programs (delivered by a dedicated provider) to ensure this knowledge and culture was built internally rather than exposing staff to mainstream MSD training. We believe that this has worked out well.

In the process, we have gone back to the fundamentals, reinforcing the key principles underpinning a systems approach, while at the same time extending the 'how to' menu of implementation options. This likely means we allow for more variability than most MSD programs in terms of how we demarcate the parts of the economy in which we think it is worthwhile investing in systemic change and inclusive growth. We work with a broad range of partners, from multinationals to start-ups, from banks to community-owned businesses, from exporters to NGOs. All our tools are designed to work with that variability and range. We negotiate deals that include past investments, working capital injections and hardware, in addition to the more traditional technical assistance. Finally, we allow for longer implementation windows per

partner and accept that our country teams need sufficient resources and flexibility to backstop investments.

This does not mean that 'anything goes'. We only work in those parts of an economy that offer true prospects for future economic growth, can be inclusive in nature, and can benefit from investment and innovation. We are not fixed on whether this is a sector, a value chain or, for instance, a theme (e.g., investment promotion). Typically, the more energetic, 'emerging' parts of the economy are also the less mature parts, characterised by less complete market systems (less coordination, more gaps) and populated with less established actors. For each partner, we must be convinced of their will, their incentives, their basic skill to manage a change process, and the viability of the business model underpinning the partnership investments. Both will and skill are relatively easier found in more mature, more competitive markets.

In both mature and thin markets, opportunities for commercially sustainable innovation can be found – this is often the easy part – but the road to 'making the plan work' is longer and bumpier in thin markets. Support to the partner should be driven by what the partner needs: if you are providing technical assistance but what is really needed is investments in hardware to reach scale, then you are wasting public money, the partner's time and are not delivering effective aid. We must be convinced partner

motivations are sound (i.e. they are not merely seeking a handout) and the commercial sustainability of the investment will not be jeopardised.

Finally, we accept, sometimes encourage, long implementation windows, so that the partner does not do too many things at once and we can be sure something works before taking on the next challenge. But each step is conditional: if the partner cannot complete, or pay for step 1, then step 2 will not happen and our support for step 1 will not increase. We will contribute to finding a solution, 'we think along and walk along with the partner', but once a solution is found it is again up to the partner to implement. Working in this adaptive manner, combined with a sufficiently deep understanding resulting from primary research and extensive networking, helps us to negotiate, design and backstop partnerships that work, even in challenging circumstances.

Overall, it is remarkable how little attention is given to the importance of responding/adapting to context when working out development methodologies and programme designs. Complexity does not 'scare' a good development programme. We are faced with and work within complexity daily. Being able to do so depends on a principles-based method rather than models, a programme design that allows adaptation and responsiveness in implementation and – underpinning all of this – a creative team on the ground.

**IV**

Creativity is key. It is fostered by an internal, continuous process of analysis, learning, responding and adapting, which can be supported, but not directed, by experts. MRM is a quality management process that lies at the heart of implementation and facilitates this learning and creativity.

It takes years, not weeks, and many field trips, not one, to really understand how an economy works. Building this understanding must be a continuous, local process driven by a local team who understand the importance of 'honest inquiry'. The culture of 'honest inquiry' must be learnt. External experts can support this by questioning findings and building research skills, but external expertise will never replace the value of this in-built process. External experts cannot, and should not, 'steer' the programme. Put differently, context throws more variability at a programme than any expert can solve. Learning must be in-house, in-built and undertaken through a collaborative, questioning team environment. Learning generates nuanced, granular insight, which opens the door for creativity, based on what has been seen first-hand, on the ground.

The process through which this learning and adapting happens is one many still perceive as being external to the core business of a programme: Monitoring and Results Measurement (MRM). It should be the opposite. The gradual build-up of insight can and should be guided through a process of rigorous in-house monitoring, using qualitative research tools, with a focus on representative sampling (but not necessarily a sample size) and investigation. The system should support programmes to identify what works, what doesn't and how change unfolds. Every MDF partnership – and we would dare say – every investment in any kind of development process – has unintended effects, sometimes good, sometimes bad. If you do not pick up on these, it means you are asking the wrong questions, perhaps applying the wrong research techniques. Nothing goes to plan. Thus, monitoring is not an appropriate term, it is too passive. We want to check whether activities work, so that we can learn from that

and improve our effectiveness in time – hence MRM is about quality management.

The formula for a creative programme therefore looks something like this: flexible program design (defining process and outcomes, not structure and activities), appropriate application of approach/development principles (not models), and a local team able to work with this (analyse, learn, respond and adapt). Programme designs can be flexible (although donors and contractors often shy away from this) and the appropriate application of development principles and supportive processes can be taught. However, building up a local team takes years – and during these years a balance between local team capabilities, international staff requirements and external expertise needs to be found. Therefore, in every MDF country there is a country team, and each team is configured as per the context in which it operates.

V

Systemic development is difficult for donors and implementers alike, yet it may be one of the most versatile, adaptable instruments for achieving sustainable development outcomes. A multi-country facility is an effective channel through which to pursue systemic development in a relatively low-risk manner.

We do not 'do MSD' because it is easy or convenient, but because it is effective. However, as MDF has found with almost every country mobilisation, understanding of the approach only begins to emerge as the portfolio of partners and associated activities builds. MDF has learnt, sometimes the hard way, that the approach offers little to the donor in the early stages in terms of concrete deliverables that can be explained or reported. This can erode trust. Signing a few early partnerships can help make things more concrete, but can also overburden a young team as they complete initial assessments while also learning how to design, negotiate, manage and monitor partnerships. Also, with positive early perceptions dependent on these early wins, the pressure to ensure 'successful' early partnerships can be implicit.

The involvement of host governments in MSD programs tends to be far less than many expect. The approach cannot (and should not) be channelled through one specific local (government) partner channel. The implementer must be able to seek out and negotiate with prospective partners, and be able to break off the interaction if the signs are not good. The diversity of partnerships makes another common development institution, the 'steering committee' less applicable. Within MDF, we have started implementing a more diverse engagement strategy, consisting events, workshops, publications, field trips – which allows us to reach out and bring the right group of development stakeholders together, to learn from them, receive feedback and influence their thinking.

Activities and implementation windows vary for each partnership. They cannot be predicted as they depend on what a partner needs. We also cannot know in advance which partners are willing, and able, to comply or work within MDF's specific requirements. Partner priorities and timeframes do not fit neatly within DFAT's annual reporting timeframes. This all makes it difficult for the programme to clearly outline to DFAT what was/will be achieved within a specific timeframe.

As outlined in the preceding pages, our MRM system works with a complex (yet necessary) system of estimates, projections, and actuals (refer to the definitions provided with results graphs in each country chapter) to define what the programme can achieve and when, and how we are progressing against estimates in terms of real and expected results.

Challenges associated with reporting against high-level, strategic results are not unique to MDF. Concrete activities or actions (outputs) are always going to be much easier to report on than longer term, often less tangible outcomes. The latter, however, is where the real information lies in terms of what works, what didn't and whether development outcomes were really achieved. For example, reporting on the number of microfinance loans disbursed rather than, say, how the loans were used (i.e. were they funnelled into a microbusiness?) does not provide insight into development outcomes achieved. Within MDF, we measure both the means (changes in businesses and markets) and the ends (whether this change was inclusive, are the poor actually better

off?). We always strive to be sure that something works, or if it didn't, understand why. This takes time.

The approach requires embracing complexity to be effective, which means dealing with the uncertainty that comes with working through partners in ever-changing markets. We want to achieve this through analytical and creative local teams. Building these teams is the most important – and the hardest – job of all. It takes years and it requires a certain type of management and leadership support to achieve this.

When it all comes together, what emerges is the equivalent of a Swiss pocket knife: a development instrument that can engage many different partners, is relevant for many development challenges (poverty reduction, Women's Economic Empowerment, inclusion, nutrition, public-private dialogue, and climate change), and can contribute to many different discussions well beyond its mandate. Moreover, it is increasingly pointing toward something that can engender development that is sustainable.

Bringing it all together – applying the formula shared above for a creative programme – is a risky process. Programmes suffer when they have some elements in place, but not everything. Thus far, MDF's multi-country structure has been able to mitigate this risk. In all its five countries, the capacity of local teams is being developed in terms of what it means to negotiate, manage and monitor a diverse portfolio of partnerships. MDF can bring much to the table for donors in terms of what we now understand to work, and not work, in terms of building local teams and 'localising' the approach.



VI

With positive returns emerging, DFAT can be confident MDF is a good investment.

Overall, the results presented in this 2016 Annual Aggregation of Results show that MDF is on track to achieve, or surpass, most of what it set out to achieve in Phase 1. The total portfolio size and the innovation it represents are in line with initial estimates, as is the value of private sector investment leverage and effective outreach. The value of the business generated by MDF partnerships (additional market transactions) has surpassed expectations, particularly in Fiji and Sri Lanka where the export markets are being tapped.

Jobs is the only indicator where the numbers were lower than expected. In Phase 2, we will reflect and assess how best to capture and monitor job data. It is important to understand the lessons emerging around these lower-than-expected numbers. We are learning that in the 'older' MDF countries – Fiji, Timor-Leste, Pakistan – agricultural job creation is less than expected for different reasons. In Fiji, Tropical Cyclone Winston sparked an exodus to the cities, causing a rural labour shortage. In Timor-Leste,

increasing labour requirements are typically absorbed within the family: productivity levels are low, people are underemployed and it is more cost effective to absorb labour within a family business. In Pakistan, labour demands are also absorbed within the family or farm labourers who also tend to be underemployed. In Sri Lanka, job creation looks more straightforward as the portfolio is more oriented toward service industries. In PNG, it is too early to tell.

Despite the emergence of the DCED Standard for results measurement in private sector development, results claims vary strongly between programmes. Small adjustments to how indicators are defined can generate vastly different figures – comparing programmes quickly becomes a case of comparing apples with oranges.

As an example, defining outreach as 'everyone we were able to reach' gives a very different outreach figure compared to effective outreach

defined as 'we reached them and can identify they benefited'. Likewise, returns on investment varies greatly. A return on investment measured over a ten-year window is likely to be much more than when measured over a three-year window (but can we be certain that investments keep on reaping benefits for so long in an every-changing political and economic landscape?). Returns on investment are also smaller when working in smaller economies (less potential for scale), when working in thin markets (for all the reasons mentioned above) and when working in high-cost environments (caused by corruption, overregulation or insufficient supply).

Thus, it is important that there is a positive return on investment, but donors need to be careful not to become 'return on investment maximisers'. A high return does not equal a critically needed, or successful, development effort. It might indicate that an activity has moved beyond the need for 'support' and should be handed over to more commercial channels.

MDF defines its programme return on investment as the MDF contract value: all additional income generated for the poor, measured on average over three years. Of course, DFAT has made investments beyond this contract value and MDF will generate positive development outcomes which go beyond what can be measured as net additional income, but expanding the definition of what goes in and what comes out is simply not practical. MDF's overall return on investment is set to be positive - for every dollar invested in MDF, approximately three dollars is

generated (based on the definition above). Differences between countries are significant though: in Pakistan, the return is four times higher than in Fiji and in Timor-Leste, while in PNG, MDF will need to work hard to break even.

Finally, the value of additional income for the poor that MDF has generated significantly surpasses original estimates. MDF was designed to increase the incomes of the poor by 15 percent, but our current actuals and projections indicate this will be close to 35 percent.

The depth and breadth of learning emerging from Phase 1 is significant, and cannot all be captured here. However, we look forward to continue to build and share our experiences across all programme aspects in Phase 2 and are excited about what is emerging in terms of MRM, Women's Economic Empowerment (WEE), about other forms of inclusion, systemic change, and building the capacity of teams and their managers. The foundation is in place for an exciting, albeit no less complex and challenging, Phase 2.



By 2021, MDF's Phase 1 portfolio will have resulted in over **USD 120 million** in additional income **for 225,440 men and women**, including **9,510 FTE jobs**, benefiting **744,620 family members** of these households.





Quick Facts

 Population
880,000

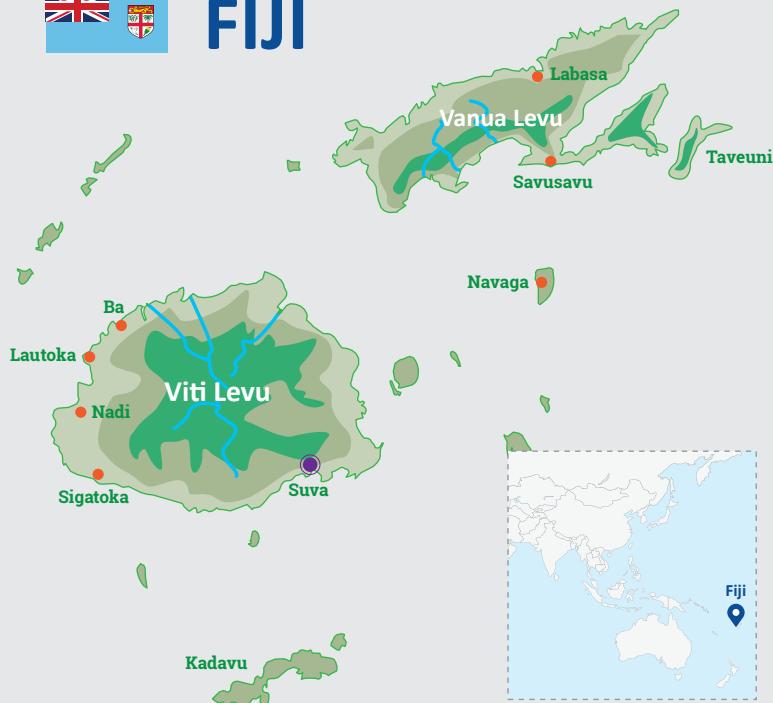
 Language
English, Fijian, Fiji Hindi

 Ethnicity
Indigenous Fijian
57% (est)
Indian Fijian
36% (est)

 Ease of Doing Business Index
97 out of 189 (2016)



FIJI



 Terrain

Tropical Pacific archipelago of over 300 islands. Mountainous interior of the two largest islands Viti Levu and Vanua Levu.



Gained Independence

1970

Former British colony.
Military coup in 1987, 2000 and 2006.
Current government elected in 2015.
President: Jioji Konousi Konrote, commonly known as George Konrote.
Prime Minister: Josaia Voreqe Bainimarama



Currency
Fijian Dollar



Poverty Headcount
31%
(% of population under the national poverty line)*



GDP
\$4.426 billion (2015)
GDP Growth Rate
2.4% (2016)



Major Industries
Agriculture, Sugar, Tourism, Garments

MDF Sectors



Tourism



Horticulture



Export Processing

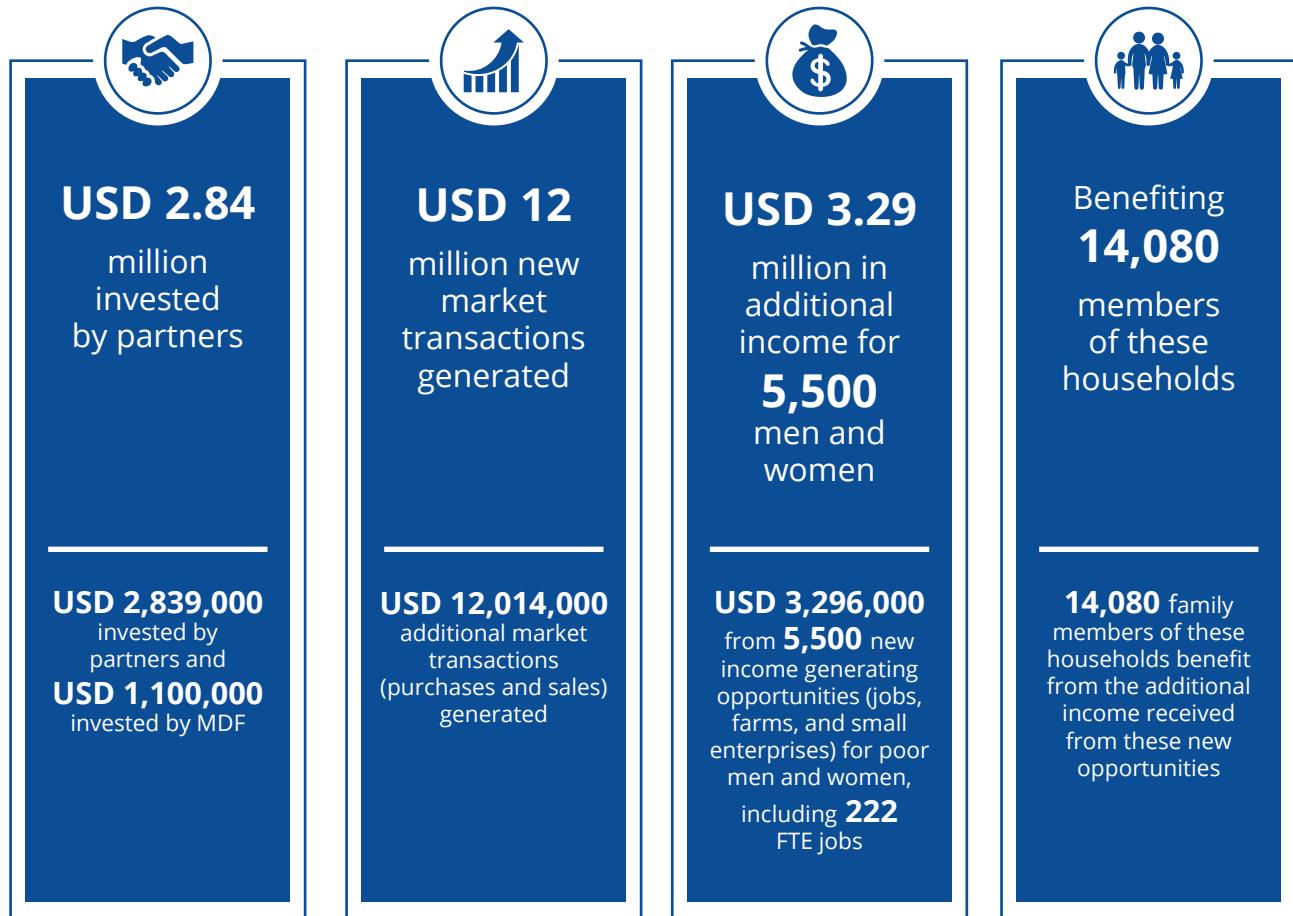
MDF's focus in Fiji

- Encouraging (mostly export-led, but also tourism-led) diversification and commercialisation in agriculture ('turning farming into a business').
- Creating off-farm employment for those who have left the land (in tourism and in processing).
- Supporting local entrepreneurship in niche markets (mostly tourism-led, but also export-led).
- Develop better business services and improve aspects of the Business Enabling Environment. For example, the Biosecurity Authority of Fiji which is the regulatory body responsible for monitoring exports of horticulture produce and issuing import permits for agro-inputs.
- Ensure geographic and ethnic inclusion to expand economic activities in other islands of Fiji and also to encourage more representation of indigenous Fijians in business.

* Based on 2014/15 Household Income and Expenditure Survey

// WHAT WE'VE ACHIEVED

(as of December 2016)



MDF INTERMEDIARY HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016

FIJI	
	Intermediary Headline Results Achieved as of 31 December 2016
Partnerships (active and completed)	47
Innovations	57
MDF Investment (USD)	1,100,000
Private Sector Investment (USD)	2,839,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:2.58
Value of Additional Market Transactions (USD)*	12,014,000

* A total of 20 out of 47 signed partnerships are contributing to actual additional market transactions, the results of which have been verified through monitoring visits. The number of partnerships contributing, and subsequently the actuals reported will increase in coming years, pending verification.

// WHAT OUR CURRENT PARTNERSHIPS ARE PROJECTED TO YIELD

MDF HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016 AND PROJECTED AS OF 31 DECEMBER 2016

	FIJI					
	Headline Results Achieved as of 31 December 2016*			Headline Results Projected as of 31 December 2016**		
	Male	Female	Total	Male	Female	Total
Effective Outreach including Jobs	2760	2740	5,500	4,320	4,430	8,750
Additional Jobs (FTE)	108	114	222	148	242	390
Additional Income (USD)	1,640,000	1,656,000	3,296,000	5,857,000	6,033,000	11,890,000

* Actuals are currently based on 22 out of 47 signed partnerships, the results of which have been verified through monitoring visits and assessments. The number of partnerships contributing, and subsequently the actuals reported will increase in coming years, pending verification.

** Projections are currently generated by 27 out of 47 signed partnerships. Projections are developed once a partnership is signed, build on assumptions informed by partner information, field observations, primary research and/or secondary literature, resulting in a time lag between partnership signing and projections development. As projections for partnerships are developed they will be incorporated into subsequent aggregation reporting processes.

// WHAT WE ARE EXPECTED TO ACHIEVE BY 2021 (with additional partners on board)

MDF INTERMEDIARY HEADLINE AND HEADLINE RESULTS - COUNTRY ESTIMATES

	FIJI	
	Fiji Results Estimates	
Effective Outreach Including Jobs		16,320
Additional Jobs (FTE)		689
Additional Income (Effective Outreach Including Jobs) (USD)		17,955,000
Value of Additional Market Transactions (USD)		17,299,000
Private Sector Investment (USD)		3,604,000
Implementation Window	2011-2017 (6 years)	



With additional partnerships on board, by 2021 MDF's work will result in over **USD 17.95 million** in additional income benefitting **16,320 men and women**, including **689 FTE jobs** benefiting **41,600 household members**

// FIJI RESULTS GRAPHS

How to read the graphs

1. The 100 percent line defines the benchmark and the estimates curves give an indicative trajectory for reaching that benchmark.
2. Compare the total projected value for each indicator with its estimates curve and compare where each year's projections sit against the 100 percent line. This is the first indication that the programme is on track. It is important to remember the 100 percent line and estimates curve reflect the total anticipated portfolio, whereas the total projected value is only based on a proportion of that portfolio. Therefore, the total projected value is ideally ahead of the estimates curve, but only needs to cross the 100 percent line when all partnerships are signed and the portfolio is complete.
3. Compare how actuals catch up, in time, with projections and grow closer to the 100% line. Different indicators have different lead times; the lower the indicator sits on the MDF impact logic the steeper the curve and shorter the results lead time. The higher an indicator sits on the MDF impact logic, the more gradual the curve and longer the results lead-time. Strong actuals for lower-level indicators (innovation, investment leveraged, and the value of AMTs) is a second good indication that the program is on track, as it demonstrates that the programme is able to elicit a strong response from the market.
4. Finally, when reading the graphs and tables in this report keep in mind that collecting accurate data and using these for results calculations is hard work fraught with uncertainty. Per partnership, dozens of calculations are made over several years to assess who is reached (farmers, workers, men and women), in which locations, through which different channels (each with their pros and cons) and how change is influenced in sales, practice, yield, understanding, returns on investment, and income among other factors. These calculations are based on multiple information sources which have been derived with the use of multiple research tools. Despite the best of efforts, MDF has sometimes been too optimistic and, at other times, too conservative. Results estimates, projections and actuals will change.

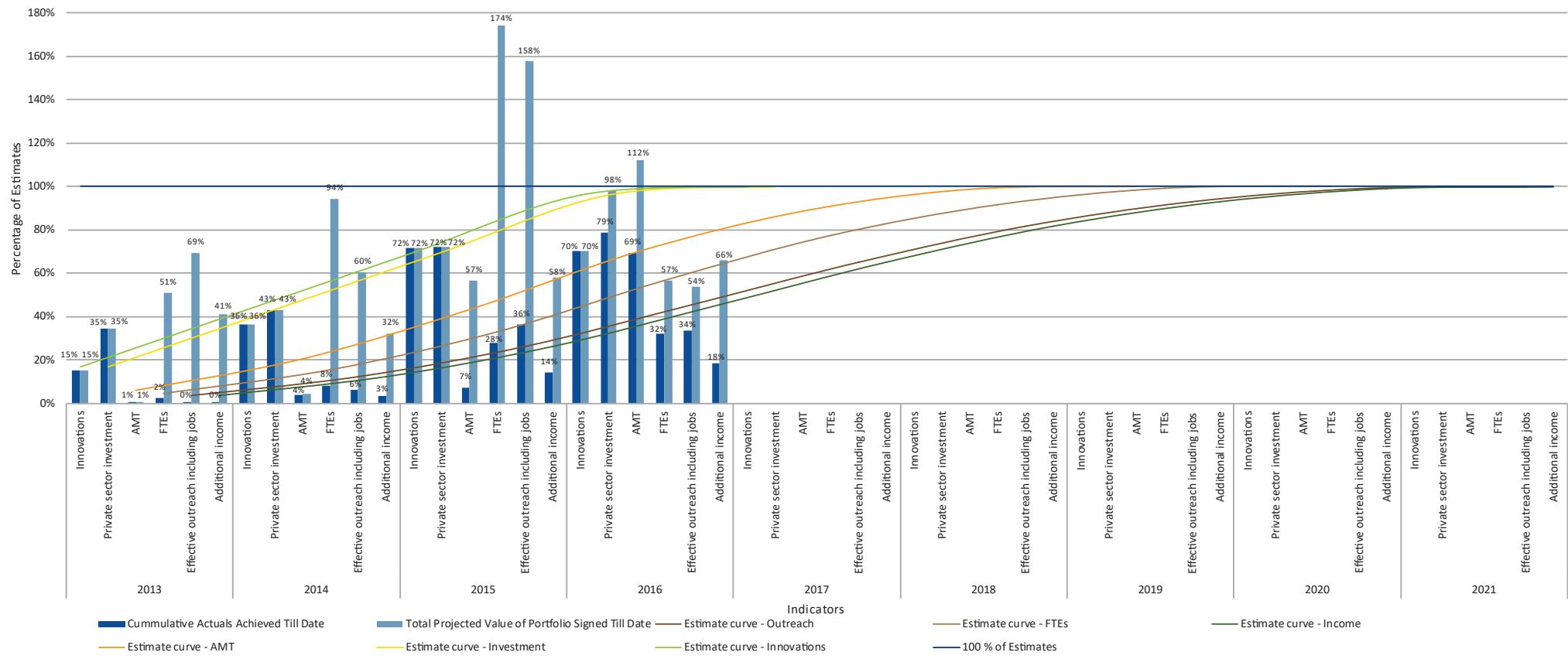
Indicator definitions

Estimates: are 'floating benchmarks' based on programme parameters (time and budget), specific donor wishes and an assessment of the local context and economy. They define what a programme should reasonably be able to achieve based provided there are no major external shocks. The 100% line defines the benchmark; the estimate curves show an indicative trajectory for reaching this benchmark in time.

Projections: forecast the value of each signed Partnership Agreement. Taken together the 'total projected value of the portfolio to date' forms an early indication of whether the programme is on track to achieve what it set out to achieve, by comparing the upward trend in projections toward the 100% line and the estimates curves.

Actuals: are verified achieved results. As different indicators have different lead times i.e. it takes longer for results to come in, some actuals will catch projections quicker than others. The lower indicators on the left should catch up faster and the more strategic ones on the right will take longer.

MDF Fiji results curve, 2013-2021



EXPLANATORY NOTES ON PORTFOLIO CONTRIBUTIONS AS AT DECEMBER 2016 :

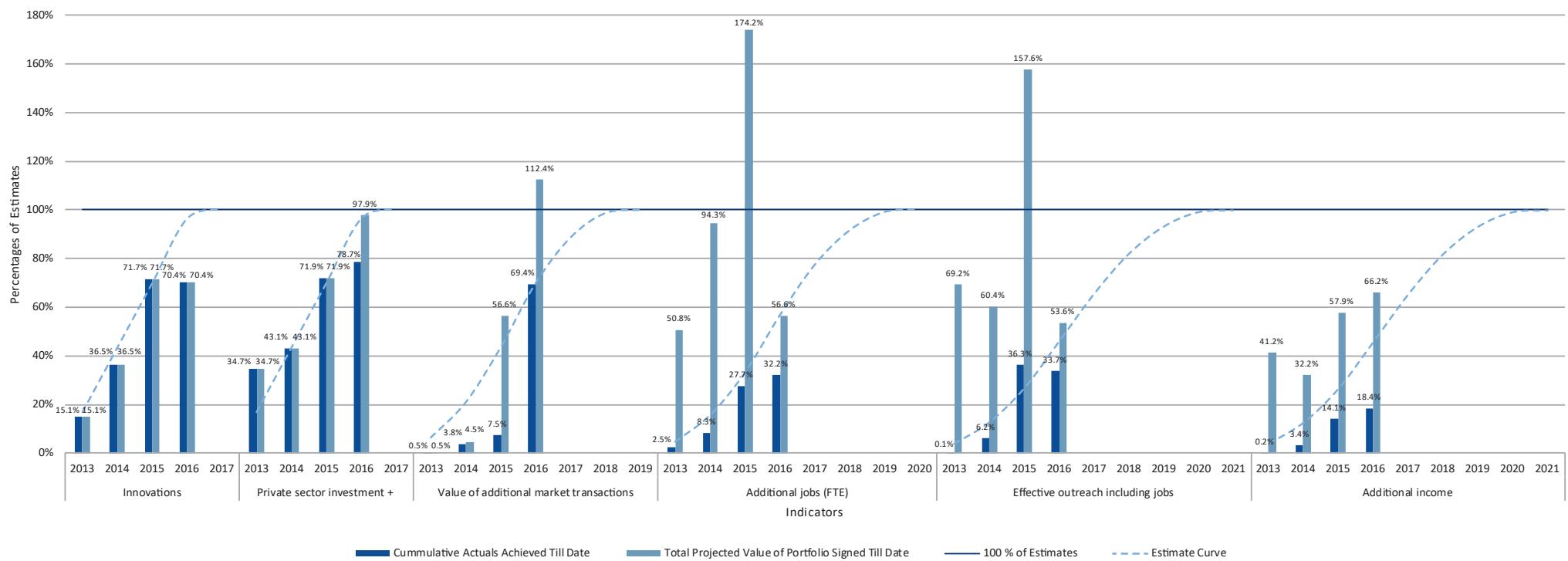
The proportion of the portfolio contributing to selected indicators as at December 2016 is provided below as a means to demonstrate that results (actuals and projections) are not being generated by 100% of the portfolio. The number of partnerships contributing to both actuals and projections will increase over time, as partnerships mature (and generate results) and as projections for newer partnerships signed toward the end of the year are completed based on information gathered from the monitoring visits

Effective outreach including jobs 68% of the Fiji portfolio was contributing to actual results; 79% of the portfolio was contributing to projections.

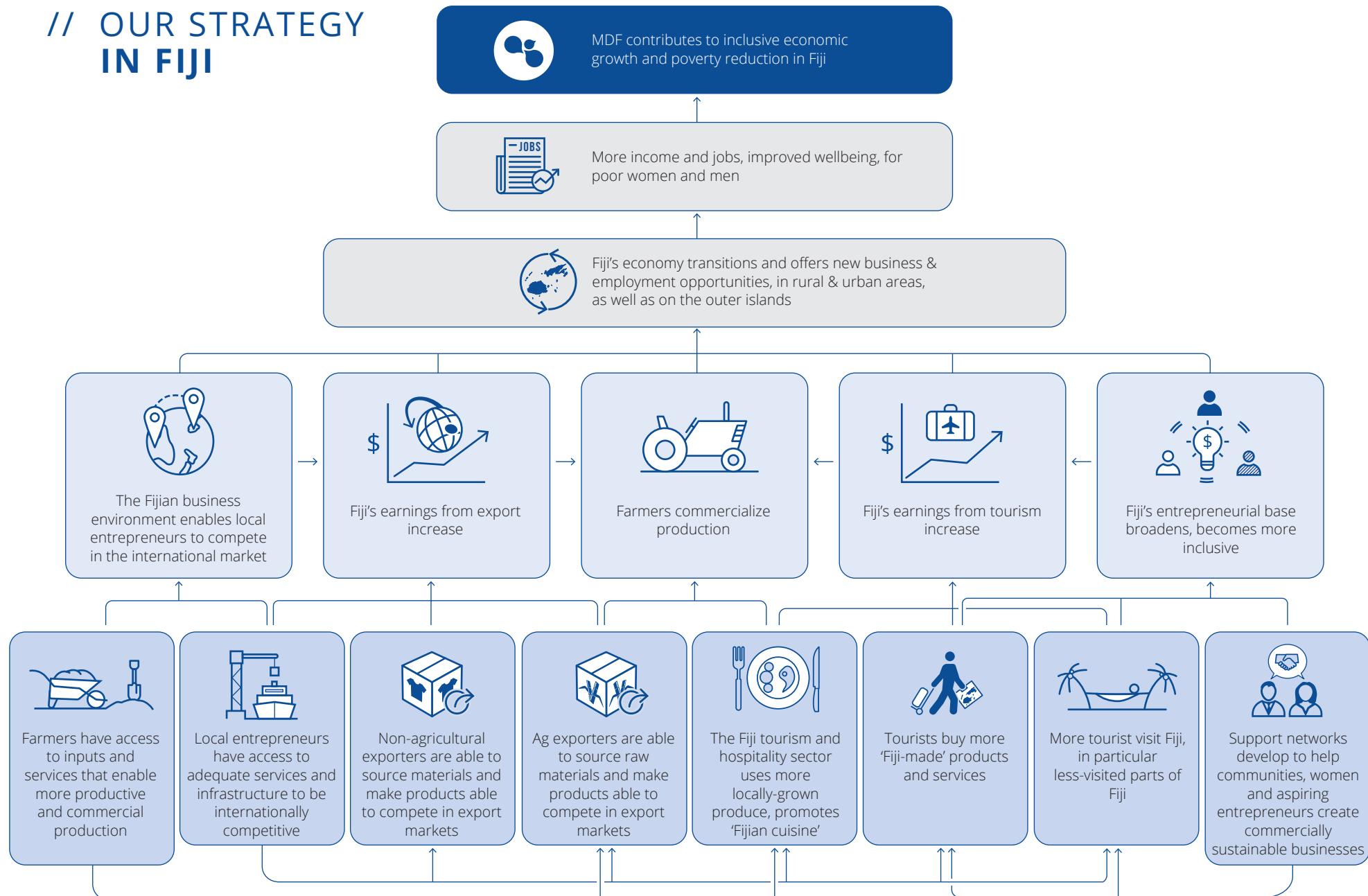
Net additional income: 68% of the Fiji portfolio was contributing to actuals; 79% was contributing to projections.

Additional Market Transactions: 64% of the Fiji portfolio as at December 2016 was contributing to both actuals and projections.

Fiji MDF individual indicator results curve, 2013-2021



// OUR STRATEGY IN FIJI



MDF FIJI IN 2016



THE 2016 YEAR was a critical year for MDF in Fiji. Early in the year, Fiji was battered by Tropical Cyclone (TC) Winston which presented opportunities for MDF to work with affected partners as they responded to and, in some cases, assisted others to respond in the aftermath. MDF's chosen engagement areas remained relevant in terms of stimulating economic growth and working with the private sector in the wake of TC Winston, and the situation revealed valuable lessons about private sector and disaster preparedness, response and recovery.



TC Winston impacted directly and indirectly on some partners who had to reinvest heavily in rebuilding their damaged structures and supply chains. Impacted partners were reluctant to take on new partnership activities, even those who would build longer term business resilience, due to the financial strain from TC Winston from increased costs of sourcing raw materials that were in severe short supply in the local market. Another key implementation challenge was a shift in partner priorities. With supply chains damaged, some partners were, necessarily, more interested in finding new sources of supply to meet their export demand than in investing in and actioning new areas. For MDF, this meant a slowdown in investments and activity completions, and it achieved lower than expected actual results. Fewer innovations were introduced into the market systems through MDF partnerships due to



Many of MDF's partners demonstrated resilience and innovation in the face of Tropical Cyclone Winston."



a general slowdown of business in Fiji post TC Winston. For example, the number of coconut suppliers to partner Fijika dwindled significantly due to widespread damage to coconut trees during the cyclone. This meant that fewer households were benefiting from this partnership, as they could not sell coconuts to Fijika. MDF adjusted its reported actual and projected figures for this partnership.

Importantly partners continued to operate in the wake of TC Winston, albeit with some changes to partnership activities. This highlights the potential sustainability of the partnerships entered into and is a positive indication that MDF is working in relevant areas within the Fijian economy.

Despite these challenges, MDF continued to generate more income and jobs for poor women and men in Fiji. Around 5,500 women and men benefited from MDF in Fiji as of December 2016. TC Winston impacted on other indicators like AMT in unexpected ways. AMT generated by MDF partnerships was recorded at USD 12 million as of December 2016, with the 2016 increase much higher than anticipated. This was mainly due to the higher than average prices for taro and yaqona resulting from a continued high demand from premium (higher priced) export markets (in Australia, USA and Europe) with fewer suppliers due to TC Winston-related damage. The projected reach of the portfolio as at December 2016 was 8,750 women and men. A total of 390 FTE jobs (of which 242 are for women) as well as additional incomes of USD 11,890,000 for poor women and men in Fiji are also projected to be created by this current portfolio.



MDF continues to demonstrate how market systems approaches can have material outcomes in the Pacific and, with the lessons of TC Winston, how the approach can be adapted and applied within a shifting economic context. After years of working with input producers in Fiji, MDF pieced together its understanding of the challenges around the supply, demand and distribution of inputs, and subsequently made significant progress in bringing this knowledge together to kick-start the establishment of a comprehensive distribution system for agricultural products. The result of this has been access to, and use of, inputs such as agricultural lime and seedlings by 840 farmers. In Tourism, the work on promoting destinations outside of Denarau and Coral Coast gained traction. There was significant buy-in from the Ministry of Industry and Trade and Tourism (MITT) on this concept, alongside interest from other destinations (like Suva and Sabeto) to promote their destinations similarly (and get similar benefits to Denarau, such as inclusion in government initiatives like 'promoting Fijian cuisine in tourism', or be able to hold constructive dialogue on important infrastructural discussions such as expansion of airports to cater to more traffic). A tourism multiplier study scheduled for early 2017 will provide the results estimates for these activities, looking at the number of women and men who stand to benefit as workers, small enterprises or service

providers. MDF signed a partnership with global player, DHL, which involves using Fiji as a base for back office functions. Having DHL on board lends a competitive advantage to Fiji in providing back-office processing services.

Results projections for MDF in Fiji, particularly the numbers for effective outreach and FTE jobs, have been revised downward significantly. The biggest contributor to our revised-down projections for Fiji was our agricultural lime (also 'aglime') partnership with distributor Standard Concrete Industries which established the distribution of aglime as an ancillary business stream alongside its core business of concrete manufacturing. Following TC Winston, demand for concrete and other building materials rose exponentially. This resulted in Standard Concrete Industries, understandably, directing resources into its core business and away from aglime distribution. MDF subsequently assessed the partnership and revised down the projected outreach for aglime. However, the use of aglime by Fijian farmers remains high and growing, from 3,050 bags delivered to farmers in 2013, to 20,545 bags delivered to farms in the latest sugarcane growing season. Demand for the product remains high, with Standard Concrete Industries struggling to keep up with orders from



distributors across Fiji. MDF will continue to explore ways to meet this demand. When and if an alternative aglime supply partner is found, or if Standard Concrete Industries returns its attention to aglime, MDF will revisit the projections to ensure any new partnerships are factored in. MDF is seeking new and alternative partnerships to continue support to agricultural lime production but, until new partners are identified, projected outreach figures—which were significantly boosted by this partnership – have been revised down.

Adjustment to measurement practices to yield more accurate data led to a reduction in other projections. The numbers of FTE jobs anticipated from the portfolio have also been reduced. Recent changes in labour dynamics as a result of TC Winston, particularly movement of labour from agriculture to more urban jobs, implied a strong need to revisit the labour multiplier. Anecdotal evidence suggested there was a severe and chronic shortage of agricultural labour in the country. This was confirmed by a larger than expected uptake of mechanisation services provided by partner Charan Jeath Singh. Hence, the assumption that increasing agricultural activities would lead to increased FTE jobs created, needs to be revalidated.

A further challenge was that projected figures for additional incomes, although increasing slightly, lagged behind country estimates. Looking forward, this could be boosted by continuing to concentrate on higher value agriculture (like horticulture crops as seen in the Devesh and Bharos Farms partnerships) and creating more formal employment opportunities in export-oriented companies and tourism sector businesses.

Despite the challenges of 2016, MDF in Fiji was able to expand, diversify and build a more resilient portfolio and refocus it towards achieving greater results at scale, gearing up for MDF's next phase. This process involved cancelling non-performing partnerships and adding new ones. The team took a medium to long-term view in designing post-cyclone activities, focusing on the tourism and horticulture sectors. MDF's response led to several new partnerships and the emergence of 'economic resilience' as a clear area of interest for MDF in Fiji. This process of reviewing the portfolio, removing some partnerships while adding others resulted in a 'balancing-out' in terms of the number of innovations. It is expected that this will project upwards again next year as more partnerships are added.



These revisions reflect, and are an outcome of, proactive portfolio management, with estimates remaining grounded in the economic realities surrounding the portfolio. The exercise pointed to some clear conclusions: a need to diversify partnerships (to reduce reliance on any one partner or any one product); and the need to focus on the original growth areas of export-oriented agriculture and job creation in exports and manufacturing to achieve expected levels of jobs and additional incomes. It also crystallised the need to consider the inherent vulnerability of Fiji and the Fiji economy to frequent natural disasters, including cyclones and floods. The Standard Concrete Industries experience taught MDF that reliance on one partner (with competing business priorities) was risky, as any change in behaviour in that partner may jeopardise the scale of achievements, despite an evident high demand and an effective distribution system being in place. MDF needs to look at multiple inputs and multiple partners using a few established distribution channels targeting a potentially large group of Fijian farmers with at least one, if not many, types of benefits or innovations. This is difficult to do in a shallow market, however, as the barriers to entry in the agricultural input market can be difficult.

A tourism multiplier planned for 2017 will quantify the economic impact of additional tourist visitations to outer islands. It is anticipated that, with the findings of this study, projected AMTs, additional incomes and additional FTE jobs will increase due to an expected increase in the number of visitors in outer areas. MDF signed up two partnerships that will have implications for large outreach. The partnership with CDP Services Ltd, which connects markets in Viti Levu (as well as exporters in Viti Levu) to farmers in Vanua Levu, is expected to result in an increase in effective outreach numbers. A partnership with Ramsami and Sons signed near the end of 2016 related to the manufacture of chicken manure will have a positive impact on outreach numbers.

In preparation for Phase 2, MDF Fiji designed and is now implementing a new way of supporting small and medium enterprises (SMEs) growth in Fiji which has the potential to deliver results at scale. Five years of learning from working with small businesses led to the establishment of the MDF Fiji Enterprise Engine (MFEE). MFEE is an incubation system that combines classroom training and on-site problem solving as a way to strengthen the management capacity of small businesses in Fiji. The incubation system tackles the common issues around business management that hinders growth of Fijian small businesses. The system also allows MDF to work with indigenous entrepreneurs and is already providing important insights into the challenges faced by indigenous businesses, as well as other SMEs, on their way to profitability and sustainability.

The core concepts of systemic change, WEE, and community engagement have seen significant progress. Early signs of systemic change are being seen in the horticulture and tourism sectors, resulting from a number of innovative partnerships and several years of deep engagement in these sectors. For example, MDF's work in improving distribution of agricultural lime across Fiji has prompted the Fiji Sugar Corporation to discuss the privatisation of distribution of other agricultural inputs. In tourism, work with destinations outside of Denarau and Coral Coast are being acknowledged by the MITT and Tourism Fiji as well as encouraging other destinations like Suva to follow suit. Partnerships such as Rise Beyond the Reef, Walks and Trails, and Southern Solutions provided valuable data on producer communities and how to engage them commercially. These findings, alongside the findings of a planned 2017 community engagement study, will be crucial in designing future partnerships that ensure the benefits of economic growth reach deep into traditional Fijian communities.



FROM TOYS TO HOMEMADE DRESSES

Neela's Skills Keeps Her Bobbins Full

A passion for sewing at a young age motivated Neela Devi (52) to pursue a career as a seamstress. Neela worked as the Head Supervisor at Coconut Kids (Fiji), a small company that specialises in Fijian-themed toys and clothes for tourists.

"I have been working for Coconut Kids for one and half years and I cut and sew the made-to-measure orders. We take the body measurements of a customer and cut the material as per the measurements. From there I sew the clothes from that order," said Neela, who supervises a team of ten seamstresses and artists at Coconut Kids.

"I learned sewing when I was in primary school from my mum. She used to sew at home and I used to watch her and always wanted to learn to sew just like her."

"When she wasn't home I used to cut up some clothes and train myself on the machine. That's how I learned how to sew."

Neela held other positions in another garment company prior to joining Coconut Kids.

"Through sewing, I have a good job here at Coconut Kids and it has helped me in a lot of ways, in my work, in my bills, my groceries and my rent. This is my bread and butter and I love it."

Neela learned the finer art of fabric cutting from her employer, Managing Director Mala Chawda, who enlisted her to create made-to-measure orders at the shop. With her enhanced skills, Neela also sewed clothes as a side business at home.

"I make dresses and jabis [matching sarong and top] for women in my community. My sewing at home supplements my income from Coconut Kids. I only do sewing at home in my free time."

"I enjoy working here because I have learned a lot of things from my boss and she encourages us with our ideas and creates a nice work environment."

"I believe that sewing is a wonderful skill to have and if there is anyone that is wanting to learn sewing, I am happy to teach them."

Coconut Kids Fiji was founded in 2011 by Mala, an Australian-trained, award-winning fashion designer who had a vision to create children's wear and accessories, and stuffed toys and pillows to compete with poor quality and cheap alternatives in the Fijian market.

In Fiji, there are few businesses catering to the children's market with locally made items as the ready availability of cheaper imported items means local production is commercially non-feasible.

MDF supported Coconut Kids by scaling up production capacity and improving in-house skill sets for better marketing, and improving the quality of products for the tourist market. Tourists will have access to more Fijian-made items for children and these sales will result in increased employment and income for staff (particularly women).





Fijian cane farmers



Yielding results with aglime

BEFORE MDF



No aglime available locally



Highly acidic soils



Farmers not aware of importance of soil health



Diminishing yields, poorer environmental outcomes

AFTER MDF



MDF works with concrete production company to produce quality aglime locally



PROBLEM:

Local aglime product not reaching local farmers



Supply chain improvements

MDF works with agricultural input distributors to supply aglime to all major agriculture areas in Fiji



PROBLEM:

Uptake is low; farmers don't know about aglime advantages



Capacity building

Input suppliers share information and conduct demo plots for farmers



Aglime uptake increases



Higher yields, healthier soils and increased farmer earnings

TOURISM AND RELATED SUPPORT SERVICES AND INDUSTRIES



We want to see a growing tourism sector with an increased impact on local economic development across the country



More tourists visit Fiji and new areas within Fiji

Mainstream tourism providers develop and promote tourist visits to less visited sites and destinations in Fiji

6 business innovations
including support for new and emerging tourism destination associations in Kadavu, Rakiraki and Savusavu.

8 partnerships
with 3 destination marketing organisations (DMOs), local tourism trekking provider, inbound tour operator and on-line booking provider



Increased Sales of 'Fiji Made' Products and Services

Fijian-based goods and service providers develop, improve and promote their offers to increase local spending by tourists

11 business innovations
including the expansion of the thermal mud pools attraction in Sabeto for the growing cruise ship tourists market.

8 partnerships
with community-based tourism operator, and manufacturers of locally branded handicrafts



Improved Fijian agri-business links to hotels

Vendors, suppliers and processors improve and increase their local sourcing of agriculture produce for the hotel and resort market

9 business innovations
including the introduction of blast-freeze technology to improve storage capacity and availability of quality fresh fish to hotels in Fiji.

6 partnerships
with supplier of local food products (vegetables and seafood) to the hotel industry

// WHY WE WORK HERE



792,320

tourist arrivals in
2016

reaching highest arrivals
on record



PROGRESS IN

TOURISM IN 2016

Fiji's tourism sector faced significant challenges in 2016 in the aftermath of TC Winston, particularly in the outer areas where visitor numbers are typically low. While the major tourism destinations (Denarau, Coral Coast and Yasawas/Mamanucas) suffered minimal damage, tourism properties in the northern side of Viti Levu and in Vanua Levu were severely affected. MDF's work towards diversifying the tourism industry ramped up after TC Winston, as emerging tourist destinations faced severe challenges in the recovery period.

Despite the cyclone and surprisingly, tourism numbers for March 2016 increased by 9.7 percent compared to the same time in 2015. This was fuelled mainly by heavily discounted airfares and holiday packages to the major tourism destinations that had escaped relatively unscathed from TC Winston. The national Tourism Action Group, set up to manage the tourism recovery, told stakeholders that "Fiji tourism is back on-line, now that both Denarau and Coral Coast hotels are operational."



40,000

people employed
in the sector



Women engaged

throughout the sector in
hotels, tourism activity
providers and as agri-
business suppliers.

The story was different for the tourism sector in other destinations, such as those in the northern side of Viti Levu and in Vanua Levu. As these areas tend to account for a small percentage of tourist numbers, they were overlooked in national assessments. Based on MDF's assessments with local tourism associations in these areas, many hotel properties and operators remained closed for several months. The severe impact of TC Winston on emerging tourism destinations – which were unable to resume operations well after major destinations had come back online – highlighted the importance of helping these emerging destinations to promote themselves, not only to tourists, but also to the government. Until these emerging destinations are included in the national Fiji tourism narrative, they will remain less likely to receive attention in times of need.

Strengthening regional tourism associations and promoting destinations will remain an integral part of attracting more tourists to more diverse locations across Fiji. MDF started working on the concept of supporting the formation and strengthening of DMOs in late 2015. The partnerships picked up pace significantly post TC Winston in 2016. Initially, MDF worked with two DMOs in Rakiraki and Kadavu. The work has since expanded to include Savusavu (as a direct DMO partner) and destinations like Suva, Nadi, and Sabeto which are keen to organise and strengthen their tourism destinations. There has been interest from Taveuni and Levuka to follow along the same lines.

Working with destinations and DMOs as a way of attracting more tourists to different locations across Fiji is important for the progression of other systemic change pathways in the tourism sector. Work with partnerships such as **Fiji Cuisine, Tifajek Mudpools and Talanoa Treks/Walks and Trails** has shown that, in outer areas, hotels and tourism operations are more likely to use local agricultural products in their supply chain (as they are cheaper than bringing in imported products to these locations). Similarly, partnerships with businesses such as Rise Beyond the Reef, Coconut Kids, and **Bula Coffee** indicate that tourists are more likely to spend money on local goods and services or engage local small enterprises for activities around the destinations. Working on getting more tourists into lesser known destinations would also serve to progress the other two systemic change areas; that of promoting more Fiji Made products and services to tourists as well as incorporating more local products into the tourism supply chain.

This approach has significant potential to generate benefits for individuals and communities outside of the traditional tourist centres. At the same time, MDF continues to work with more established destinations to achieve greater results at scale. MDF is working with organisations like Fiji Museum to highlight Fijian culture and tradition as a way for tourists to choose Fiji as a holiday destination. Similarly, MDF's partnerships with global tourism powerhouses like TripAdvisor are aimed at promoting Fiji and destinations within Fiji to a wider tourist market worldwide.

Work with Pacific Cooperation Foundation on digital marketing strategies has helped open up new horizons in marketing whereby a tourism operator, regardless of its size, can reach out to its target audience with customised messages and offers using cost effective or free digital platforms such as Facebook and Instagram. The next step for MDF is to keep working with digital platforms, but widen the platforms used to include offline downloadable content, locally generated content unique to different destinations, and tourist aids – including, potentially, aids for tourists with disabilities such as audio or braille guides for the visually impaired, or highlighting accessibility-enhancing amenities in destinations.

In 2016, MDF continued to work with businesses which introduced new products and services to the tourism industry. These businesses are key to showcasing creativity, the uniqueness of Fijian-made products, as well as highlighting the importance of quality and consistency. For example, partners like Walks and Trails are setting examples of new things for tourists to do in places like the interior of Viti Levu where there are few tourism activities. Partners like Southern Solutions and **Adi Chocolates** highlight the possibility of branding niche products like Fijian seafood or chocolates for tourists (and tourism operators) to buy. Partners like Coconut Kids provide useful examples of locally manufactured products that can be attractive to tourists due to their quality of finishing and compliance with international quality and safety standards.

// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Essence of Fiji	MDF supported Essence of Fiji to improve its production capacity and the quality of locally sourced raw materials for its beauty products. All activities were completed.	Activities completed and monitoring ongoing	Tourists buy more 'Fijian Made' products and services
Coconut Kids	MDF supported Coconut Kids achieve sustainable growth and investment through increased production capacity, better quality control and an improved financial system. Coconut Kids' sales have increased over the years due to increased production capacity. The business hired a quality control officer and an accounts clerk to support business growth.	Measurement completed	Tourists buy more 'Fijian Made' products and services
Namana Arts	MDF assisted Namana Arts to formulate a strategic plan, train input suppliers and increase market presence (website, posters and online catalogue). The general progress of the intervention was slow, with only the strategic plan and marketing materials completed. MDF made the decision to close the intervention.	Measurement completed	Tourists buy more 'Fijian Made' products and services
Tifajek Mud Pools	MDF assisted Tifajek Mud Pools to upgrade its community-based tourism business. Support was provided for facility upgrades and staff capacity building. In December 2016, the last activity was completed with the successful launch of new thermal and mud pools at the facility to cater for increased tourist flows from visiting cruise ships to Nadi and Lautoka.	Activities completed and monitoring ongoing	Tourists buy more 'Fijian Made' products and services

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Adi Chocolates	MDF supported Adi Chocolates to strengthen the supply chain with local cocoa farmers. Support was also provided for brand marketing, and building business management and financial capacity. All activities were completed.	Activities completed and monitoring ongoing	Tourists buy more 'Fijian Made' products and services
Fiji Museum	MDF assisted the Fiji Museum to improve its operations, image and services through commissioning a detailed report by a museum development consultant. The report will be finalised in the first quarter of 2017 and used by the museum as a basis for securing additional resourcing from government and external donors.	Activities completed and monitoring ongoing	Tourists buy more 'Fijian Made' products and services
Rise Beyond the Reef	MDF is working with Rise Beyond the Reef to strengthen and grow its handicraft livelihoods project with rural women so it can become commercially sustainable. Support to date has focused on strengthening the supply chain, quality assurance and training, product development, marketing and managerial support. MDF noted a marked increase in handicraft sales by Rise Beyond the Reef in 2016.	Active	Tourists buy more 'Fijian Made' products and services
Bula Coffee	MDF assisted Bula Coffee with modernising its processing facilities, strengthening its supply chain through mechanisation and training, and improving brand and product visibility. All activities were completed.	Activities completed and monitoring ongoing	Tourists buy more 'Fijian Made' products and services
Southern Solutions	MDF assisted Southern Solutions to strengthen its supply chain with local fishing agents and directly with fishing communities. MDF supported Southern Solutions to procure equipment to increase its storage capacity and to upgrade the business skills of key staff. The intervention resulted in a significant increase in sales of Southern Solutions marine products to hotels.	Activities completed and monitoring ongoing	The Fiji Tourism and Hospitality sector uses more locally grown produce and promotes Fiji Cuisine

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
The Crab Company of Fiji	MDF assisted The Crab Company of Fiji to develop an integrated process for the environmentally sustainable production of local mud crabs for the tourism industry. This included support for hatchery development, rehabilitation of crab ponds and development of out-grower facilities. All key activities were completed.	Measurement completed	The Fiji Tourism and Hospitality sector uses more locally grown produce and promotes Fiji Cuisine
Farmboy	MDF supported Farmboy to establish an industrial hazard analysis and critical control points (HACCP)-ready kitchen for processing horticultural produce for hotels and resorts. This intervention was delayed as Farmboy was unable to secure a building permit and complete the required environmental impact assessment. Due to prolonged delays the partnership was closed.	Measurement completed	The Fiji Tourism and Hospitality sector uses more locally grown produce and promotes Fiji cuisine
Tripeak Farms	MDF worked with Tripeak Farms to upgrade its production capacity for new varieties of coral lettuce. The intervention involved the pilot testing of a low-cost hydroponic out-grower model with villages and individual farmers. All activities have been completed.	Activities completed and monitoring ongoing	The Fiji Tourism and Hospitality sector uses more locally grown produce and promotes Fiji Cuisine
Mai Life Travel	MDF supported Mai Life Travel to upskill its local writers and photographers so they were better able to promote new tourism destinations in Fiji through its print and on-line media products. Mai Life Travel primarily promoted these destinations through its travel magazine, Mai Travel, and has since secured a contract for the production of Fiji Airways inflight magazine. All activities for this partnership have been completed.	Measurement completed	More tourists visit Fiji and in particular less visited parts of Fiji
Walks and Trails	MDF is supporting Walks and Trails (Talanoa Treks) to create awareness to reach and cater for the growing and niche international trekking market and to work with the local communities involved in the treks to raise service standards. MDF supported Walks and Trails with market research, website development, first aid training and a community facilities upgrade.	Active	More tourists visit Fiji and in particular less visited parts of Fiji

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Pacific Bed-bank	MDF is assisting Pacific Bed-bank to develop an integrated system for small tourism operators which allows them to take instant online reservations and use on-line marketing for accommodation, tours and excursions. A marketing executive officer was hired, and programming and online developments were in progress, with five local tourism operators signed up for the pilot phase in the first quarter of 2017.	Active	More tourists visit Fiji and in particular less visited parts of Fiji
Tour Managers Fiji	MDF assisted Tour Managers Fiji to promote Vanua Levu as a key tourist destination for the Chinese market. MDF supported Tour Managers Fiji familiarisation tour for its 'Top 10' Chinese travel agents to Vanua Levu. TC Winston had a significant impact on tourist numbers to Savusavu in 2016 so MDF will relook at the impact of the familiarisation tour on Chinese tourist bookings in early 2017.	Activities completed and monitoring ongoing	More tourists visit Fiji and in particular less visited parts of Fiji
South Sea Cruises	MDF supported South Sea Cruises with the engagement of a consultant to conduct a feasibility study on the cruise ship market and its potential to offer day-cruises in Suva. The study was completed in February 2016, but TC Winston forced the business to delay running its day cruises in Suva. All activities for this partnership have been completed.	Activities completed and monitoring ongoing	More tourists visit Fiji and in particular less visited parts of Fiji
Tourism Suncoast	MDF is supporting the recently established DMO for Rakiraki, Tourism Suncoast, with its marketing, including website development; and providing secretarial support to strengthen the overall performance and functions of the association.	Active	More tourists visit Fiji and in particular less visited parts of Fiji

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Tourism Kadavu	MDF is supporting the recently established DMO for Kadavu, Tourism Kadavu, with its marketing, including brand and website development and the creation of better photo and video content for the destination.	Active	More tourists visit Fiji and in particular less visited parts of Fiji
Savusavu Tourism Association	MDF is supporting the Savusavu Tourism Association with secretariat support, review of operational policies and procedures and strengthening of the marketing arm and initiatives of the association.	Active	More tourists visit Fiji and in particular less visited parts of Fiji
Pacific Cooperation Foundation	MDF is working through Pacific Cooperation Foundation to make available technical support for a digital marketing strategy for regional tourism associations and their members, specifically Tourism Suncoast and the Savusavu Tourism Association.	Active	More tourists visit Fiji and in particular less visited parts of Fiji
Food Inspired	MDF worked with a prominent local chef and food consultant to implement action research exploring the possibility of incorporating more locally sourced agricultural products into the menus of higher-end boutique hotels across Fiji	Activities completed and monitoring ongoing	The Fiji Tourism and Hospitality sector uses more locally grown produce and promotes Fijian cuisine



Based on its current partnerships alone, MDF's work in tourism will result in over **USD 1.51 million** in additional income benefiting **1,510 men and women**, including **78 FTE jobs**.

HORTICULTURE AND AGRICULTURE EXPORT



We want to see exporters offering better quality produce sourced from well-organised supply chains of farmers who have timely access to quality inputs, information and services



Improving sourcing through an organised supply chain

Exporters, with greater internal capacity and more optimal sourcing practices, work more closely with farmers providing access to inputs and/or extension services to ensure supplies of agro-produce that meet quality, quantity and timeliness standards.

11 business innovations
introduced. Exporters are now investing in compliance certification which will give them access to new markets. New sourcing models have been introduced taking into account provision of cultivation information and regular updates of market demand. Exporters now have stronger internal organisational capacity to source optimally.

6 partnerships
with exporters.



Farmers have timely access to quality inputs, information and services

Agro-input providers expand their reach and/or diversify their product bases to better serve the interests of small farmers in Fiji in a commercial manner.

10 business innovations

introduced. New types of agricultural inputs have been introduced in the market. Agricultural input providers and distributors (of seeds, fertilisers and agricultural lime) are now investing in expanding their reach to a broader customer base and embedding usage information during delivery of inputs.

10 partnerships

with 2 distributors (KK's Hardware, Global Cargo Traders Ltd), 1 service provider (CJ Singh Group), 1 input provider (Devesh Bharos Farms), an input producer (Standard Concrete Industries) and Labasa Farm Depot.

// WHY WE WORK HERE



65,000 - 68,000

farming households depend on agriculture.

Only 1/3

of them are commercially oriented



76,000

people employed in the sector in a range of roles, from seasonal to casual to permanent



PROGRESS IN

HORTICULTURE AND AGRICULTURE EXPORT IN 2016

TC Winston had a significant impact on Fiji's agriculture sector in 2016, most deeply felt by farmers in Rakiraki, Ba, Tavua, Koro, Levuka, parts of Vanua Levu and Taveuni. Direct impacts on MDF partners ranged in terms of severity from slight to extensive, however all partners suffered disruptions to their supply chains, presenting long-term, detrimental business risks.



Women engaged

in various roles ranging from farm labourers, to process workers, to supervisors

Many of MDF's partners shifted their business priorities in order to remain viable after TC Winston or capitalise on new business opportunities that emerged from the disaster. For example, Standard Concrete Industries responded to increased demand for building supplies, which meant it prioritising its concrete business over agricultural inputs and distribution. This affected its partnership with MDF on the production and distribution of agricultural lime, despite continuing demand for the product. Similarly, while **South Pacific Elixirs** invested in disaster mitigation, it deprioritised activities with MDF around providing cultivation information to farmers and chose to devote maximum energy to sourcing yaqona in Fiji to cater to higher than average prices for yaqona globally.

Two themes emerged in the aftermath of TC Winston: economic resilience or the ability to make agriculture more capable of resisting natural shocks (or recovering from shocks as quickly as possible); and the ability of the market to reach out to customers (farmers) efficiently and effectively with inputs and information. In 2016, MDF made significant progress in both of these areas.

Learning from the aftermath of TC Winston, MDF is working with partners to improve 'economic resilience' in horticultural supply chains. MDF introduced innovations that strengthened the 'economic resilience' of farmers by working with existing partners **Devesh and Bharos** Farms and South Pacific Elixirs to, as a first step, introduce converted shipping containers for use in safeguarding seedlings and planting materials. There are significant opportunities for development in the areas of resource management (water and land), climate conscious cropping patterns, and mechanisation among others. Of these ideas, mechanisation has started to show promise. MDF partner Charan Jeath Singh Group completed its first year of renting out a harvester and has plans for expansion of this service. Anecdotal evidence indicates that Charan Jeath Singh Group has influenced other partners to also invest in mechanisation which MDF will verify in 2017.

The second theme concerns the efficient and effective movement of goods and services from point to point. It is still unclear as to why some fast moving consumer goods (FMCG) such as soaps and shampoo appear to have resilient and efficient supply chains, while agricultural products do not. MDF will continue to explore if there is a lack of understanding of agriculture as a business, or farmers as consumers, and whether there is clarity around the roles and responsibilities of private and public sector entities involved in agricultural input distribution.

In 2016, MDF took an important step towards answering these questions. To improve the distribution of agricultural lime, particularly to a recovering sugar industry, MDF worked with specialised distributors **KK's Hardware** and **Global Cargo Traders Ltd** in Viti Levu and **A. Hussein and Sons** in Vanua Levu. This was the first time that MDF had partnered with commercial distributors and not relied on semi-public sector actors to distribute aglime. This new way of thinking could have implications for the distribution of other agricultural inputs (e.g. seedlings, fertiliser, and crop protection products). It may also influence agricultural relief efforts as these same commercial channels could be used to provide support to farmers affected by natural disasters quickly and effectively. For MDF, an established distribution system for agricultural inputs would mean reaching a large number of Fijian farmers (women and men) with deeper benefits through the use of multiple inputs which could have a cumulative effect on income.

Early signs of systemic change resulting from MDF's work with exporters in strengthening supply chains began to emerge in 2016. **Ben's Trading Limited**, a root crop export partner, worked with government extension staff to provide information to their supplier farmers to strengthen their supply chain with a view to increasing supply to access higher priced markets in Australia and New Zealand. Access is inhibited by insufficient quantity of supplies. MDF initially planned to work on improving the quantity and quality of taro supply with Ben's Trading Limited, but this wasn't necessary as, post TC Winston, the company had taken steps to do this independently indicating a positive move to autonomous decision-making within the business.

Throughout 2016, MDF continued to learn more about incentives within the sector and apply these learnings to the Fiji portfolio. For example, it became known that farmers were incentivised to supply exporters who offered the best terms and prices for their produce. Exporters are focused on finding and supplying new markets rather than establishing more complex or comprehensive arrangements with supplying farmers. Because farmers can choose who they supply to, exporters have little assurance that they will gain from investment in backwards linkages and are therefore reluctant to invest in improving their supply. Due to this dynamic, MDF is looking at models for reaching farmers other than through exporters. One possibility which will be pursued into 2017 is working through input suppliers who have a natural incentive to help farmers increase their productivity.

// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Bens Trading Ltd	MDF assisted Bens Trading to strengthen its business management capacity by hiring a qualified business manager to provide strategic guidance on supply chain and operational aspects of the business.	Activities completed and monitoring ongoing	Agriculture exporters are able to source raw materials and manufacture products able to compete in export markets
Biotec Ltd	MDF is assisting Biotec in strengthening production capacity by procuring lab equipment, hiring technical personnel (a tissue culture technician and a nursery manager) to assist in commercial mass production and to create awareness of tissue culture planting material by organising demonstration plots and field days.	Active	Farmers have access to the inputs and services that enable them to cultivate in a more productive and commercial manner for domestic (tourism) and export markets
Charan Jeath Singh Group	MDF supported Charan Jeath Singh Group to introduce a mechanised sugarcane harvesting service in Vanua Levu to address labour shortages and reduce unharvested cane volumes.	Activities completed and monitoring ongoing	Farmers have access to the inputs and services that enable them to cultivate in a more productive and commercial manner for domestic (tourism) and export markets
Devesh & Bharos Farms	MDF assisted Devesh & Bharos Farms with post TC Winston support to ensure that mass seedling production would have sufficient storage capacity in the event of a natural disaster.	Activities completed and monitoring ongoing	Farmers have access to the inputs and services that enable them to cultivate in a more productive and commercial manner for domestic (tourism) and export markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Fijika Natural Products	MDF assisted Fijika Natural Products with increasing production capacity (quality and quantity) for virgin coconut oil to enable entry into the export market. This involved purchasing and installing virgin coconut oil processing machines, and developing a website. Overseas marketing activities were cancelled due to: a) lack of pre-scheduled, confirmed individual appointments; b) the inability of the MITT to organise a Fiji delegation to participate in trade exhibitions abroad; and c) the lapsing of the MDF partnership term.	Activities completed and monitoring ongoing	Agriculture exporters are able to source raw materials and manufacture products able to compete in export markets
Global Cargo Traders Ltd	MDF is assisting Global Cargo Traders with storing, creating awareness of, and promoting, aglime to sugarcane farmers to help reduce soil acidity to eventually increase sugar cane yields. Aglime storage containers were purchased and placed at strategic locations. Promotions of aglime via demonstration plots and stakeholder meetings is in process. Three field promoter positions were created, and one field promoter engaged.	Active	Ag Exporters are able to source raw materials and manufacture products able to compete in export markets
Herbex Ltd	MDF supported Herbex with logistics, enabling the company to source noni products from more locations, and with measures to reduce post-harvest loss through proper handling.	Activities completed and monitoring ongoing	Agriculture exporters are able to source raw materials and manufacture products able to compete in export markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
KKs Hardware Ltd	<p>MDF is supporting KKs Hardware in two roles; the company's capacity as an aglime distributor, and as an importer of better seed varieties.</p> <ol style="list-style-type: none"> 1. MDF assisted KK's Hardware to hire three technical field officers to promote aglime usage, and assisted it to organise seven demonstration plots as part of a promotion plan to trigger uptake. KK's Hardware established a distribution network to deliver aglime and used demonstration plots to show various methods of applying aglime on sugarcane. 2. MDF assisted the company to attend a seed conference (with a Biosecurity Authority of Fiji representative) to better understand seed importation regulations/compliance pathways and other aspects of seed importing. KK's expanded the number of its seed suppliers so as to have better quality and a wider variety of seeds to increase yields and production cycles, and to trigger increased sales and income. 	Active	Farmers have access to the inputs and services that enable them to cultivate in a more productive and commercial manner for domestic (tourism) and export markets
Labasa Fresh Depo	<p>MDF worked with Labasa Fresh Depo to develop a feasible distribution system to enable availability of agro-inputs (primarily seeds and fertilisers) in rural areas of Vanua Levu. Small-scale poor farmers constrained by finance issues will be able to buy inputs in smaller quantities. Farmers will produce and sell more and experience increase in income.</p>	Measurement completed	Farmers have access to the inputs and services that enable them to cultivate in a more productive and commercial manner for domestic (tourism) and export markets
Labasa Farm Fresh No. 2	<p>MDF is supporting Labasa Farm Fresh to expand its production capacity, improve its business capacity and increase the quantity of locally sourced raw materials for its horticultural export products. The expanded facility allowed multiple crops to be processed simultaneously, and additional workers to be hired to cater for the increasing work demand.</p>	Active	Agriculture exporters are able to source raw materials and manufacture products able to compete in export markets Promotion of horticulture and commercial agriculture in Vanua Levu

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Maqere Exports Ltd	MDF contributed to the costs of a technical field agent, which enabled Maqere to improve sourcing of horticultural products from the Ra-Tavua corridor, and with cold storage to ensure sourcing of a range of export crops.	Activities completed and monitoring ongoing	Agriculture exporters are able to source raw materials and manufacture products able to compete in export markets
Standard Concrete Industries (1 and 2)	MDF supported Standard Concrete Industries to establish relationships with agricultural lime distributors, and increase awareness amongst farmers of agricultural lime in sugarcane and horticulture farms.	Activities completed and monitoring ongoing	Farmers have access to the inputs and services that enable them to cultivate in a more productive and commercial manner for domestic (tourism) and export markets
South Pacific Elixirs	MDF is supporting South Pacific Elixirs with a disaster mitigation plan to have sufficient storage capacity for kava seedlings. There was an attempt to trial a text messaging system – in collaboration with Fiji Crop and Livestock – to seek out potential new buyers/farmers in Vanua Levu and better organise supply chains by disseminating information via mobile phones.	Active	Agriculture exporters are able to source raw materials and manufacture products able to compete in export markets



Based on its current partnerships alone, MDF's work in horticulture will result in over **USD 9 million** in additional income benefiting **6,930 men and women**, including **60 FTE jobs**.

EXPORT PROCESSING PATHWAYS



We want an increasingly internationally-competitive and diversified urban economy that generates more jobs



Agencies are better engaged and respond to industry needs coherently

Sector-based associations, policy makers, media and support industries work together to address business enabling environment issues. With this, a more supportive environment will be created for women to participate in the workforce

2 business innovations

comprising research to support a submission to the government for policy reform.

2 partnerships,

one with an apex body (Fiji Export Council) promoting the interests of Fiji exporters, and another trialling business advisory services to enable access to finance by SMEs.



Businesses are better equipped to enhance exports

Businesses seek efficiencies in operations, and use modern means to diversify their product base (using local materials where necessary). They improve quality and can therefore deepen and build new export markets.

8 business innovations

including establishment of day care centres for mothers with young children as a way of retaining skilled labour in the Ready Made Garments industry, and creating urban employment through co-investing in Back Office Processing.

7 active partnerships

with garment manufacturers (Mark One Apparel, United Apparel), food/seafood processors (Wallson Foods Ltd, Sai Yee Foods), back office processing (DHL) and a business consultancy service provider.

// WHY WE WORK HERE



PROGRESS IN

EXPORT PROCESSING PATHWAYS IN 2016

In 2016, MDF Fiji made significant headway on partnerships that progressed systemic change in the export processing sector. MDF forged new relationships with national private sector associations such as Fiji Commerce and Employers Federation (FCEF), Fiji Export Council, Women Entrepreneurs Business Council and the Youth Entrepreneurs Council. These relationships were built on the team's experiences working with private sector associations in promoting policy reform (and improved enforcement or implementation of existing policies) as evident in its involvement with the Duty Suspension Scheme (DSS) and Fiji Export Council. The relationships formed a solid base from which to strengthen MDF's efforts to help organise the private sector to engage the government and bring about reform that will improve Fiji's standing as a competitive exporter.

A highlight of 2016 was the design and start made in the implementation of a pilot initiative to support SME development in Fiji. MFEE is a small business incubation system that can provide results at scale, but only if tailored to the specific needs of SMEs in Fiji. MFEE is based on MDF's learning and dealing with SMEs in Fiji over five years, and offers practical learning to SME entrepreneurs through the use of business tools and strategic guidance to create business growth. Key lessons from this initiative will be vital in refining MFEE for continuation in the second phase of the programme.

Strong sectoral opportunities

with **12-14% of
GDP** with good potential for future growth, an expanding and qualified working population and high competitive advantage for select export products



12,000

people employed in the export processing sector and growing



Women engaged

predominantly as workers in garment manufacturing, Information, Communications and Technology (ICT) and agri-business

Although other incubation systems have been implemented in Fiji, all of them have been classroom-based. MDF's experiences show that a funding-only model, or a training-only model is insufficient for an SME to succeed. SMEs need both in-class and on-site guidance to solve problems. Solutions need to be customised (which cannot be done effectively in a classroom) although SMEs can also benefit from communicating to other business owners and sharing lessons as they grow. They require customised and context specific mentoring. MDF has settled on a particular model which calls for subject-based classroom sessions supported by one-on-one mentoring of individual businesses.

In the pilot phase of MFEE, MDF worked with 10 SMEs. These were selected from a pool of SMEs that was nominated by the FCEF member councils. The relationship with FCEF and the other councils has proven an important means of identifying SMEs that could be involved in future versions of MFEE.

Nomination to MFEE and support to SMEs through the incubation system has the potential to be a valuable service that councils provide to their member SMEs, as well as a means to bring in more members and revenue, and improve the sustainability of the organisations. Increased revenue will allow them to reduce their dependence on government funding, removing the possibility that this funding might compromise their neutrality when in dialogue with the government. Moving forward, if the councils see the value of an MFEE-type incubator for their member SMEs, there is potential for the incubation systems model to be replicated and possibly institutionalised in Fiji.

Progress towards systemic change became evident as MDF continued to assist export-oriented businesses to optimise and improve their operational processes and systems, which led to improved efficiencies and competitiveness. Work in the garment sector was the most extensive in 2016, involving improved production efficiency through industrial engineering efforts. This resulted in production improvement of around 30-50 percent in the trialled lines (United Apparel). Investment in Hydra Sports was more sophisticated and involved the use of an enterprise resource planning system to integrate planning and execution systems into the entire production process. A customer relationship management system enabled Hydra to reach out to new customers and strengthen existing customer relationships. The establishment of a centre of excellence/childcare centre for garment workers (Mark

One Apparel) was a ground-breaking step forward in Fiji's garment sector in providing better working environments for garment employees, and was expected to reduce absenteeism and enhance productivity.

Throughout the year, the push was on innovation and efficiency as the garment sector looked to maintain market share in key markets and attract more business given its short order, quick turnaround comparative advantage. The industry looks to be on a pathway to becoming more resilient in the face of eroding preferential trade agreements.

After several attempts, MDF Fiji had a breakthrough in 2016 through the design and development of a partnership that generated investment in the area of Business Process Outsourcing (BPO) in Fiji. The BPO emerged as the industry most likely to take over from the garment sector in Fiji as the key urban employment driver given key global competitive factors such as high education level, computer literacy, competency in written and spoken English, 12-hour time difference with Europe (day-night processing capability) and connection to the high-speed fibre-optic Southern Cross Cable. MDF's partnership with DHL centred on the use of a new call-centre private automated bank exchange technology from Digicel which will improve efficiency and dramatically reduce the start-up costs for call-centre operations in Fiji. This partnership is expected to create 50 FTE jobs at DHL in the next 12 months. Most importantly, having an international brand like DHL expand its call-centre operations in Fiji to provide back-office services/processing to its international operations, is likely to encourage other large multinationals to follow suit and look at Fiji as an option to locate their BPO operations in the future.

MDF Fiji made some important gains with local exporting companies **Wallsons** and **Sai Yee Foods Ltd**, which are involved in processing and exporting locally sourced agricultural products. The partnership with Wallsons aimed at strengthening its in-house research and development capacity to support diversification into new food products, such as local seasonal crops and coconut cream. Supply of projected products was hampered by damage done to producers by TC Winston. Nonetheless, around four new products were being trialled (canned curry, mayonnaise, coconut cream, and egg products), while Wallson invested in upgrading its production technology, specifically a new retort machine, used for crucial sterilising canned food items.

// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Fiji Export Council	MDF worked with the Fiji Export Council to bring about policy change through evidence-based reform recommendations. Despite the removal of the DSS in 2015 by government, the Fiji Export Council carried out further assessment of the recommendations in the DSS position paper and resubmitted this for the 2016-17 budget.	Activities completed with ongoing monitoring	Private sector is better organised and proactive to address the interests of exporters
United Apparel (Fiji) Ltd	MDF supported United Apparel to broaden its export market through improving operational efficiency and staff productivity. An industrial engineer was engaged who carried out trials on selected production lines. Selected supervisors and workers were trained on-the-job in process and quality improvements. Around 30-50 percent of production efficiencies were realised through this process.	Activities completed with ongoing monitoring	Exporters are better able to source, develop and promote their products to export markets
Hydra Sports	MDF assisted Hydra Sports to bring about efficiencies and expansion of export markets. This was done through adoption of modern systems such as the Customer Relationship Management system. Hydra relocated its factory from Nadi to Lautoka in May 2016 which delayed processes.	Activities completed with ongoing monitoring	Exporters are better able to source, develop and promote their products to export markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Mark One Apparel	MDF assisted Mark One Apparel to reduce absenteeism levels, retain experienced staff and improve worker productivity. The partnership is looking at setting up a day care centre at the factory site. This concept was later upgraded into a 'Centre of Excellence' following discussions with the Australia-Pacific Technical College. The facility will include training on early childhood education to students. The new system will integrate formal learning within the work place. Mark One Apparel secured necessary regulatory approvals around November for the Centre and construction is likely to be completed in the first quarter of 2017.	Active	Exporters are better able to source, develop and promote their products to export markets
Sai Yee Foods Ltd	MDF supported Sai Yee Foods Ltd to venture into new seafood products such as sea urchins through structured sourcing, processing and marketing. Findings from a baseline survey carried out by MDF with potential community suppliers were shared with Sai Yee Foods Ltd to assist it to understand community dynamics re the trading of sea urchin in the local market. Winward Commodities carried out demand scoping and due diligence for branding of sea urchin for the export market.	Activities completed with ongoing monitoring	Exporters are better able to source, develop and promote their products to export markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Wallson Foods Ltd	<p>MDF is assisting Wallson Foods Ltd to diversify into manufacturing of new food products through necessary research and development and adoption of modern technology. This looked at encouraging local sourcing of seasonal crops. One new product was launched in the local market, that of canned chilli sauce. Production of the sauce was discontinued due to a short supply of chilli after TC Winston. Wallson Foods trialled four other products, requiring further trials, nutritional assessments and management approval. A new retort machine was set up, but needed extended components to complete the sterilisation process. For this, the cooling water tank will be installed and the retort machine fully operational in the first quarter of 2017. Wallson Foods invested in a canning line which will likely be used optimally once the retort machine is fully operational and new items, such as Fijian Asparagus or coconut cream, are added to the list.</p>	Active	Exporters are better able to source, develop and promote their products to export markets
DHL (Fiji) Ltd	<p>This first ICT intervention aims at catalysing DHL's investment in expanding its BPO functions through the use of modern technology. This drastically reduced DHL's initial capital outlay, and the new system offers enhanced features so that DHL can offer high quality services in this area. MDF will support DHL to enhance its knowledge in the BPO area through participation at international forums demonstrating opportunities in the BPO segment.</p>	Active	Exporters are better able to source, develop and promote their products to exports markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Ernst and Young	MDF, with Ernst and Young facilitated the drafting of a procedure manual and accounting policies for six selected partners. MYOB was also installed and training conducted with these businesses. The use of the financial system and the rate of implementation of the procedures varied amongst businesses, primarily due internal resourcing and capacity issues. This partnership informed the decision to pilot the MDF-Fiji Enterprise Engine in order to boost similar support services.	Activity completed. No monitoring or measurement conducted.	Businesses are better equipped to enhance exports
ANZ	This partnership was intended to SMEs through business advisory services and connections with reputable business advisers in relation to access finance. This findings of this partnership also informed the MDF-Fiji Enterprise Engine as it became evident that a more gradual approach is required to support SMEs need become finance-ready.	Activity completed.	Local business has access to public and private (business) services and infrastructure facilities that enable them to be internationally competitive



Based on its current partnerships alone, MDF's work in export processing will result in over **USD 981,000** in additional income benefiting **312 men and women**, including **252 FTE jobs**.

WOMEN'S ECONOMIC EMPOWERMENT

IN FIJI



Throughout 2016 the MDF Fiji team focused on monitoring and capturing WEE-related impacts, so it could feed learning back into the portfolio. In agriculture, it witnessed the impact that the right advice, provided at the right time, could have on women's lives, and income, and how it benefits their families. If farming households benefit from additional yields and income, women tend to invest the resources into their families' welfare e.g. into better nutrition and children's education.

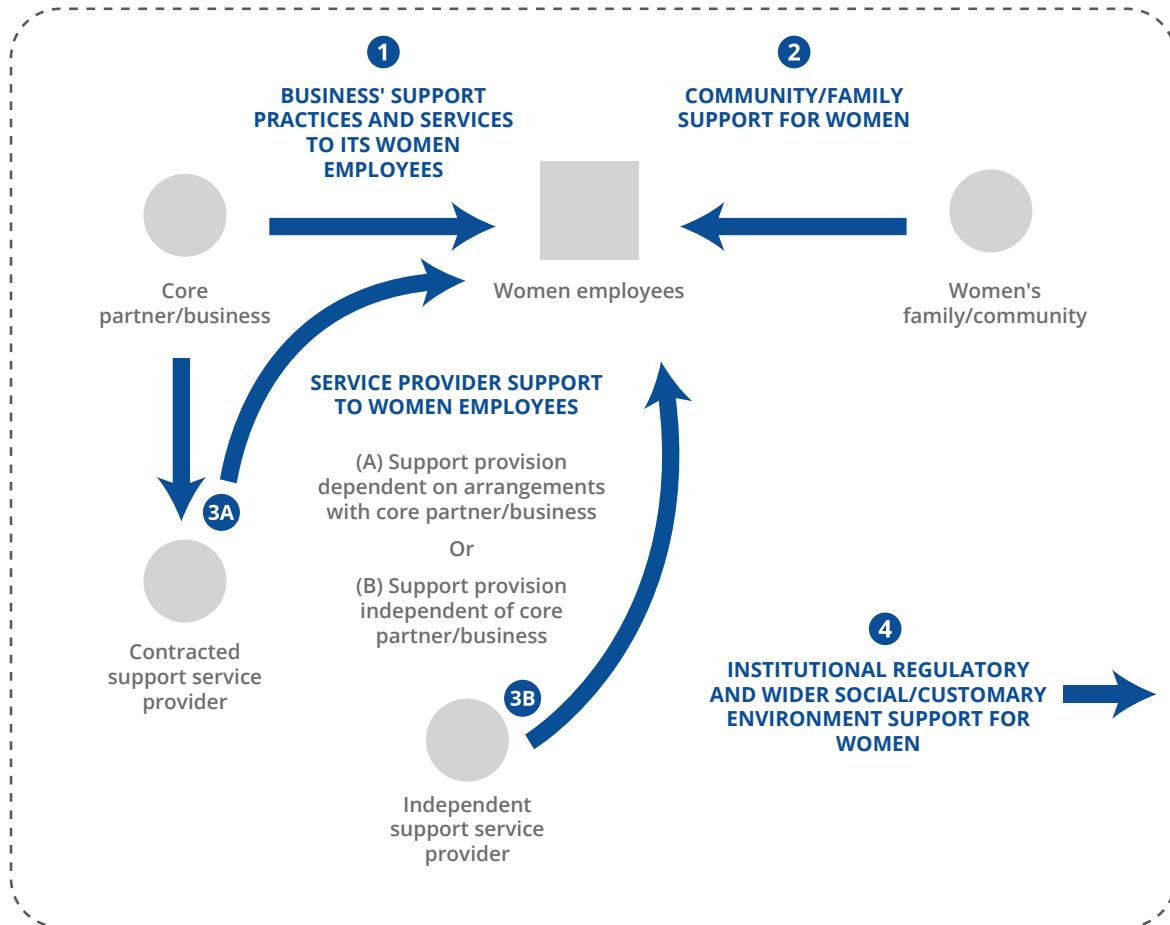
Work in export processing is promising more impact on WEE moving into 2017. Partnerships that aimed to create better working conditions for women showed that not only resources, but also opportunities to utilise those resources, such as work skills, led to economic success.

Some of MDF's partners in tourism actively engaged with women from traditional communities who were part of women's groups that provided traditional contemporary handicrafts or seafood to tourists. This type of engagement was particularly important following TC Winston, when handicrafts became the only source of income, as agricultural fields were damaged. Partner Rise Beyond the Reef, initiated 'Shelter from the Storm,' an

initiative through which it distributed handicrafts materials to the worst affected communities, enabling women to earn income during the recovery process. As horticultural crops were damaged and men were involved in rebuilding infrastructure, women's work proved vital as the only income source. This experience demonstrated how the private sector could reach out to its partner communities, particularly women, and help them rebuild. Women's greater access to income-gaining opportunities, especially in times of devastating natural disaster, led to women having greater decision-making powers, which pulled families out of poverty and improved the lives of the whole community.

Next year, MDF Fiji will continue to strengthen its WEE framework starting with a Community Engagement Study, which will show partners how to successfully engage with Fijian communities to bring positive change for women. In tourism and export processing, in particular, the focus will be on building the business case around WEE. Through sharing examples of positive progress and impact, a greater awareness of the commercial benefits related to inclusive workplace policies that can help attract and retain female employees will be fostered.

// SUPPORTING SMALL BUSINESSES IN FIJI TO BUILD WOMEN FRIENDLY POLICIES AND PRACTICES



ABOUT THIS THEME

SMEs in Fiji do not have dedicated HR departments or formalised operational policies; and most of their efforts are focused on keeping their businesses afloat and financially sustainable. However, these businesses have small, tight-knit workplaces where the management has a high degree of contact and understanding of its staff. While these businesses do not have the capacity for formalised support services for women, they undertake informal/small-scale and ad-hoc practices to support women in their employment. SMEs rely

heavily (actively and passively) on other parts of a wider ecosystem of support i.e. community/family support and secondary service support. In addition, SMEs need information and guidance on how to put policies into practice; being women-friendly is more than having a gender-sensitive organisational handbook – it requires commitment and communication with employees and other companies to make policies efficient in practice. Under this theme, MDF is learning what sorts of practices are undertaken by SMEs and large businesses, as well

as the wider system, exploring how it is working, what the limitations are, and how opportunities from practices from one business sphere can be beneficial to others. For the MDF team, it will be crucial to understand and communicate how businesses are benefiting commercially from introducing and providing support services to female employees (e.g. increased retention of experienced staff through improved work conditions) to make a stronger case for this in the future.



HIGHLIGHTS OF WHAT WE'VE ACHIEVED UNDER THIS THEME

MDF worked with **Mark One Apparel**, a garment manufacturer, to help it understand the commercial benefits of operating an on-site child care facility and developed an appropriate business case for it. MDF's Market Demand Survey uncovered the losses the company faced due to high absenteeism and workplace drop-out rates associated with limited childcare options. Besides increasing women's productivity and motivation, Mark One expects to reduce staff turnover, absenteeism and lateness, and for this to result in costs savings related to employee replacement and unforeseen drops in production volumes.

Other companies in the garment industry showed interest in adopting a similar business model e.g. **Danam** is offering services which could affect staff member's decision to remain in its employment, or could attract workers. **United Apparel** began work on optimising production processes with the help of an industrial engineer who was asked to make manufacturing processes

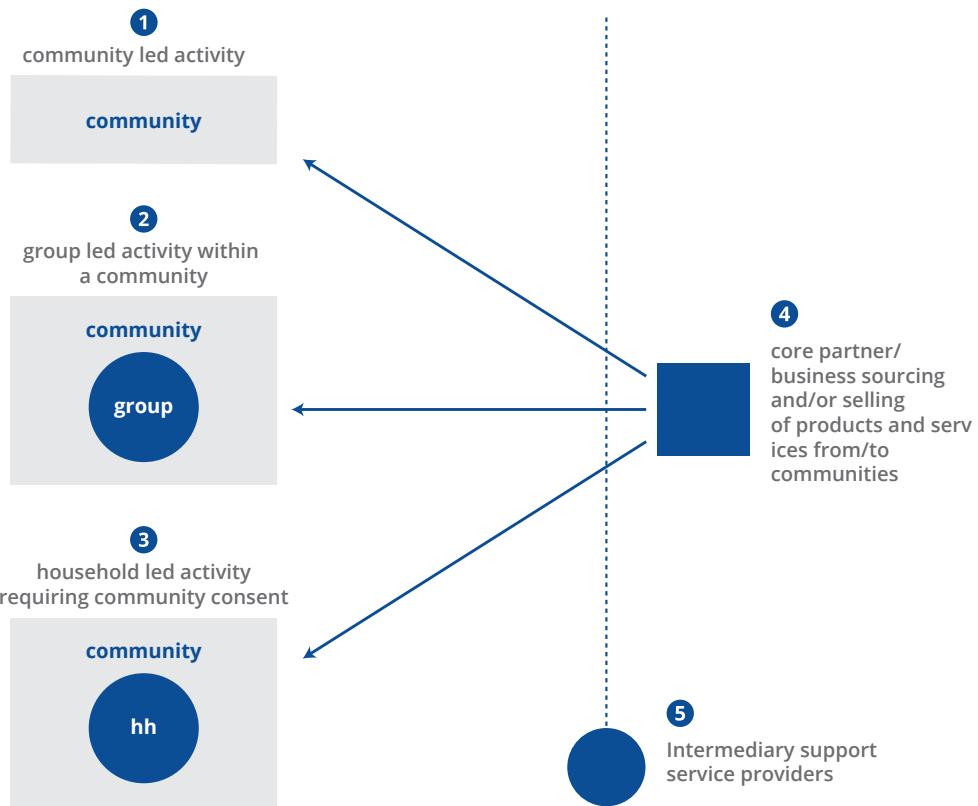
more effective and efficient. As well as providing women with commercially valuable and transferable skills, the relationship between employees and employers stands to benefit. Employers are also recognising that an investment in employees as key assets, can have returns in terms of increased productivity and growth. As women gain new skills, they are able to work on more production lines and increase their income through more highly-paid overtime.

Biotec, a commercial tissue culture lab and nursery, continues to face staffing issues due to the limited skilled workforce available in the market. Lab technicians are predominantly female, and the company is recognising the need to invest in upskilling staff to build their career paths and to retain competent technicians.

In 2017, MDF will seek to build on the example models and learning that these business cases have provided, and tailor them to smaller SMEs, noting that the incentives and structures will differ.



// ENGAGING WITH WOMEN IN INDIGENOUS FIJIAN VILLAGE STRUCTURES



ABOUT THIS THEME

Fijian village structures have quite specific implications for business engagement strategies. The majority of MDF's private sector partnerships in Fiji have some links to rural communities, specifically to Indigenous Fijian communities, as producers and suppliers, or as consumers of products. MDF has learnt that levels of engagement, and success rates of engagement, vary widely, due to a lack of understanding

of traditional structures, which dictate the communal ownership of resources, and community actors who influence community households' engagement in economic activities (taking into account their time and resource use in non-economic activities) specifically in relation to women in these communities. By better mapping out and describing these structures and the decision flows which influence how the community

and households prioritise their time and resources, MDF aims to understand the entry points for the private sector to effectively engage with the communities – either as consumers of their products, and/or suppliers of raw material and labour. MDF has a lot to learn about understanding these relationships, a process that has started with it supporting partners who engage with women in traditional villages.



HIGHLIGHTS OF WHAT WE'VE ACHIEVED UNDER THIS THEME

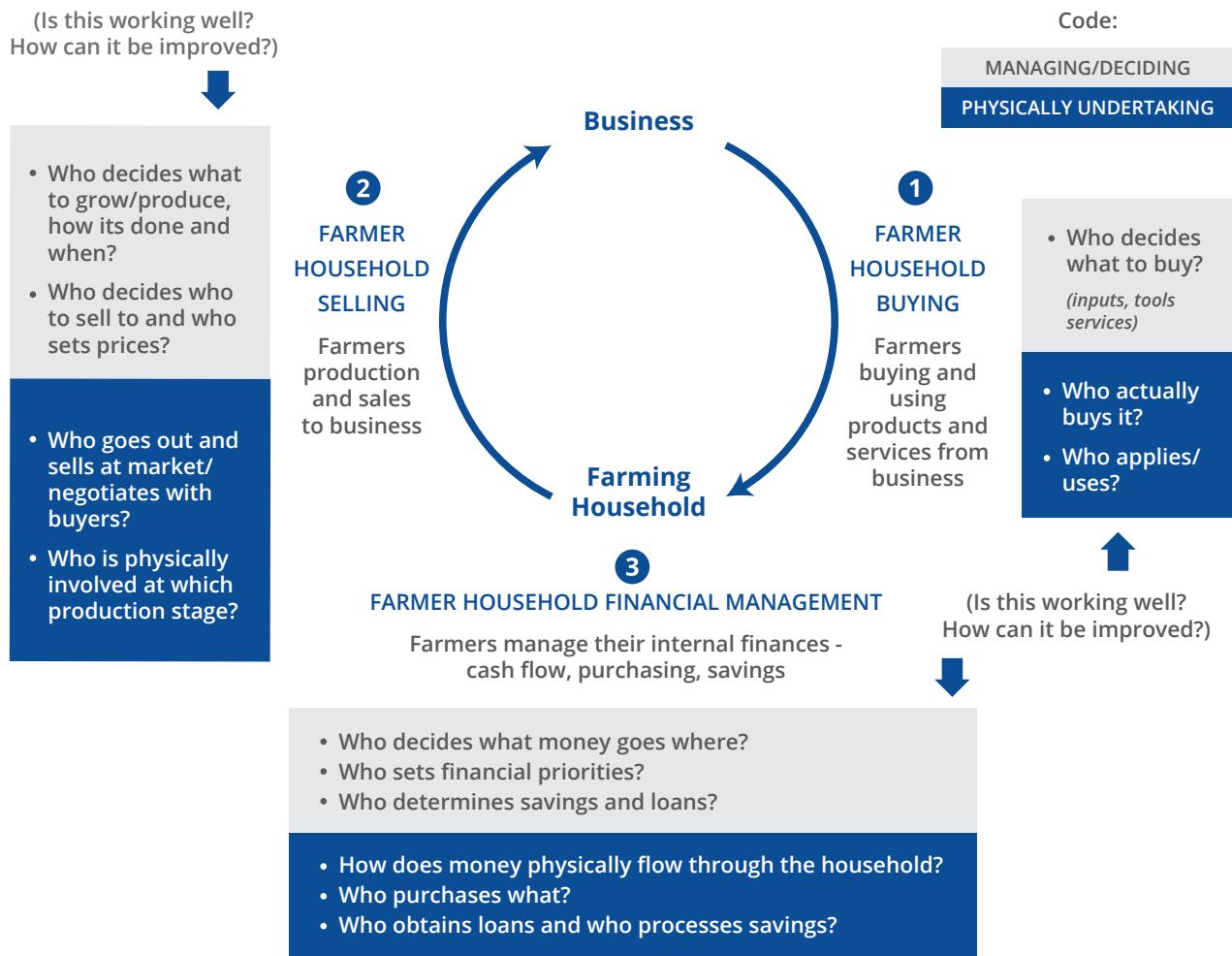
Partners, **Rise Beyond the Reef**, **Talanoa Treks (Walks and Trails)** and **Tifajek Mud Pools** community-based business models have provided MDF with a rich understanding of village relations and roles. MDF worked with **Walks & Trails** to hire women as tour guides and provide new livelihoods, the income from which the women used to improve the nutrition and education of their children. Through employing community members as sourcing agents, **Rise Beyond the Reef** managed to engage women in six villages to act as handicrafts suppliers, creating a new secondary source of household income in this remote region. After the cyclone, women were able to use their secondary source of income to pay for emergency repairs. MDF supported **Tifajek**, a for-profit business managed by a woman within a traditional community structure, which offered the first thermal mud pool in Fiji catering to the tourist market (and particularly cruise ship passengers). Its workers joined a saving scheme for the first time, initiated by the owner. Tifajek partnered with another MDF partner **Essence of Fiji** which trained and certified Tifajek's staff in relaxation massage therapy. Some of the trained village women have since taken up work with Essence of Fiji, showing the importance of building women's skills and that women can have a career path outside their communities. **Sai Yee Foods International**, exporter of fresh and manufactured food and seafood products, involved women sea urchin

collectors as the main partners in their business. Sea urchin collection and sales have become the main source of income for many households, and women led this activity and managed the income from it. Sai Yee Foods supported them with relevant and reliable information and provided a secure sales channel enabling women to become the primary income earners for the household.

To continue to build effective relationships in the village, MDF and its partners need to be clear on their respective roles and responsibilities and by knowing what activities women are involved in and giving them timely, accurate and transparent information on how economic activities are paid at the community level, all of which will result in greater trust building. Importantly, much of MDF's work to date has involved men in the village as 'champions' or pioneers of change, since negotiations go through the village chiefs. These male champions are able to open the socio-economic sphere for women to work and enhance their skills. MDF's 2017 work will revolve around understanding the relations within Fijian villages and the responsibilities of women in them, as well as understanding the entry points for companies interested in working with them. A planned Community Engagement Study will give a detailed overview as to how these entry points can be further utilised and strengthened.



// SUPPORTING WOMEN'S ROLES IN ENSURING GREATER AGRICULTURAL RESILIENCE IN FIJI



ABOUT THIS THEME

A farming household is a small enterprise that almost always requires the participation of both male and female household heads for it to operate successfully. In order to better understand what tasks women are managing and/or physically undertaking within the farm enterprise, MDF has focused on three critical points: receiving/buying agricultural products and services from businesses and utilising them on the farm; farm

production and sales; and internal household/farm enterprise financial management. Better understanding these roles enables MDF to design better economic activities to make agricultural markets in Fiji more resilient to environmental and economic shocks/incremental changes. For example, if both men and women are involved in determining what, when and how crops are grown in a given season, then both should be provided with

relevant information on improved/more diversified crops and/or cropping patterns. This theme focuses on two stages: a) gaining an in-depth understanding of managerial and physical roles of women in farm enterprises; and b) learning how this understanding can translate into better designed interventions and activities in the agriculture sector.



HIGHLIGHTS OF WHAT WE'VE ACHIEVED UNDER THIS THEME

After TC Winston, Fiji's rural workforce had to adjust, recover and rebuild. In general terms, men had to shift their efforts towards reconstruction and rebuilding, and women had to increase their on-farm labour inputs as farm workers and managers.

The potential role of women and the private sector in strengthening agricultural resilience was evident after TC Winston. **Rise Beyond the Reef** supplied much needed handicrafts material to the worst-affected communities, enabling women to earn income during the recovery process. Handicrafts, which were a secondary source of income for the village and respective households, quickly became their only source of income because of damage to their agricultural crops. During the disaster recovery period in remote communities, men started producing handicrafts, showing MDF and its partners how adaptive the household system could be.

MDF learnt that the private sector played an integral role in disaster recovery processes as it could provide farmers with the means to recover quickly and work with the communities they depended on for supplies and services. Key to achieving results and agricultural resilience was aligning the interests of all the stakeholders involved.

MDF also learnt more this year about the fast shifting trends around the supply of agricultural information to women. Many women farmers reported that they relied on social networking sites such as Facebook for information. Understanding shifts in social norms generally, and specifically related to new technology, was necessary, as barriers to information could be overcome through the use of smartphones and tablets. MDF will explore how to maximise benefits from these trends in the coming year.



Based on its current portfolio of partnerships alone, MDF in Fiji aims to benefit more than **4,430 women** producers, farmers, entrepreneurs, labourers, workers consumers and/or family members.



MARKET INTELLIGENCE

IN FIJI



LESSONS FROM WORKING IN MDF FIJI IN 2016

FOCUS ON PRODUCTION QUALITY (RATHER THAN QUANTITY) OF KEY AGRICULTURAL EXPORT COMMODITIES

Fiji's agricultural commodities are not competitive with large-scale international producers. Fijian producers therefore need to focus on high quality exports rather than attempting to compete on commodities where scale of production is important. The market's perception of Fiji supports this approach by its regard of Fiji as being pristine, clean, pure and organic (e.g. as promoted by Fiji Water, Pure Fiji, and Wakaya Perfection). To execute this strategy, exporters need to focus on certification, branding and packaging of high quality agricultural commodities to ensure they are attractive to international markets.

MISMATCH IN AVAILABLE AND NEEDED SKILLS

There exists a mismatch of skills in the agricultural industry – both in the field working with farmers and/or nurseries, and in technical laboratories creating innovative solutions for improved agricultural products. Opportunities exist for local agricultural college graduates to meet industry needs, by focusing on vocational courses linked to agribusiness.

Fiji processors and manufacturers need to invest more in internal management systems and factory efficiencies. To be competitive, they also need to meet multiple customer-required standards and gain certification (such as HACCP, US Food and Drug Administration, International Organization for Standardization, Organic, Worldwide Responsible Accredited Production for effective positioning in the global market. Meeting certification requirements is costly and there is a lack of qualified accreditors in the country. There is a need to build a case to establish in-country industry-specific certification bodies. MDF identified industry associations as an avenue to advance this agenda.

INCENTIVES NEED TO BE ALIGNED BETTER IN THE AGRICULTURAL SECTOR

Many agricultural exporters appear to have difficulties developing strong backward linkages with suppliers. Exporters require good information about farming networks, but have mixed reactions about investing in backward linkages and seem to prefer traditional trader relationships with farming communities, supplemented by public sector extension support and advice when required. This sourcing model was further entrenched following TC Winston, when agricultural supply and disease-free planting materials became scarce and there was little information on how to reach out to new farming networks. However, incentives exist which can be harnessed to improve supply chains, namely:

- Exporters are interested in accessing markets. MDF found a successful approach was to work with them to achieve certification or improve processes that facilitate better market access.
- Farmers are interested in accessing new buyers. If exporters access new markets, farmers might have greater choice in who they sell their produce to.
- Input companies are interested in accessing new farmers as their customers.

**NEED TO BETTER
UNDERSTAND HOW TO
CONNECT WITH FARMERS
AND BRIDGE KNOWLEDGE
AND INFORMATION
GAPS USING MODERN
TECHNOLOGY**

Agricultural supply chains are complex. Forward market linkages are becoming more intense, often with certification and/or critical control standards that require investment in physical structures and traceability back to farmers.

This offers opportunities beyond the traditional methods of information sharing (print, and radio talk-back shows) to gain a better understanding of how digital media and the use of mobile phone technology can transmit information, particularly as women farmers are using social media platforms. Visual aids and real-time information through modern technology can bridge the gap between agricultural exporters and farmers.

**BETTER UNDERSTANDING OF
GENDER AND INCLUSIVITY IN
EXPORT PROCESSING WORK
PLACES**

Fiji's garment sector continues to incur recurrent costs related to on-the-job training (including specialised training by experts) for its workers, most of whom are female. Staff turnover is high at around 10-20 percent annually. Productivity suffers from workflow disruptions caused by high rates of absenteeism. Understanding the dynamics around the labour market and incentives for low to mid-skilled women to work in urban industries is therefore essential. The garment industry saw significant absenteeism levels following TC Winston, as employees were allowed access to pension funds. Businesses may consider providing financial literacy training to their workforce so that employees are able to manage their money better and not just focus on short term gains such as disaster payouts by the government.

Urban industries have better prospects to recruit people with a disability. The Fiji Government announced a 300 percent allowable tax deduction in respect of wages paid by employers to disabled people who were employed continuously for three years. This incentive expires in 2022. MDF needs to better understand business incentives related to hiring people with a disability.

**THERE IS VARYING CAPACITY
BETWEEN REGIONAL
TOURISM ASSOCIATIONS**

A continuing challenge for tourism in Fiji is the development of new and emerging destinations outside of the mainstream locations in Denarau (Nadi), Coral Coast and Mamanuca/Yasawa islands which account for 81 percent of all tourists to Fiji. The focus over the last year was to work with local tourism stakeholders in the less visited regions to improve the setup and running of tourism associations so they were in a better position to engage with national tourism stakeholders and develop better market strategies to showcase the unique selling points of their destination. There are important lessons to be learnt from the associations in Denarau and the Coral Coast, as they have been successful. They provide examples grounded in the Fijian context, albeit requiring adaptation to specific needs of lesser-known areas



PROPORTION OF 'FIJIAN GROWN' AND 'FIJIAN MADE' PRODUCTS IN TOURISM MARKETS VARIED BETWEEN DESTINATIONS

MDF research on local cuisine in hotels showed that, in hotels located outside of the main tourism areas, more than 70 percent of food inputs were sourced locally. This fact was supported by a MDF local tourism multiplier study in Rakiraki and Savusavu, which confirmed that the bulk of procurement by hotels and expenditure by tourists went directly into the local economy. This is significant if compared to mainstream destinations like Denarau where, according to UN Food and Agriculture Organization (FAO), only 20 percent of fruit and vegetables were sourced locally. The latest 2014 Fiji International Visitor Survey, which was based predominantly on tourists from mainstream destinations, highlighted that only 31 percent of packaged tourism spending is retained in Fiji. There is a need to analyse this data and devise nuanced strategies for improving the proportion of locally derived food and other products that are supplied to the tourism market, based on trends in each destination.

FIJI TOURISM INDUSTRY NEEDS A VARIETY OF TOURIST DESTINATIONS TO UNLOCK SCALE AND GENERATE INCLUSIVE PRO-POOR GROWTH

MDF understands that destinations like Denarau and the Coral Coast will continue to be the major drivers of tourism in Fiji from key source markets in Australia and New Zealand. Emerging destinations provide an opportunity for more diversified, inclusive and pro-poor tourism growth in the country, as they reach individuals and households who have not benefited from the more established tourism players. The destinations, and the associations that represent these destinations, need to get better at 'telling their story' and using evidence-based dialogue on economic impact that tourism makes in the lives and livelihoods of people in their regions. There are as-yet untapped opportunities for lesser known destinations in Fiji to liaise with, and learn from, these larger and more established destinations about better promoting their regions.



ACKNOWLEDGEMENTS

MDF in Fiji would like to thank the following organisations for their support and collaboration in the past year: Growth HQ and Pacific Cooperation Foundation (New Zealand-based ICT company) assisted MDF in building an online presence and booking portal for DMOs; MITT, and Tourism Fiji provided information on national tourism strategies and plans for promoting regional destinations around the country; the Ministry of Education, Heritage and Arts (Fiji Museum partnered with MDF to undertake a review to identify and prioritise improvements in operations, infrastructure and marketing); Volivoli Beach Resort, Nukubati Resort, Navini Island Resort, Coralview Resort, Novotel Hotel, and the Orchid Hotel (MDF signed a Memorandum of Understanding (MOU) with these tourism operators to improve Fijian cuisine by engaging a local food consultant); TripAdvisor worked with MDF to create awareness among tourism industry stakeholders on better promotion and positioning of Fiji; Tourism Savusavu, Tourism Suncoast and Tourism Kadavu partnered with MDF partners on a destination marketing strategy; Adi Chocolates, Sai Yee Foods and Fijika for working with Windward Commodities on evaluating their supply chains and exploring the potential for brand development for export markets); Fiji Sugar Council assisted MDF by providing a list of sugarcane growers that used aglime as well as statistics on sugarcane growers in Fiji; Ministry of Agriculture provided information on numbers of farmers using aglime and farmer statistics by area; Biosecurity of Fiji provided information and guided MDF's partner, KK's Hardware, on the requirements for importing seeds into Fiji; Impact Partners Fiji shared information on its

beneficiaries and supported MDF's aglime initiative; Fiji Crop and Livestock Council worked with MDF on improved access to information for farming households; FAO placed an order for papaya seedlings with one of MDF's partners, Devesh & Bharos Farms, under its flood rehabilitation programme; Fiji Sugarcane Growers Council provided MDF with information on the number of sugarcane farmers using aglime; Labasa Cane Producers Association provided MDF with information on the number of sugarcane farmers in Labasa using aglime; Lautoka Cane Producers Association provided MDF with information on the number of sugarcane farmers in Lautoka using aglime; Fiji Island Revenue and Customs Authority provided information on the DSS and its framework; Investment Fiji shared information on export sector growth); Textile Clothing and Footwear Council shared information on export requirements and regulations; Ministry of Fisheries for sharing information on seaweed cultivation to a potential exporter; Technical College of Fiji which provided information on training needs and capacity building for garment industry; PIPSO provided technical resources for MFEE pilot; FCEF exchanged information on its SME members; Fiji Export Council exchanged information on its SME members; Ministry of Employment and Industrial Relations, and Fiji National Provident Fund provided technical resources for MFEE; Reserve Bank of Fiji, Fiji Development Bank, Ministry of Economy, commercial banks and licensed credit institutions assisted MDF's efforts to map Financial Products and Services for SMEs in Fiji.





**TIMOR
LESTE**



Quick Facts

 Population
1.245 Million (2015)

77% live in rural areas

 Language
Tetun, Portuguese (both official), Bahasa Indonesia (commonly used), English

 Main Cities
Dili (capital), Baucau, Maliana

 Ease of Doing Business Index
175 out of 189 (2016)

 Terrain
Mountainous interior, tropical climate with a hotter wet season and milder dry season.

 Gained Independence

1999

Former Portuguese colony and occupied by Indonesia from 1975-1999. First elections in 2002.

Current President: Taur Matan Ruak

Current Prime Minister: Dr Rui Maria de Araújo



TIMOR-LESTE



 Currency
U.S. Dollar

 Poverty Headcount
41.8% (2014)
(% of population under national poverty line)*

 GDP
1.442 Billion (2015)
GDP Growth
4.3% (2015)

 Human Development Index
133 out of 187 (2015)

 Major Industries
Oil and gas, Agriculture

MDF Sectors

 **Greenfield Industries (Tourism and Manufacturing)**

 **Agribusiness, Processing & Rural Distribution**

MDF's focus in Timor-Leste

- Diversify sectors away from oil and gas and agriculture to others.
- Diversify sources of income through alternatives to agriculture.
- Improve the connectivity (e.g. markets, goods, services, and people) within and from outside Timor-Leste.
- Introduce value addition of local raw materials through greater processing.

* Source – Timor-Leste Survey of Living Standards 2014 , USD 1.33/per day

// WHAT WE'VE ACHIEVED

(as of December 2016)



MDF INTERMEDIARY HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016

TIMOR-LESTE	
	Intermediary Headline Results Achieved as of 31 December 2016
Partnerships (Active and Completed)	23
Innovations	38
MDF Investment (USD)	424,000
Private Sector Investment (USD)	2,954,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:6.97
Value of Additional Market Transactions (USD)*	1,188,000

* A total of 12 out of 23 signed partnerships are currently contributing to actual additional market transactions, the results of which have been verified through monitoring visits. The number of partnerships contributing, and subsequently the actuals reported will increase in coming years, pending verification.

// WHAT OUR CURRENT PARTNERSHIPS ARE PROJECTED TO YIELD

MDF HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016 AND PROJECTED AS OF 31 DECEMBER 2016

TIMOR-LESTE						
	Headline Results Achieved as of 31 December 2016*			Headline Results Projected as of 31 December 2016**		
	Male	Female	Total	Male	Female	Total
Effective Outreach including Jobs	2,960	3,240	6,200	4,520	4,900	9,420
Additional Jobs (FTE)	50	17	67	84	126	210
Additional Income (USD)	382,000	467,000	849,000	1,375,000	1,705,000	3,080,000

* Actuals are currently based on 10 out of 23 signed partnerships, the results of which have been verified through monitoring visits and assessments. The number of partnerships contributing, and subsequently the actuals reported will increase in coming years, pending verification.

** Projections are currently generated by 13 out of 23 signed partnerships. Projections are developed once a partnership is signed, built on assumptions informed by partner information, field observations, primary research and/or secondary literature, resulting in a time lag between partnership signing and projections development. As projections for partnerships are developed they will be incorporated into subsequent aggregation reporting processes.

// WHAT WE ARE EXPECTED TO ACHIEVE BY 2021 (with additional partners on board)

MDF INTERMEDIARY HEADLINE AND HEADLINE RESULTS - COUNTRY ESTIMATES

TIMOR-LESTE	
	Timor-Leste Results Estimates
Effective Outreach Including Jobs	10,050
Additional Jobs (FTE)	325
Additional Income (Effective Outreach Including Jobs) (USD)	3,389,000
Value of Additional Market Transactions) (USD)	2,040,000
Private Sector Investment (USD)	1,700,000
Implementation Window	2012-2017 (4.5 years)



With additional partnerships on board, by 2021 MDF's work will result in over **USD 3.39 million** in additional income benefitting **10,050 men and women**, including **325 FTE jobs** benefiting **30,495 household members**

// TIMOR-LESTE RESULTS GRAPHS

How to read the graphs

1. The 100 percent line defines the benchmark and the estimates curves give an indicative trajectory for reaching that benchmark.
2. Compare the total projected value for each indicator with its estimates curve and compare where each year's projections sit against the 100 percent line. This is the first indication that the programme is on track. It is important to remember the 100 percent line and estimates curve reflect the total anticipated portfolio, whereas the total projected value is only based on a proportion of that portfolio. Therefore, the total projected value is ideally ahead of the estimates curve, but only needs to cross the 100 percent line when all partnerships are signed and the portfolio is complete.
3. Compare how actuals catch up, in time, with projections and grow closer to the 100% line. Different indicators have different lead times; the lower the indicator sits on the MDF impact logic the steeper the curve and shorter the results lead time. The higher an indicator sits on the MDF impact logic, the more gradual the curve and longer the results lead-time. Strong actuals for lower-level indicators (innovation, investment leveraged, and the value of AMTs) is a second good indication that the program is on track, as it demonstrates that the programme is able to elicit a strong response from the market.
4. Finally, when reading the graphs and tables in this report keep in mind that collecting accurate data and using these for results calculations is hard work fraught with uncertainty. Per partnership, dozens of calculations are made over several years to assess who is reached (farmers, workers, men and women), in which locations, through which different channels (each with their pros and cons) and how change is influenced in sales, practice, yield, understanding, returns on investment, and income among other factors. These calculations are based on multiple information sources which have been derived with the use of multiple research tools. Despite the best of efforts, MDF has sometimes been too optimistic and, at other times, too conservative. Results estimates, projections and actuals will change.

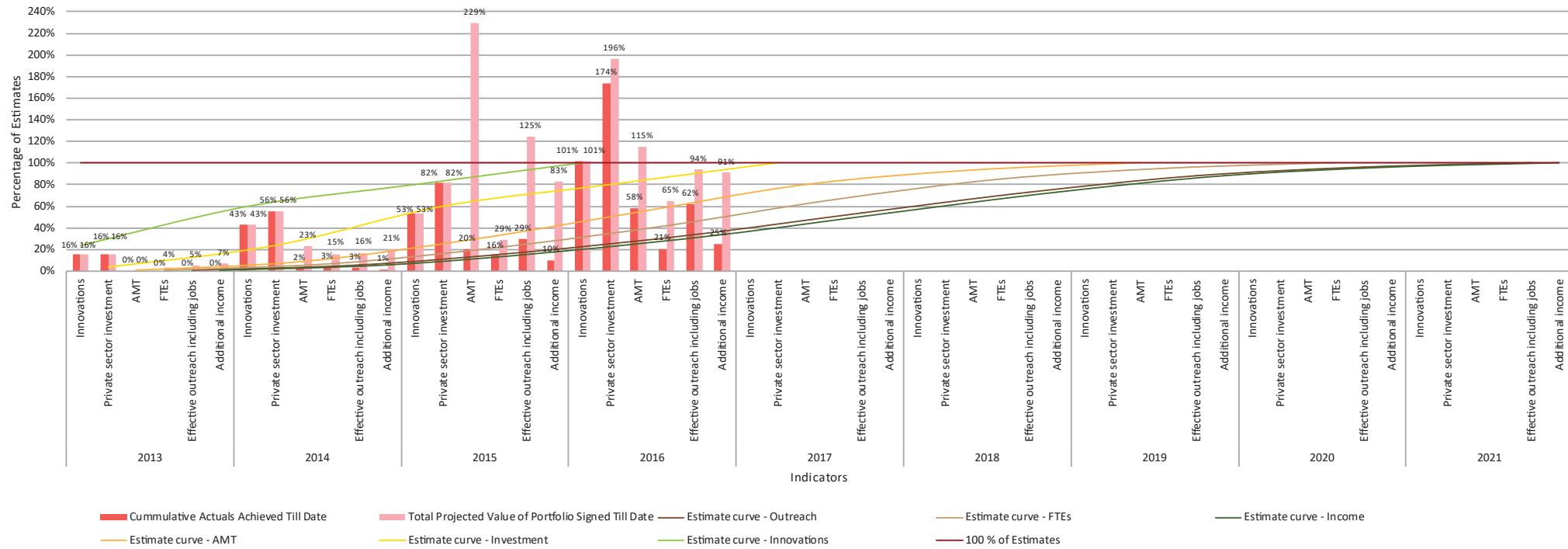
Indicator definitions

Estimates: are 'floating benchmarks' based on programme parameters (time and budget), specific donor wishes and an assessment of the local context and economy. They define what a programme should reasonably be able to achieve based provided there are no major external shocks. The 100% line defines the benchmark; the estimate curves show an indicative trajectory for reaching this benchmark in time.

Projections: forecast the value of each signed Partnership Agreement. Taken together the 'total projected value of the portfolio to date' forms an early indication of whether the programme is on track to achieve what it set out to achieve, by comparing the upward trend in projections toward the 100% line and the estimates curves.

Actuals: are verified achieved results. As different indicators have different lead times i.e. it takes longer for results to come in, some actuals will catch projections quicker than others. The lower indicators on the left should catch up faster and the more strategic ones on the right will take longer.

MDF Timor-Leste results curve, 2013-2021



EXPLANATORY NOTES ON PORTFOLIO CONTRIBUTIONS AS AT DECEMBER 2016 :

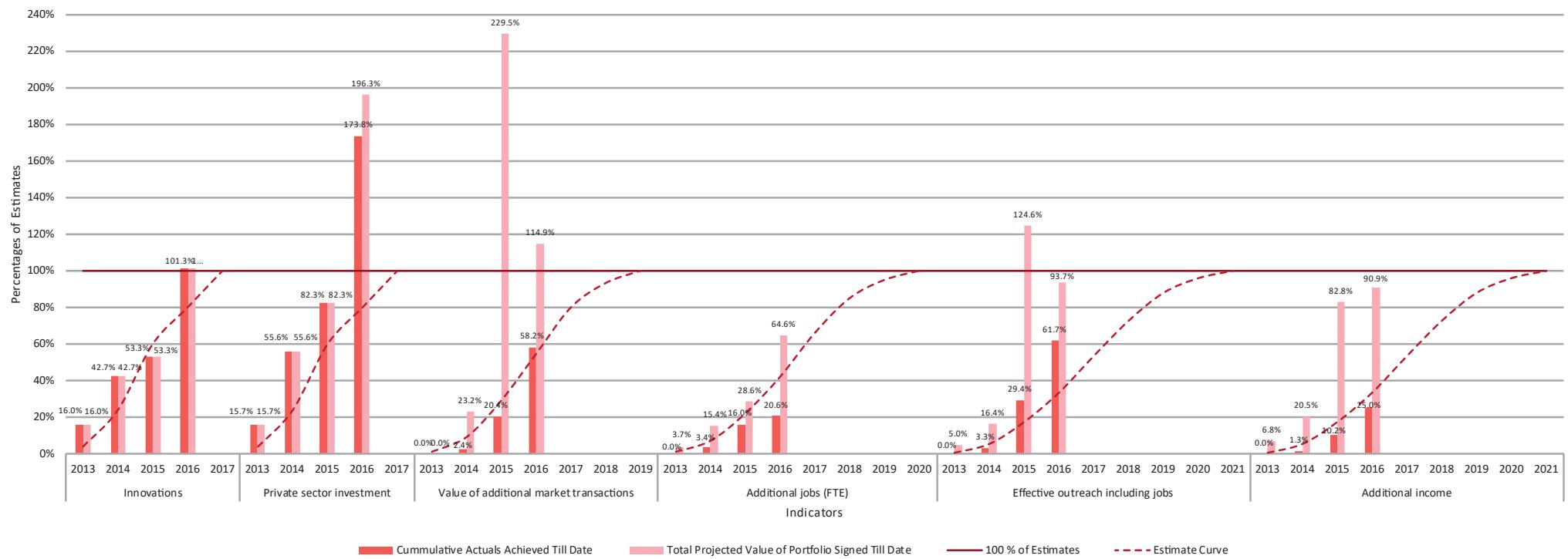
The proportion of the portfolio contributing to selected indicators as at December 2016 is provided below as a means to demonstrate that results (actuals and projections) are not being generated by 100% of the portfolio. The number of partnerships contributing to both actuals and projections will increase over time, as partnerships mature (and generate results) and as projections for newer partnerships signed toward the end of the year are completed based on information gathered from the monitoring visits

Effective outreach including jobs: 57% of the Timor-Leste portfolio was contributing to actual results; 83% of the portfolio was contributing to projections.

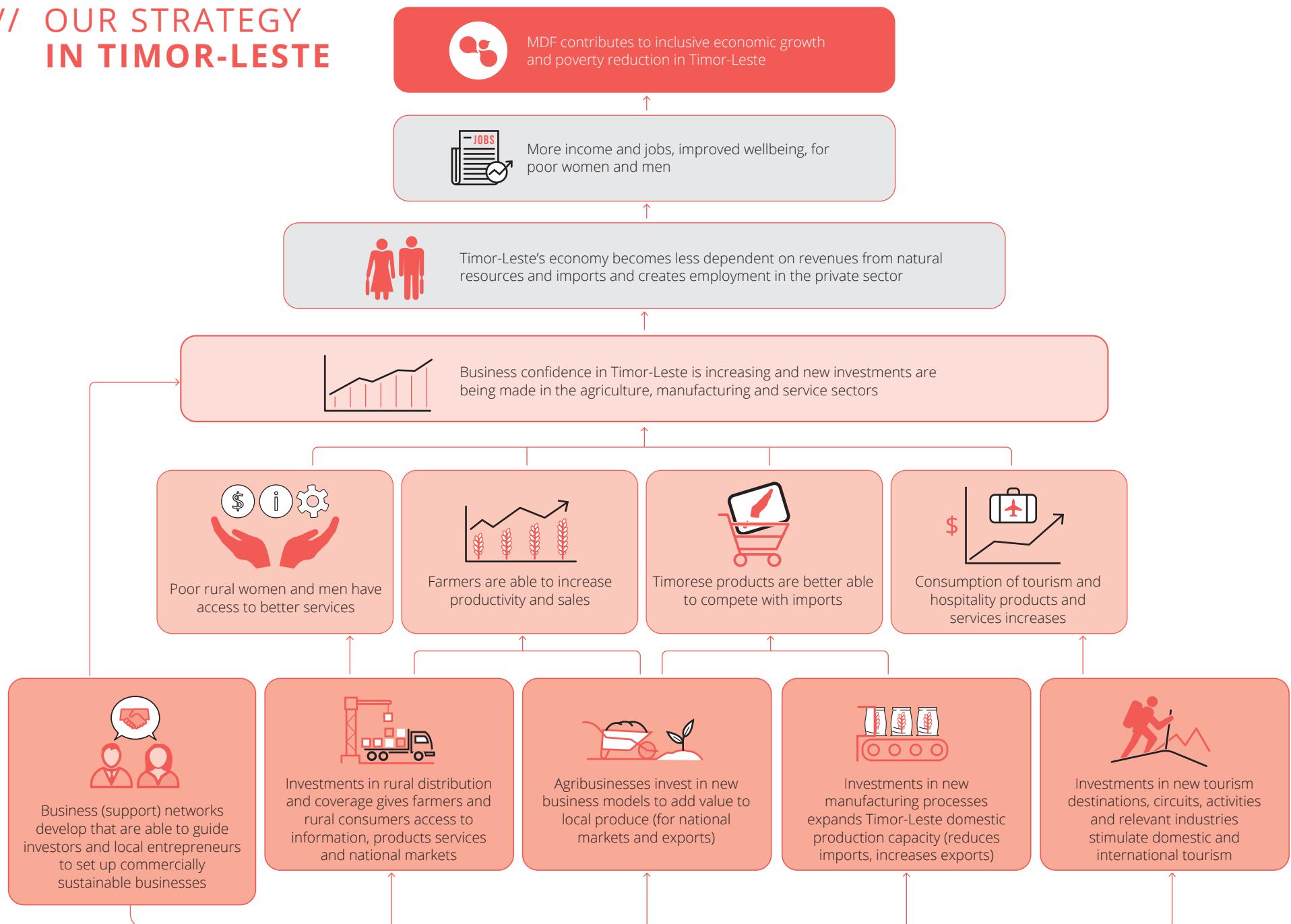
Net additional income: 57% of the Timor-Leste portfolio was contributing to actuals; 83% was contributing to projections.

Additional Market Transactions: 70% of the Timor-Leste portfolio as at December 2016 was contributing to both actuals and projections.

MDF Timor-Leste individual indicator results curves, 2013-2021



// OUR STRATEGY IN TIMOR-LESTE



Food producers in Timor-Leste



Not just testing
the waters

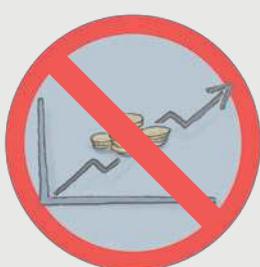
BEFORE MDF



No formal
food testing



Local markets only
with potentially poorer
quality products



Lower income potential
less business sustainability

AFTER MDF



Food testing
lab in place



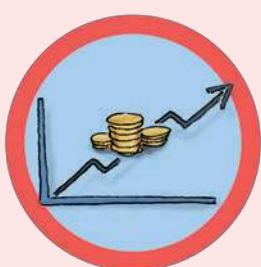
Local markets
have access to safer,
higher quality goods



Accreditation
allows access to...



Export markets



Higher income potential
increased business sustainability

MDF TIMOR-LESTE IN 2016

MDF has been able to capitalise on the upbeat mood of the investment climate in Timor-Leste in 2016 and sealed six Partnership Agreements with private businesses ranging from large business houses, to a women's cooperative and a micro-finance institution. These new partnerships, together with ten active partnerships in agribusiness, manufacturing and tourism sector, provide MDF with a healthy portfolio mix going into the second phase of the programme. In addition to supporting individual businesses, MDF has, this year, signed two MOUs with the country's leading financial institution **ANZ** and government investment promotion agency **TradeInvest** to improve financial literacy and access to finance for SMEs, and to better connect government and businesses in relation to demand-led business policy reform.



Business confidence in Timor-Leste is increasing and new investments are being made in agriculture, manufacturing and tourism sectors."



Lessons and findings on what it takes to stimulate growth in thinner markets continue to be generated from MDF's Timor-Leste portfolio. The volume of private sector investment leveraged (at USD 2,954,000) was high in Timor-Leste in comparison to impact generated. This was a reflection of an infant economy where businesses have to invest heavily in forward and backward linkages in the absence of business support services. Our results in Timor-Leste demonstrate that, while small investments can generate comparatively large results, more investments are needed and, in many cases, need to be developed and adopted from scratch. It will therefore take time for all the pieces required to generate impact to be in place.



MDF's work to get more agro-inputs to farms is generating positive results. Buoyed by the success of the distribution business model facilitated by MDF with Agi Agricultura, other agro-input wholesalers and retailers decided to form the National Agro Input Business Association (ANSATL) in order to expand business networks across the country. This association is now up and running. MDF partner **Café Brisa Serena** has entered into the international premium coffee market by implementing a quality management system at the farm level. Investment has been made in agro-commodities like spice, which has not been seen as a cash crop for a long time. In the tourism sector, new tour products are being launched in partnership with a tour operator to attract more international tourists, and handicraft producers and resellers are investing in upskilling and improving the working conditions of their artisans. Businesses are investing in enterprises such as garment manufacturing to meet domestic demand which, once operational, will be a landmark example for other aspiring entrepreneurs to kick-start new and innovative business ventures.

However, working on agro-commodity backward linkages remains a challenge for MDF due to issues associated with low productivity, low input usage and the limited knowledge base of farmers. Agro-businesses, attempting to solve all the productivity challenges of farmers while managing forward linkages with markets, found themselves in a bind as they stretched themselves beyond their capacity. Most of the MDF partner businesses in Timor-Leste are managed by sole-proprietorships or are family-run. Production is often below optimum levels, resources (land and labour) are often under-utilised and more can be done with existing land and employees before seeking additional resources.

Creation of formal jobs is therefore challenging, particularly in non-oil growth sectors. Of the 67 FTE positions generated in Timor-Leste as of December 2016, the majority stemmed from manufacturing and tourism partners. Agriculture-related FTE positions were generated through partnerships with Commodity Exchange, Nova Casa Fresca and Agi Agricultura, but these jobs were created at a company, or factory level. Typically, in a growing economy, job creation would be highly evident in the informal sector. However, in Timor-Leste MDF noted that increased on farm-related work is typically absorbed by families rather than new labour being employed. Households also often rely on reciprocal labour arrangements where a family works on another's farm in one season and the favour is reciprocated in the next. Where job opportunities are created, new skills are required. This was demonstrated by the number of partners who were active in skills development for existing and potential new employees.

Linked to the above, MDF's monitoring visits have revealed that small increases in outreach per year can generate a significant increase in additional income as companies are able to return to the same suppliers and achieve improved production year on year (as the suppliers improve their productivity levels). This will likely continue for some time, unless there a supply shortage occurs as a result of external factors (eg drought).

Working with nascent private sector players in Timor-Leste has meant that MDF has had to customise and sequence its support packages, instead of coming up with standardised technical assistance – often with the initial focus on business planning, followed by construction and purchase of equipment, and then technical assistance and market development activities. This activity sequencing takes more time than was initially anticipated, and the time before any return on investment is evident can also take longer than in more established economies.

Despite the time and intensive support to businesses that can be required, MDF has cemented the notion that businesses can be successful in Timor-Leste and also contribute to a reduced import dependency. Not only that, they are able to compete in export markets, as demonstrated by NPM Industries with its first shipment of iodised salt to Singapore. The establishment of ANSATL and MDF's work with TradeInvest will also support the balance between the roles and interactions of the private and public sector.

Evidence of systemic change and the understanding needed to facilitate this, is emerging. For example, Café Brisa Serena, with support from MDF, established a cupping laboratory and a quality management system that allowed the company to double its exports to the premium coffee market segment within a year. Other larger coffee traders and exporters are interested to learn from Café Brisa Serena's business model and MDF will explore how to facilitate that process with the newly formed national level coffee association.

The value of AMTs as of 2016 was USD 1,188,000, however the cumulative projection has been revised based on Concrete Product Business' response due to slower than expected commercial sales of their cook-stoves.

In the coming year, MDF will increase its engagement with other development partners working in the same areas – especially in horticulture and other agro-commodities – to make the most of existing development work done at the production level and to avoid duplication and maximise resources. Next year, MDF will collaborate with DFAT's new agriculture livelihood programme, To'os ba Moris Di'ak/Farming for Prosperity (TOMAK), in selected municipalities to complement TOMAK's work in agro-commodity production.



I don't want my future generation to end up like me. One day I'll be old and will not have the strength to work on the farm anymore, so I want to save money to secure the future of my children and my youngest brother's future education.

NEW SKILLS IN MAKING COMPOST IMPROVE A FARMER'S LIFE IN TIMOR-LESTE

At a young age Tomas Ximenes was not only responsible for his family, but also for the family farm near Baucau in Timor-Leste. "My father passed away in 1996 and, as the eldest son, I had the responsibility to look after my three siblings," Tomas said.

Tomas gave up his schooling ambitions and focused on using the land to grow tomatoes and rice. With the farm work came the many of the struggles of a Timorese farmer – low productivity, disease, natural disasters, price fluctuations and access to markets.

Tomas' farm's productivity improved when he learnt new ways to make high quality compost. As a client of Oan Sofre, an agricultural input shop near Baucau, Tomas heard about training on compost, book-keeping and management. Oan Sofre was one of the first retailers to have adopted MDF partner's Agi Agricultura's model on embedded retailer education and when Agi Agricultura planned to conduct its training in Baucau, his friend Patricio, the owner of Oan Sofre, invited Tomas.

Training on compost was not new to Tomas; he had participated in a similar training by an international NGO two years back. But Tomas said the compost he produced after that training was not nearly as good as that of Agi Agricultura's.

"The materials are different, so is the composition, which makes a big difference. They did not use urea and sand in the previous training." But Tomas said he benefited, not only from compost training, but gained book-keeping skills as well.

Since the training, Tomas has begun to produce his own compost for his garden. He collects materials (goat manure and leaves) from neighbours, but sometimes has to travel a long way to get the goat manure needed to make the right mix.

The results have been good. Tomas has noticed a significant productivity boost. Using compost has sped up his harvest and increased his volume. Seeing the benefits of the compost, Tomas decided to sell it to other farmers.

Before using the compost, Tomas used to produce 30 buckets of tomatoes (each bucket weighing 10Kg) per month but, since Agi Agricultura's training, he has been producing 60 buckets every month. Each bucket is sold at around USD 17, so his total revenue from tomato sales in one season is over USD 3000. After paying his bills for other agricultural inputs and regular household expenses, he has enough savings to deposit in the bank. On top of that, he makes USD 700 from selling compost. With three seasons in a year for tomatoes, he has significantly improved his family's livelihood.

Tomas and his wife Maria were determined to use the savings to improve the wellbeing of their family. "I don't want my future generation to end up like me. One day I'll be old and will not have the strength to work on the farm anymore, so I want to save money to secure the future of my children and my youngest brother's future education."



AGRICULTURE, PROCESSING AND RURAL DISTRIBUTION



We want to see more local, fresh and value-added products available in Timorese and export markets from more functional farms



More inputs to farms and more farm products to market

Input companies, traders and business membership organisations (BMOs) invest in increasing their coverage of products (inputs and farm outputs) and services to meet domestic market demand.

9 business innovations
including private sector entering seed distribution in rural areas, and formation of a national level BMO.

7 partnerships
with agro-marketing companies, 1 agro input wholesaler, 1 input business association and a financial institution



More local agricultural raw materials processed and with added value

Agribusiness companies invest in new and existing business models to process, produce and add value to local raw materials for sale in the local and export markets.

9 business innovations
including supply chain management for local products, value-addition through high quality processing, development and implementation of a targeted marketing campaign, set up of an aflatoxin laboratory and others.

5 partnerships
with agro-processors, agro-commodity exporter and 1 large conglomerate diversifying in horticulture export

// WHY WE WORK HERE



PROGRESS IN

AGRIBUSINESS, PROCESSING AND RURAL DISTRIBUTION IN 2016

The market system around agro-input distribution has attracted a lot of interest from private businesses, as Timor-Leste is gradually transforming into an organised commercial system for agro-input marketing and sales. **Agi Agricultura**, the country's first dedicated agricultural input shop, set up an input distribution network with retailers across two municipalities and provided training on recognising good inputs and their appropriate usage. It has sold inputs to approximately 300 male and female farmers. Recognising the need for greater interaction between agro-input retailers and wholesalers and the success of Agi Agricultura in distributing inputs throughout the municipalities, led to the formation of ANSATL under MDF's guidance and technical assistance. In 2017, MDF plans to help the new association develop its business plan and launch some activities.



63%

of all households depend on agriculture for their income



76,900

people are employed around the industry



Women engaged

as farm labour and contributing family workers in multiple roles spanning production, harvest, post-harvest and retailing of agricultural products to the market

MDF's work in agro-processing involved working with five agro-business companies **Acelda, JYL International, Timor Global, Café Brisa Serena, and Commodity Exchange** in primary and secondary food processing of staple and other crops and creating local and international markets. Partner Café Brisa Serena, successfully implemented a quality management system in sourcing and grading coffee and increased its sales in the international premium coffee market. Another partner, Commodity Exchange, started sourcing and exporting spices to India, creating an example of successful exporting of agro-commodities beyond coffee and encouraging farmers to invest more in spice production. Demand for locally processed food showed positive results as **Acelda** sold out of its white rice stock and was exploring sourcing black and red rice, which has a strong demand among local consumers, as a niche product. Two of the agribusiness companies invested in the establishment of a quality testing laboratory for food products (coffee and child nutrition supplements) one of which is managed by Timor Global and this facility will be available for other food product businesses to test and check the quality of their products.

Developing or strengthening backward linkages for agro-commodities, especially horticultural products, poses significant challenges for agro-business companies as most of the farmers engage in subsistence farming and have limited knowledge of input usage and cultivation methods. Hence the productivity at the farm level remains low and agro-business companies have to invest significant efforts to ensure farmers have access to inputs and improve their cultivation knowledge and productivity levels. At the same time, the trade structure of agro-products is informal and unstructured and there are few specialised market actors, hence the agro-companies have to coordinate and manage aggregation, transportation and storage functions themselves. Solving productivity, distribution and marketing issues of agro-businesses simultaneously

creates serious burdens for emerging private businesses. From MDF's partnership with agro-business companies **Farm Pro** and **Nova Casa Fresca** it became evident that the proposed wide range of activities involved in input distribution, extension and marketing had to be cut down to a minimum from the original ambitious target so that the business operations could be managed more effectively and efficiently.

Last year, Timor-Leste's rain-fed agriculture was affected by an extended dry season as a result of El Niño, especially in the coastal areas of north, east and south of Timor-Leste. It affected land preparation, planting and harvesting of agricultural crops, namely, rice, maize and vegetables in numerous municipalities, including Covalima, Manufahi, Viqueque, Lautem, Manatutu and Bobonaro. MDF partner **Acelda** faced significant challenges in sourcing paddy from these areas and had to source beyond its usual locations.

To tackle the problems of low productivity, lack of knowledge and limited access and usage of inputs, and external factors like El Niño, MDF will work more with other development partners in horticulture and other commodities – particularly with TOMAK, DFAT's new agriculture livelihoods programme. MDF will also explore opportunities to work with other development programmes and sector associations in key commodities (such as coffee), or with government organisations like TradeInvest to communicate and address key issues that are emerging as obstacles for agribusiness growth in Timor-Leste. These issues include a lack of coordination between government organisations and private businesses, a lack of clarity in acquiring export certification, stiff competition with imported products, logistical challenges in distribution and freight, and land ownership. MDF will explore ways to scale-up its work in introducing new financial services for rural households in collaboration with micro-finance and deposit-taking institutions.



Based on its current partnerships alone, MDF's work in agri-business, processing and rural distribution will result in over **USD 1.76 million** in additional income benefiting **4,170 men and women**, including **17 FTE jobs**.

// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Acelda Unipessoal Lda	In a second phase partnership, MDF is supporting the first commercial rice milling plant in Timor-Leste with sourcing from more locations and training rice farmers to meet quality standards for paddy. This year, Acelda sourced 98 metric tonne (MT) of rice from 170 farmers and sold all of its stock through four supermarkets.	Active	More local agricultural raw materials processed and with added value
Timor Global	MDF is supporting Timor Global to set up the country's first commercial food-safety testing laboratory. Timor Global, with support from MDF and United Nations Development Program (UNDP), has placed an order for the laboratory equipment and introduced a system of testing raw materials (maize and soy) instantly at the farm gate. It has already sourced 40 MT of maize and 9 MT of soy from 143 farmers through this instant testing method.	Active	More local agricultural raw materials processed and with added value
Kmanek	MDF has supported Kmanek to assess the viability of establishing the country's first feed-mill for livestock, poutries and fisheries in Timor-Leste. As a follow-up to this intervention, Kmanek is in the process of importing sample raw materials from Indonesia which will be mixed and packaged in Timor to test the market.	Measurement Completed	More inputs to farms and more farm products to markets
H3R	MDF has assisted H3R, an urban compost manufacturer for home gardening, to optimise its system of compost production and sell the product to horticulture farmers in rural areas. However, the product did not do well in the rural markets due to farmers' widespread practice of homemade compost production so the company resorted to selling compost to urban customers.	Measurement Completed	More inputs to farms and more farm products to markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Loja Agi Agricultura	MDF is supporting Loja Agi Agricultura to establish a commercial seed distribution model in rural areas to sell agricultural inputs (seeds, fertiliser, and crop protection products). Agi Agricultura has set up a distribution arrangement with four retailers in two municipalities and sold agro-inputs to 326 farmers.	Active	More inputs to farms and more farm products to markets
Café Brisa Serena	MDF has supported Café Brisa Serena to set up a quality management system to track and grade coffee from farm to retail. All activities related to this intervention are completed and measurement is ongoing. This year Café Brisa Serena sourced from 540 farmers and exported 162 MT of coffee beans to premium coffee buyers in the USA, Australia, Taiwan and Korea.	Activities completed and monitoring ongoing	More local agricultural raw materials processed and with added value
Nova Casa Fresca	MDF is supporting Nova Casa Fresca to establish a backward linkage with local producers for sourcing high value/specialty vegetables and fruits to sell in the end market.	Active	More inputs to farms and more farm products to markets
Commodity Exchange	MDF is supporting in-house staff capacity development and a strong supply chain for sourcing and processing spices from local farmers for the export market. As farmers are not aware of the full commercial potential of growing and selling spices, training is provided to farmers (mostly women) about spice gardening, harvest and post-harvest management to ensure that they are able to meet buyers' volume and quality requirements.	Active	More local agricultural raw materials processed and with added value

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Farmpro	Supported the company in sourcing and selling quality horticulture inputs and buying back fresh produce to sell in the local market through supermarkets. So far Farmpro has been able to source vegetables from 24 farmers but the partner struggled with other aspects of business plan and the partnership was downsized and all the activities completed in 2015.	Measurement completed	More inputs to farms and more farm products to markets
Agro-Input Business Association	MDF has facilitated the establishment of a national level agro-input business association through a series of workshops with national and municipality-level agro-input businesses. A constitution for the association has been developed and submitted to the Ministry of Justice for incorporation. Activities will be conducted for business networking, extension services and policy dialogue with the government.	Active	More inputs to farms and more farm products to markets
JYL International	MDF has supporting JYL International to conduct a feasibility study for commercial horticulture plantations (banana, avocado and sweet potato) for export. The study is complete and follow-up activities to initiate the process of plantation are planned for next year.	Active	More local agricultural raw materials processed and with added value
Tuba Rai Metin	MDF is assisting Tuba Rai Metin, the country's leading microfinance institution to roll out a financial service to withdraw and deposit cash in selected kiosks in a municipality. The first round of awareness and financial literacy training has been conducted targeting 415 farmers, and follow-up activities have been planned to encourage farmers to open accounts to access this new savings product.	Active	More inputs to farms and more farm products to markets

GREENFIELD INDUSTRIES



We want to see new and existing businesses invest in key economic growth sectors in the country, in manufacturing and tourism, and to help diversify the economy



Manufacturers invest in novel business models

Entrepreneurs invest in first-of-its kind business ventures using locally available raw materials and produce quality products which are marketed at more competitive prices than imported goods

12 business innovations

including introduction of locally produced and packaged iodised salt, a laboratory facility to test the quality of raw salt, the introduction of environment-friendly salt collection technology, operationalising the first garment factory in Timor-Leste, and a mobile automotive repair service targeting municipalities.

6 partnerships

with a salt processor, a garment manufacturer, an automobile repair workshop, a cook-stove manufacturer, a financial institution and an investment promotion agency



Tourism businesses invest in facilities, activities and marketing

New and existing businesses invest in facilities, activities and marketing to attract more tourists into and within the country

8 business innovations

including order placement and inventory management for artisans, branding of artisan groups to promote cultural heritage of different municipalities, short-term placement of foreign artists to improve the capacity of Timorese artisans, development of hop-on hop-off bus tours for tourists from cruise ships, bike tours for adventure tourists and religious tours for devoted Catholics.

5 partnerships

with a tour operator, a handicraft producer group, a handicraft reseller and boutique hotels

// WHY WE WORK HERE



PROGRESS IN **GREENFIELD INDUSTRIES IN 2016**

Manufacturing continues to attract attention from potential investors as businesses look for opportunities to produce goods that can meet local demand and substitute imports. However, most of these aspiring entrepreneurs lack proper support structures and tailored services including finance, skills and specialist expertise, backward linkages, logistics, marketing and distribution. There are very few or no value chain partners and supporting actors in Timor-Leste. MDF continues to fill these gaps by maintaining a small but growing portfolio of aspiring businesses engaged in producing fuel-efficient cook-stoves, iodised salt and clothing and/or basic service provision such as automotive repairs to meet the demand of Timorese consumers.



21%

of Timor-Leste's GDP comes from non-oil accounts



76,900

people employed in micro enterprises in the non-agriculture sectors



Women engaged

as workers, suppliers or consumers in manufacturing and tourism industry

First-of-its-kind businesses that produce and market locally manufactured products have to invest significant time and resources to develop distribution channels and conduct vigorous marketing activities to establish their brand name and product positioning among local consumers, most of whom are used to purchasing imported products and consider the quality of locally-made products to be inferior. In 2016, **NPM Industries** focused on setting up its distribution channel and conducted marketing activities across the country in partnership with large superstores and food products distributors, as well as investing in its own channel. To communicate the importance of iodine in daily food intake through iodised salt, NPM Industries conducted marketing and awareness campaigns in different locations in Dili, engaging local musicians and marketing staff to communicate its messages. It plans to expand that campaign to target schools, churches and weekly markets with information on the benefits of iodised salt and dangers of iodine deficiency in human health. In this reporting period NPM Industries exported its first batch of 20 MT salt to Singapore and looks forward to increasing its sales in the coming months.

Capacity development of local staff in specialised tasks and responsibilities was a challenge for a new generation of manufacturing enterprises in the absence of a skilled labour force or a specialised technical institution in the country. It became evident with the launch of the country's first garment factory **Mahanaim Garment**, that the 50 skilled workers required to work in its factory could not be recruited locally. By partnering with companies like Mahanaim Garment, MDF continued to fill this gap by bringing in short-term technical experts from overseas or recruiting long-term international technicians who provided on-the-job training for local staff members.

In Tourism, MDF's effort to stimulate investment in tourism products and services and improve the marketing of Timor-Leste as an attractive tourist destination gathered momentum throughout 2016. **Dive, Trek and Camp**, with support from MDF, launched a hop-on hop-off guided bus

service for cruise ship tourists, enjoyed by approximately 400 P&O Carnival cruise ship passengers. Dive, Trek and Camp plans to roll out two more tour packages targeting adventure tourists and religious tourists, thus attracting a wider range of international tourists to Timor-Leste.

MDF continues to support service providers to the tourism industry, such as handicraft producers and resellers, to strengthen their backward linkages, invest in infrastructure and skills development of the workers and suppliers and improve sales and marketing. MDF partners **Things and Stories** and **Boneca de Atauro** opened new sales outlets in Dili and developed plans to invest in improving workspaces and develop the skills of artisans in 2017.

Balibo Fort Hotel, a boutique hotel set up in the north-western region of the country in 2015, saw its visitor numbers and occupancy rates increase during weekends and holidays. However, occupancy during weekdays remains low, as most of its customers are expatriates working during weekdays. Balibo House Trust plans to address this problem by constructing a 50-seat convention centre in the open spaces of the hotel where corporate and government events and parties can be organised. To realise this project, it has secured funding from the Victorian State Department of Environment, Land, Water and Planning for the construction and fit-out. MDF will provide support on architecture design and project management. The facility is expected to be completed and operational in 2017.

To augment MDF's work in stimulating investment in manufacturing and tourism, MDF has signed an MOU with Timor-Leste's investment and export promotion agency **TradeInvest** to improve the business climate for SMEs. To improve access to finance with formal financial institutions, which is a key bottleneck for SME development in Timor-Leste, MDF has partnered with ANZ Bank, Chamber of Commerce and the Instituto de Apoio ao Desenvolvimento Empresarial (**IADE**) to promote a financial literacy training programme for SMEs



Based on its current partnerships alone, MDF's work in greenfield industries will result in over **USD 1.32 million** in additional income benefiting **5,250 men and women**, including **193 FTE jobs**.

// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
NPM Industries	NPM Industries is supporting Timor-Leste's first commercial iodised salt manufacturer to produce iodised salt using locally harvested raw salt. The company sourced 163 MT of raw salt from 116 salt farmers and from its own farm this year and sold 101 MT of processed salt in the local market. It also exported one container (20 MT) of salt to Singapore, which was its first instance of selling products outside Timor-Leste. MDF is planning to collaborate with NPM Industries, Ministry of Health and the World Health Organization (WHO) to conduct a campaign on iodine deficiency to increase mass awareness about iodised salt consumption.	Active	Manufacturers invest in novel business models
Concrete Products Business	MDF has supported a local manufacturer to market fuel-efficient cook-stoves and retail them in different municipalities. Activities to support the business with distribution and marketing are complete and the company has sold 573 units over retail channels and 1130 units through institutional channels. MDF plans to engage with UNDP to develop a technical assistance programme in the area of product design and modification, and marketing for cook-stove manufacturers in the country on the basis of its earlier partnership with Concrete Products Business.	Activities completed and monitoring ongoing	Manufacturers invest in novel business models
Mahanaim Garment	MDF is supporting Timor-Leste's first garment factory to develop the capacity of newly recruited female staff in pattern making and cutting, sewing and product design. Mahanaim Garment plans to hire international technical specialists in designing, pattern-making, cutting, factory and business operations and quality control. In-house training programs will then be provided.	Active	Manufacturers invest in novel business models.

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Liberty Lorosae Unipessoal Lda	MDF is supporting Liberty Lorosae to set up a mobile automotive repair service and extend its services outside Dili. Instead of constructing a physical facility in a single location, Liberty Lorosae decided to operate a mobile service whereby skilled technicians with tools and equipment would travel to the customer. It has placed orders for necessary equipment and tools, and purchased the vehicle, which will be customised as a mobile workshop.	Active	Manufacturers invest in novel business models
Balibo House Trust	MDF has supported Balibo House Trust to invest and set up the first high-end boutique hotel in North-Western Timor-Leste. The hotel has been fully operational since March 2015 and received 1522 guests in 2016. Balibo House Trust is planning to construct a convention centre to attract corporate and government clients to increase occupancy during weekdays.	Active	Tourism businesses invest in facilities, activities and marketing.
Posada Alacrim	MDF supported the Posada Alacrim guesthouse to improve the quality of its hospitality and tourism services and enhance its marketing activities. The intervention was a learning experience for MDF on how to select the right partner for a tourism infrastructure improvement-related intervention.	Measurement completed	Tourism businesses invest in facilities, activities and marketing.
Things and Stories	MDF is partnering with the country's leading handicraft reseller to improve working conditions for women involved in manufacturing boutique handicrafts in Timor-Leste and in setting up and expanding retail outlets. In 2015 it opened a new outlet in Timor Plaza Hotel and work is underway to construct a workshop for artisan groups in Lo'ud.	Active	Tourism businesses invest in facilities, activities and marketing.
Dive, Trek and Camp	MDF is supporting Dive, Trek and Camp to develop new and differentiated tour packages for incoming tourists and to attend international tourism marketing events to attract more tour operators establish tour packages in Timor-Leste. In 2016, Dive, Trek and Camp developed a guided bus tour package for incoming tourists from cruise ship visits to Dili and received 400 visitors. In 2017 it plans to roll-out guided bicycle tours and religious tour products, and overhaul its website.	Active	Tourism businesses invest in facilities, activities and marketing.

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Boneca de Atauro	MDF is supporting Boneca de Atauro to improve the capacity of its cooperative members in business management, communication, product development and production and expanding its business in domestic and export markets. This year Boneca de Atauro opened its retail outlet in Dili and participated in the Macau International Craft Fair. Next year comprehensive skill development, communication and business management programmes are planned to improve the capacity of artisan groups to better manage their businesses.	Active	Tourism businesses invest in facilities, activities and marketing.
TradeInvest	MDF is supporting the country's investment and export promotion agency in strengthening relations between existing and potential investors and TradeInvest, and contributing to policy discussions surrounding private investment in the agribusiness, manufacturing and tourism sectors, drawing lessons learned from MDF partnerships. This year MDF and TradeInvest conducted a workshop 'Export and Import Compliances and Regulations in Agribusiness and Manufacturing Sectors' and plans to organise more workshops to highlight key issues in investment and export in targeted sectors.	Active	Manufacturers invest in novel business models
ANZ	MDF is supporting ANZ, the country's leading financial institution, in facilitating private sector dialogue, promoting financial literacy for SMEs, introducing business advisory services for SMEs and promoting a nation-wide mobile banking service. This year MDF signed a four-party MOU with ANZ, the Chamber of Commerce and IADE on conducting financial literacy training for Chamber of Commerce-Timor-Leste members in selected municipalities.	Active	Manufacturers invest in novel business models

WOMEN'S ECONOMIC EMPOWERMENT

IN TIMOR-LESTE



MDF in Timor-Leste has been collaborating with private sector players to reduce their business blind spots and misconceptions about engaging with women, encouraging new manufacturing and tourism businesses to take up skills development programmes for their female workers, and to strengthen women's roles in agriculture to improve farm productivity. Four WEE partnerships were signed with businesses, namely, a micro-finance institute, a spice exporter, a garment manufacturer and a handicraft cooperative. Three existing partnerships were amended with an agro-input wholesaler, rice processor and handicraft reseller to better address women's participation in agricultural and non-agricultural businesses as producers and workers.

Major wins this year included convincing private businesses to invest resources to engage with women producers, workers and consumers more effectively in order to improve productivity and increase sales. Two agribusiness companies **Agi Aricultura** and **Commodity Exchange** have adjusted their training programmes to better reach female members in farming households to improve productivity. A micro-finance institute has

introduced a savings programme and conducted financial literacy training with a special emphasis on female household members. Handicraft businesses **Boneca de Atauro** and **Things and Stories** have expanded their retail network to increase sales of high quality handicrafts in the domestic market.

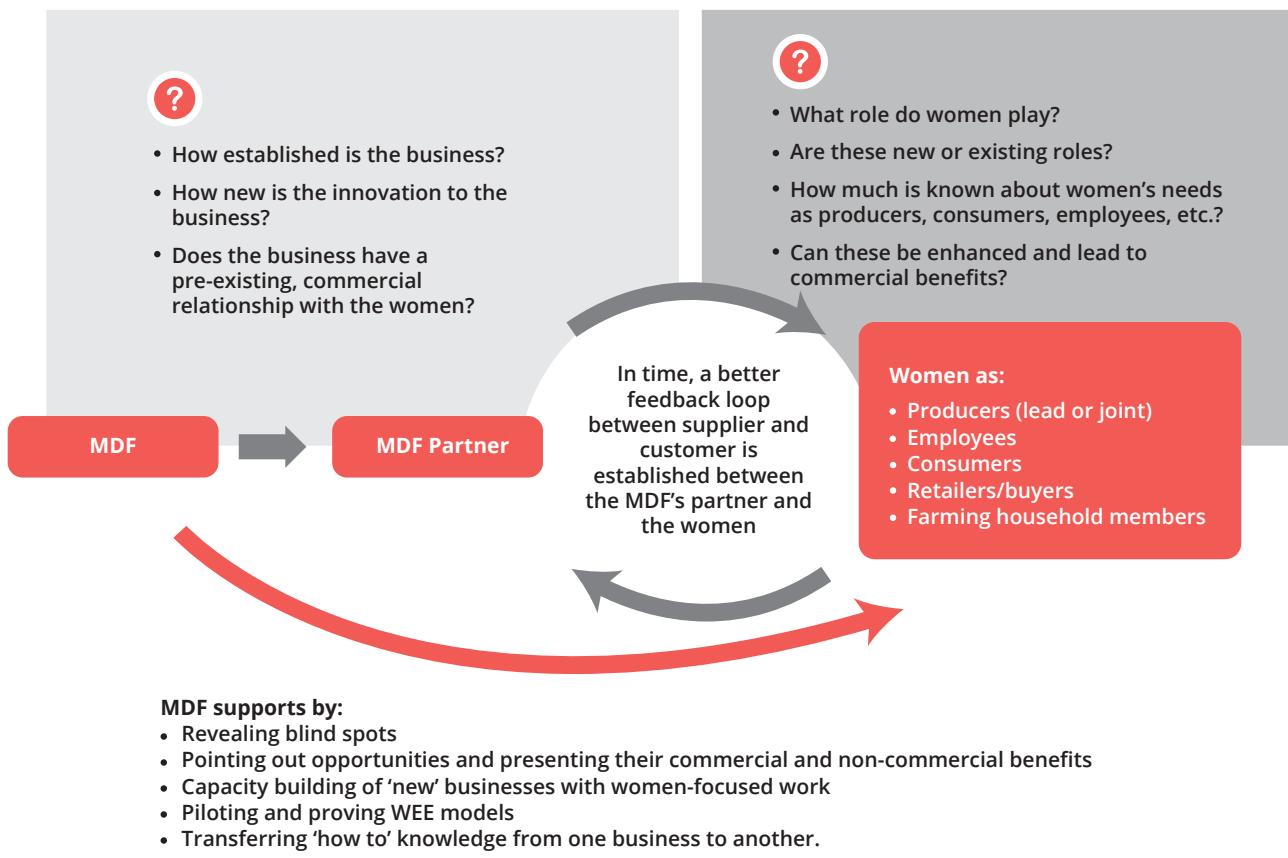
More challenging this year has been engaging women in agriculture training programmes where both males and females were present, bridging the gap of skills and knowledge of a new female workforce in the manufacturing and tourism industries, and collecting WEE data effectively from households. This required MDF to work with its partners to adjust the agriculture training programmes for female household members, convince the manufacturing and tourism businesses to invest in skills development and ensure separate women-only interviews and focus group discussions were held. In the coming year MDF will work with businesses to measure the impact that female producers and employees made in their respective fields and to communicate lessons to the wider business community.



Based on its current portfolio of partnerships alone, MDF in Timor-Leste aims to benefit more than **4,900 women** producers, farmers, entrepreneurs, labourers, workers consumers and/or family members.



// REDUCING BUSINESS BLIND SPOTS AND MISCONCEPTIONS ABOUT ENGAGING WITH WOMEN



ABOUT THIS THEME

Timorese businesses need to understand the benefits accruable from targeting women who are involved in businesses either as producers, suppliers or consumers. Businesses tend to consider that gender does not have much of a role in these business relationships, however, the reality is complex and nuanced. Both men and women do production work and women specialise in certain aspect of the production e.g. some tasks in horticulture crop cultivation are primarily managed by women, especially nursery management and compost use. If input companies do not understand and acknowledge the different roles that men

and women play or do not build relationships with women, they may lose out on potential business opportunities. Farming households may miss out on productivity improvements by not drawing on women workers' experience and insights.

Some of the non-agricultural industries engage with female suppliers without properly understanding the role and importance of females in the supply chain. For example, female members of the household manage raw salt collection processes in different salt producing areas. Understanding the needs and

dynamics of female household members in the salt collection process may give the company an edge to strengthen its relationship with its suppliers. Further, businesses are not always aware of how to communicate and engage with female consumers when products are developed for household use. For example, household products like cook-stoves, iodised salt and financial services (like cash-in cash-out agents services) that are utilised by female household members need to be designed and marketed with an understanding of female consumer needs and preferences



HIGHLIGHTS OF WHAT WE'VE ACHIEVED UNDER THIS THEME

MDF supported **Agi Agricultura** to modify farmer education activities to meet the needs of women farmers, especially in nursery management and compost production. A total of 127 female farmers were trained on agro-input usage and application and nursery setup, and they applied their knowledge to minimise seedling losses and increase overall germination rates. This encouraged Agi Agricultura to widen its farmer outreach programme, with a focus on female farmers, to other municipalities in the next business cycle. MDF supported **Commodity Exchange** to emphasise the participation of female household members in training programmes for commercial-scale spice farming in Aileu and Liquica municipalities. Nearly half (46 percent of 52) of the trainees in Aileu and 20 percent of 247 trainees in Liquica were female. They were taught about proper planting and management techniques for clove, cinnamon and black pepper. In partnership with **Tuba Rai Metin** MDF introduced financial literacy training and a new savings

product targeted at both male and female household members in the Ermera municipality. Previously, Tuba Rai Metin targeted male household members with its savings programme assuming men were the primary financial decision makers. But MDF's research showed that, irrespective of who earned the income, women had a strong influence on how money was spent in the household. In addition, women sought to have autonomous decision-making regarding the income from their small enterprises (e.g. selling vegetables in district markets). This made individual savings accounts for women a viable option. As a result, Tuba Rai Metin placed a strong emphasis on female household members' participation in financial literacy and savings product awareness programmes. It engaged three female trainers (out of a total of five) to facilitate ease of communication with women, and reached 166 female in the Letefoho region and in Ermera municipality.



MDF's work with **Commodity Exchange** has helped the company train **72 female farmers** on commercial spice production.



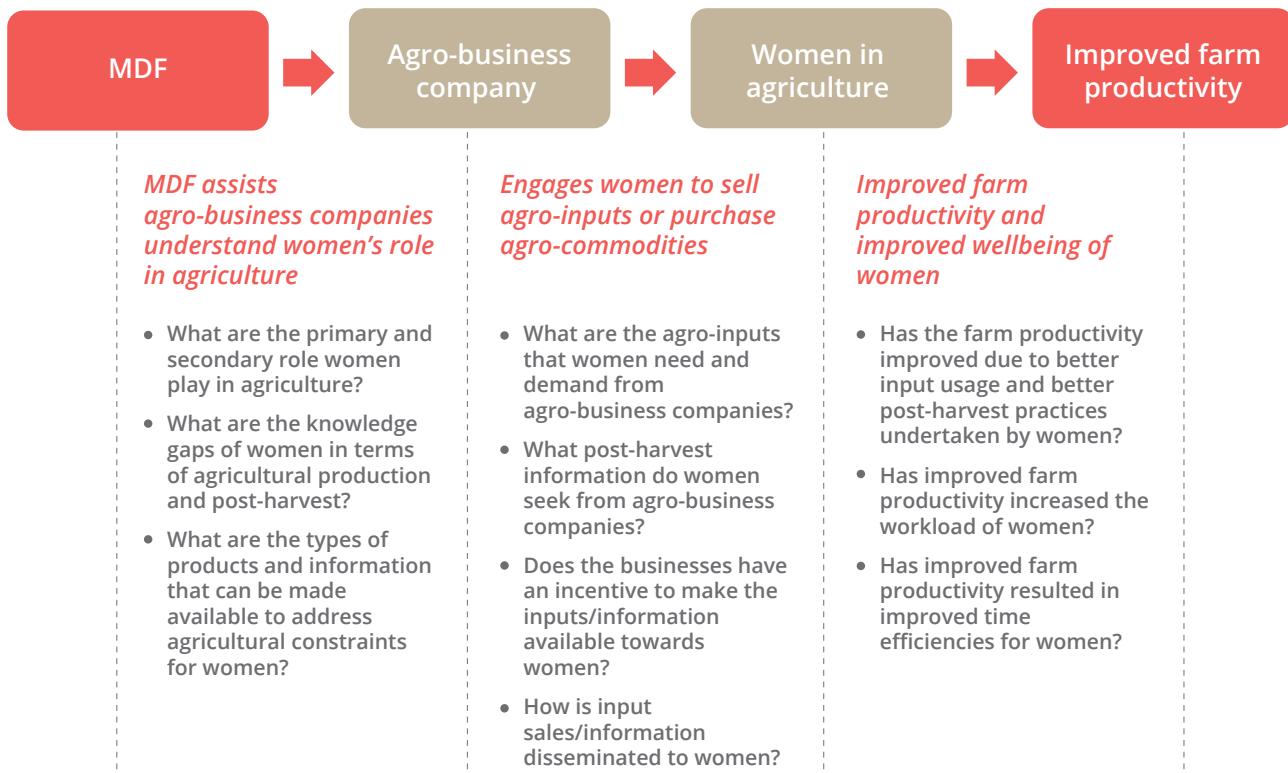
MDF's work with **Tuba Rai Metin** has helped the company to introduce savings products for households.



MDF's work with **Agi Agricultura** encouraged the company to expand its outreach programme with a focus on female farmers.

// STRENGTHENING WOMEN'S ROLES IN AGRICULTURE TO IMPROVE FARM PRODUCTIVITY

(with a focus on input use and harvest and post-harvest management)



ABOUT THIS THEME

Although there are generic agri-input needs, the requirements may differ between men and women in farming households in Timor-Leste. It is important that MDF advises partners to design the packaging of products to suit the needs of women farmers. This will tie in with greater retail sales as they to cater to a wider client base. It is important for MDF to understand how productivity of women is enhanced and how that relates

to a reduction in their workload. For example, women spend hours weeding and watering plantations. The availability of plastic mulch and micro-irrigation technology is expected to reduce their efforts in weeding and the time taken in watering plants. As a result it will be important to understand what other activities women engage with their 'saved' time and if they are subject to a 'double burden' as a result of greater productivity i.e.

take on a disproportionate level of home-based work . With improved knowledge and greater productivity women are expected to have higher income earning abilities and this may lead to them having more influence on household decisions around farm management and household expenditure beyond health, education and basic food purchases



HIGHLIGHTS OF WHAT WE'VE ACHIEVED UNDER THIS THEME

In partnership with **Nova Casa Fresca** MDF helped to extend the provision of horticultural information and inputs to the entire household, rather than only the male head of the household as had previously occurred. This enabled women to produce new horticulture crops such as broccoli in the Aileu municipality. Female farmers and/or members of the family who were involved in various stages of crop production, such as germination of seeds, weeding, watering, harvesting, sorting and grading, improved their knowledge and skill levels through Nova Casa Fresca's extension programme, and this contributed to improved productivity of crops such as broccoli, cauliflower and Chinese cabbage.

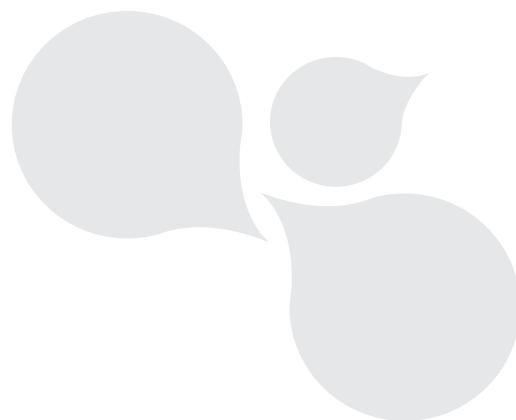
Agi Agricultura increased its efforts in educating female family members in nursery setup and management, and in inputs application, and helped them to minimise seedling losses and increase germination rates. Women farmers reported significant learning and practice changes in the safe use of pesticides, as they were made aware of how to store and use chemicals safely and to apply them in appropriate dosages.



MDF's work with **Nova Casa Fresca** has helped **43 women** to improve their production

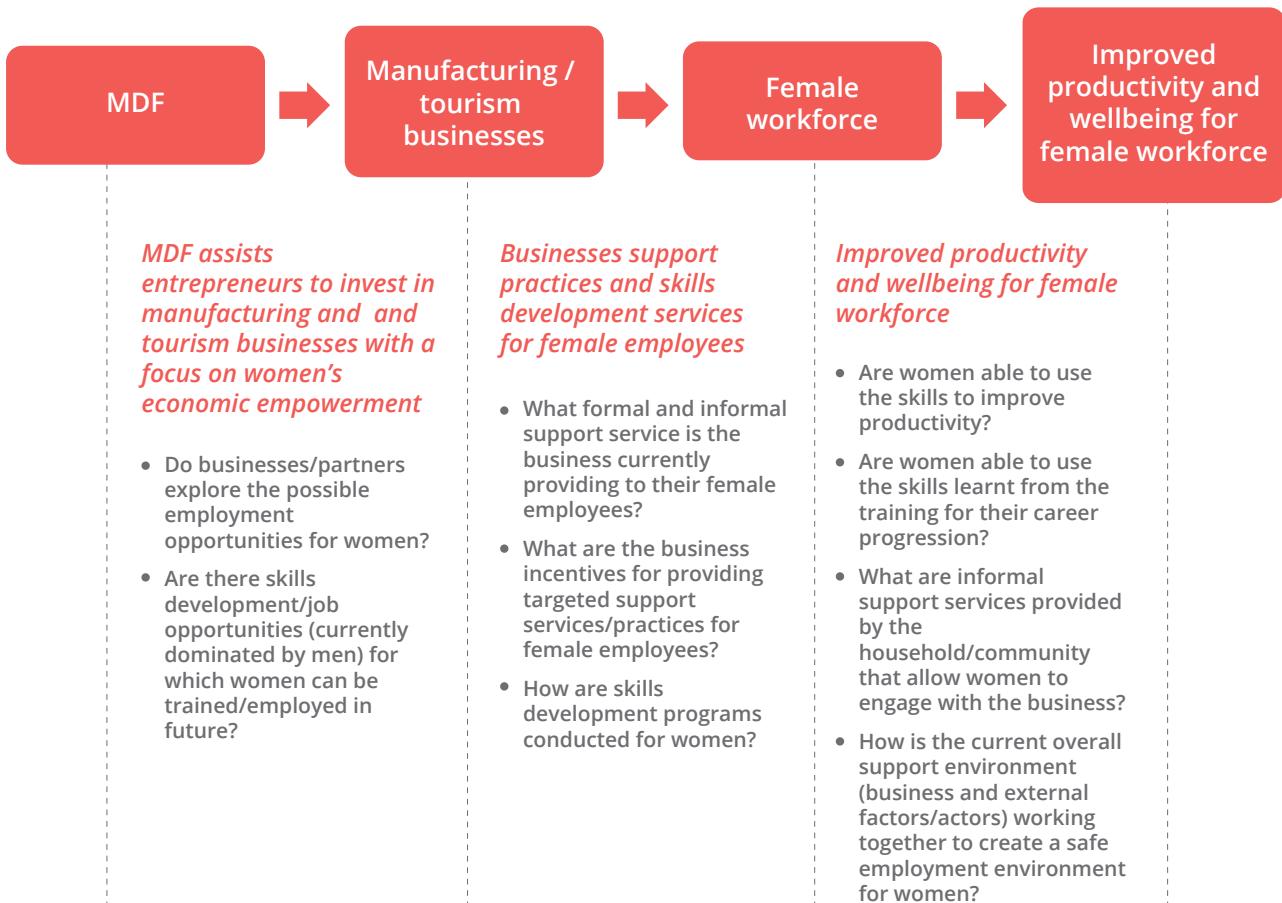
MDF's work with **Agi Agricultura** has educated approximately **127 female farmers** in horticulture production

MDF's work with **Agi Agricultura** resulted in women learning safe-handling and appropriate application of pesticides



// CREATING JOB AND SKILLS DEVELOPMENT OPPORTUNITIES FOR WOMEN IN NON-AGRICULTURAL SECTORS

(including in emerging manufacturing sectors and tourism)



ABOUT THIS THEME

In non-agricultural sectors, women's participation in the labour force is low. Rural women often face limited job opportunities outside agriculture as they do not have the skills required nor access to training programmes

or networking opportunities that might provide those skills. Further, businesses are not always aware of the opportunities and benefits they might have if they employed women, nor do they understand women's needs as employees, such

as training or day care facilities. MDF needs to educate partners from different sectors as to the benefits of hiring women and on the means to do so



HIGHLIGHTS OF WHAT WE'VE ACHIEVED UNDER THIS THEME

In the manufacturing sector, NPM Industries continued to create opportunities for female raw salt suppliers to learn and improve salt collection processes and earn more income, whereas in the salt processing facility female workers got the opportunity to work in the packaging section. Mahanaim Garment, the country's first garment factory created opportunities for inexperienced female workers to learn skills and knowledge in sewing and cutting allowing them to become professional workers in its garment factory. In the tourism sector, Balibo House Trust created jobs and income earning opportunities and developed the skills of women in a range of hospitality

roles e.g. as waiters, housekeepers and cleaners. Things and Stories supported its artisan groups in Lo'ud and Dili to improve their production processes and increase productivity by means of improved work spaces and the acquisition of modern tools and machinery. Boneca de Atauro undertook extensive skills development programmes for its female members in the areas of textile management, financial management and business development management to increase its productivity and improve its sales and profitability. Dive, Trek and Camp introduced new tour packages where part-time job opportunities were created for women as tour guides.



MDF's work with **Mahanaim Garment** has created opportunities for unskilled female workers to get training and employment in the garment industry

MDF's work with **Things and Stories** created opportunities for female artisans to access improved workspaces

MDF's work with **NPM** created training opportunities for female suppliers, and employment for female workers



Based on its current portfolio of partnerships alone, MDF in Timor-Leste aims to benefit more than **4,900 women** producers, farmers, entrepreneurs, labourers, workers consumers and/or family members.

MARKET INTELLIGENCE

IN TIMOR-LESTE



LESSONS FROM WORKING IN MDF TIMOR-LESTE IN 2016

**MANUFACTURING
BUSINESSES NEED TO START
THEIR BUSINESS LOCALLY
BUT WITH AN EYE TO
EXPORT IN THE FUTURE**

Most of the products consumed by Timorese households are imported from Indonesia or China as there are few enterprises in Timor-Leste that can make products to price and quality standards acceptable to local consumers. The situation is gradually changing with Timorese businesses investing in the production of household products such as salt, cook-stoves, clothing and mineral water and marketing these at prices that are competitive with imports. Each of these businesses has started its operation with a clear focus on meeting local demand, yet opportunities exist for these new generation manufacturers to export their products to nearby Asian and Pacific Island countries. With the right technology and skilled labour base, Timorese businesses can lower their cost-structures and increase their production capacity without fear of over-supply in local markets and compete with other countries to capture market share in countries such as Singapore, Papua New Guinea and Australia.

**WORKING WITH
DESTINATION MARKETING
COMPANIES CAN HELP
ADDRESS THE POOR
COUNTRY BRANDING
SITUATION OF TIMOR-LESTE
AND BOOST THE LOCAL
TOURISM INDUSTRY**

Timor-Leste is not well known to international tourists despite it having stunning landscapes and a rich marine life. Many of those who are aware of Timor-Leste erroneously associate it with civil war, a lack of law and order and widespread poverty, unaware of the progress Timor-Leste has made since achieving independence and what it has to offer as tourist destination. A long-term investment in marketing campaigns to change that perception is required by the Ministry of Tourism, Commerce and Industry which has taken early steps to develop messaging, a logo and a theme to promote Timor-Leste tourism to the outside world. Tour operators can immediately market Timor-Leste by collaborating with international destination marketing companies, cruise ship companies, and adventure tour operators. International tour operators market lesser known destinations collectively in a comprehensive marketing campaign; Timorese tour operators can leverage benefits from this.

**SETTING UP BACKWARD
LINKAGES IN AGRICULTURAL
COMMODITIES FOR TRADE
AND FOOD PROCESSING
REQUIRES PATIENCE AND
LONG-TERM PLANNING**

Developing strong backward linkages with a highly productive farmer base is one of the success factors in agro-marketing and food processing businesses. The reality in Timor-Leste though, is that businesses struggle to obtain the quantity and quality of produce they need from subsistence farmers. Businesses that are willing to venture into agro-marketing must assess the ground realities at the producer level, map potential locations, and identify a stable, long-term core group of farmers and invest in improving their knowledge and access to inputs. These activities take time and need to be factored into business plans. Setting targets that are too ambitious, within too short a period of time and without proper market research will only disappoint businesses and discourage them from investment in agro-commodity trading and processing.

**ADOPTION OF
TECHNOLOGIES BY
FARMERS TO MITIGATE
CLIMATE CHANGE RISKS
IS IMPORTANT IN TIMOR-
LESTE'S AGROBUSINESS
CONTEXT**

Timor-Leste's agriculture is primarily rain-fed so if the rainy season is delayed and there is an extended period of drought, Timorese farmers will suffer. Most are ill-equipped with knowledge and technology to mitigate these droughts and climate change more broadly. Agro-commodity trade or food processing businesses need to recognise the challenges associated with climate change in agriculture and collaborate with government and development organisations to educate farmers on climate-smart technologies, otherwise they are vulnerable to limited and unpredictable agro-produce sourcing.



ACKNOWLEDGEMENTS

MDF in Timor-Leste would like to thank the following organisations for their support and collaboration in the past year. UNDP for helping to coordinate the set-up of an aflatoxin laboratory with Timor Global, supporting construction of salt ponds in Ulmera and Atabae in collaboration with the Korean Government, Timor-Leste Government and IADE, and organising a knowledge sharing workshop on improved cook-stoves; Asian Development Bank (ADB) for its collaboration on the formation of a national level coffee association in Timor-Leste and organising the first ever national coffee festival; World Bank International Finance Corporation (IFC) for exchanging learning and experiences on working

with private sector players in Timor-Leste; TOMAK for collaborating in designing and implementing activities in TOMAK target municipalities – Baucau, Viqueque and Bobonaro; The Asia Foundation (for collaborating on the data collection and research analysis for cruise ship tourism; Ministry of State Coordinating Economic Affairs for providing input into policy level discussions around the agribusiness, manufacturing and tourism sectors, and for sharing learning and experiences of working with private sector businesses in these sectors; Monash University for exchanging learning and experiences of working with private sector players in Timor-Leste and providing valuable input on an MDF case study.





PAKISTAN



Quick Facts

 Population

190 Million

60% dependent
on agriculture

 Language

Urdu, English

 Main Cities

**Islamabad (capital),
Lahore, Karachi**



PAKISTAN



 Ease of Doing Business Index
144 out of 190 (2014)

 Human Development Index
146 out of 187 (2014)

 Currency
Pakistan Rupee

 Poverty Headcount
29.5%
(% of population under
the national poverty line)*

 GDP
\$271 billion
GDP Growth
5.7% (2016)

 Major Industries
**Agriculture, Manufacturing,
Textiles, Services**

MDF Sectors

 **Horticulture**

 **Dairy and Meat**

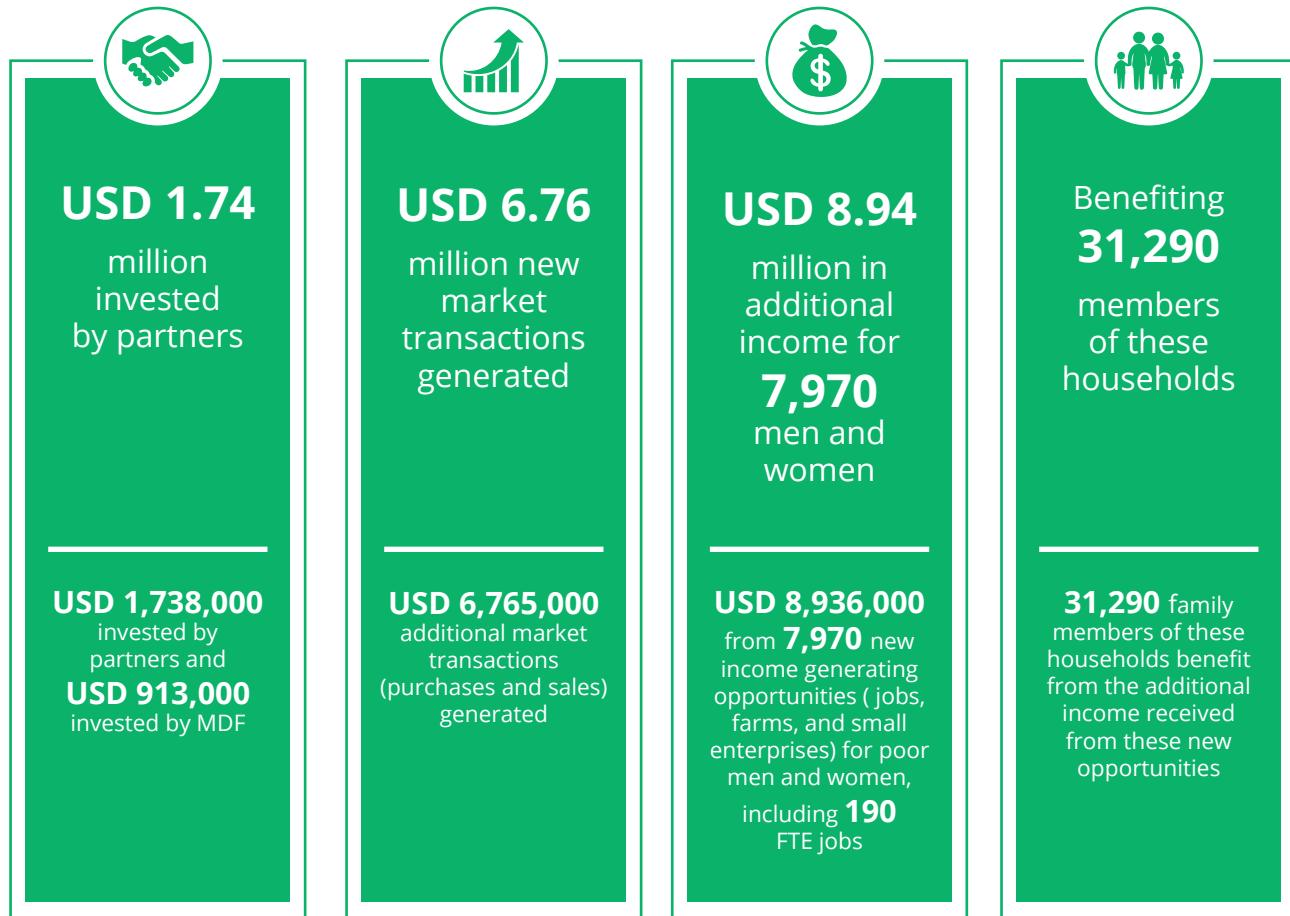
 **Leather**

MDF's focus in Pakistan

- Rural and regional inclusiveness
- Increase export competitiveness
- Broadening the entrepreneurial base
- Creating opportunities for women

// WHAT WE'VE ACHIEVED

(as of December 2016)



MDF INTERMEDIARY HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016

PAKISTAN	
	Intermediary Headline Results Achieved as of 31 December 2016
Partnerships (Active and Completed)	38
Innovations	54
MDF Investment (USD)	913,000
Private Sector Investment (USD)	1,738,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:1.90
Value of Additional Market Transactions (USD)*	6,765,000

*A total of 16 out of 38 signed partnerships are currently contributing to actual additional market transactions, the results of which have been verified through monitoring visits. The number of partnerships contributing, and subsequently the actuals reported will increase in coming years, pending verification.

// WHAT OUR CURRENT PARTNERSHIPS ARE PROJECTED TO YIELD

MDF HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016 AND PROJECTED AS OF 31 DECEMBER 2016

PAKISTAN						
	Headline Results Achieved as of 31 December 2016*			Headline Results Projected as of 31 December 2016**		
	Male	Female	Total	Male	Female	Total
Effective Outreach including Jobs	4,430	3,540	7,970	79,380	71,310	150,690
Additional Jobs (FTE)	117	73	190	989	348	1,337
Additional Income (USD)	6,335,000	2,601,000	8,936,000	52,162,000	20,503,000	72,665,000

* Actuals are currently based on 10 out of 38 signed partnerships, the results of which have been verified through monitoring visits and assessments. The number of partnerships contributing, and subsequently the actuals reported will increase in coming years, pending verification.

** Projections are currently generated by 36 out of 38 signed partnerships. Projections are developed once a partnership is signed and build on assumptions informed by partner information, field observations, primary research and/or secondary literature, resulting in a time lag between partnership signing and projections development. As projections for partnerships are developed they will be incorporated into subsequent aggregation reporting processes.

// WHAT WE ARE EXPECTED TO ACHIEVE BY 2021 (with additional partners on board)

MDF INTERMEDIARY HEADLINE AND HEADLINE RESULTS - COUNTRY ESTIMATES

PAKISTAN		Pakistan Results Estimates
Effective Outreach Including Jobs		168,000
Additional Jobs (FTE)		6,300
Additional Income (Effective Outreach Including Jobs) (USD)		80,483,000
Value of Additional Market Transactions (USD)		13,709,000
Private Sector Investment (USD)		2,856,000
Implementation Window		2013-2017 (3.5 years)



With additional partnerships on board, by 2021 MDF's work will result in over **USD 80.48 million** in additional income benefitting **168,000 men and women**, including **6,300 FTE jobs** benefiting **599,760 household members**

// PAKISTAN RESULTS GRAPHS

How to read the graphs

1. The 100 percent line defines the benchmark and the estimates curves give an indicative trajectory for reaching that benchmark.
2. Compare the total projected value for each indicator with its estimates curve and compare where each year's projections sit against the 100 percent line. This is the first indication that the programme is on track. It is important to remember the 100 percent line and estimates curve reflect the total anticipated portfolio, whereas the total projected value is only based on a proportion of that portfolio. Therefore, the total projected value is ideally ahead of the estimates curve, but only needs to cross the 100 percent line when all partnerships are signed and the portfolio is complete.
3. Compare how actuals catch up, in time, with projections and grow closer to the 100% line. Different indicators have different lead times; the lower the indicator sits on the MDF impact logic the steeper the curve and shorter the results lead time. The higher an indicator sits on the MDF impact logic, the more gradual the curve and longer the results lead-time. Strong actuals for lower-level indicators (innovation, investment leveraged, and the value of AMTs) is a second good indication that the program is on track, as it demonstrates that the programme is able to elicit a strong response from the market.
4. Finally, when reading the graphs and tables in this report keep in mind that collecting accurate data and using these for results calculations is hard work fraught with uncertainty. Per partnership, dozens of calculations are made over several years to assess who is reached (farmers, workers, men and women), in which locations, through which different channels (each with their pros and cons) and how change is influenced in sales, practice, yield, understanding, returns on investment, and income among other factors. These calculations are based on multiple information sources which have been derived with the use of multiple research tools. Despite the best of efforts, MDF has sometimes been too optimistic and, at other times, too conservative. Results estimates, projections and actuals will change.

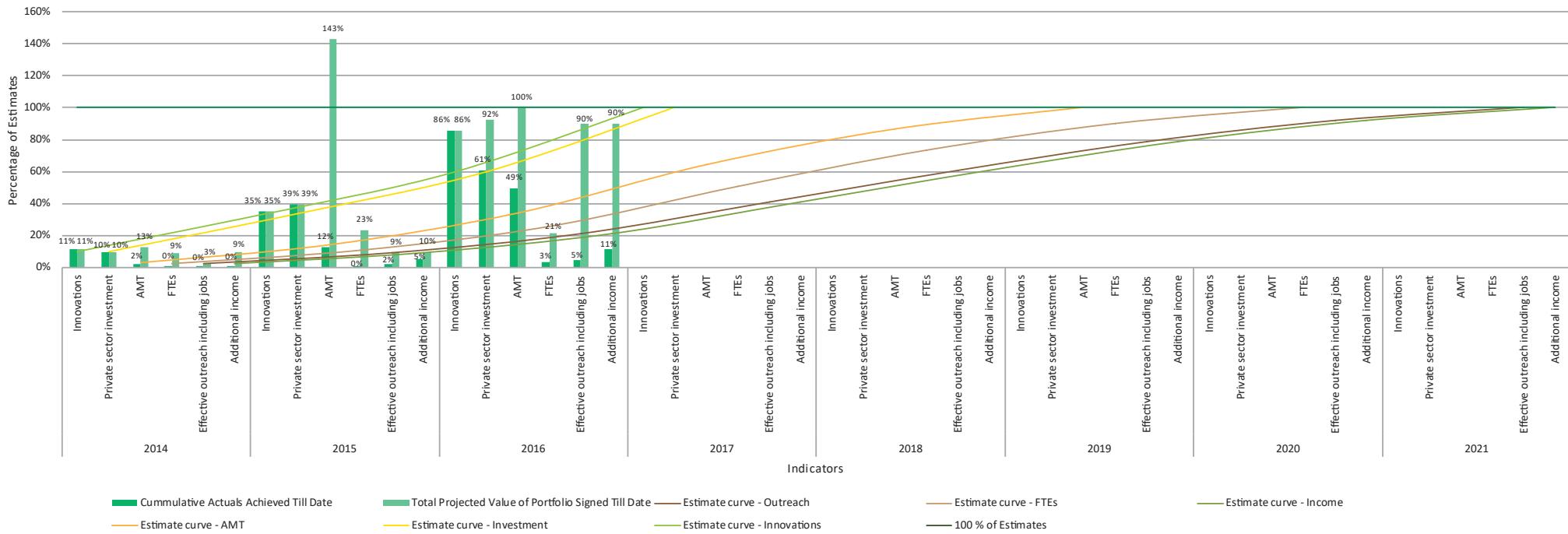
Indicator definitions

Estimates: are 'floating benchmarks' based on programme parameters (time and budget), specific donor wishes and an assessment of the local context and economy. They define what a programme should reasonably be able to achieve based provided there are no major external shocks. The 100% line defines the benchmark; the estimate curves show an indicative trajectory for reaching this benchmark in time.

Projections: forecast the value of each signed Partnership Agreement. Taken together the 'total projected value of the portfolio to date' forms an early indication of whether the programme is on track to achieve what it set out to achieve, by comparing the upward trend in projections toward the 100% line and the estimates curves.

Actuals: are verified achieved results. As different indicators have different lead times i.e. it takes longer for results to come in, some actuals will catch projections quicker than others. The lower indicators on the left should catch up faster and the more strategic ones on the right will take longer.

MDF Pakistan results curve, 2014-2021



EXPLANATORY NOTES ON PORTFOLIO CONTRIBUTIONS AS AT DECEMBER 2016 :

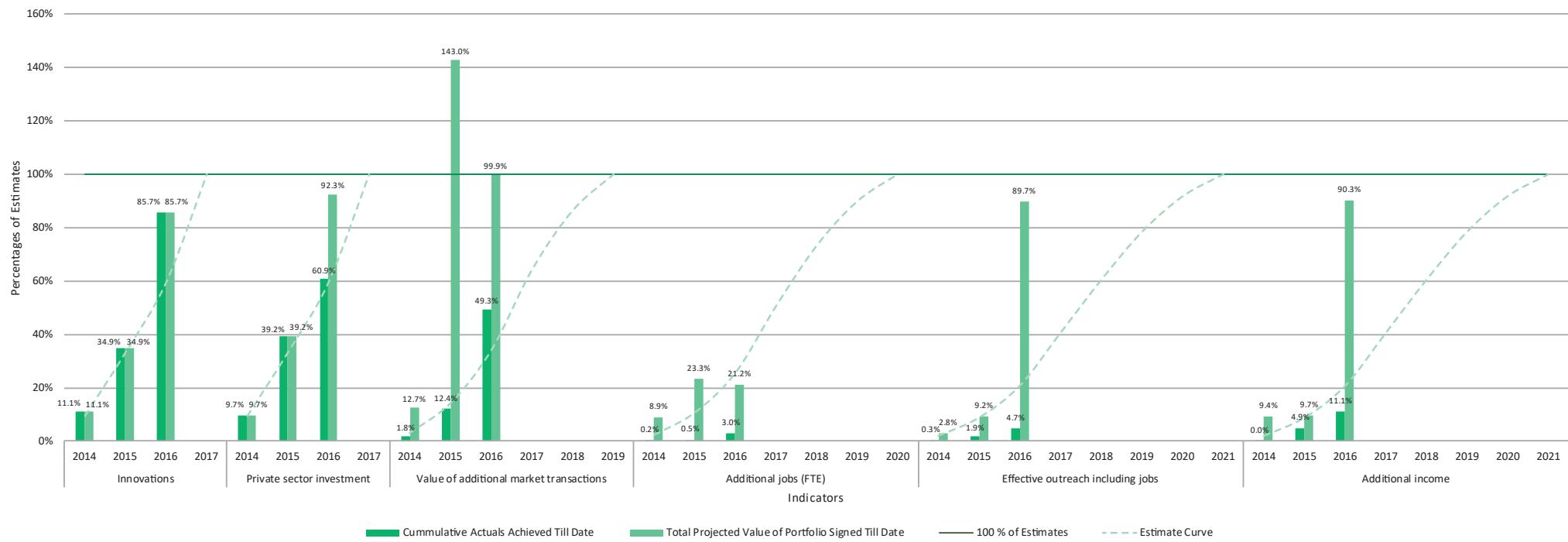
The proportion of the portfolio contributing to selected indicators as at December 2016 is provided below as a means to demonstrate that results (actuals and projections) are not being generated by 100% of the portfolio. The number of partnerships contributing to both actuals and projections will increase over time, as partnerships mature (and generate results) and as projections for newer partnerships signed toward the end of the year are completed based on information gathered from the monitoring visits.

Effective outreach including jobs: 29% of the Pakistan portfolio was contributing to actuals; 68% of the portfolio was contributing to projections. There remains significant room for growth against this indicator.

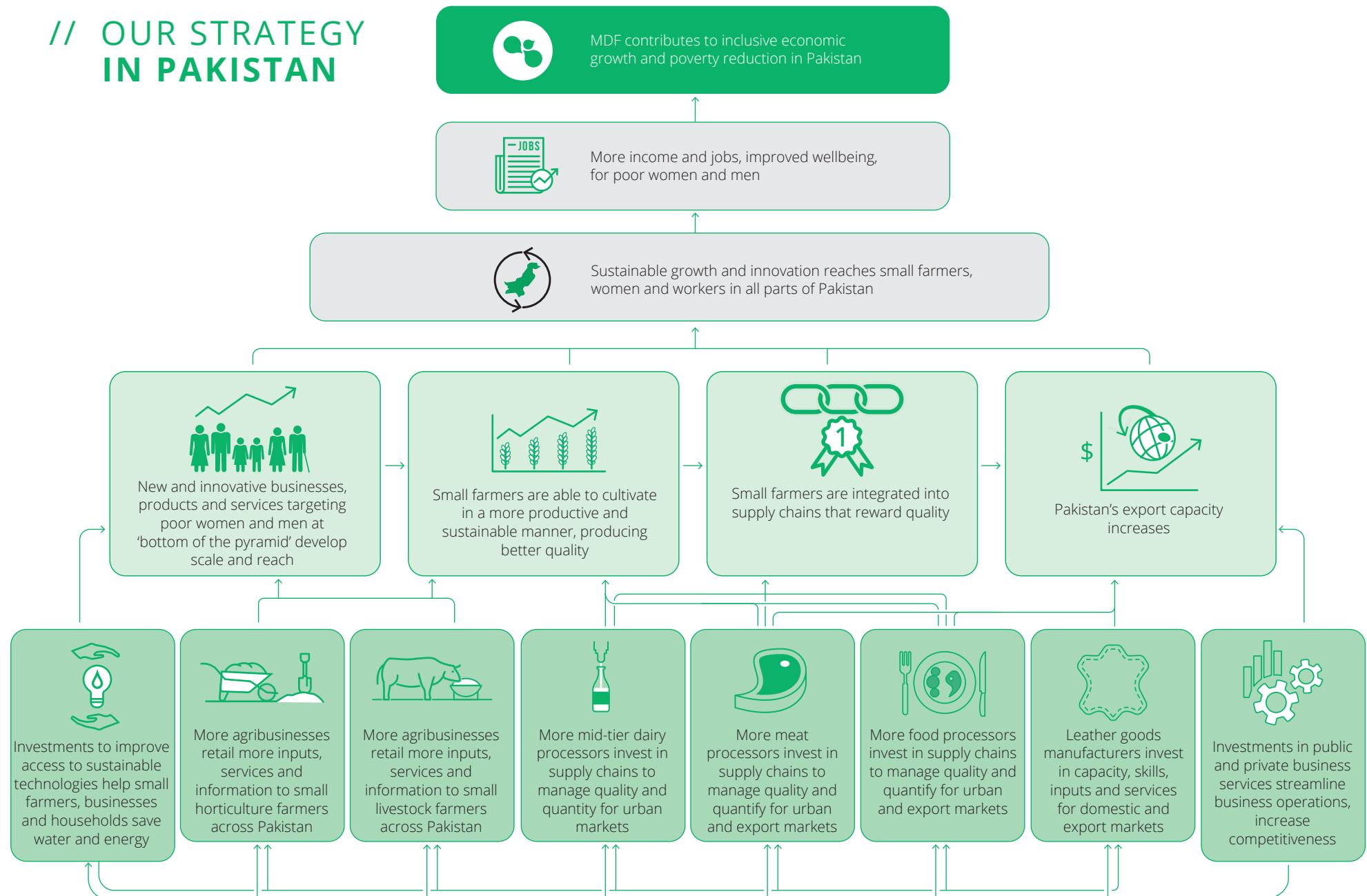
Net additional income: 29% of the Pakistan portfolio was contributing to actuals; 66% was contributing to projections. There remains significant room for growth against this indicator.

Additional Market Transactions: 42% of the Pakistan portfolio was contributing to actuals; 47% was contributing to projections. There remains significant room for growth against this indicator.

MDF Pakistan individual indicator results curve, 2014-2021



// OUR STRATEGY IN PAKISTAN



Smallholder livestock farmers in Pakistan



Feeding the change

BEFORE MDF



Lack of available fodder

Silage fodder is available, but only in large bales appropriate for larger commercial farms



Lack of animal husbandry information



Low milk yields



Lower income potential less business sustainability

INCOME: \$

AFTER MDF

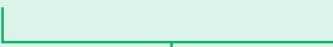


Silage entrepreneurs

Initial group producing smallholder-friendly sized silage bales

Agribusiness companies

Create robust small-bale silage production and distribution network



Demand for silage increases

As initial group of smallholder livestock farmers introduce other livestock farmers see benefits

INCOME: \$\$



Equipment imports

Farming equipment company imports small-bale silage machines to meet demand

Punjab government



Invests in silage

Banks



Create financial products to foster more silage entrepreneurs, increasing supply of silage

Other companies



Begin producing and distributing silage and other fodder, encouraging uptake

INCOME ↑

INCOME ↑

INCOME ↑



Higher income potential

INCOME: \$\$\$\$



Higher milk yields

due to vastly increased availability and uptake of silage, increased animal health

MDF PAKISTAN IN 2016

MDF IN PAKISTAN expanded its regional footprint and diversified into more market-wide activities in 2016. Work grew to include Baluchistan, Khyber Pakhtunkhwa and Azad Kashmir, and transitioned from core sector-based partners (such as dairy and meat producers) to partners in wider support service functions such as finance, telecommunications and media. This transition emerged as more input providers were primed to see the potential benefits that could be gained from providing information to small farmers, a market that remains largely underserved.



Major wins this year included fostering greater interest among national companies to engage with small farmers, as both suppliers to farmers and potential clients of farmers. This was done by designing innovative products and solutions such as small-packaged nutritious fodder, using engagement techniques with farmers that focused on one-on-one interactions, and repeat messaging systems. The success of these activities has boosted confidence amongst these national businesses to shift their focus to small farmers and, as a result, to gain a greater market share. MDF was also able to increase integration and complementation of its partnerships e.g. by linking supply chain initiatives up with inputs in the dairy sector so that farmers supplying to milk collection centres would have an increased incentive to invest in their herds. Such 'pull' activities triggered a greater interest in adopting recommended practices to improve production techniques so as to benefit from better prices for better quality products. This led to an increase in production volumes. In this regard, MDF enabled its partners and financial institutes to develop more innovative financial product arrangements that provided farmers with the resources they needed to develop their livestock businesses.





By the end of 2016, MDF in Pakistan had marked its footprint in this large economy.

Collaborations with other Australian Government initiatives in Pakistan were strengthened to better ensure efforts were matched, in particular with the Australian Assistance to Agricultural Development in Baluchistan Border Areas (AusABBA) through linkages with its Farmer Market Collectives as business partners for MDF, and with the Australian Centre for International Agricultural (ACIAR) in relation to linking the market system development approach and technical resources.

MDF's work with small silage bales was geographically expanded by working with partners that had extensive distribution channels. This availability of small silage bales led to them becoming more popular among small farmers. The market response to this innovation has been remarkable, with interest emerging from dairy processors, financial institutions and even the Sindh and Punjab public sectors. MDF is building on this interest by working in a tripartite partnership with commercial bank Bank Al-Falah, and Cattlekit, a silage equipment provider, to encourage wider access to silage making equipment. Within the horticulture engagement area, the emphasis

this year was on establishing more partnerships with input and information providers to make quality inputs more widely available, and practical information accessible to thousands of farmers. In Leather – as a result of our initiatives in developing the ancillary industry – footwear manufacturers became more confident in establishing new export markets and this stimulated interest in the employment of women in factory floor positions.

In 2016, MDF in Pakistan sought to increase impact around WEE, building a range of commercial training models targeted at female farmers, improving workspace conditions to encourage more female employment, and working to provide financial products and information services to rural female farmers.

Some key challenges remain:

- a. Large donor engagement in the meat sector resulted in MDF shifting its priorities to avoid funding conflicts and duplication. This resulted in MDF investigating partnerships further back in the value chain, linking farmers to formal feedlots. This has the potential to deliver benefits to a large number of livestock farmers.

- b. The private sector lacks experience in reaching out to women and the strategy needs to vary according to the regional context. In Baluchistan, MDF's date fruit processing partner had to engage family members to encourage other females to take up employment outside their homes. Appreciation of the huge regional, cultural and ethnic variations in the engagement of women has been key to the development of new partnerships, as has a household-level analysis of poverty and gender study, the findings from which have informed these new partnerships.
- c. Greater MDF resources are required to manage partnerships with SME partners as compared to larger, more structured organisations.
- d. Logistical challenges associated with a widely spread regional portfolio meant that MDF had to develop arrangements with existing on-the-ground organisations to assist with partnership management. For example, MDF is working with AusABBA in Baluchistan to assist in identifying aspiring entrepreneurs that are willing and able to invest in innovative business models to increase trade from the region.
- e. An underlying challenge is that too much of the portfolio is associated with sectors with traditionally strong business trust relationships, in both the inputs supply and supply chain connections. Farmers have strong connections to middlemen and local retailers who not only provide them credit for farm inputs but also for household needs. This makes their role important to understand and assess how MDF can encourage delivery of information by using these channels.
- f. MDF encountered challenges in operationalising partnerships with organisations in Karachi. Plans are being developed to establish a satellite office there to support the development of partnerships in Karachi, Sindh and Baluchistan.

Looking ahead, MDF will explore sustainable technology and opportunities offered to improve efficiencies in the use of water and energy, while also focusing on improved business services in order to streamline business operations and increase the footprint of private sector organisations in MDF's second phase.



Despite the significant progress in 2016, it is important to remember that MDF in Pakistan remains a relatively new programme; it has been in operation for little over two years and there is still much that needs to be proved and understood. Recent upswings in results generated from the Pakistan portfolio, as well as those projected to be generated, are encouraging for such an early stage.

Positive signs of systemic change are emerging. It is expected these will be more tangible and evident in the coming year's results following field verification. Engro, a large dairy processor not partnering with MDF, has replicated the small-bale silage model that MDF supported with Pioneer, Pakistan's largest seller of silae maize seeds. The Punjab Government has also launched a similar model to promote silage uptake amongst small farmers. Farmers selling milk directly to Shakarganj via collection centres reported that other farmers had copied their practices and have started selling in other markets, however this requires verification. Oasis Feedlots, an enterprise sourcing quality animals for fattening and onward export, was approached by a business that is working to replicate their business model to improve backward linkages and consistency in the supply of quality meat animals by providing information on animal husbandry and calf rearing. There is evidence of an uptake of Tabraiz Mould Engineering molds for use in the plastics sector as well as in the footwear industry, and some of Ali Akbar Group's franchises are reaching out independently to farmers (Ali Akbar Group estimates to more than 3,000 farmers) with crop advisory messages rather than relying on field officers to increase outreach, the effectiveness of which will be verified through a detailed assessment.

Accurate and regular monitoring of results is challenging in Pakistan due to the geographical spread of the portfolio. Travel times, already lengthy, are compounded by travel restrictions in areas such as Baluchistan due to security reasons. Certain types of crops are best assessed at particular times of year, and there is sometimes a very specific and small window within which the team must manage around to get this assessment. To mitigate these challenges, MDF's team has devised various methods and schedules for collecting and verifying information. In some instances, partner information is utilised to calculate results and then verified through monitoring visits. In other cases, results estimate calculations are supported by information provided by partners and then verified through monitoring. In other cases shorter, but

more frequent, visits are undertaken. In all cases, data is triangulated and verified by both MDF and the partner.

There are a number of large impact assessments planned for 2017, the findings of which will be used to further verify estimates and adjust if necessary. This is part of the active portfolio management which the results measurement system underpins. It is important to note that not all of the portfolio is feeding into the 2016 figures. In partnerships like Telenor, only the projected outreach is included and the depth of benefit (income gains) can only be assessed once the partnership rolls outs. Partnerships signed toward the end of the year will only begin generating results in 2017; other partnerships require impacts to be measured after the completion of a business cycle in 2017.

Projected AMTs have been revised down from 2015 due to an amendment in how they are calculated. The indicator is measured at the partner level (either as sales by the partner, or the purchase value from suppliers) and should not be confused with net income to beneficiaries or net income to partners. Therefore, only the AMT attributable to interventions is reported this year, rather than the overall AMT made by the partner, as per last year's report.

Job generation in many of the partnerships is complex, particularly in agriculture. The number of jobs generated in agriculture was high, but the number of days worked was low given the seasonal nature of employment. This employment was therefore not captured and reported as FTE jobs. Many landowners have a number of regular labourers who are paid a fixed annual wage to ensure they are available for various cropping cycles and other tasks. This meant that few, if any, new jobs became available. It is also common for family members to work on the land or within a family business, rather than the employing outside labour. Within the shoe industry, it was apparent that additional jobs were being generated, however formal assessments are needed to verify the extent to which this is occurring.

Reported actual effective outreach, which is based on impact assessments performed, was lower than projected for this reporting period. Projected outreach is an accumulation of projections of impact after three years of monitoring all signed partnerships. Where impact assessments were conducted, verified results indicate that outreach impact is in line with initial projections for the relevant partnerships.

Faces of Pro-Poor Growth

MILK COLLECTION CENTRES IMPROVE FARMERS' LIVES IN SOUTHERN PUNJAB



We can now buy better clothes and shoes and can also send our children to good schools.



Braving extremely hot weather and unpleasant living conditions, Mohammad Jawad moved with his family to the Cholistan Desert in June 2016. His logic was simple; the family's life revolved around their animals and he wanted access to graze them more freely in the grasses in and around the fringes of the desert.

These nomads planned to live in the desert until the end of 2016. Previously they lived in a populated city, Marot, which is 8km from the Cholistan Desert. Uprooting and relocating 12 family members to the middle of the desert, where there is no power or clean water, was not an easy task. But it was cost-effective, as Jawad didn't have to buy fodder for his dairy cattle or worry about tying them up. Jawad cared about his cattle because they were his sole source of livelihood. In the past, a middleman (dodhi) would come to collect milk from him. But the dodhi was inconsistent and sometimes he wouldn't show up.

Despite the difficulties that the educated farmer faced in the dairy sector, Jawad decided to continue on with this family business. His conviction bore fruit and his family's

lives improved drastically when a milk processing company, Shakarganj, set up a farm cooling tank facility in the Marot area. The facility served small-scale farmers, like Jawad, who could deliver and sell their milk to it. Middlemen could also access the chiller and, because they were receiving milk payments on time from Shakarganj on time they could make payments to farmers on time.

Shakarganj set up nine other milk processing facilities in Marot as a result of its partnership with MDF. It set up 30 chillers in the Bahawalpur and Bahawalnagar districts and then, with MDF's help, expanded to Jhang. The company assigned a veterinary assistant to each location.

"We can now call the doctor and he visits our cattle free of charge," said Jawad. "He tells us about medicines to use for our animals and gives tips about how much water and fodder we should feed them."

Through Jawad following the vet's advice and attending training, his cows produced more and better quality milk for which he received higher and regular payments for his milk. He could now spend money on essential items for his family.

"I have bought a motorcycle, a fridge for the home and fruit for the family to eat. We can now buy better clothes and shoes and can also send our children to good schools."

Jawad planned to expand his dairy practices by buying more cattle – paving the way for a more successful and happy future.

HORTICULTURE



We want to see small fruit and vegetable farmers increase incomes through better access to inputs, information and markets



Improved inputs, services and information for small farmers

Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan

20 business innovations

including the promotion of bio-organic fertilisers, the establishment of a nursery for off-season vegetable seed production, demonstration plots, and information services in Baluchistan, improved vegetable seed production in Chitral and information provision via telecommunication services.

10 partnerships

with input companies (Ali Akbar Group, Vital Agri Nutrients, Khattak Seeds), seed production companies (Magnus Kahl Seeds, Kashmala, AGB Seeds), a nursery (Zia Gardens), and inputs and information delivery systems (Pakissan, Telenor)



Farmers reach lucrative markets

Exporters and processors invest in more formalised supply chain arrangements to be able to source the quality and quantity of produce required for domestic, urban, and export markets

9 business innovations

including the set-up of a date processing facility operated by women, and training conducted for women in Baluchistan.

5 partnerships

with fruit processors (Organo Botanica, Mountain Fruits, Hashwan Dry Fruit and Baloch Hamza Brothers) and a spice company (National Foods)

// WHY WE WORK HERE



PROGRESS IN

HORTICULTURE IN 2016

Top tier input companies realise they need to engage with small horticulture farmers across Pakistan in regards to these farmer's growth plans. Companies are beginning to consider the market growth potential that could be derived from delivering inputs to small fruit and vegetable farmers. To capture market share, input providers seek to offer innovative solutions to improve crop cultivation to small farmers.

MDF works with a range of agricultural input companies to encourage them to provide seeds, pesticides, and nutrients, farm implements (tools and machinery), services (finance, soil testing and insurance) and information to a large number of small fruit and vegetable farmers.



42.3%

of the rural population depends on agriculture as their main source of livelihood



Only 6%

of the cultivated land is utilized for high-value vegetable and fruit farming



61.7%

of the employed female workforce is employed in the agriculture and forestry industry

Experience from partnerships with national level input suppliers like **Ali Akbar Group** demonstrated lucrative business models that have diversified into horticulture crops and delivered packages of tailor-made advice and quality inputs that promote efficiency for farmers and profits for the business. Ali Akbar Group, after seeing farmer engagement and market growth in kinnows, gained the confidence to enter into a similar intervention with respect to vegetables in Baluchistan.

Decentralised input companies also saw opportunities to engage with small farmers. This aligns with MDF's strategy to work in remote regions. Interventions included vertical cropping of cucumbers (Akora Khattak), and disease-free production of potato seed and high quality onion seed (Chitral). Quality potato and onion seed were subsequently distributed to larger vegetable production areas in Punjab, Sindh and Baluchistan benefiting both seed and vegetable producers.

The business landscape is relatively challenging in Baluchistan. While quality inputs are available informally in some areas, years of security concerns have discouraged the private sector from having a more formal presence in Baluchistan. The security situation is improving and this has led to an increased interest from businesses in reaching out to farmers in Baluchistan. MDF partnered with a Farmer Market Collective set up by AusABBA, **Kashmala Seeds**, the first certified seed business in Baluchistan to provide quality vegetable seeds to farmers. To encourage early season supply to markets, MDF partnered with **Zia Garden**, a fruit and floriculture business which is diversifying to off-season seedling production of eggplants and tomatoes.

To engage across a wider fruit and vegetable area, a project was established that aimed to improve the utilisation and plant uptake of phosphorous. **Vital Agri Nutrients** will produce and market Phosphorus Soluble Bacteria (PSB), a living bacteria which increases the uptake of phosphorus in the soil which is essential for plant growth and productivity.

A number of partnerships are underway in the areas of finance, media and ICT to assist a transition in the portfolio from core partnerships to more market-wide activities. To encourage better delivery and use of quality inputs amongst farmers in Pakistan, **Pakissan Technologies** proposed a model through which ICT enabled agriculture graduates would provide information and solutions to farmers, as well as a range of inputs which would be delivered at the farm gate. MDF is assisting to elaborate the concept to ensure it is robust. MDF signed an MOU with one of the largest telecom providers in country



Telenor to provide timely and relevant information to small farmers across Pakistan. As a first step, Telenor will provide weather alerts and crop information via short message service (SMS) to farmers in Gilgit Baltistan. There was interest in rolling this out to more regions and including livestock advice in forthcoming stages.

Surface irrigation water in Pakistan is unpriced and therefore it is difficult to engage the private sector in innovation. There are opportunities associated with improved soil management, production and irrigation systems that will encourage water efficiency. While some interesting companies have been identified, it has proved difficult to establish partnerships due to poor cost benefit ratios for small farmers.

The emergence of a formal food service industry and the growth in numbers of more quality-aware consumers, drove the need for businesses to invest in their sourcing capabilities. To meet this rising demand, MDF worked with fruit processors like **Organo Botanica** and **Hashwan Dry Fruit** to source quality fruit from valleys in Gilgit Baltistan to supply high-end international markets. The income of farmers in Gilgit Baltistan, the majority of whom are women, would be increased through supporting local value-added products, such as organically dried apricots, for export.

In order to encourage value addition in Panjgur, a major date centre in Baluchistan, MDF worked with **Baluch Hamza** to process dates for domestic urban markets. The business invested in a female-only processing facility and trained female farmers and workers to become more involved in the value chain. Baluch Hamza offered a premium to farmers for higher quality dates which prompted local traders to increase buying prices, creating a more competitive market for dates and better prices for producers in Baluchistan. Market changes were observed in Kunri (**National Foods**), where a new marketing model (Pakistan Mercantile Exchange -PMEX) emerged to take advantage of the availability of a superior low aflatoxin product. Market support systems including testing, warehousing and logistics were established in conjunction with PMEX to provide a platform for the sale of improved quality chilli resulting in better prices for farmers.

In the coming year, MDF will further expand activities and explore testing services and sustainable practices for the management of water and soil. It will integrate ICT and financing initiatives into the portfolio to encourage faster uptake of innovation amongst farmers.



Based on its current partnerships alone, MDF's work in horticulture will result in over **USD 17.61 million** in additional income benefiting **26,189 men and women**, including **85 FTE jobs**.



// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Organo Botanica	MDF supported Organo Botanica to enhance its production capacity and improve the quality of locally sourced organically dried apricots from Gilgit Baltistan. New orders from different export markets were received during the year and the facility is now equipped for processing a range of fruits including apples, cherries and walnuts. An accounting firm was engaged to assist the business improve its financial management.	Activities completed and monitoring ongoing	Exporters and processors invest in more formalised supply chain arrangements
National Foods	MDF supported National Foods in establishing backward linkages to source quality aflatoxin controlled chilli. All activities were completed. The partner is independently running Research and Development for 'Dundicat' a variety of chilli seeds, the first batch of which was distributed and would be monitored by MDF for impact on yields.	Activities completed and monitoring ongoing	Exporters and processors invest in more formalised supply chain arrangements
Ali Akbar Group I	MDF supported Ali Akbar Group in establishing demo-plots for Kinnow farmers. All activities were completed. The partner autonomously expanded operations in eight new villages surrounding the Kinnow area and increased the number of demo-plots from 16 to 24 during the year.	Activities completed and monitoring ongoing	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan
Mountain Fruits	MDF supported the partner in conducting a feasibility study for the export of apricot pulp. After the report was finalised, Mountain Fruits did not venture into apricot pulping, but was exploring other options, such as retail packaging, to expand business operations.	Measurement completed	Exporters and processors invest in more formalised supply chain arrangements

PROGRESS WITH OUR PARTNERS IN 2016

PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Magnus Kahl Seeds	<p>MDF supported Magnus Kahl Seeds to expand commercial production of onion seeds amongst female farmers in Chitral. Training for female contract farmers was conducted. Magnus Kahl Seeds engaged female field agents and was procuring seed from 131 farmers (38 female farmers) and onion bulbs from 68 female farmers. The female farmers involved in seed and bulb production converted their kitchen gardens into commercial plots for the first time, and were satisfied with the income earning potential that a consistent buyer like MKS offered them. Farmers intended to extend the area under cultivation in the coming season and have garnered interest from the wider community, with more female farmers from neighbouring villages approaching them to become part of this model.</p>	Active	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan
Hashwan Dry Fruit Traders	<p>MDF assisted Hashwan Dry Fruit Trader to set up a sulphur-dried apricot facility in Gilgit Baltistan. Procurement of machinery was underway, while training for farmers concluded. Training held for workers was conducted by the food technologist.</p>	Active	Exporters and processors invest in more formalised supply chain arrangements
Khattak Seed Company	<p>MDF supported Khattak Seed Company to set up demo plots for cucumber using vertical farming techniques. All activities related to the partnership were completed. The partner has autonomously demonstrated the applicability of this model for other vine crops, including tomatoes. MDF will assess the uptake of this innovation during the upcoming production cycle.</p>	Activities Completed and Monitoring	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Baluch Hamza Brothers	MDF supported Baluch Hamza Brothers to set up industrial and table date processing facilities, with a separate facility for female staff. Both facilities are operational and training for female farmers and staff members has been conducted on grading, sorting and packaging.	Active	Exporters and processors invest in more formalised supply chain arrangements to be able to source the quality and quantity of produce required for domestic, urban, and export markets with a particular focus on sourcing from small-holder farmers in remote regions
Vital Agri-Nutrients	MDF supported Vital Agri Nutrients to establish a plant for production of bio fertiliser will help increase the phosphorus uptake of the plant and increase yields per acre. The facility is equipped and ready to produce bio-fertiliser, and will run trial production in January 2017.	Active	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan
Pakissan	MDF supported Pakissan to develop an information and input dissemination channel through trained extension workers to facilitate on-farm delivery of information and inputs. A consultant was hired to conduct field visits in different regions and prepare a feasibility report for the roll-out of this extension service model. The report, along with the roll-out plan, will be reviewed and finalised by the partner and the MDF team.	Active	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan
Ali Akbar Group II	MDF supported Ali Akbar Group to establish extension services for vegetable farmers in Baluchistan where there were no private extension workers. Hiring and training field staff was underway for developing vegetable demo-plots in 11 regions in Baluchistan.	Active	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan

PROGRESS WITH OUR PARTNERS IN 2016

PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Kashmala Agro Seed Company	MDF is supporting Kashmala Agro Seed Company to set up the first formal vegetable seed production business in Baluchistan with contract farmers. This partnership was developed in coordination with FAO. Procurement of machinery is underway.	Active	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan
Zia Gardens	MDF is supporting Zia Gardens to establish nurseries for the production of off-season egg-plant and tomato seedlings in a controlled environment. A technical adviser was hired to assist the staff in applying modern techniques for developing high yielding off-season seeds. Early season seedlings would be ready for sale to farmers by April 2017.	Active	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan
Telenor	MDF is supporting Telenor to extend information services to farmers across Pakistan using SMS alerts and other functions. An MOU was signed with Telenor and partnership negotiations are underway for specific activities.	Active	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan
Abdul Ghafoor Bhatti Seed Corporation	MDF is supporting Abdul Ghafoor Bhatti Seed Corporation to produce high quality potato seeds in Chitral for farmers at more competitive prices compared than imported potato seeds used in Punjab and Khyber Pakhtunkhwa.	Active	Businesses invest in their capacity to retail inputs, services and information to small horticulture farmers in all provinces in Pakistan

DAIRY AND MEAT



We want small livestock farmers to gain access to quality inputs, services and information so they consistently produce higher quantities of better quality meat and milk to sell to formal buyers, leading to higher incomes



Inputs and services reach small farmers

Small livestock farmers access inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/ urban and export markets

11 business innovations

including small packages of silage, Rhodes and Rye grass, introduction of drenching guns and cattle crushes, cold chain development for vaccinations, and access to finance for female farmers

11 partnerships

with input companies (Pioneer, Maxim, Farm Dynamics Pakistan), equipment manufacturer (Cattlekit), finance (Bank Al-Falah, Kashf) and animal health companies (Mustafa Brothers and ICI).



Dairy supply chain strengthens

Mid-tier and high quality pasteurised milk processors invest in more formalised supply chain arrangements to be able to source milk at the required quality and quantity

4 business innovations

expand a milk distribution network and offer extension services to male and female smallholder farmers.

4 partnerships

with Shakarganj in Hasilpur, Bahawalnagar and Jhang (including training of women by Azm)



Meat supply chain develops

Meat processors invest in more formalised supply chain arrangements to be able to source more traceable, standard and quality animals

2 business innovations

including feedlots procuring directly from male and female smallholder farmers.

2 partnerships

a feedlot development set-up and livestock procurement (both with Oasis)

// WHY WE WORK HERE



PROGRESS IN

DAIRY AND MEAT IN 2016

MDF's initiatives to improve livestock farmers' access to quality inputs (seeds, fodder and vaccines), services and information have made substantial progress.

MDF's partnership with **Pioneer** has been pivotal in increasing the production and use of small bales of silage (a nutritious green fodder) amongst small farmers. Partnerships with **silage entrepreneurs** in South Punjab, Sindh, Khyber Pakhtunkhwa and soon in Azad Kashmir made silage more readily available across the country. The uptake by small farmers was remarkable. Farmers could immediately see improvements in milk yields and incomes, which encouraged them to start utilising silage. As a result, some farmers were able to invest to expand their herd sizes. The small bale silage business model developed rapidly and included service provision models. A number of independent entrepreneurs emerged to produce silage through outsourcing and purchasing crop and renting equipment to surrounding farmers. Systemic change was evident through the growth of small bale silage production and the adoption and uptake of silage being fed to livestock by small farmers. A case study on systemic change in the silage sector will be conducted in early 2017.



60%

of poor rural households have no or very limited access to land and water and derive a part of their income from livestock



11.8%

is the share of livestock in national GDP



51%

of total revenues from dairy sales are accrued by small farmers owning less than 5 animals

The demand for cattle fodder by smallholders was high and provided them the opportunity to work with **Maxim**, a large, diversified animal inputs company with the capacity to manufacture and distribute small silage bales through its wide distribution network of more than 500 sales points. To encourage wider adoption of silage production MDF worked with **Cattlekit** to offer silage-making equipment to entrepreneurs under a financing arrangement with **Bank Al-Falah**. This was expected to enable a larger number of entrepreneurs to manufacture and distribute silage to thousands of small farmers.

While silage was a valuable component of fodder mix, other types of fodder from sources such as Rhodes grass, Ryegrass and Alfalfa would need to be available throughout the year and would be an important component for animal feed as the Pakistan livestock sector develops. MDF is supporting input companies like **ICI** which specialises in manufacturing formulated feed, **Farm Dynamics** to introduce Rye grass and Rhodes grass, and **Maxim** to produce and distribute small bales of Alfalfa hay to small farmers. Through these partnerships MDF is reaching distant areas like Swat in Khyber Pakhtunkhwa and Rahimyar Khan in South Punjab.

MDF's dairy and meat portfolio expanded in the animal health market. Quality medication and advice is not always available to small farmers and, even where it is available, farmers lack awareness of the benefits of preventive medicine. MDF signed partnerships with two animal health companies **Mustafa Brothers** and **ICI** to provide quality vaccines and de-wormers to farmers and information about the benefits for their livestock. Increased market support for Mustafa Brothers has assisted the execution of a contract with the Punjab Government for the supply of vaccine doses sufficient to treat six million animals per year (assisting as many as one million farmers).

MDF continued to develop the milk supply chain to provide incentives for farmers to invest in their livestock. Prior to partnering up with MDF, Shakarganj had 24 chillers. MDF's support enabled them to set up 40 more. Shakarganj

has since made an autonomous investment in 10 chillers already, and has plans to set up another 70 next year. Shakarganj was able to source better quality milk, which was integral to its business operation, and this improved its relations with distributors. Premiums associated with supplying formal milk processing were beginning to result in small farmers adopting better practices including improving animal nutrition. The knowledge model expanded to include training for female farmers. Products to assist farmers to engage with financial institutions that provided cash management and investment finance were being developed (by **Kashf** and **Khushhali**'s mobile banking enterprise). A partnership was developed to engage another mid-tier dairy processor to source supply from small dairy farmers.

The formal meat market in Pakistan is in the early stages of development and is challenging due to constraints around procurement of the requisite quantity and quality of livestock and meat. MDF engaged feedlots and backgrounding (an intermediary stage for beef production prior to placement in a feedlot) farms which have the potential to reach small farmers through direct procurement of livestock. Oasis Farms, a feedlot, procured directly from farmers for the first time, but it faces issues around consistent livestock quality. There appears to be only limited benefit in purchasing direct from farmers since both farms and Mandi (local market) livestock suffer from poor calf husbandry practices. Traceability remains as a major challenge to be tackled in order for the Pakistani meat industry to access export markets. MDF identified a major lost opportunity in increasing meat production from dairy and buffalo bull calves due to poor rearing practices. Business models to support calf rearing and backgrounding for beef production are required.

Through these diverse partnerships, MDF will continue to look for opportunities to increase the availability of fodder, improve animal husbandry, and increase the availability of quality inputs and information services to small farmers to enable them to produce higher quantities of milk and meat for domestic and export markets.



Based on its current partnerships alone, MDF's work in dairy and meat will result in over **USD 52.2 million** in additional income benefiting **82,600 men and women**, including **422 FTE jobs**.

// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Shakarganj Phase 1,2,3	MDF supported Shakarganj in establishing milk collection centres in South Punjab and rolled out extension services for delivering information to farmers. All the activities for Shakarganj Phase 1, 2 and 3 were completed and approximately 3.8 million litres of milk were being procured from farmers in these areas.	Activities completed and monitoring ongoing	Mid-tier and high quality pasteurised milk processors invest in more formalised supply chain arrangements to be able to source milk at the required quality and quantity
Shakarganj Phase 4	MDF is supporting Shakarganj to establish a milk collection network in Jhang and to create extension services for delivering information to male and female livestock farmers. Milk collection chillers are installed and were operational, while farmer gatherings for male and female farmers are underway.	Active	Mid-tier and high quality pasteurised milk processors invest in more formalised supply chain arrangements to be able to source milk at the required quality and quantity
Pioneer MOU	MDF is working with Pioneer to popularise silage use among small farmers in Pakistan. Through this partnership, Pioneer expanded its area of operations into new regions like Azad Kashmir, and is seeing impressive growth in the sales of seeds of silage maize.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/urban and export markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Pioneer South Punjab	MDF assisted three rural entrepreneurs in Southern Punjab to procure machinery to produce 60kg bales of silage for small livestock farmers. Farmer gatherings and marketing collateral is helping create awareness of silage amongst farmers. Interestingly silage entrepreneurs are renting out machinery and providing advice to other farmers for manufacturing silage. An impact assessment is planned for the first quarter of 2017, when there will be severe fodder shortages.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/urban and export markets
Pioneer Sindh	MDF assisted two silage entrepreneurs in Northern Sindh to procure machinery to produce 60 kg bales of silage. MDF linked these entrepreneurs with South Punjab partners to share expertise and experience regarding silage manufacturing. These partners are operational and will be selling silage bales to small livestock farmers from January 2017.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/urban and export markets
Pioneer Khyber Pakhtunkhwa	MDF supported five rural entrepreneurs in Khyber Pakhtunkhwa to procure machinery for producing small bales of silage. Four of these partners are operational and will be selling the silage bales to small livestock farmers from January 2017.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/urban and export markets
Kashf Foundation	MDF is assisting Kashf to develop a suitable financial product for female livestock farmers. A consultant was engaged to conduct research in January 2017 to identify farmers' financial needs and devise a strategy and product that would address these specific needs.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/urban and export markets

PROGRESS WITH OUR PARTNERS IN 2016

PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Oasis Farms (procurement)	MDF supported Oasis to develop a network for sourcing animals directly from small farmers by providing assistance to conduct outreach activities. MDF also supported the procurement of farm equipment that would improve the operations and efficiency of feedlot. Most farm machinery was procured and farmer days for male farmers were conducted. Training for female farmers is planned to be conducted in January 2017.	Active	Meat processors invest in more formalised supply chains arrangement to be able to source more traceable, standard quality animals
Farm Dynamics Pakistan	MDF assisted Farm Dynamics Pakistan to promote nutritious fodder options such as Rhodes grass and Ryegrass, appropriately packaged for small farmers. The partner hired field staff to provide technical guidance to farmers on growing Rhodes grass and Ryegrass. New, smaller packages were designed and developed, and marketing activities are underway.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/ urban and export markets
Maxim (silage)	MDF assisted Maxim to set up a silage manufacturing unit through which they can manufacture and distribute 60 kg silage bales to more than 500 retail outlets using their distribution network. All machinery was purchased and an average of 300 bales are being manufactured and sold per day.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/ urban and export markets
ICI	MDF is assisting ICI to educate farmers about the benefits of adopting the formulated feed Vanda, and preventive medication like de-wormers in remote areas of Khyber Pakhtunkhwa. Farmer days were initiated, incentive marketing was launched in the area and video infomercials were developed along with radio advertisements.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/ urban and export markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Mustafa Brothers	MDF is assisting Mustafa Brothers establish a distribution network for ensuring the availability of quality vaccines to small farmers. MDF supported Mustafa Brothers to conduct outreach activities through field trainers to educate farmers about the benefits of vaccination. A seminar was conducted to create awareness amongst stakeholders about the importance of correct vaccination and all other activities are underway.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/urban and export markets
Cattlekit	MDF supported Cattlekit to market financial products for silage-making equipment and to promote localised production of silage. This led to greater availability of silage for smallholder farmers. MDF assisted Cattlekit establish promotional centres and conduct outreach activities in different regions.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/urban and export markets
Maxim (Alfalfa)	MDF worked with Maxim International to manufacture and distribute 30 kg bales of Alfalfa hay, a highly nutritious fodder. MDF is also supporting Maxim to educate farmers about the benefits of Alfalfa through marketing activities including farmer days and print advertisements.	Active	Small livestock farmers have access to inputs and services that enable them to produce the quality and quantity of milk, wool, and meat required by domestic/urban and export markets

LEATHER



We want to increase the manufacturing of quality retail leather goods in Pakistan through improving sample and delivery response times, skills, employment conditions and market access, and increase jobs for the urban poor and women



Manufacturers make greater quantities of better quality leather goods in shorter times

Leather manufacturers invest in capacity and skills and have access to inputs and services to expand sales of products into domestic and export markets

8 business innovations

with the support industry, final product manufacturers in localising the production of essential footwear-making components, and for creating job opportunities for women

6 partnerships

including two footwear manufacturers (Footlib and Servis), a leather sourcing house (Interconnect Global), a testing lab (Textile Testing International) and two input suppliers (Intra Systek and Tabraiz Mold Engineering)

// WHY WE WORK HERE



PROGRESS IN

LEATHER IN 2016

MDF improved the ability of the leather goods industry to supply in a more competitive and timely manner and worked to improve employment conditions and market accesss to enable leather manufacturers to supply more finished products to lucrative markets.

MDF's partnership with **Intra Systek** resulted in the first shoe last manufacturing facility in Pakistan. Intra Systek produced 18,000 lasts in 2016, exceeding the number of lasts previously imported for distribution. The partner plans to establish a business unit to offer digital scanning services within the industry, allowing footwear manufacturers to benefit from lower turnaround times for the development of samples. In order to develop the footwear ancillary industry, localised production of shoe molds is also essential, as both lasts and molds are key inputs for producing footwear. MDF partnered with **Tabraiz Mold Engineering** a mold producer for FMCGs, to invest in local shoe mold manufacturing. This initiative has been slow as Tabraiz Mold Engineering realised there was a greater demand for casted molds, and was procuring machinery to produce these.



Only 15%

of leather goods are converted into high value finished leather goods for export



500%

is the average value-add potential of exporting retail-ready goods in comparison to finished leather



**Employees
250,000**

with potential to increase the number of women engaged as home-based and factory workers

With key inputs locally available, shoe manufacturers are able to market their increased capability to supply high quality shoes in a timely manner to the export market. This stimulated interest amongst exporters to invest in improved work environments to encourage more female employment.

Most of the workforce in leather manufacturing are men. Women find the working environment to be culturally uncomfortable, which limits their opportunities to learn skills from their co-workers. Through a partnership with **Footlib**, a mid-tier leather footwear manufacturer, the business established a dedicated female-only stitching line to produce leather shoe uppers. The new stitching line provided a model of appropriate working conditions for women and the potential for more lateral and upward mobility. In a similar vein, MDF signed a partnership with **Servis**, the largest mechanised shoe manufacturer in Pakistan, to set up a female-only manufacturing unit and a daycare facility. Growing rapidly, at a rate of 20 percent per annum, Servis is reaching new heights in terms of volumes and employees, and MDF will encourage this growth to be more inclusive.

On the compliance end, MDF engaged in dialogue with **Textile Testing International** a company that provides testing services to the apparel and textile industries. Discussions on the state of the leather industry highlighted the need for, and the importance of, local chemical and physical leather testing in the country. Acting on its own accord, Textile Testing International adapted existing chemical testing machinery for use by the leather industry and invested in machinery for testing physical properties of leather products in an effort to expand the company's presence in the quality assurance and product testing market. With a range of testing services available locally, MDF can work with Textile Testing International to market these services to industry players to improve their export competitiveness and raise awareness amongst international

buyers so as to increase their confidence in local leather products.

With these innovations in place, the Pakistan footwear industry is more able to enter new markets. MDF signed a partnership with **Interconnect Global** to become the first-of-its-kind footwear sourcing house in Pakistan and to increase export competitiveness of local shoe manufacturers. This will serve as a one-stop shop for footwear buyers looking to source from Pakistan. Through this partnership, Interconnect Global will also create backward linkages to improve design capabilities of contracted footwear factories and provide services such as product development, merchandising, quality inspections and audits, and logistics solutions to foreign buyers.

Expansion into business services in MDF Phase 2 will provide an opportunity for MDF to engage across the wider artisan community and connect a range of products (including leather) with higher value markets.

MDF's engagement with **Pakistan Footwear Manufacturers Association** continued to identify key constraints hampering growth in the leather sector. MDF realised the skill and knowledge gap existed and became involved in discussions to ensure training providers respond closely to industry needs. This will not only create a more accomplished workforce at the base production level, but will allow more diversity in the range of leather goods produced, enabling manufacturers to be more competitive domestically and internationally.

Through these initiatives, the finished leather goods sector can increasingly realise its potential in increasing employment and achieve a gender balance.



Based on its current partnerships alone, MDF's work in leather will result in over **USD 2.85 million** in additional income benefiting **824 men and women**, including **830 FTE jobs¹**.

¹ FTE is higher than outreach in this particular case as a given number of labourers in the company work more than the 240 days per year upon which FTE is calculated.

// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Intra Systek	MDF supported Intra Systek to set up a local shoe last production facility. All procurement activities were completed. The partner expanded its capacity through independently procuring new machinery to cater to the high market demand.	Activities completed and monitoring ongoing	Leather manufacturers invest in capacity and skills and have access to inputs and services to expand domestic and export markets
Tabraiz Mold Engineering	MDF supported Tabraiz Mold Engineering to procure shoe mold manufacturing equipment. All procurement activities were completed. Casted molds were in demand by the industry and the partner was procuring the required machinery.	Activities completed and monitoring ongoing	Leather manufacturers invest in capacity and skills and have access to inputs and services to expand domestic and export markets
Textile Testing International	MDF worked with Textile Testing International to offer chemical and physical tests for leather products. MDF is assisting the company to market its improved testing services as industry players had limited awareness of the range of tests offered. Activities are scheduled to commence in January 2017.	Active	Leather manufacturers invest in capacity and skills and have access to inputs and services to expand domestic and export markets
Footlib (Pvt) Ltd	MDF supported Footlib (Pvt) Ltd to set up a dedicated, women-only upper stitching line in its factory. This provided more opportunities for women workers to gain employment, and upgrade and diversify their skills. Footlib achieved a production capacity of 300 shoe-upper pairs per day through its female-only stitching line (with 30 employees) and was able to successfully market these products to other footwear assemblers. The dedicated stitching line broke-even within six months of its establishment.	Activities completed and monitoring ongoing	Leather manufacturers invest in capacity and skills and have access to inputs and services to expand domestic and export markets

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Interconnect Global (Pvt) Ltd.	MDF assisted Interconnect Global (Pvt) Limited to set up a first-of-its-kind sourcing house in Pakistan. By leveraging its existing connections, the partner will work with mid-tier local footwear manufacturers to improve their design capability and connect them with international markets. Activities will commence in 2017.	Active	Leather manufacturers invest in capacity and skills and have access to inputs and services to expand domestic and export markets
Servis	MDF assisted Servis to establish women-only manufacturing units and a day care facility. As a result of this, 90 new jobs for women will be created. The equipment for the new unit is being procured.	Active	Leather manufacturers invest in capacity and skills and have access to inputs and services to expand domestic and export markets

WOMEN'S ECONOMIC EMPOWERMENT

IN PAKISTAN



This year the MDF team made further progress in operationalising the WEE framework. Headway was made in pioneering training models for farmers and in manufacturing and employment, implementation of WEE models began. These models were developed as a result of findings from the poverty and gender study. Work was done in the cross-cutting areas of finance and technology to benefit female farmers across sectors and across regions. Some partnerships established prior to 2016 showed excellent results and promising growth at the end of the year.

The MDF team was able to persuade several private sector players to implement agricultural training programmes for women. A plethora of models were used in order to suit the expertise and resource level of the businesses as well as the dynamics of the region and the profile of the farmers. Women's responses to these training events, and their level of participation, were very encouraging.

Not all MDF partners could be persuaded to develop programmes for women. Some were unable to witness the contribution of women to their businesses, and were not convinced of the benefits and opportunities that could come from including them in their extension service programmes. This will require more work by MDF to convince these partners to participate in WEE.

In terms of creating employment opportunities and suitable working conditions for women, MDF started to operationalise and consolidate its learning from a poverty and gender study undertaken in 2015. Plans from 2015 to create a segregated space for women in a mid-tier footwear manufacturer were implemented. Another partnership was signed with a large footwear manufacturer to develop a large women's-only stitching unit. This partner is also setting up a day care to encourage more women to enter and stay in the workforce.

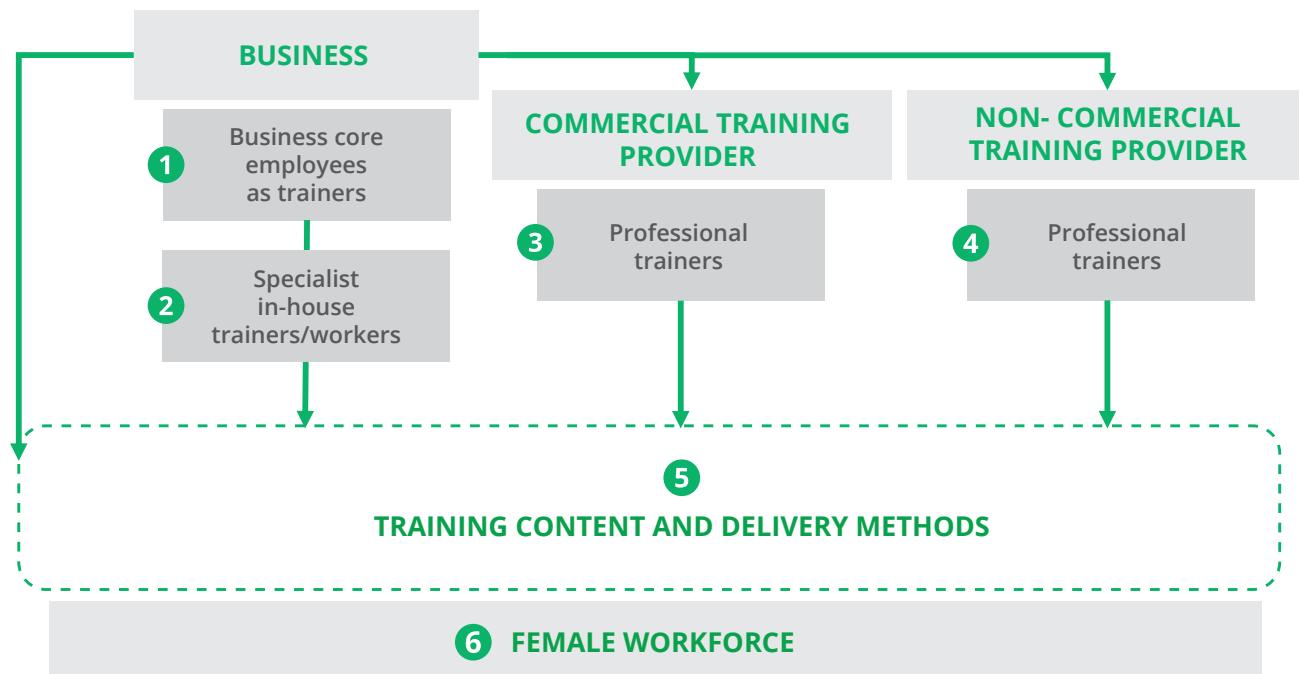


The most significant gains were evidenced in the remote areas of Chitral and Baluchistan, where MDF noted a shift in norms, as women took up new roles and were earning money for their efforts. Efforts made in Chitral to encourage women to transition from kitchen gardening to commercial cultivation of onions (bulbs and seeds) were hugely successful with many other women expressing interest in this business model. The company registered more female farmers than male farmers as contract farmers. In Panjgur, in south west Baluchistan, a dynamic entrepreneur brought his wife onto the factory floor to train women as factory workers and as farmers. He offers flexible working times to his female workers, and female farmers received a price premium because they have learnt better ways to package their produce.

Over the next year, MDF will continue to develop stronger relationships with women-led enterprises. Two new partnerships were signed this year and two others were being negotiated around WEE.

The team will continue work in cross-cutting areas. MDF entered into a partnership with a microfinance institution to develop a customised loan product targeted at female livestock farmers, which will be launched in 2017. Innovative distribution channels in finance were being explored and MDF worked with a telecommunications company to develop information pertaining to weather and cultivation practices in local languages and to disseminate it in areas where women are lead farmers.

// DEVELOPMENT OF A RANGE OF COMMERCIALLY SUSTAINABLE TRAINING MODELS FOR WOMEN IN AGRICULTURE



ABOUT THIS THEME

Women are often 'invisible' actors in agriculture, involved in on-farm activities but not in managing transactions at the front end where they might be seen. As a result, they may be excluded from receiving information from extension services. Employers may be willing to hire or manage female field resources, but lack the capacity to do so.

MDF is developing a portfolio of models to get information to women, using different resources. These models vary according to sectors, geographical areas,

value chains and the profile of partners. They can be broadly categorised into four areas: 1) Senior management or the owner/entrepreneur themselves conducts training, either because a specialist trainer is not available, or the business is too small to pay for this resource. 2) The organisation may hire dedicated female extension workers or procurement agents in areas where it is possible to hire and train them. 3) If the entity cannot manage female field resources on its own or lacks expertise in training women, a professional training organisation

may be contracted to perform this function. 4) Existing resources are leveraged such as training provided by the government or donor programmes. The training needs to be carefully designed, paying attention not only to content but to location, timing, and the ability of the trainer to communicate and build a rapport with farmers. It is important to know what roles female farmers are responsible for and how much decision-making authority they can be expected to exercise.



HIGHLIGHTS OF WHAT WE'VE ACHIEVED UNDER THIS THEME

At the beginning of the year, only three partners were considering providing information to women. By the end of the year information provision was incorporated into the design of most partnerships (except where the type of value chain or region did not have room for female involvement).

In the first model of providing information **Baloch Hamza Brothers**, a date producer from the remote area of Panjgur, engaged the owner's wife to train other women and to establish a precedent for other women to engage in economic activity. As a result of on-farm training on better packaging, female farmers could earn a price premium of Rs 50 per pack. Some of the female farmers interviewed stated they received cash in hand for their efforts. In **Pioneer**, a female entrepreneur conducted training for female farmers in the Muzaffarabad area in the north. In the second model, **Magnus Kahl Seeds** from Chitral continued to grow from last year and show remarkable achievements. They have over 100 female contract farmers who have successfully converted from kitchen gardening to commercial farming. These women were able to earn a considerable amount of income for the first time this year. This was achieved with the help of Magnus Kahl Seeds' female extension workers. **Mustafa Brothers**, a vaccine distributor, engaged a female veterinarian as a master trainer to train male extension workers as well as female farmers. Fruit processor **Organo Botanica** in the northern region of Gilgit Baltistan, hired male procurement agents who shared product samples with female farmers and trained them on producing these. Women in that area had no difficulty in talking to male staff, and the income earned by these female farmers was retained by them. Under the third option, **Kashmala Seeds** borrowed from the learnings of Baloch Hamza Brothers and decided to contract a female trainer to train female farmers at the

time of sowing and at the time of harvesting. **Shakarganj** contracted Azm, a specialised women's training provider. Training was conducted in different villages on animal husbandry and health practices. Using the fourth model, both Maxim and Oasis built on their contacts with the Dairy and Rural Development Foundation and leveraged their female trainers to conduct separate training for female farmers.

MDF has also interviewed multiple female farmers about the convenience aspect of attending training events. Women cannot travel long distances so the training must be held in the village. Men can attend training anywhere, but for women, it needs to be held in a safe and respectable place such as a girls' school or the house of the village chief or elder. The course should be held at a time that women are not busy with household chores or preparing meals for their families. Women in general have had less interaction with the outside world so they tend to struggle more with a new accent or dialect. In designing an intervention, the roles and tasks women are responsible for and the level of influence they have in household decision making needs to be assessed. Often a lack of information is a key constraint. Men report that they are happy to learn new things, if they are useful, even if it came from women.

MDF supported the provision of training and worked to reduce the workload of women. In Gilgit Baltistan, **Organo Botanica** installed a solar dryer and **Hashwan** set up a solar tunnel for the purpose of drying apricots, an activity which is otherwise carried out manually by women. Magnus Kahl Seeds pioneered the usage of weedicides in Chitral as women are responsible for weeding manually. As silage became more popular, women no longer had to carry fodder on their heads over long distances.



MDF has contracted Azm to conduct trainings on animal husbandry for female farmers of **Shakarganj**.

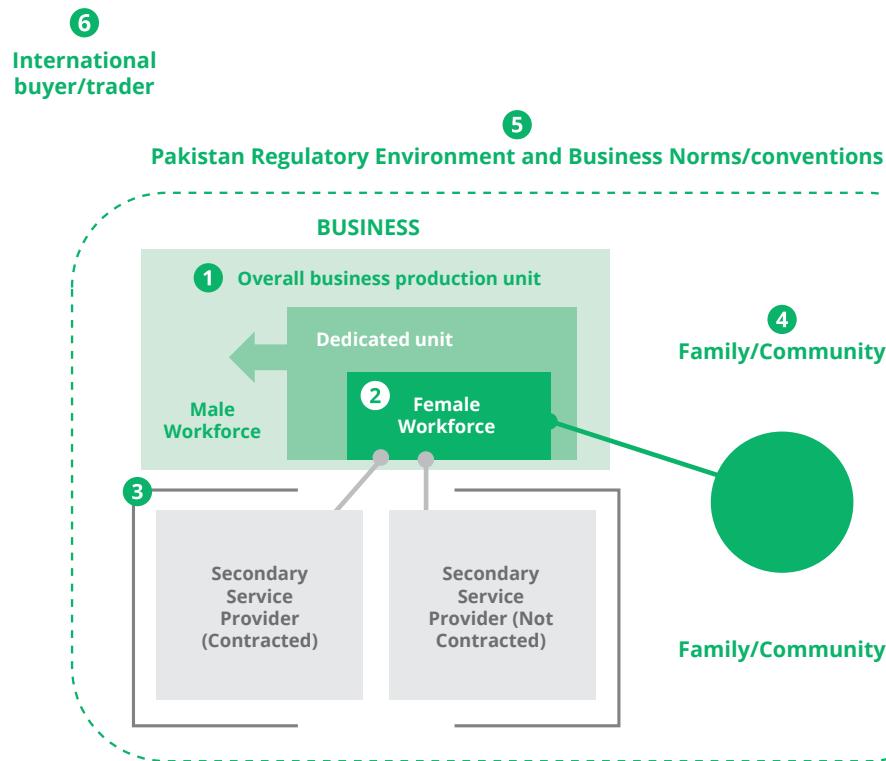


MDF's work with **Magnus Kahl Seeds** led to female extension workers being hired to help women convert from kitchen gardening to commercial farming.



MDF's work with **Baloch Hamza Brothers** enables female farmers to learn better packaging and earn premium prices.

// IMPROVING WORKPLACE CONDITIONS FOR WOMEN



ABOUT THIS THEME

MDF aims to increase the number of women employed in the sectors in which it works, as well as ensure greater engagement, satisfaction and upward mobility of these women. To these ends, it is imperative women are provided with suitable working conditions, and that any barriers or constraints to employment that they may experience are addressed. MDF explores these issues in terms of six main action agents. 1) The overall business unit – its growth strategy, expansion plans, vision, types of markets targeted, and number of product lines – has an impact on the inclusion of women. At times, some markets and customers demand the inclusion of women, or the business may include women because it becomes socially conscious. Sometimes women are more skilled and better suited to

the production of certain products, they can produce items of superior quality, or the business can find female employees more easily than men. 2) If women are employed, they may need a segregated workspace. This space should make them more comfortable and can aid in their lateral and upward mobility. The business may need to provide other women-only facilities, such as separate restrooms and cafeteria, segregated transportation services, female supervisors, banking and financial services, and day care for children. It may need to create conditions and remuneration to attract and retain women such as equitable compensation rates, flexible schedules, health benefits, maternity and other leave, and return-to-work after marriage schemes. 3) Secondary service providers may need to provide

or contract in some benefit, such as, independent bus services, financial institutions, day care, catering and training. These may include contractors who bring and collect orders from factories for home-based workers. 4) Family and community support plays a role. Women can participate more easily in the workforce if relatives can look after their children, or if transport to work and home is provided. It helps if women's income is perceived to be an important component of the household income, and if there are other working women in the community or female role models —making it acceptable for women to take up work. 5) The regulatory environment of the country/industry norms make a difference. Government policies pertaining to minimum wages, action

against workplace harassment, and medical services provided in government hospitals are relevant to the inclusion of women in the workplace. 6) International buyers

can be effective in influencing manufacturers (who are selling in the export market) to improve the engagement and conditions of women. Manufacturers get higher

ratings in certain certifications and audits if they engage more women. These ratings enable them to get more orders



HIGHLIGHTS OF WHAT WE'VE ACHIEVED UNDER THIS THEME

MDF started out by generating employment for female employees in its partnerships with fruit processors **Organo Botanica** and **Hashwan** in the Gilgit Baltistan area. Given the local customs, it was not challenging for the business to engage women. Since then, MDF has been more ambitious in helping partners push against the cultural norms, and create conditions conducive to women taking up formal employment. Partner **Magnus Kahl Seeds** in the remote area of Chitral in the north-west has appointed a female supervisor. The partner then hired two more female extension workers who coordinated with the male employees for travelling and logistics as well as knowledge transfer. In Panjgur area in Baluchistan province, **Baloch Hamza Brothers** established a separate processing facility for employing female workers.² The women specifically focus on producing pitted dates, while men produce more table dates. These women come from the vicinity of the factory. It is extremely rare for these women to take up factory work, so the partner engaged his wife as the supervisor and lead trainer in the factory. The wife was trained by an external male trainer. He has also allowed flexible working times as women do not wish to work for more than half of each day. In the leather

sector, MDF helped its partner **Footlib**, a medium tier footwear manufacturer, move from a mixed factory floor to a dedicated stitching line for female workers. The urban component of the poverty and gender study revealed that women can network better and learn more skills if they are working with other women and thus benefit in terms of greater lateral and upward mobility. Footlib has also appointed a female supervisor to serve as a role model for other women to aspire to. MDF is working with Servis to set up a large, women-only manufacturing unit. Servis is adding more stitching lines for women and setting up a day care facility. They felt they needed to provide this service to attract a large number of women and retain them. Servis makes other provisions for women, such as, separate work schedules, gates and buses and, for all workers: subsidised lunches, bank accounts for salaries, an automated teller machine at the factory, a return-to-work-after-marriage scheme, among other forms of support. They hire female supervisors for female lines. Next year Servis plans to add female-staffed cutting and lasting lines. Women have not been hired on lasting lines in Pakistan, so it will be a first-of-its-kind intervention.



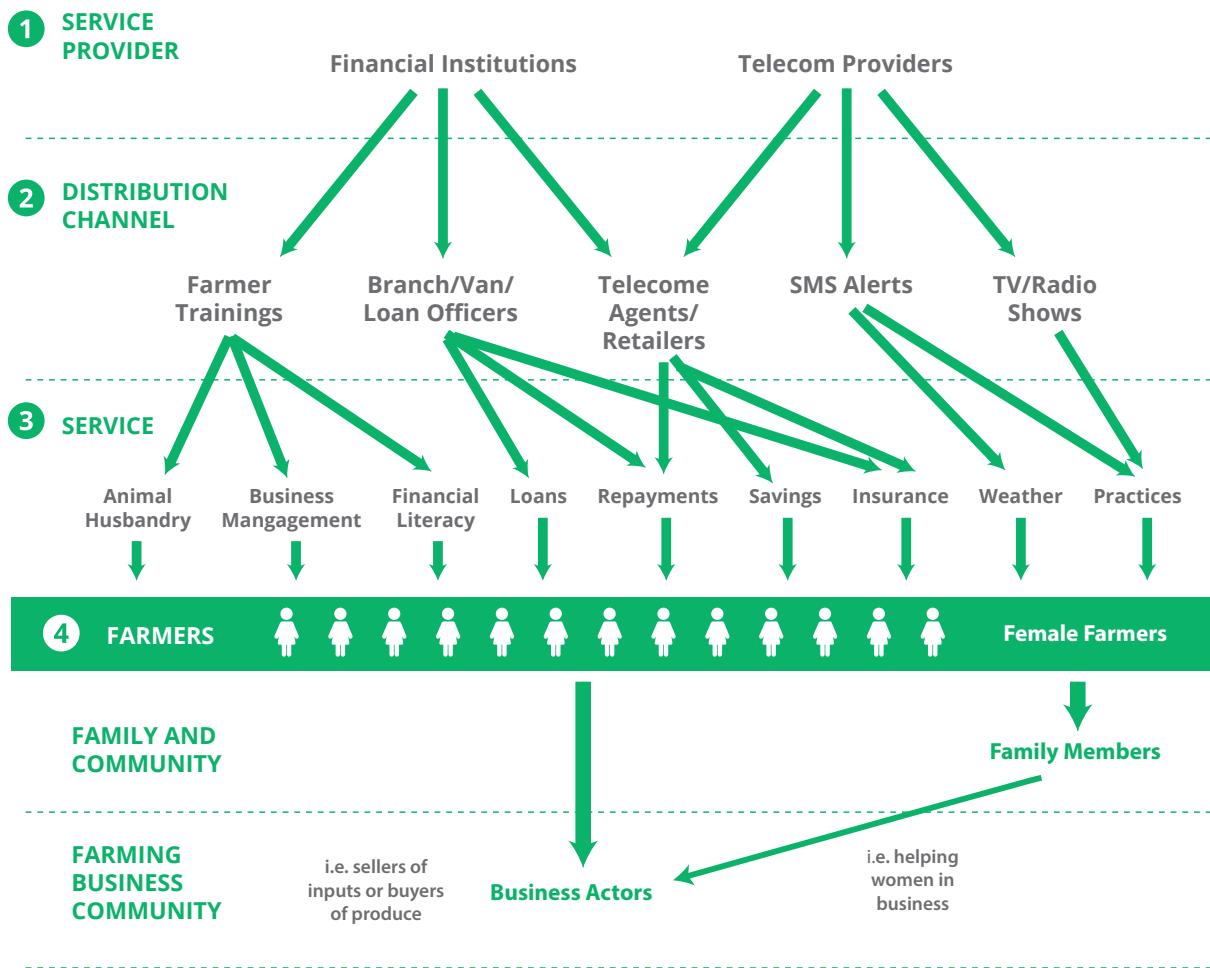
MDF's work with **Servis** is creating more jobs for women in stitching, new roles in lasting and cutting, and a day care centre.

MDF's work with **Footlib** has led to the creation of a segregated space for women so that they can benefit from upward and lateral mobility.

MDF's work with **Baloch Hamza Brothers** has led to women taking up formal factory work following the example of the owner's wife.

² One supervisor, eight labourers, four hours, Training by male trainer on washing, drying, grinding and packaging of table dates.

// FINANCIAL SERVICES AND INFORMATION THROUGH MEDIA FOR FEMALE FARMERS



ABOUT THIS THEME

MDF signed a partnership with **Kashf Foundation** to develop a loan product for women to use for their dairy and meat businesses. The women will be provided with financial literacy, animal husbandry and business management training. Access to this network of loan officers and other female clients is expected to strengthen women's negotiating power. Women will not only have access to loans and information, but also to other financial services as Kashf has built in an insurance component

to its loans. It has also provided a savings option through a third party, and clients have the option to repay loans through Telenor's mobile banking agents. **Telenor** was a telecommunications provider that also provided information and financial services. MDF signed an MOU with Telenor to help it enter the Gilgit market and to target female farmers, in addition to male farmers. The company will provide weather updates and information on better cultivation practices via SMS. Additionally, Telenor provides

a host of financial services, such as payments processing, savings and insurance. Telenor will also run radio and TV shows to disseminate information on better cultivation practices. Two other MDF partners are also planning to run radio infomercials, **ICI** in Khyber Pakhtunkhwa for *wanda*, and **Ali Akbar Group** for vegetable inputs in Baluchistan. Women's responses and uptake of this advice will be monitored.



Female clients of **Kashf** will be provided with financial literacy, animal husbandry and business management training.



MDF's work with **Telenor** will increase access to female farmers in Gilgit Baltistan, providing information and financial services.



Based on its current portfolio of partnerships alone, MDF in Pakistan aims to benefit more than **71,310 women** producers, farmers, entrepreneurs, labourers, workers consumers and/or family members.

MARKET INTELLIGENCE

IN PAKISTAN



LESSONS FROM WORKING IN MDF IN PAKISTAN IN 2016

IDENTIFYING 'PROJECT CHAMPIONS' WITHIN PARTNERS HELPS DRIVE THE PARTNERSHIP

When dealing with large businesses, projects are likely to proceed more smoothly and gain better results when project champions, who share the excitement of the partnership and the drive for sustainability, are clearly identified in the partner organisation. When partnerships were managed by the partner, progress was slower, timetables often slipped and more support and monitoring efforts were required from the MDF team. In large organisations, MDF asks for a project champion to be clearly identified during the design stage.

ENGAGEMENT WITH FINANCIAL INSTITUTIONS VIA MDF PARTNERS EXPEDITES DEVELOPMENT OF FINANCIAL PRODUCTS

As part of MDF's initiatives to create greater access to formal credit for farmers, several financial institutions were approached to develop appropriate loan products that would allow farmers to purchase equipment and inputs. Financial institutions were reluctant to delve into new products in the agriculture sector. However, when MDF was involved in establishing an arrangement between a financial institution and an MDF partner, the response was more positive. Cattlekit and Shakarganj have been important partners in this approach.

IDENTIFYING INCOME STREAMS OF PARTNERS HELPS DETERMINE SUCCESS OF PROJECTS

Identifying income streams while choosing partners is critical. If the business model under consideration generated a small portion of the overall revenue of the partner, evaluation of the long-term strategy of the partner was needed.

WHERE PRIVATE SECTOR LACKS EXPERIENCE, THIRD PARTY SERVICE PROVIDERS CAN BE ENGAGED TO DEMONSTRATE BENEFITS OF TRAINING MODELS

It was challenging to reach out to female farmers through direct partnership activities in livestock in South Punjab. This encouraged MDF and its partners to explore opportunities to engage third party service providers, who had the capacity to train female farmers. While this addressed an immediate information gap, it was necessary to monitor progress and assess the interest of partners to adopt similar training models.

**FAMILIES DO NOT OBJECT
TO WOMEN ACCESSING
FINANCE IF IT MEANS
ADDITIONAL INCOME FOR
THE HOUSEHOLD**

When scoping for access to finance, it was revealed that none of the families objected to women accessing loans etc. The husband, the in-laws or other family members, did not have any objections if additional money was flowing into the household. They also found it acceptable for the woman to travel the long distance to the bank branch once a month or so, and would provide her a ride for the purpose. On the other hand, lending entities felt that women were reliable borrowers who return loans on time. Kashf stated that their clients who hired labour from outside created three full time jobs on average

**LOCALISED CONTENT IS OF
THE UTMOST IMPORTANCE.**

Given the difficulties women face with dialects and accents, it is of the utmost importance that any training uses a medium that is easy for female farmers to understand. It is for this reason that Magnus Kahl Seeds in Chitral tried to hire female extension workers from the same villages as the farmers. Trainers in Punjab need to be careful with different dialects in different areas. Kashf used characters in role plays and street theatre that created themes very familiar to their borrowers. Telenor used different characters in Punjab and now aims to create entirely different ones for Gilgit. It is also working on stylising its entire content in the local languages spoken in Gilgit.

**FINANCING REQUIREMENTS
OF PARTNERSHIPS CAN PUT
PRESSURE ON PARTNERS TO
MAINTAIN A HEALTHY CASH
FLOW**

While small businesses in regional areas can co-invest, the initial financing requirements can put pressure on continuing working capital needs. Careful evaluation is needed to ensure the investment would not stress working capital available for the partner's ongoing business.

**THE CREDIBILITY OF
BUSINESSES ASSISTS
IN FASTER UPTAKE OF
INNOVATION**

The route to scale involves demonstrating the model with small players then, once the model is tested and successful, other players become involved. At that stage there is some risk that the business model will not be successful. This needs to be mitigated before crowding-in can take place. For instance, in the case of silage, Pioneer helped get visibility and build confidence in the viability of the business model, and demonstrated a strong demand for the product. Based on this experience MDF was able to engage with other players, like Maxim and Cattlekit. Credibility of well-reputed business partners is key to developing scale.

**TIER ONE COMPANIES HAVE
THE MUSCLE AND STRENGTH
TO TRIGGER CHANGE, BUT
REGIONAL BUSINESSES HAVE
MORE ESTABLISHED TRUST
RELATIONSHIPS**

Significant change can be triggered through partnerships with large businesses that have capacity, resources and expertise; and with smaller, regional businesses that can reach regional areas, are influential and have better trust relationships with local communities.

FARMERS IN PAKISTAN RESPOND WELL TO REPEAT MESSAGING

As elsewhere, repeat messaging in Pakistan is more effective in changing the behaviour of farmers than one-off events. However, the level of involvement shown by companies in providing such services depends on the frequency of product use. Some products that were used only occasionally, like feedlot, did not provide sufficient incentive for partners to repeat message.

In the case of Oasis, once the farmers were trained and had sold their animals to Oasis they might not have another animal for a year and therefore there was no incentive for the Oasis to continue engaging with those farmers throughout the year.

THE INCENTIVES AND COSTS OF HIRING WOMEN FOR A BUSINESS CAN BE VERY DIFFERENT IN THE SHORT RUN VERSUS LONG RUN

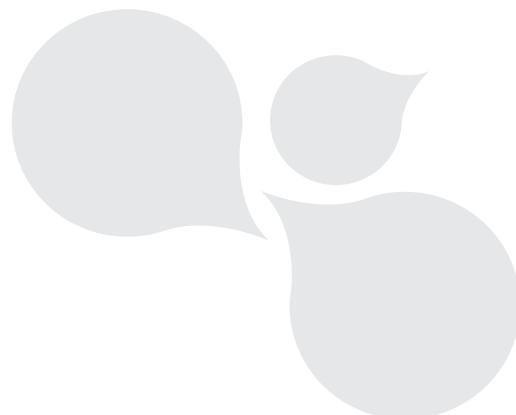
Hiring women can be viewed as a hassle as it brings management challenges. It is also difficult to find and hire women. Servis required more effort and a longer time to train women, however, from that point onwards, women displayed greater speed, quality and quantity of output. The most demanding customers of Servis preferred work produced by women for the same reason, and Footlib was able to achieve breakeven only a few months after launching its women's stitching line.



ACKNOWLEDGEMENTS

MDF in Pakistan would like to thank the following organisations for their support and collaboration in the past year: FAO (DFAT-funded AusAbba programme) for providing support in identifying partners and assisting MDF partners to complete partnership requirements; ACIAR for regular interaction on the development of its Agriculture Value Chain Collaborative Research programme on horticulture, pulses and livestock, for sharing learnings on its econometrics study for farmers in Punjab, and interaction on development on water and irrigation projects; Austrade, for connecting MDF to potential partners and for collaboration in the annual agriculture expo; Sarhad Rural Support Programme, for connecting MDF to potential partners and farming communities in Khyber Pakhtunkhwa; Agha Khan Rural Support Programme, for sharing information on projects in Gilgit Baltistan; International Fund for Agricultural Development, for sharing information on its work and strategy in Gilgit Baltistan; Helvetas Swiss Interco-operation, for sharing information on its market development initiatives in Khyber Pakhtunkhwa; Pakistan Agriculture Coalition, for sharing developments on its online trading system: PMEX, for chili in Kunri and exploring potential partnership arrangements; Farmers Association of Pakistan, for connecting MDF to farmers of potatoes and guavas to explore opportunities; Pakistan Footwear Manufacturer's Association, for sharing sector

constraints and opportunities and connecting MDF to potential partners in the industry; Leather Products Development Institute, for connecting MDF to industry players in gloves, sports goods and industrial footwear; USAID for sharing information on USAID's private sector programmes in Punjab and Baluchistan; Connecting Agriculture Value Chains, for sharing information on its work with access points for farmers in Khyber Pakhtunkhwa; United Nations Development Program, for sharing learning on the Suppliers Development Program in Khyber Pakhtunkhwa and Baluchistan; Acumen Foundation, for exploring possibilities for MDF partners to partner with Acumen for funding; World Food Program, for connecting MDF with producers of nutrition supplements; Department of Agriculture, Azad Kashmir Government, for connecting MDF to potential silage makers; Directorate of Agriculture Research, Vegetable Seed Production, Baluchistan, for discussions on issues in onion seed production and providing MDF with information on cultivation practices for tomatoes and onions in Baluchistan; Pioneer Pakistan Seed Limited for connecting MDF to silage businesses; Pakistan Micro Finance Network for discussions on sector constraints and connecting MDF to micro-finance institutes in Pakistan; Telenor, Servis, Kashf and Engro Foods for sharing learning and experiences on women's empowerment in Pakistan.





PAPUA NEW GUINEA



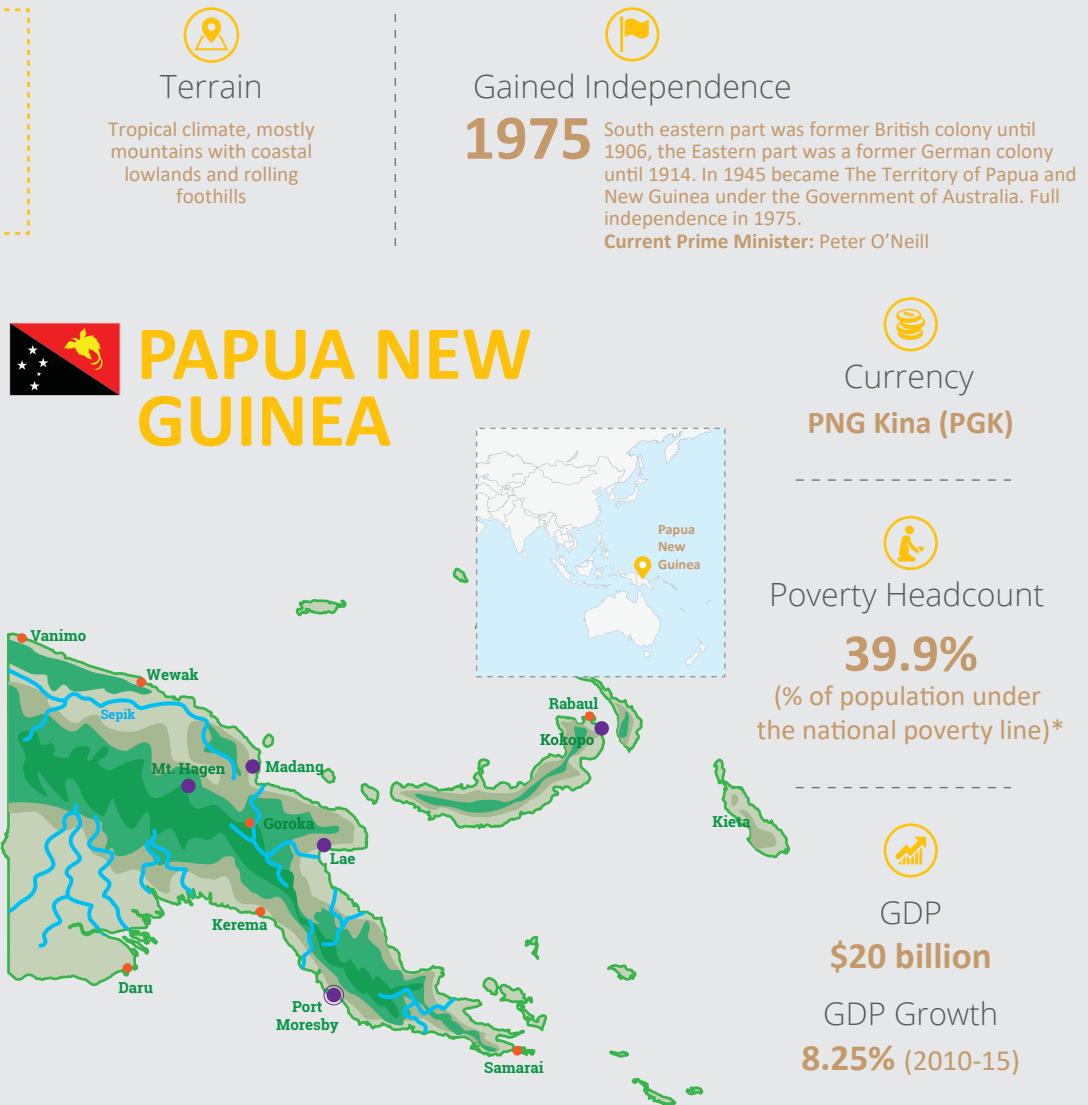
Quick Facts

 Population
7.6 million
81% in rural areas

 Language
English, Tok Pisin, Motu

 Main Cities
Port Moresby (capital), Lae, Madang (Momase), Mt. Hagen (Highlands), Kokopo (New Guinea Islands)

 Ease of Doing Business Index
119 out of 189 (2016)



MDF Sectors	
 Rural Input Services	 Local Value Addition
 ICT and Logistics	 Tourism and Hospitality

MDF's focus in Papua New Guinea

MDF is focusing in PNG on four emerging industries and services that help improve access, reduce the costs involved in connecting demand and supply, preserve quality, and in particular cases, increase the safety and mobility of women. MDF will also focus on industries and services that will benefit and reinforce better connections all of which generates local employment and income earning opportunities.

* World Bank online databank – poverty headcount ratio at National Poverty Line, 2009 data

// WHAT WE'VE ACHIEVED

(as of December 2016)

MDF INTERMEDIARY HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016

PAPUA NEW GUINEA	
	Intermediary Headline Results Achieved as of 31 December 2016
Partnerships (Active and Completed)	8
Innovations	20
MDF Investment (USD)	12,000
Private Sector Investment (USD)	25,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:2.08
Value of Additional Market Transactions (USD)*	Yet to be achieved

*Inclusive of three partnership categories – ‘Active’, ‘Activities completed and monitoring ongoing’ and ‘Measurement completed’.

// WHAT OUR CURRENT PARTNERSHIPS ARE PROJECTED TO YIELD

MDF HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016 AND PROJECTED AS OF 31 DECEMBER 2016

	PAPUA NEW GUINEA					
	Headline Results Achieved as of 31 December 2016*			Headline Results Projected as of 31 December 2016**		
	Male	Female	Total	Male	Female	Total
Effective Outreach including Jobs	0	0	0	2,960	2,270	5,230
Additional Jobs (FTE)	0	0	0	9	33	42
Additional Income (USD)	0	0	0	1,989,000	1,520,000	3,509,000

*All of the eight signed partnerships will begin generating results in 2017. As results are verified through monitoring visits and assessments, the number of partnerships contributing, and subsequently the actuals reported will increase in coming years.

** Projections are currently generated by six of eight signed partnerships. Projections are developed once a partnership is signed, built on assumptions informed by partner information, field observations, primary research and/or secondary literature, resulting in a time lag between partnership signing and projections development. As projections for partnerships are developed they will be incorporated into subsequent aggregated reporting processes.

// WHAT WE ARE EXPECTED TO ACHIEVE BY 2021

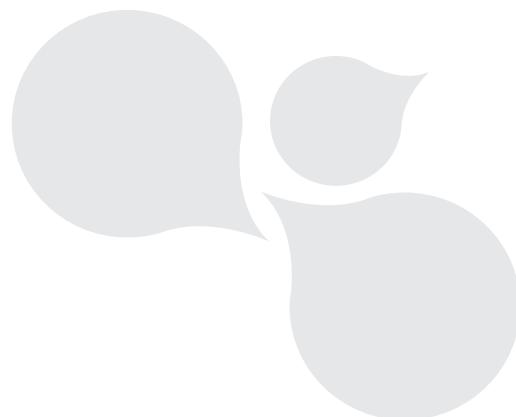
(with additional partners on board)

MDF INTERMEDIARY HEADLINE AND HEADLINE RESULTS - COUNTRY ESTIMATES

PAPUA NEW GUINEA	
	Papua New Guinea Results Estimates
Effective Outreach Including Jobs	5,980
Additional Jobs (FTE)	156
Additional Income (Effective Outreach Including Jobs) (USD)	6,871,000
Value of Additional Market Transactions) (USD)	1,958,000
Private Sector Investment (USD)	408,000
Implementation Window	2015-2017 (2 years)



With additional partnerships on board, by 2021 MDF's work will result in over **USD 6.87 million** in additional income benefitting **5,980 men and women**, including **156 FTE jobs** benefiting **20,120 household members**



// PAPUA NEW GUINEA RESULTS GRAPHS

How to read the graphs

1. The 100 percent line defines the benchmark and the estimates curves give an indicative trajectory for reaching that benchmark.
2. Compare the total projected value for each indicator with its estimates curve and compare where each year's projections sit against the 100 percent line. This is the first indication that the programme is on track. It is important to remember the 100 percent line and estimates curve reflect the total anticipated portfolio, whereas the total projected value is only based on a proportion of that portfolio. Therefore, the total projected value is ideally ahead of the estimates curve, but only needs to cross the 100 percent line when all partnerships are signed and the portfolio is complete.
3. Compare how actuals catch up, in time, with projections and grow closer to the 100% line. Different indicators have different lead times; the lower the indicator sits on the MDF impact logic the steeper the curve and shorter the results lead time. The higher an indicator sits on the MDF impact logic, the more gradual the curve and longer the results lead-time. Strong actuals for lower-level indicators (innovation, investment leveraged, and the value of AMTs) is a second good indication that the program is on track, as it demonstrates that the programme is able to elicit a strong response from the market.
4. Finally, when reading the graphs and tables in this report keep in mind that collecting accurate data and using these for results calculations is hard work fraught with uncertainty. Per partnership, dozens of calculations are made over several years to assess who is reached (farmers, workers, men and women), in which locations, through which different channels (each with their pros and cons) and how change is influenced in sales, practice, yield, understanding, returns on investment, and income among other factors. These calculations are based on multiple information sources which have been derived with the use of multiple research tools. Despite the best of efforts, MDF has sometimes been too optimistic and, at other times, too conservative. Results estimates, projections and actuals will change.

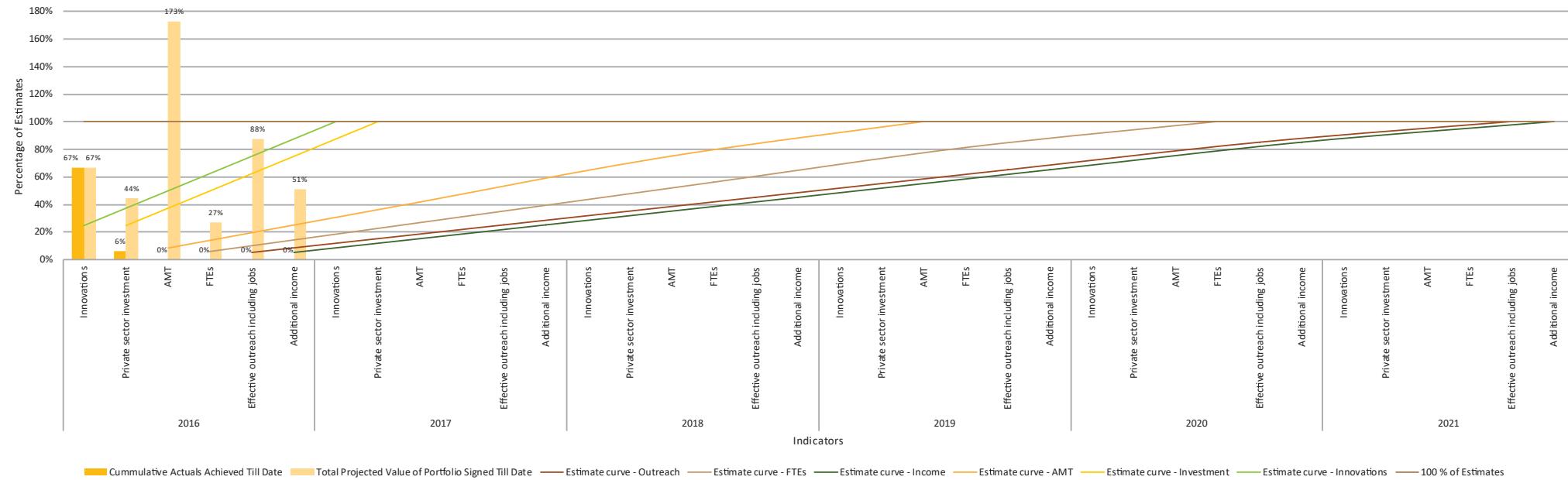
Indicator definitions

Estimates: are 'floating benchmarks' based on programme parameters (time and budget), specific donor wishes and an assessment of the local context and economy. They define what a programme should reasonably be able to achieve based provided there are no major external shocks. The 100% line defines the benchmark; the estimate curves show an indicative trajectory for reaching this benchmark in time.

Projections: forecast the value of each signed Partnership Agreement. Taken together the 'total projected value of the portfolio to date' forms an early indication of whether the programme is on track to achieve what it set out to achieve, by comparing the upward trend in projections toward the 100% line and the estimates curves.

Actuals: are verified achieved results. As different indicators have different lead times i.e. it takes longer for results to come in, some actuals will catch projections quicker than others. The lower indicators on the left should catch up faster and the more strategic ones on the right will take longer.

MDF PNG results curve, 2016-2021



EXPLANATORY NOTES ON PORTFOLIO CONTRIBUTIONS AS AT DECEMBER 2016 :

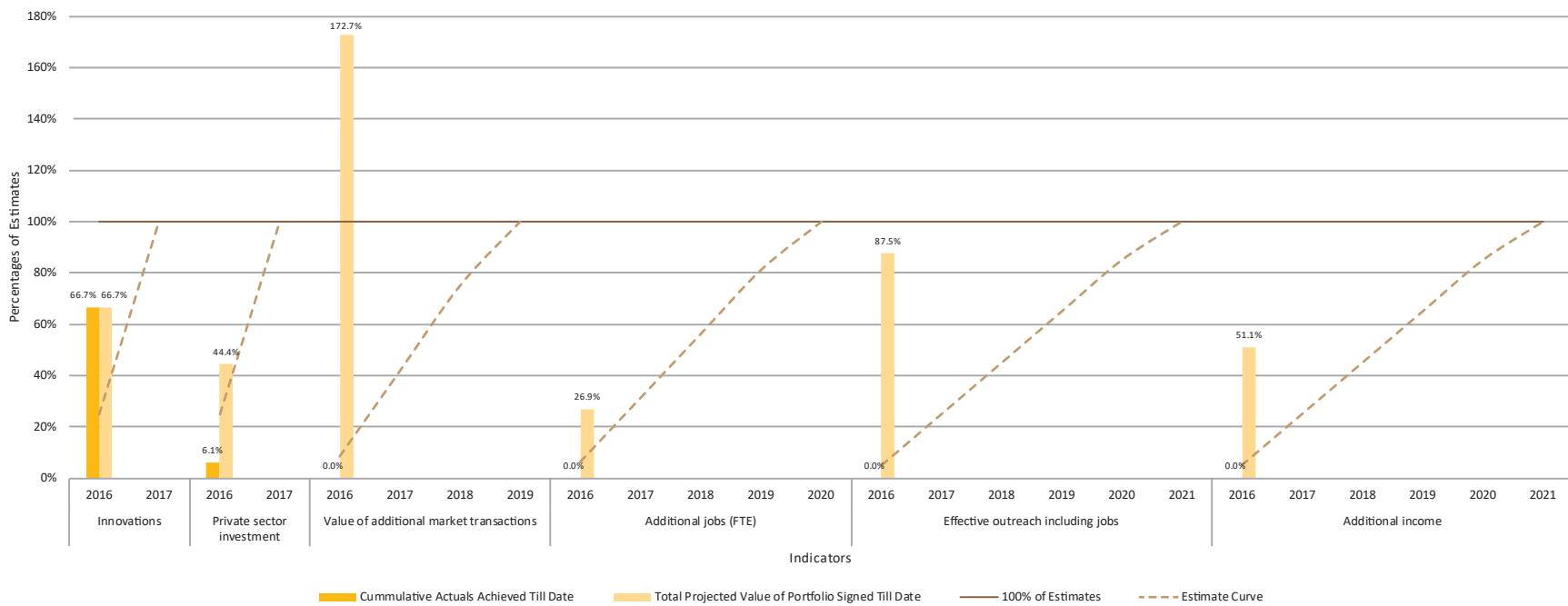
The proportion of the portfolio contributing to selected indicators as at December 2016 is provided below as a means to demonstrate that results (actuals and projections) are not being generated by 100% of the portfolio. The number of partnerships contributing to both actuals and projections will increase over time, as partnerships mature (and generate results) and as projections for newer partnerships signed toward the end of the year are completed based on information gathered from the monitoring visits.

Effective outreach including jobs: Actuals have not been achieved yet but 88% of the portfolio is contributing to projections. With much of the portfolio signed toward the end of the year, activities are expected to materialise into actual results next year and beyond as partnerships mature. Projections for recently signed partnerships will be finalised in the coming 12 months with more information collected from the field visits.

Net additional income: 0% of the PNG portfolio was contributing to actuals; 75% was contributing to projections. As per above, actuals will begin to be generated in the coming year and beyond as partnerships mature. Projections for recently signed partnerships will be finalised in the coming 12 months.

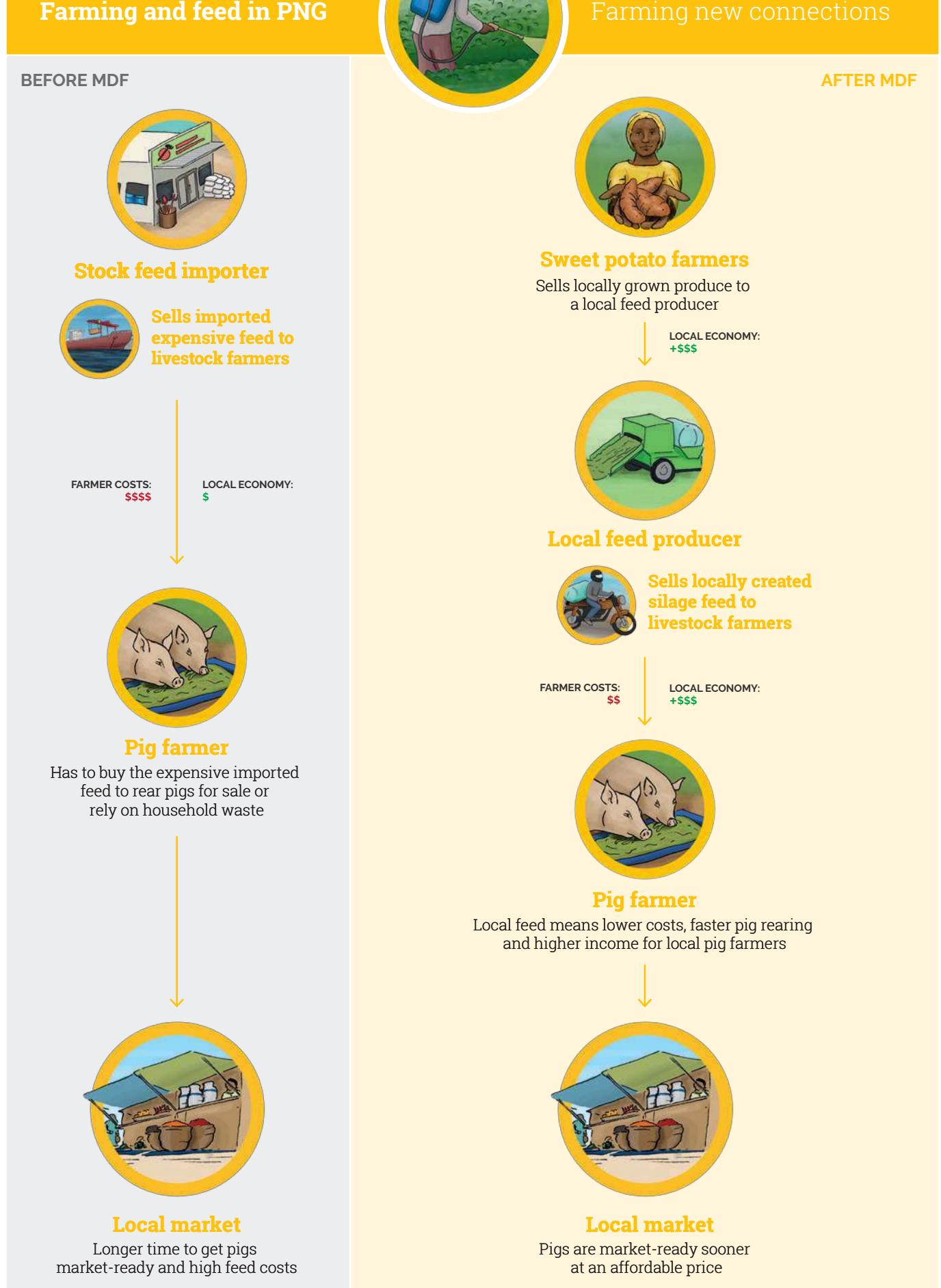
Additional Market Transactions: 0% of the PNG portfolio was contributing to actuals; 75% was contributing to projections. As per above, actuals will begin to be generated in the coming year and beyond as partnerships mature. Projections for recently signed partnerships will be finalised in the coming 12 months.

MDF PNG individual indicator results curves, 2016-2021



// OUR STRATEGY IN PAPUA NEW GUINEA









Women need training as they are scared of bees. Carrying carrots and kaukau is very heavy; beekeeping is a much easier profession.

ENCOURAGING WOMEN BEEKEEPERS IN THE HIGHLANDS OF PAPUA NEW GUINEA

A female beekeeper in the Eastern Highlands province of Papua New Guinea, supplies MDF partner and honey producer, New Guinea Fruits, with honey from her 20 hive boxes.

Margaret Bagahery (mid-50s) is an incredibly independent women entrepreneur who started her working life as the first women driver in Goroka. She started to experiment with beekeeping in 2005 with just one hive box in her garden.

"I got interested in looking after bees when I read a pamphlet and I could see that the bee does all the hard work. The queen organises all of the workmen and all I have to do is harvest," said Margaret.

Her experience with beekeeping has had its challenges.

"I don't have any technical knowledge on beekeeping. Once, the queen bee died and all the bees ran away. People have come to help but often they have taken my queen bee and then I have to buy more. What I really need is training."

MDF works with New Guinea Fruits to help increase production from local beekeepers. Sourcing a quality, and consistent supply of local honey is a major challenge. Only 15 percent of honey in the market is locally produced; the rest is imported. Factors affecting productivity include a lack of knowledge of good beekeeping practices, the high cost of inputs, as well as challenges with managing pests and diseases.

Locally owned New Guinea Fruits has a honey processing plant in the Eastern Highlands province of PNG, where 95 percent of the country's beekeepers are located. The business bought honey from local beekeepers like Margaret, processed it by removing wax and other material, and then packaged it under its brand name Highlands Honey.

A honeybee specialist has been engaged to train New Guinea Fruits' field extension officers who will then train beekeepers in the region. Although Margaret is well established and deriving her livelihood from beekeeping, she sees barriers for others joining the industry.

"Women need training as they are scared of bees. Carrying carrots and kaukau is very heavy; beekeeping is a much easier profession. When they see the money they will want to stop growing heavy produce and be a beekeeper instead."

The cost of beekeeping can be prohibitive though, and the cost of hives has doubled from K150 to K300 (\$47-95 USD) since Margaret started beekeeping. Despite wanting to expand, she's unable to afford more boxes.

To address this problem and, as part of MDF's partnership with New Guinea Fruits, a specialist carpenter will train local producers to make hive boxes out of appropriate

local materials. This will be a long-term solution to reducing the cost of beekeeping inputs. Alongside the training, with MDF's guidance, New Guinea Fruits is developing a promotional campaign to encourage more people to take up beekeeping. Having hives in the garden is an activity that women could do whilst managing their garden and other household chores, so it is an excellent additional income stream for them.

As a result of MDF's partnership with New Guinea Fruits, and with the new knowledge that she has gained, Margaret can increase her hive box numbers, which she can source locally at a cheaper price, and produce more honey and increase her income.

MDF is supporting many businesses in PNG to develop multiple sources of income for rural households, and to increase resilience and overall incomes

MDF PAPUA NEW GUINEA IN 2016

IN 2016, MDF in Papua New Guinea (PNG) continued to strengthen its portfolio with nine partnerships across four engagement areas in place. The spread and diversity of partnerships signed indicates that the engagement areas selected for the country remain relevant. This is also confirmed by the increased interest shown by private sector enterprises in working with MDF, and from endorsements received thus far from stakeholders, including the Tourism Promotion Authority, Bank of PNG and development programme partners such as ACIAR, IFC and MFAT.



The portfolio now provides MDF with exposure to different geographic locations – urban locations, rural areas which were connected via road networks, and remote, less-connected regions. This allows for a better understanding of the different operating environments in PNG and the particular constraints faced by businesses. A partnership with **Luxembourg Investments** highlighted the importance of community engagement in the remote areas of Gulf Province, whereas a partnership with **NKW Fresh** is more about improving information exchange with individual farmers in the Highlands and Morobe Province. At the portfolio level, the partnerships are providing information on the engagement areas where the most changes could be expected to be seen, and those which will take more time. Six of the nine partnerships are related to storage solutions, and information provision and distribution, signifying the importance of developing connections for enhancing growth. A lack of partnerships in local value addition demonstrates that attracting investments into manufacturing processes, thus creating formal jobs, will likely be more difficult to achieve.





MDF PNG settles in with partnerships and collaborations across all engagement areas

The first set of partnerships for MDF in PNG has provided important lessons. Different sizes of businesses come with different strengths and weaknesses. Large businesses may benefit from vertical integration, but small businesses have more community interaction, better understanding of regional dynamics and are well connected with suppliers and customers. The high investments made by larger businesses and the limited competition make them risk averse, but smaller players are more receptive to innovation. The higher appetite of small businesses for risk, however, comes with the risks of having limited capacity to manage changes. This often meant that MDF needed to plan more activities in for a small business to introduce a new business model, as well as provide more intensive support to the business to complete activities. For instance, MDF's partnership with **Central Highlands Feed Mills Limited** includes activities across all aspects of the business, including the supply of raw materials, the installation of equipment, setting up the feed production process, and working on marketing of the stockfeed.

Similarly, partnerships with **Village Huts** and **Koibol Trade Works** involved close collaboration with partners to ensure that suitable candidates were hired to carry out the activities in the partnerships. The partnership with **Luxembourg Investments** involved MDF carrying out a market assessment with the business.

There were, and will continue to be, strong external risks in the overall operating environment for MDF in PNG. This included a shortage of foreign currency in country to service import bills and strict controls placed by the government on the movement of foreign exchange affecting the ability of businesses to import raw materials and machinery to expand production. The high costs of operations for businesses and the volatile security environment that most businesses operate in affects the willingness of businesses to expand and innovate. The upcoming elections in 2017 means an increase in government spending and has led to some businesses taking a 'wait and see' approach. As elections in PNG can

be fractious, businesses are not keen to invest funds in new ideas or relocate to other parts of the country in case their investments are jeopardised by a change in government and unfavourable policy changes. Businesses are looking to see if the operating environment will change significantly after the elections.

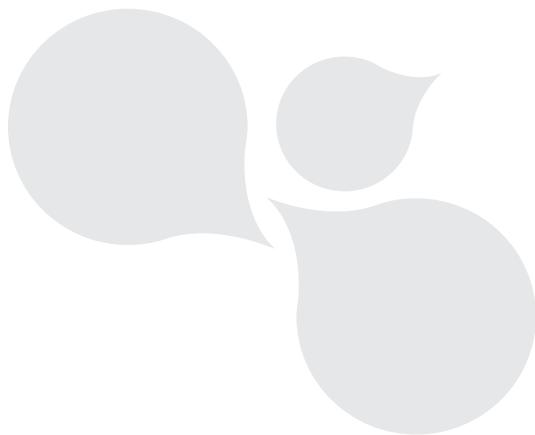
Given that most partnerships were signed in the latter part of 2016, results will be generated, monitored and reported in the coming years. However, projections based on the current portfolio have been calculated and these partnerships are expected to generate USD 3.5 million in additional income benefitting 5,230 men and women, including 42 full-time jobs.

It is too early to report results against the headline indicators, however there were some interesting observations that emerged from early PNG partnerships. Firstly, MDF's expected investment figures per partnership were lower than anticipated given that the majority of the initial partnerships required less capital support and more technical or non-financial business advisory support, ideas and linkages. For instance, MDF worked with MiBank to roll out a new banking product where MDF did not provide any financial support, but rather brokered linkages between an agribusiness company and the bank.

Secondly, the earlier partnerships signed by MDF were with relatively smaller and less organised enterprises. As PNG businesses operate in a complex private sector environment, it is evident that smaller businesses take longer to adopt and implement new business practices

despite their willingness, and MDF will need to engage intensively with them over a long period to realise results. As MDF signs partnerships with larger businesses, such as Airborne Logistics and Nkw Fresh, the portfolio will become more balanced and begin to generate the expected results.

Lastly, MDF's work in PNG in 2016 cemented the observation that subsistence farming remains the norm in PNG. In any location there are few commercial farmers or farms. This poses a problem for input companies as well as companies that are looking to source produce. In order to fulfil large orders, companies must go to more locations to buy from more farmers to make up the volume and quality, required. Input companies need to market inputs in more locations to be profitable. For MDF this means that, in PNG, any one partnership will likely have limited outreach if it focuses on only one location. MDF's partnerships in PNG are focused on specific locations (e.g. KTW was focused in Banz, Minj, and Kudjip of Western Highlands Province). The projected outreach for the portfolio of partnerships is thus lower than estimated as this very tight localisation had not been factored into initial estimates. MDF will need to pursue more partnerships and stimulate more investments towards expansion of activities by the private sector across more geographical areas. In addition, MDF's work to date has revealed that most jobs on farms are taken up by unpaid family labour; additional job creation will therefore likely need to come from non-farm or salaried roles, such as those in processing facilities or factories.



ICT AND LOGISTICS



We want to see greater connectivity in the business environment with diversified services which cater to a broader client base and lead to improvements in the speed and cost-effectiveness of doing business.



More products and services are connected to the markets in an efficient manner

Increasing efficiencies in the mobility of the products and services to reach growing markets by supporting businesses to take advantage of back shipments, using technology to improve efficiencies and having support infrastructure in place to reduce losses

5 business innovations

including the promotion of an efficient payment system to support timely payments to farmers.

2 partnerships

with a micro-finance bank, and a venture capital business working with landowner groups.

// WHY WE WORK HERE



PROGRESS IN

ICT AND LOGISTICS IN 2016

Connectivity issues are often seen as synonymous with PNG's development challenges – the difficulty of connecting markets, people, products, and services impacts almost all value chains, locations, populations and processes. While national infrastructure problems, such as poorly maintained or non-existent road systems, are beyond the scope of a single government, or a single programme such as MDF, building on the ingenuity of people and businesses in helping markets work around such structural constraints means this is nevertheless a potentially dynamic and innovative space to work in. Potential lies beyond merely addressing limitations in transferring things from one place to another; it includes improving lines of efficiency across a whole value chain, and fostering ways to broker relationships with remote communities.



35%

of the population living 10km away from a major road.



Difficulty in mobility

affects all engagement areas for MDF



Inclusive growth

of the country through engaging remote communities and increasing connections.



Put simply, if a core logistics problem cannot be solved, alternative solutions need to be found. Related to this, MDF identified a partnership with **Airborne Logistics** a helicopter service provider. The company supplies household goods to remote locations inaccessible by road systems, but the helicopters are often empty on the return journeys. MDF is seeking to work with Airborne Logistics to develop a market for vegetables based on collections from these return journeys. Interestingly, the company is finding that this may prove to be a more lucrative component of the business than its core service of delivering dry goods to remote communities. MDF found good evidence to support the emergence of such return shipment opportunities for many other logistics service providers across other remote parts of PNG.

Another means to reduce transportation costs is by introducing products and services that can improve the durability of goods during transportation. This involves increasing shelf-life, improving packing, and storing items properly while waiting for transportation. MDF partner

Advanced Rural PNG Limited identified a growing demand for potatoes in the Port Moresby area, but the lack of appropriate storage led to reduced shelf life and constrained the company's ability to effectively match its supply with demand. With improved storage capacity, the business will be better able to satisfy demand and market its potatoes to expand its customer base, potentially increasing supply by 20-30 MT per month. Such innovation shows the potential of the country to increase supply to the market and to meet the demand.

Another sphere that suffers due to connectivity is payments from businesses to their suppliers. Due to limited cash presence in rural areas, commercial banks do not consider it viable to increase the number of bank branches and coverage of rural areas. This means farmers often travel long distances to towns where commercial banks are located to collect payments for major cash crops such as cocoa, coffee or copra. This increases both the transaction costs and risks for the farmers who carry the cash back to the villages. MDF's partner MiBank

provides a payment service where large buyers of export commodities can pay suppliers in real time through MiBank agents who are present in the rural areas. One of the first interested businesses was Agmark, one of the largest cocoa buyers in the country with a supply chain of between 3,000-5,000 farmers. Agmark had previously paid suppliers with cheques and sometimes cash at the collection points. With MiBank, the farmers can collect their money from MiBank's agents (usually retailers and shop owners in the cocoa buying area) so they no longer have to travel to the urban centre to collect their funds and thus incur lower transaction costs. Through the improved payment system, transaction costs are reduced and the banking base of the country increases as banking services become more accessible to the wider population. MDF is also working with MiBank to link additional phone numbers to one bank account, which enables women heads of households to know how much their spouses receive through each sale of export commodities. Previously sales of coffee and cocoa were carried out by men and there was little transparency around the volumes of cash that they received.

Work on logistics is a necessary precursor to work on introducing or promoting products; creating awareness of a product that has no means of being accessed would naturally have a limited impact. For example, with partner **Koibol Trade Works**, without a consistent seed supply in place, work planned on product information could not start. This MDF strategic engagement area will likely

support growth in the other engagement areas. Similarly, handicrafts sellers in the Highlands and Momase region are unable to take advantage of the growing number of cruise ships coming to the coastal towns of Milne Bay and East New Britain provinces, despite the high quality of their artefacts. This is mainly due to the inability of the handicrafts makers to supply their products on a consistent basis to the coastal towns. The development of products or improved marketing become the natural next steps in different value chains when the initial supply chain is in place, which makes this engagement area crucial for market development in PNG.

With a view to improving physical connections between demand centres and remote production areas in PNG, MDF supported its partner, Luxemburg Investments, to undertake a supply survey to establish the community's interest in engaging with the company. The survey looked at what conditions would need to be in place to make it work. Beyond setting up appropriate cold storage, this partnership has equally been about building up appropriate social connections in the area. Experiences like these help build MDF's experience as a facilitator of future community-based business development. MDF will continue to look at opportunities to connect products to growing markets across all engagement areas in the country and particularly at opportunities to improve efficiencies with small changes (as introduced through MiBank) which can be easily replicated through the economy.



Based on its current partnerships alone, MDF's work in ICT and logistics will result in over **USD 1.22 million** in additional income benefiting **1,190 men and women**.



// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Luxembourg Investments	MDF supported Luxembourg investments to assess and develop a supply model sourcing fish from the remote area of Baimuru and supplying to the markets in Port Moresby. The business, with MDF's support, successfully conducted a supply and market assessment for the feasibility of the plan and brought one successful batch of fish to the market. The business received approval from the National Fisheries Authority and applied for a business loan to go ahead with the plan.	Active	Not yet applicable.
MiBank	MDF supports MiBank to increase banking coverage in rural areas by encouraging buyers and exporters of cash crops in PNG to utilise MiBank's new and innovative payment system to pay their suppliers of cash crops and raw materials. Following successful negotiations, MiBank signed-up Agmark NGIP, PNG's largest buyer and exporter of cocoa, to pilot the payment system with their branch in Buin, Autonomous Region of Bougainville. A preliminary awareness activity, held in December 2016, saw the opening of 108 MiCash accounts for these cocoa farmers in Buin and the identification of four new MiBank agents who will pilot the payment system with Agmark.	Active	Not yet applicable.

RURAL INPUT SERVICES



We want to see PNG's agricultural produce reaching urban markets via suitable, affordable product and service delivery models offered by local providers



More farmers are able to supply consistently to high value markets and have access to affordable inputs.

Supporting businesses with improved distribution of products in rural areas, complementing it with product information and the development of products that are affordable for rural customers.

9 business innovations

including the establishment of PNG's first commercial stockfeed-making business using locally available raw material

3 partnerships

with a fresh produce buyer, stockfeed supplier and seeds and fertiliser distributor.

// WHY WE WORK HERE



85%

of the population lives in rural areas



75%

of population involved in agriculture



PROGRESS IN

RURAL INPUT SERVICES IN 2016

As seen under ICT and Logistics, demand for new products and services is connected to the ability of people and businesses to access these products and services in a timely and cost effective manner. In Rural Input Services in particular, demand and supply can turn into a 'chicken and egg' scenario where the latent demand of the rural markets is not realised by larger businesses, restraining them from investing in making the product accessible. In PNG, where businesses face the prospect of developing both supply and demand back-to-back in order to enter new markets, appetites for such multi-layered risk can quickly falter.



Women involved

as suppliers, consumers and recipients of additional household income in rural areas.

As a result of this dynamic, MDF spent a great portion of the past year identifying willing players. Experience showed that regional partners seem to present the best entry point for these new markets, and are most interested in taking up these new models because of their higher proximity and better understanding of demand compared to national players. The latter are only interested in working with regional players if their collaboration allows them to reach greater markets in remote regions. This is not happening as they do not realise the strength of regional players.

This poses a problem, given that these markets are dominated by either very small or very large players, with a dearth in the mid-tier. For instance, Brian Bell, a large player in hardware and agricultural product retail, has been in the country for a long period, but most of its products are sold in urban stores that it manages, despite the greatest demand coming from rural areas. This is due to Brian Bell having limited competition and high sales in urban areas, and also to the limited presence of mid-tier retail outlets through which a franchising model could be introduced. Due to the high number of change steps required to make these models work, small businesses face capacity issues and are more commercially risky to work with (resulting in slower, lower yielding partnerships). Larger businesses are more reluctant to take risks to widen their market, given there is still space in easier markets closer to urban centres. Even where mid-tier players exist, most lack working connections with national players, reducing business opportunities for the national and smaller players.

MDF has learnt lessons from early partnership work. MDF's partnership with **Koibol Trade Works**, a small player that has a pre-existing relationship with a national player (Brian Bell), aims to provide information to farmers on seed practices. The partnership proved problematic because of inconsistency in the supply of seeds, and there was no commercial incentive for Brian Bell to meet this demand. Discussions with other seed distributors also stalled due to their lack of interest in investing. Donor grants and business financing for agricultural input supplies and fresh produce sectors has distorted markets by raising the expectations of existing businesses and dampening initiatives to expand these markets.

Important learning from the partnership with Koibol Trade Works came through the engagement of a female business manager for extension services and the promotion of seed and input sales. As fresh produce growers are mainly women, and these women are also often the key decision makers for inputs purchases, the engagement of a female business manager meant better communication between



the business and the producers. However, the business was reluctant to hire a business manager from a different clan, regardless of gender. This highlighted a factor that regularly affects business operations in PNG.

In addition to a partnership with an input supplier, MDF also recognises that constraints around improving the supply of inputs (and information) to farmers, can be addressed through more organised backward linkages between agricultural produce buyers and farmers. MDF tested different models of service provision and signed a partnership with NKW Fresh to test a model for the provision of inputs and information. NKW Fresh is a wholesale supplier of fresh produce to retail markets, mining operations and other buyers in PNG. The business faces challenges with the consistency of produce supply and plans to step into the organised provision of inputs and information to address these. The business partnered with the Agriculture Technical Institute in Lae to engage graduates in extension work and improve the consistency and quality of the produce they receive from farmers.

An approach to solving the issue of supply consistency in future, and to convince more partners of the benefits of entering these markets, is to build models around simpler products and services that are faster moving and more affordable. Cost-cutting and waste reducing inputs (such as crates and cheap machines) are examples of areas

of potential. These input options are not only limited to agriculture, but can be relevant for livestock, where there are opportunities to process locally available raw materials which can compete with imports on quality and price. Affordability is key, as farms have their own risk comfort levels, and quickly lose the incentive to try new things if the returns are inconsistent or unclear. An example of a partner that falls into this category is Central Highlands Feed Mills Limited. MDF is working with the company to produce a local and affordable alternative to expensive imported stockfeed. Research conducted by ACIAR and National Agriculture Research Institute has shown that it is possible to use cassava and sweet potato silage for feeding animals and that this type of feed can generate encouraging results in terms of weight and quality of the pigs, and in reducing production costs. The partnership with Central Highlands Feed Mills signifies the value of applying research conducted by ACIAR and other PNG based research organisations into the commercial sphere.

High potential demand in itself will be insufficient to entice large producers if the profit margin is not attractive. The answer may lie in working with partners who are looking for deeper contractual relationships – those willing to act as buyers of end products and sell inputs, as was the case with NKW Fresh. Despite the challenges to date, MDF will continue to look for partnerships with bigger players.

 Based on its current partnerships alone, MDF's work in rural input service will result in over **USD 1.98 million** in additional income benefiting **3,610 men and women**, including **5 FTE jobs**.



// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Koibol Trade Works	MDF supports Koibol Trade Works to: a) build its management capacity in the promotion of an inputs supply business, b) agricultural inputs, and c) dissemination of good agricultural practice information to target farmers in three districts of Jiwaka Province. The business hired a business manager to coordinate and manage all demonstrations and related activities to expand the inputs business. The business manager has yet to begin her work due to supply constraints for seeds and cash flow problems of the partner.	Active	Not yet applicable.
NKW Fresh	MDF supports NKW Fresh to build its extension capacity by way of field extension officers to train farmers on better crop management techniques using crop management software to strengthen the backward supply of vegetables to enable NKW Fresh to do forward marketing. NKW Fresh successfully recruited five field extension officers, who started work in February 2017.	Active	Not yet applicable.
Central Highlands Feed Mills Limited	MDF supports Central Highlands Feed Mills Limited in building a strong market for new animal feed and strengthening a business case that could help them access commercial funding for business expansion. The business has produced enough feed to roll out its planned demonstration activities. The business launched its feed trial demonstration with 16 farmers and started distributing feed and piglets to farmers. It produced demonstration signboards to install at unit sites for general awareness about the demonstration and its benefits to neighbouring households.	Active	Not yet applicable.

LOCAL VALUE ADDITION



We want to see businesses producing local products and services that can compete against imports and offer new export opportunities leading to a broader and more inclusive economic base



More businesses add value to locally available raw material and substitute imports

Working with partners to increase capacity and backward linkages enabling them to use more local raw material for production and exploit niche opportunities of import substitution.

5 business innovations

including working with the largest honey processor in the country on strengthening backward linkages with suppliers.

2 partnerships

with a honey processor and a clothing manufacturer.

// WHY WE WORK HERE



PROGRESS IN

LOCAL VALUE ADDITION IN 2016

The constraints faced by businesses in PNG who are interested in adding value to local products range from proximity to market issues to high overhead costs for utilities and security. With major Indonesian manufacturing hubs being so close to PNG, it can be a struggle to maintain the competitiveness of local industries. Other factors affecting the competitiveness of manufacturing businesses include the high cost of labour, shortages of required skills, lack of support industries (such as packaging or semi-processed input suppliers) and high costs and challenges associated with transportation. Due to the multifarious challenges faced by businesses, there are very few mid-level players, with the market dominated by big business which can invest in vertical integration while achieving large production volumes (to cater to most of the demand in country), and very small informal businesses which cater to small niche markets with very small production volumes (thus bypassing high labour costs, registration costs, or even security costs).



70%

of the imports in the country being manufactured products



240,000

people employed in the formal manufacturing sector



60%

of the workforce employed in the formal manufacturing sector

MDF assessed the market and decided to focus on partnerships that naturally have a competitive edge e.g. those located in areas with an abundance of a raw material, where local taste can be better catered to and better understood when produced locally, or where there is an interest in promoting local brands, bulk items (such as drinks) and products with a short turnaround requiring a higher degree of customisation, and where connectivity issues can be managed or overcome. Companies can possibly gain an initial client base and their first footing in the market by working initially with government and corporate clients that favour locally made goods and services.

Manufacturing businesses tend to be based at the provincial level close to their supply chains, however the benefit of being so close to the supply is often counteracted in that they are then distanced geographically from markets. On the flipside, urban-based manufacturers face significant challenges in sourcing due to access and connectivity issues as they are too far away from the supply base. Regional businesses come with the advantage of having stronger community-based ties compared with national players. Yet, with limited purchasing power at the cash-scarce community level, regional businesses must still look to urban centres for their end markets. This poses a dilemma i.e. choose to be close to supply, or choose to be close to buyers and end markets, but proximity to both is a rare and unlikely option in PNG. Given connectivity issues, products and services may quickly lose the benefit of added value addition investments made by businesses. SP Brewery provides an example of how decentralised production can reduce costs of transport. They invested in production plants, but the cost benefit is positive in the longer term when compared to transport and logistics costs in the medium to long term.

Due to these challenges businesses in PNG tend to diversify in order to minimise risk. This presents MDF with both opportunities and risks in terms of engaging with the private sector. On the one hand, diversification could be a financially stabilising factor for a company, but on the other, it could be hard to get a business to focus on growing one core area when there are so many others to attend to. MDF's partner **New Guinea Fruits** exemplifies the diversification of businesses in PNG well – it works with honey, wine and jam production, and also has a timber business.

In urban areas, MDF's partnership with **After Dark Fashions** is intended to contribute to creating much-needed formal jobs for women. After Dark Fashions is facing ongoing issues associated with the need to import production materials, low skillsets in the market and low competitiveness against outsourcing to Fiji meaning that, despite wanting to increase local production, the development of a feasible business model is proving to be challenging. Moving into 2017, MDF is aiming to work with After Dark Fashions to hire a supervisor to work with staff for three to six months to build the company's skills base. Encouragingly, the company will be supplying to government agencies and corporates that prefer locally made products, giving them a competitive edge, and also producing Toana, a local cultural style. The market for locally produced goods is limited. Although there are still opportunities for businesses such as After Dark Fashions, there are other avenues of demand which are smaller and finite in nature, such as one-time orders for corporate and government uniforms. Although these orders are not sustainable over time, they can still provide a motivation for businesses to invest in the manufacturing sector, and navigate the often difficult early years by working on these orders, while growing in the industry sustainably over time.

MDF partner **New Guinea Fruits** is already able to source its raw honey locally and regional market opportunities are clear. A problem for this business is on the supply side, due to a major mite infestation in the hives. MDF is supporting New Guinea Fruits by getting in an expert to assess the problem and assist with hive management to contain the mite problem.

Within this strategic engagement area, MDF is in the process of testing a range of businesses with a blend of urban employment and rural supply partnerships, to identify which are likely to be the most competitive and yield the most potential. Throughout 2016, discussions were held with businesses that were interested in investing in downstream processing of agricultural produce. In 2017, MDF plans to assess the urban manufacturing markets further in order to develop complementary partnerships in the garments sector and create additional urban employment.



Based on its current partnerships alone, MDF's work in local value addition will result in over **USD 0.3 million** in additional income benefiting **440 men and women**, including **37 FTE jobs**.

// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
After Dark Fashions	MDF PNG is supporting After Dark Fashions, a local clothing and fashionwear supplier, to set up and strengthen its clothing manufacturing business and enhance production by adopting new technology for production. It is upskilling its workforce through engaging a specialist on training and supervision. MDF will also support After Dark Fashions by building linkages between it and local fashion designers.	Active	Not yet applicable.
New Guinea Fruits	MDF is supporting New Guinea Fruits to build the capacity of its field extension officers in modern beekeeping techniques and improve the skills of local carpenters to produce high quality bee hives from local materials. This will build strong backward linkages with bee keepers, attract new beekeepers and promote New Guinea Fruits as a reliable honey buyer. New Guinea Fruits has successfully advertised for and contracted an Australian bee trainer, who has started work in January 2017. He will train the extension officer, and produce a training manual and beekeeping guide book. Materials have been developed to promote beekeeping as an attractive income generating source.	Active	Not yet applicable.

TOURISM AND HOSPITALITY



We want to see more tourists visit Papua New Guinea in an inclusive manner whereby local products and service providers can benefit and put more money into the local economy



More tourists visit and more service providers have the capacity to cater to the increased number of tourists

Working with partners towards a more inclusive approach to tourism by increasing the visibility of small service providers in the industry

1 business innovation

business innovation on supporting the first online village hut and tour operator booking business

1 partnership

with an accommodation and tourism services booking website

// WHY WE WORK HERE



50,000

leisure visitors with
total visitors to be up to
350,000 by 2017



**More than
200%**

increase in cruise ship
visits in 2014-2016



PROGRESS IN

TOURISM AND HOSPITALITY IN 2016

PNG's overarching logistical constraints and security image create marketing issues for some challenging tourism destinations, however there were sparks of opportunities noted across the country in which tourism may potentially thrive. These opportunities lie in promoting specific activities that PNG is already well known for, such as trekking, birdwatching, diving and surfing. MDF has also identified the potential to better promote specific destinations within PNG, such as Alotau and Rabaul (provincial capitals) that are already seeing an increase in the number of cruise ships that call on these ports.

MDF's experience in Fiji and Timor-Leste has shown that, in time, developing a portfolio of SME-based partnerships, and working with a variety of players on the ground, enables MDF to get a clear picture of the constraints and opportunities faced by these providers, and better advise



Promoting regional inclusivity

by engaging in regions
with limited alternative
income earning
opportunities.

how industry-wide issues can be addressed – from the development of tourism circuits, to tackling overarching destination marketing constraints, through to how to better organise industry feedback to national tourism associations.

Some areas of PNG present better trial grounds for such models than others; areas such as Alotau and East New Britain, where there is an existing tourism base and comparatively few safety issues, have been identified as better places to foster new models than areas with no precedent of tourism work and thus higher risks for small investors. Trialling a model in a known area lowers risk and builds an opportunity to replicate it in other suitable or emerging tourism sites.

One potential pocket on which to build is the cruise ship market, which is reporting growth in regular visits to key destinations (an estimated 28 ships were due to visit PNG in 2017-2018). Cruise ship tourism is considered to be advantageous for a number of reasons. Firstly, the ships come with most of the infrastructure that tourists require; and secondly, ship numbers and passengers can be predicted with a fair degree of accuracy in advance of arrivals, thus setting out the potential market for local suppliers. One area that can be nurtured in this context is the local tour operators' service offerings for cruise ship passengers. Staff capabilities and the quality and availability of local products and services can be improved. These small enterprises will need appropriate market-readiness (e.g. their products are certified to ensure that passengers can pass through customs when returning to countries such as Australia). MDF's meetings with stakeholders in Alotau, which is the most frequented township in PNG by cruise ships, highlighted a lack of information, and currency exchange constraints for tourists to purchase local products. In addition, there is a need for handicraft sellers to understand the markets better so they can develop products suited to different markets e.g. walking sticks for cruise ships carrying older tourists.

Beyond the cruise ship market, PNG has been positioning itself in recent years as a Pacific business hub, seeking to bring in business and specialist visitors, such as hosting the Pacific Games in 2015, the FIFA under-20 Women's Football World Cup in 2016, and the Asia Pacific Economic Cooperation Summit (APEC) in 2018. While these large, one-off events have brought in large numbers of visitors, the surge nature of them meant that local tourism providers were not prepared and did not have the capacity to satisfy this sudden peak demand. More could be done to take advantage of these opportunities e.g. by organising sufficient supplies of locally made handicrafts and offering tour packages to encourage visitors to travel to different parts of the country on the margins of these events. This could provide a major boost to tourism.

While logistical issues remain ever-present (affecting everything from flight costs to the difficulty of getting suitably qualified staff and services to remote hotel locations) and discourage investment, PNG does have growth pockets around the adventure tourism market, such as bird watchers, trekkers, and divers, where people are willing to travel further for services. Here, however, the lack of direct, readily available information on where to go forces tourists to be reliant on travel agents, which can limit their ability to plan and tailor their own itineraries. This means that small tourist operators cannot access potential customers, and vice versa. Products are available in this market, and progress will come through ensuring these products are more widely known. Investment will only increase when businesses feel less overwhelmed by the number of practical constraints around these spheres, compounded by a difficult enabling environment.

The partnership portfolio in this strategic engagement area is still in an early stage of development and MDF is continuing to learn about the nature of the players through its experiences. **Village Huts**, MDF's first partnership in this engagement area set up its huts and went through the tour operators' registration process. The business has registered huts in three of nine intended regions.



// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Village Huts	MDF supported Village Huts to strengthen its linkages with service providers catering to adventure tourists in PNG. This will enable Village Huts to offer a larger range of destinations and products to its clients. With MDF's support the business has successfully hired a coordinator to organise and execute a registration plan and it has registered 24 new guest houses in four different provinces. The partnership faces challenges with the functioning of the booking website which contributes to delays in registration.	Active	Not yet applicable.

WOMEN'S ECONOMIC EMPOWERMENT

IN PAPUA NEW GUINEA



An invaluable year of probing, testing, and focused research brought about a steep learning curve in WEE work for MDF in PNG. The team delved into women's economic roles and dynamics in the Household Level Analysis of Poverty and Gender Dynamics, and rolled out

the first WEE-related activities. It witnessed initial signs of impact and grappled with the issue of how to inform the private sector about WEE and how to incentivise it to build WEE activities into partnerships in this cultural context.

Research from the Household Analysis of Poverty and Gender Dynamics highlighted the deep and embedded engagement of women across all sectors that MDF is engaged in, and how they, perhaps more than men, are suffering from limited and disconnected markets; for instance, high levels of mobility constraints affect women more than men, particularly given additional safety constraints. Conversely, with much potential to bring in and foster new ideas around connectivity, locally-based manufacturing, and rural input services, these 'new' spaces are unoccupied or even undiscovered, and with careful adjustments much can be done to ensure women can move into these gaps.

Positively, the study found tourism jobs in vibrant tourism spots to be a clear pathway for women to emerge from poverty. These stable income sources enable women to provide for their families, set aside savings for their future, and unlock the ability to financially plan and forecast. Female participants in the study were found to be the only income earners in their households, a situation that had resulted in shifts in these women's status within households to more central roles with greater decision making and control of household finances.

The sector is proving to be attractive to women because of the relative ease of obtaining employment upon completion of tourism-related studies.

Farming was found to be a whole-of-household activity and, although 'men's and women's crops' do exist, in reality there is a lot of crossover in the farming of most crops, and women are active throughout all farming processes, from input purchases, to cultivation and eventual points of sale. In addition, the distinctions between men's and women's

crops are also driven by which member of the farming household takes produce to market. In reality, factors other than the primary producer of the crop, such as travel safety concerns and transportation costs, ultimately determine who takes produce to market.

Within the emerging portfolio, MDF's understanding of the dynamics of production at the household level and the factors which determine these, is beginning to unlock the first opportunities for women to become more engaged in economic activities. WEE however, is complex – and often unlocking the first door does not mean the second and third doors will easily follow – in other words, setting out the availability of jobs and additional tourists may not necessarily result in an immediate uptake of these opportunities e.g. if women cannot get to these jobs easily due to restrictions on time or mobility, or cannot access markets and traders that would allow them to sell goods to tourists due to weak marketing links. These are context-specific factors that will emerge more with increased engagement with these communities, particularly around solid baselines that build in MDF's understanding of how to assess WEE at the household level. From there it can identify practical solutions to overcome these factors, and find solutions and partners with aligned incentives to unlock these additional doors.

MDF's partnership with **NKW** provides one such example, where the business' system of payments through bank accounts has limited women's ability to supply fresh produce to the business as few women (relative to men) have bank accounts. MDF will support the business to expand its network of women fresh produce suppliers through the delivery of financial literacy training and find ways to make it easier for women to open bank accounts



// CARVING EASIER ROUTES TO INCOME FOR WOMEN IN ICT AND LOGISTICS

It is well-known that mobility limitations across PNG's difficult terrain, compounded by a lack of good infrastructure, are critical business constraints in PNG.

The dual family and economic roles women balance limit the time and distance women can be away from home, as do safety risks for women travelling. These limitations have impacted on their trade interactions i.e. women were not being paid directly for their contribution.

One limitation is around women's access to payments for produce. The introduction of formal banking has made it easier for large buyers to pay farmers of commodities such as cocoa and coffee, where previously payments were in cash. This new trend, however, has generally been limited to men's banking. While direct payment into male-owned bank accounts, as opposed to cash in hand, slows the rate of spending of the money at home and reduces the likelihood of the male spending on activities such as alcohol and betel nut consumption, this new practice comes with the risk of reducing financial control for women. This is because women traditionally would have received at least a portion of the money in hand from their husbands over which they had control. They could spend or save as they saw fit. Bank accounts in their husband's names means women cannot see how much money the household has; this limits women's ability to make decisions and shifts the financial power balance in the household to the man. To address this, MDF is working with MiBank to explore the linking of separate mobile phone numbers of male and female household heads to one account so that women will be privy to household incomes and thus retain some control over household finances. In addition, MDF is working on linking the DFAT-funded Microfinance Expansion Project, with **NKW Fresh** to introduce better payment systems for fresh produce producers, so that more women can benefit from

increased sales of high value produce to NKW Fresh. Other activities looked at reducing the mobility constraints for the whole household, where such constraints affected both men and women of the house and thus the overall household income source. For example, through work with **Luxembourg Investments** on improving the storage of fish and its ability to supply the lucrative Port Moresby-based markets, the entire fishing household benefited from selling fish at higher prices and connecting to better markets. Through MDF's field work, the programme gained a clearer picture confirming that fishing is a whole-household activity, with women actively engaged in catching fish and all processes through to drying fish. Through this partnership, MDF is learning more about community engagement and gaining insight into the roles women play in traditional village contexts.

Not surprisingly, women are found time and again to be an integral part of agriculture markets in PNG – including at the end point of cash transactions – across many crops, and are heavily active in fresh produce. In this regard, MDF's potential partnership with **Airborne Logistics** a helicopter service which makes empty return journeys after supplying household items to remote areas, aims to link fresh produce producers, many of whom are women, to markets in Port Moresby. This will provide women, in hard to reach communities along the Kokoda region, with opportunities to access fresh produce markets for the first time. Through this innovation women will also experience tangible benefits from reduced security risks and high transport costs in getting produce to market, which these innovation introduces.

MDF will continue to build its knowledge of limitations and opportunities for women in and around logistics and ICT markets and seek out further opportunities to apply practical solutions to overcome constraints.



// STRENGTHENING WOMEN'S ROLES IN RURAL INPUT SERVICES

MDF learnt through the Household Analysis of Poverty and Gender Dynamics Study and its emerging partnerships that women are actively engaged as consumers in rural input markets. For example, they are highly active in seed purchases, and often at the forefront of fresh produce markets, both in cultivation and sales. With partner **Koibol Trade Works** a more reliable source was put in place from which women can purchase inputs. This was aimed at reducing travel costs and security risks involved in travelling long distances to markets. The business also sought to supply seeds and cultivation information to the women. The company's female business manager was hired for her strong industry connections and because, as noted, the fresh produce markets mainly involve women. This is not an exception; MDF found there was a strong business case for hiring women managers for input businesses and will test this approach with other suitable

partners and some of the larger regional companies that deal in inputs. As this was demonstration-based, the low literacy level issues of women farmers were overcome. With large buyer **NKW Fresh** suppliers are paid into bank accounts so the literacy constraints which limited women's participation as suppliers applied. MDF is working with NKW Fresh to overcome these problems via improved financial literacy training delivered by partners in the ICT and logistics space and simplifying account opening requirements.

MDF will explore other mechanisms for strengthening women's roles in production, alongside family-based income strengthening activities, and seek to further understand cash flows around farm payments, financial risk planning in households, savings practices and saving access mechanisms.

// FOSTERING WOMEN'S INVOLVEMENT IN LOCAL VALUE ADDITION

With a dearth of mid-tier players in localised manufacturing, growing this sector means helping to populate it with new and evolving players. There is great potential for this to include women as entrepreneurs and workers and as part of the supply chain to these emerging industries. One of the key factors in making this competitive is increasing the skill of workers. MDF will work with **After Dark Fashions** to build the skill levels of local tailors and other skilled roles in garment and

textile production, the majority of whom are female. Early assessments of the sector confirms women's interest in upskilling themselves, either to rise further in the industry or to set up shops on their own. This partnership will provide important learning opportunities for MDF in how women workers engage in local businesses in PNG, what factors draw them in and what fosters an enabling work environment for women.

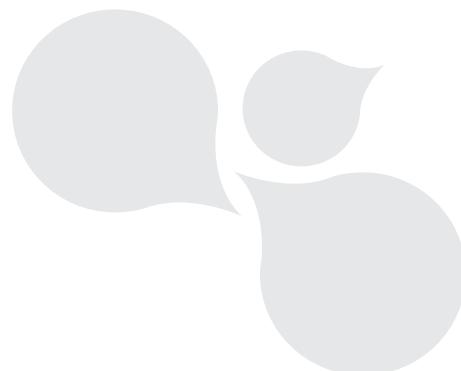
// OPENING UP THE FIRST ACCESS GATEWAY TO OPPORTUNITIES FOR WOMEN IN TOURISM AND HOSPITALITY

Developing tourism markets that are inclusive of the local community can have a significant impact on poor men and women who have new and expanded opportunities to work in the sector directly e.g. as hotel staff and activity providers, and indirectly e.g. as food suppliers, taxi drivers and service providers. These opportunities to work and supply to the industry will unlock the first critical gate for poor women and men, that of access to opportunity.

Tourism in PNG is considered as a good sector for jobs and other income earning opportunities for women and MDF will expand its work with destinations and deepen its understanding in this engagement area.



Based on its current portfolio of partnerships alone, MDF in PNG aims to benefit more **2,270 women** producers, farmers, entrepreneurs, labourers, workers, consumers and/or family members.



MARKET INTELLIGENCE

IN PAPUA NEW GUINEA



LESSONS FROM WORKING IN MDF IN PAPUA NEW GUINEA IN 2016

FOCUS ON FUNCTIONS FIRST, THEN PRODUCTS

MDF noted that, in the PNG context, it will need to focus on fundamental functions, such as getting distribution pathways in place, before it works on product development.

This is a logical route, considering that entire consumer bases and many products and service providers are experiencing the same functional constraints.

ANTICIPATE AND PLAN FOR LONG CHANGE PATHWAYS

Problems faced by businesses in PNG are deep-seated and multi-faceted. For example, a tourism provider might simultaneously face fundamental issues in marketing, staffing and building maintenance. Phasing of partnerships will be crucial in circumstances where all factors appear to be equally critical priorities. This can come with the risk that business case ideas become more complex and difficult for small-scale partners with low capacity to follow. MDF will need to carefully manage how this affects execution timelines and continually monitor the business's appetite to follow through.

NIP RECURRENT CAPACITY ISSUES IN THE BUD

With few mid-tier players in the market and an appetite from large players to innovate or grow, MDF in PNG may, in many cases, need to work with smaller players to get initial ideas off the ground. Such players often want such partnerships, but they may come with capacity issues and higher levels of risk. By building a portfolio of work with small-scale providers, it may be easier to anticipate likely problems as these are often generic e.g. the timelines required for hiring human resources.

Reflecting on lessons learned from an operational perspective will be as important as reflecting on the business innovations themselves.

BE CLEAR ON HOW YOU INTEND TO CONVINCE BY EXAMPLE

In a less connected country, word of success doesn't always travel easily or widely. Different activities need to be undertaken to promote crowding-in of other similar players, particularly across different regional lines. Different tactics also need to be considered to convince larger players of the success of new and innovative business models. These pathways are not always clear from the outset, but nevertheless there should be a rough plan in place as to how this may play out over time.

UNDERSTAND AND BUILD ON VALUE-ADDITION, AND BUSINESSES WILL COME TO YOU

MDF is working closely alongside communities as it builds its relationships across many supply chains. This provides it with an unparalleled view of how the businesses and communities interact; what works, what doesn't, where the opportunities lie, and where potential pitfalls are found. As a result, MDF is becoming known within the market as a point of contact for how to approach and set up engagement strategies with businesses. Businesses are getting in touch with MDF of their own accord to seek out advice. Developing such a reputation is an important step for MDF to further open its partnership and innovation opportunity pool.

KNOW YOUR MARKET, KNOW WHERE IT IS HEADING

With agriculture in PNG becoming more commercialised, and with a growing middle class, a once cash-scarce economy is evolving rapidly. This demand for cash will provide opportunities for MDF to work with businesses to gradually create areas of business activity.



ACKNOWLEDGEMENTS

MDF in PNG would like to thank the following organisations for their support and collaboration in the past year: Pacific Women for connecting MDF with relevant programmes and research initiatives which supported MDF's understanding of gender dynamics in the country; Tourism Promotion Authority for providing information on initiatives in the tourism sector and connecting MDF to potential businesses to work with; ACIAR for sharing research done in fresh produce and stock feed for which MDF assessed to have commercial models; National Agricultural Research Institute for providing technical input with MDF's partner on stock feed preparation; Southern Cross University for supporting MDF's partnership

with New Guinea Fruits on technical inputs for hive management; Oxfam NZ for complementing MDF's partnership with New Guinea Fruits by supporting the business with extension services; Business Investment Facility for sharing market intelligence and developing connections for MDF with potential businesses; MFAT for collaborating with MDF on a strategy for the fresh produce industry; Pacific Horticultural and Agricultural Market Access programme for involving MDF in key stakeholder discussions to develop its strategy in export value chains and develop business connections for MDF; National Research Institute for working with MDF to conduct 'the pathways out of poverty' study in the country.





**SRI
LANKA**



Quick Facts

 Population
20.9 million (2015)
81% in rural areas

 Language
English, Sinhala, Tamil

 Main Cities
Colombo (capital), Jaffna (North), Kandy (Central), Trincomalee (East)

 Ease of Doing Business Index
110 out of 190 (2017)

SRI LANKA



 Terrain
Tropical monsoonal climate, low flat terrain with mountainous interior

 Gained Independence
1948 Former British colony until 1948, then became the autonomous Dominion of Ceylon until 1972
Civil war: 1983-2009
Current President: Maithripala Sirisena.
Current Prime Minister: Ranil Wickremesinghe.

 Currency
Sri Lankan Rupee

 Poverty Headcount
6.7%
(% of population under the national poverty line)*

 GDP
\$82 billion
GDP Growth
4.8%

 Major Industries
Tourism, Agriculture, ICT, Apparel

MDF Sectors

 Diversification of Sri Lanka's Tourism

 Improving Sri Lankan Produce and Products

 Stimulating Entrepreneurship in Former Conflict-Affected Areas

 Innovation in Digital Services

MDF's focus in Sri Lanka

- Supporting the diversification of Sri Lanka's tourism destinations, products and services: Giving tourists more options in terms of how they travel, what they do, where they stay and eat, and what they buy in terms of distinctly Sri Lankan products.
- Improving Sri Lankan produce and products for export and tourism markets: Focusing on a limited number of products and value chains that have the potential to be internationally competitive.
- Stimulating entrepreneurship in former conflict-affected areas: Supporting business activity and local entrepreneurs in order to improve the economic fabric of the North and East.
- Innovation in digital services: Expanding the application of services to increase export competitiveness, help the tourism sector communicate with its international clients and bring services to rural communities.

* World Bank online databank – poverty headcount ratio at National Poverty Lines, 2012 data

// WHAT WE'VE ACHIEVED

(as of December 2016)



MDF INTERMEDIARY HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016

SRI LANKA	
	Intermediary Headline Results Achieved as of 31 December 2016
Partnerships (Active and Completed)	9
Innovations	18
MDF Investment (USD)	74,000
Private Sector Investment (USD)	259,000
Leverage Ratio of MDF Investment to Private Sector Investment (USD)	1:3.50
Value of Additional Market Transactions (USD)*	188,000

* A total of two out of nine signed partnerships are currently contributing to actual additional market transactions, the results of which have been verified through monitoring visits. The number of partnerships contributing, and subsequently the actuals reported, will increase in coming years, pending verification.

// WHAT OUR CURRENT PARTNERSHIPS ARE PROJECTED TO YIELD

MDF HEADLINE RESULTS ACHIEVED AS OF 31 DECEMBER 2016 AND PROJECTED AS OF 31 DECEMBER 2016

	SRI LANKA					
	Headline Results Achieved as of 31 December 2016*			Headline Results Projected as of 31 December 2016**		
	Male	Female	Total	Male	Female	Total
Effective Outreach including Jobs	2,220	2,280	4,500	13,170	13,050	26,220
Additional Jobs (FTE)	5	65	70	414	396	810
Additional Income (USD)	120,000	74,000	194,000	14,399,000	6,014,000	20,413,000

* Actuals are currently based on two out of nine signed partnerships, the results of which have been verified through monitoring visits and assessments. The number of partnerships contributing, and subsequently the actuals reported will increase in coming years, pending verification.

** Projections are currently generated by five of nine signed partnerships. Projections are developed once a partnership is signed, build on assumptions informed by partner information, field observations, primary research and/or secondary literature, resulting in a time lag between partnership signing and projections development. As projections for partnerships are developed they will be incorporated into subsequent aggregation reporting processes.

// WHAT WE ARE EXPECTED TO ACHIEVE BY 2021 (with additional partners on board)

MDF INTERMEDIARY HEADLINE AND HEADLINE RESULTS - COUNTRY ESTIMATES

	SRI LANKA	
	Sri Lanka Results Estimates	
Effective Outreach Including Jobs		25,090
Additional Jobs (FTE)		2,040
Additional Income (Effective Outreach Including Jobs (USD))		12,021,000
Value of Additional Market Transactions (USD)		5,549,000
Private Sector Investment (USD)		1,156,000
Implementation Window	2015-2017 (2 years)	



With additional partnerships on board, by 2021 MDF's work will result in over **USD 12.0 million** in additional income benefitting **25,090 men and women**, including **2,040 FTE jobs** benefiting **52,642 household members***

* For definitions on MDF's indicators and overall monitoring and results measurement system, please go to <http://marketdevelopmentfacility.org>

// SRI LANKA RESULTS GRAPHS

How to read the graphs

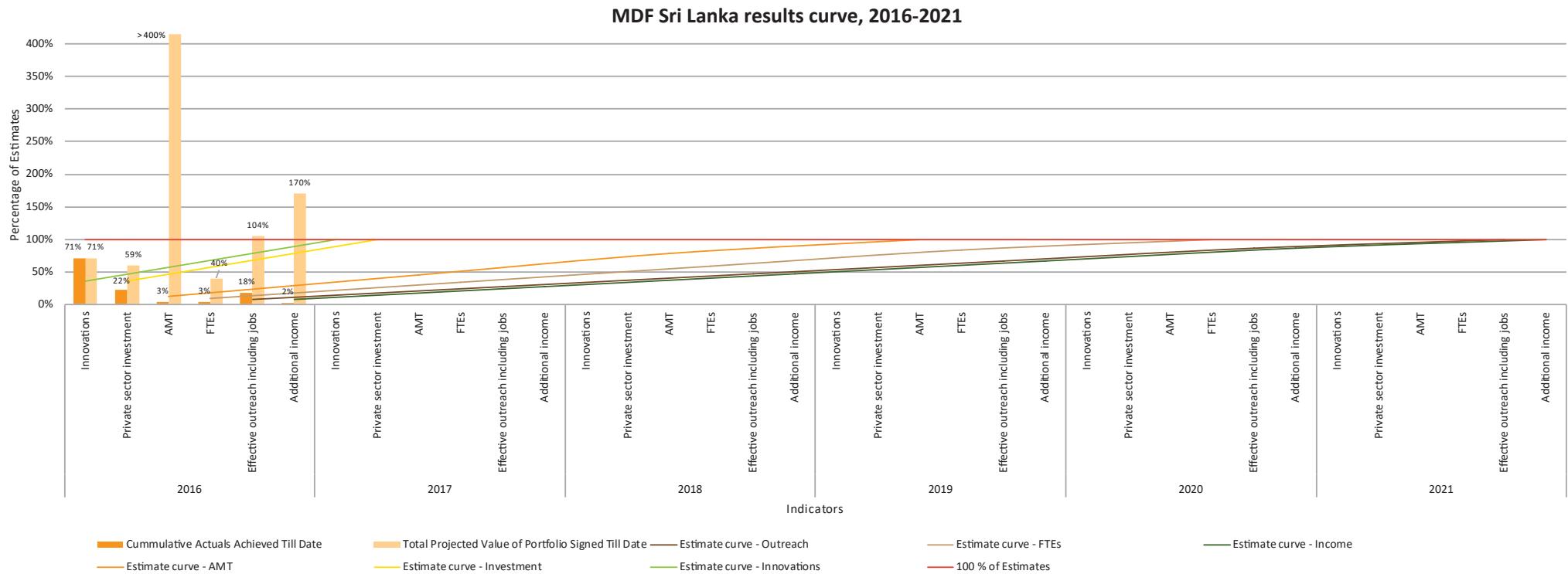
1. The 100 percent line defines the benchmark and the estimates curves give an indicative trajectory for reaching that benchmark.
2. Compare the total projected value for each indicator with its estimates curve and compare where each year's projections sit against the 100 percent line. This is the first indication that the programme is on track. It is important to remember the 100 percent line and estimates curve reflect the total anticipated portfolio, whereas the total projected value is only based on a proportion of that portfolio. Therefore, the total projected value is ideally ahead of the estimates curve, but only needs to cross the 100 percent line when all partnerships are signed and the portfolio is complete.
3. Compare how actuals catch up, in time, with projections and grow closer to the 100% line. Different indicators have different lead times; the lower the indicator sits on the MDF impact logic the steeper the curve and shorter the results lead time. The higher an indicator sits on the MDF impact logic, the more gradual the curve and longer the results lead-time. Strong actuals for lower-level indicators (innovation, investment leveraged, and the value of AMTs) is a second good indication that the program is on track, as it demonstrates that the programme is able to elicit a strong response from the market.
4. Finally, when reading the graphs and tables in this report keep in mind that collecting accurate data and using these for results calculations is hard work fraught with uncertainty. Per partnership, dozens of calculations are made over several years to assess who is reached (farmers, workers, men and women), in which locations, through which different channels (each with their pros and cons) and how change is influenced in sales, practice, yield, understanding, returns on investment, and income among other factors. These calculations are based on multiple information sources which have been derived with the use of multiple research tools. Despite the best of efforts, MDF has sometimes been too optimistic and, at other times, too conservative. Results estimates, projections and actuals will change.

Indicator definitions

Estimates: are 'floating benchmarks' based on programme parameters (time and budget), specific donor wishes and an assessment of the local context and economy. They define what a programme should reasonably be able to achieve based provided there are no major external shocks. The 100% line defines the benchmark; the estimate curves show an indicative trajectory for reaching this benchmark in time.

Projections: forecast the value of each signed Partnership Agreement. Taken together the 'total projected value of the portfolio to date' forms an early indication of whether the programme is on track to achieve what it set out to achieve, by comparing the upward trend in projections toward the 100% line and the estimates curves.

Actuals: are verified achieved results. As different indicators have different lead times i.e. it takes longer for results to come in, some actuals will catch projections quicker than others. The lower indicators on the left should catch up faster and the more strategic ones on the right will take longer.



EXPLANATORY NOTES ON PORTFOLIO CONTRIBUTIONS AS AT DECEMBER 2016 :

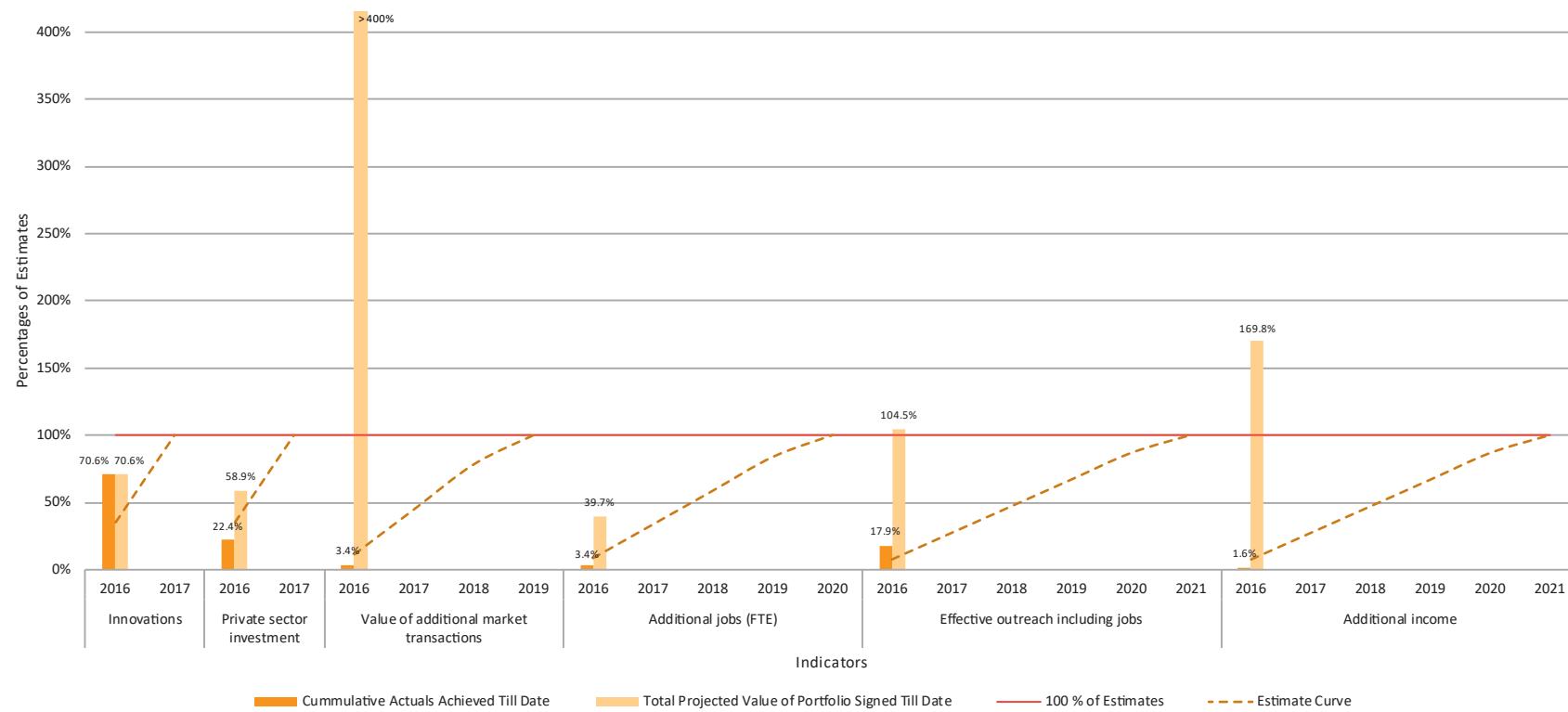
The proportion of the portfolio contributing to selected indicators as at December 2016 is provided below as a means to demonstrate that results (actuals and projections) are not being generated by 100% of the portfolio. The number of partnerships contributing to both actuals and projections will increase over time, as partnerships mature (and generate results) and as projections for newer partnerships signed toward the end of the year are completed based on information gathered from the monitoring visits.

Effective outreach including jobs: 22% of the Sri Lanka portfolio was contributing to actuals; 56% of the portfolio was contributing to projections. With much of the portfolio signed toward the end of the year, activities are expected to materialise into actual results next year and beyond as partnerships mature. Projections for recently signed partnerships will be finalised in the coming 12 months.

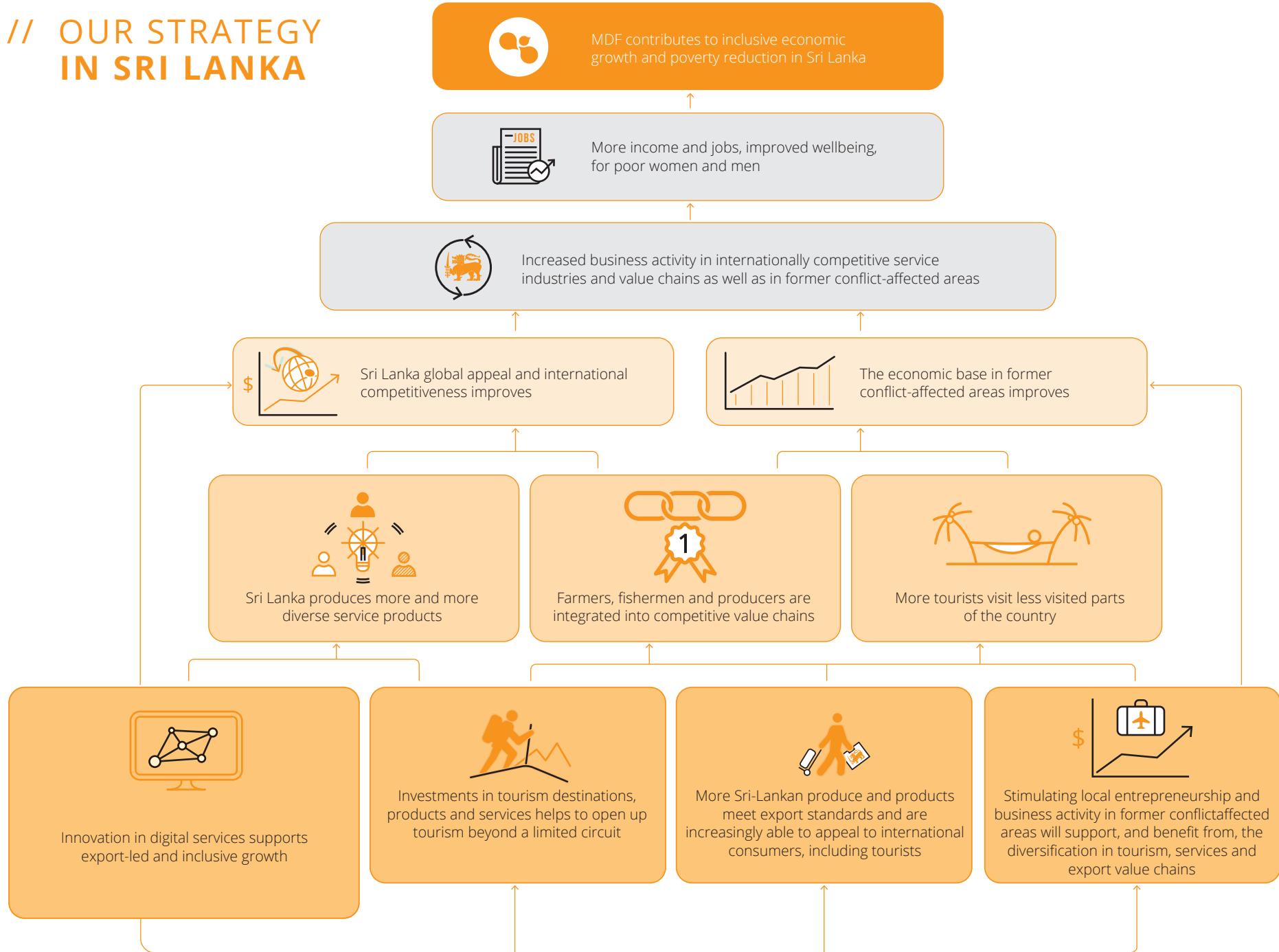
Net additional income: 22% of the Sri Lanka portfolio was contributing to actuals; 56% was contributing to projections. With much of the portfolio signed toward the end of the year, actuals will begin being generated next year and beyond as partnerships mature. Projections for recently signed partnerships will be finalised in the coming 12 months.

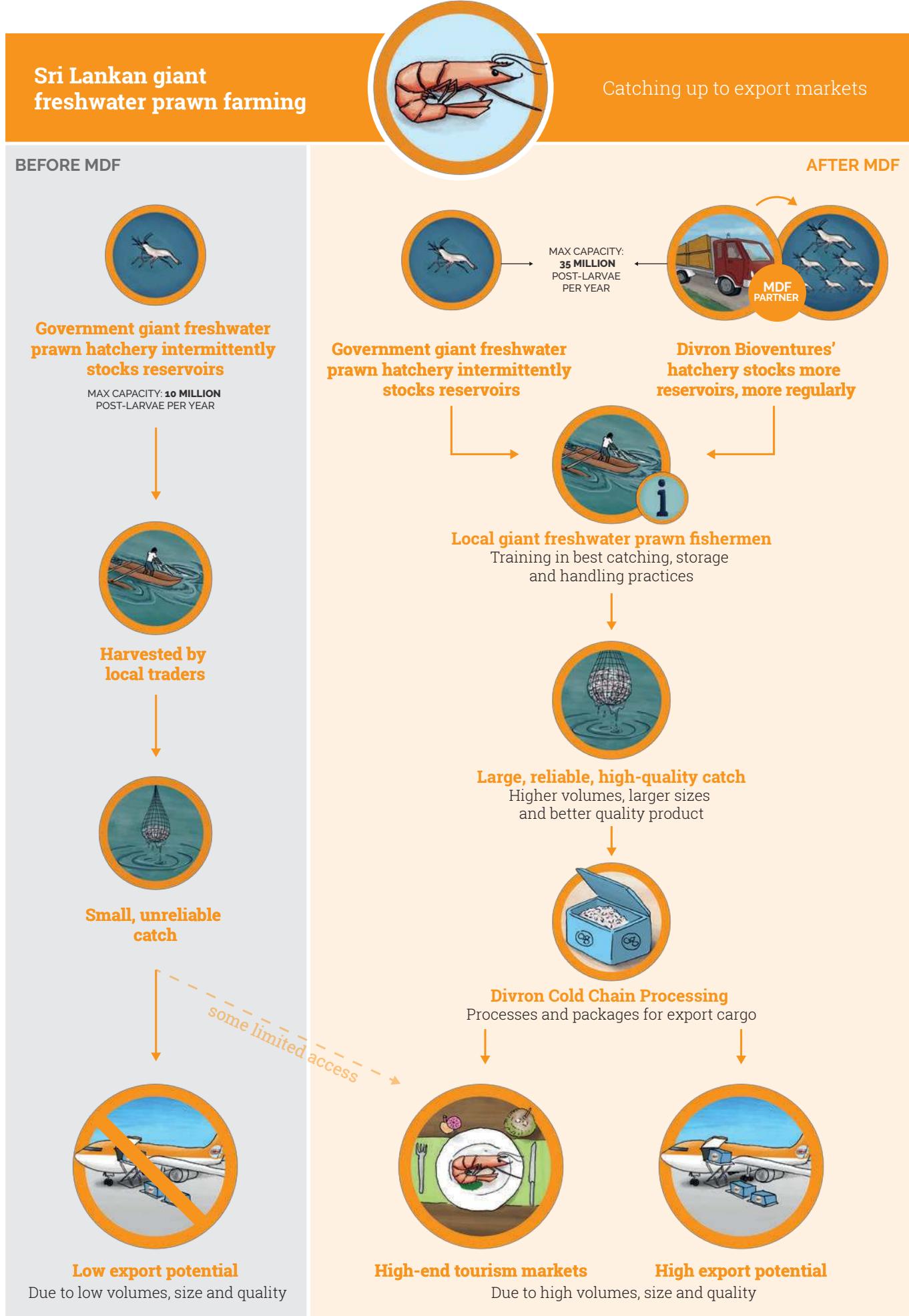
Additional Market Transactions: 22% of the Sri Lanka portfolio was contributing to actuals; 44% was contributing to projections. With much of the portfolio signed toward the end of the year, actuals will begin being generated next year and beyond as partnerships mature. Projections for recently signed partnerships will be finalised in the coming 12 months.

MDF Sri Lanka individual indicator results curves, 2016-2021



// OUR STRATEGY IN SRI LANKA







Prawns for pro-poor growth

THE STORY OF MRS. POONITHAWATHY

Mrs Poonithawathy of Kalmadu, Vavuniya, is a woman who has seen much in life. She and her family of six were farmers in Vavuniya before the conflict in the North displaced them. Now, close to five years after the end of the war, she is a prawn collector for Divron Bioventures, an MDF partner. Although the family lost its home and farmlands as a result of the war, things are looking up for Mrs Poonithawathy, her husband and their three children.

Divron is an exporter of giant freshwater prawns. In 2016, in partnership with MDF, it stocked over 50 reservoirs across Sri Lanka with prawn larvae, mostly in the Northern and North Central Provinces.

Fishers in these areas have seen their harvests of giant fresh water prawns – a more lucrative catch than the cheaper regular fish stocks in the reservoirs – improve and they're able to sell these at premium prices to Divron. Mrs Poonithawathy's hometown of Kalmadu is one of the small fishing villages targeted by this intervention.

Collectors like Mrs. Poonithawathy are an essential to the fishery value chain forming the vital links between fishers and Divron. Her husband is

also a fisherman and she often joins him to help on his trips across the reservoir. Since becoming a collector for Divron, her role in the family has been enhanced to become that of an equal partner in the household's economy.

"I am mostly using the funds to buy jewellery for my (unmarried) daughter and for the other members of the family because that is very important," she said.

The jewellery she bought will be added to her daughter's dowry, and given with her when she marries. The purchase of jewellery, particularly gold, is a common practice among lower-income women who achieve financial and social mobility through employment. She said the funds were also used to support her 11-year-old son's education.

Mrs Poonithawathy is building much needed bathrooms in the family's small home. Most houses in the area do not have lavatories – functioning or otherwise. Mrs Poonithawathy purchased all the materials required for construction and was in the process of overseeing activity at the building site, just outside the house, during MDF's monitoring visit to Kalmadu.

MDF is supporting Divron to set up a supply chain equipped to maintain the quality of prawns from the company's hatchery on the coast to inland reservoirs, from the reservoirs to the processing centres, and onwards to export destinations. Divron is training the fishing communities in appropriate catching, sorting and grading practices to maintain prawn quality. In addition to their primary functions, collectors play an important role in disseminating knowledge on these best practices to fishers.

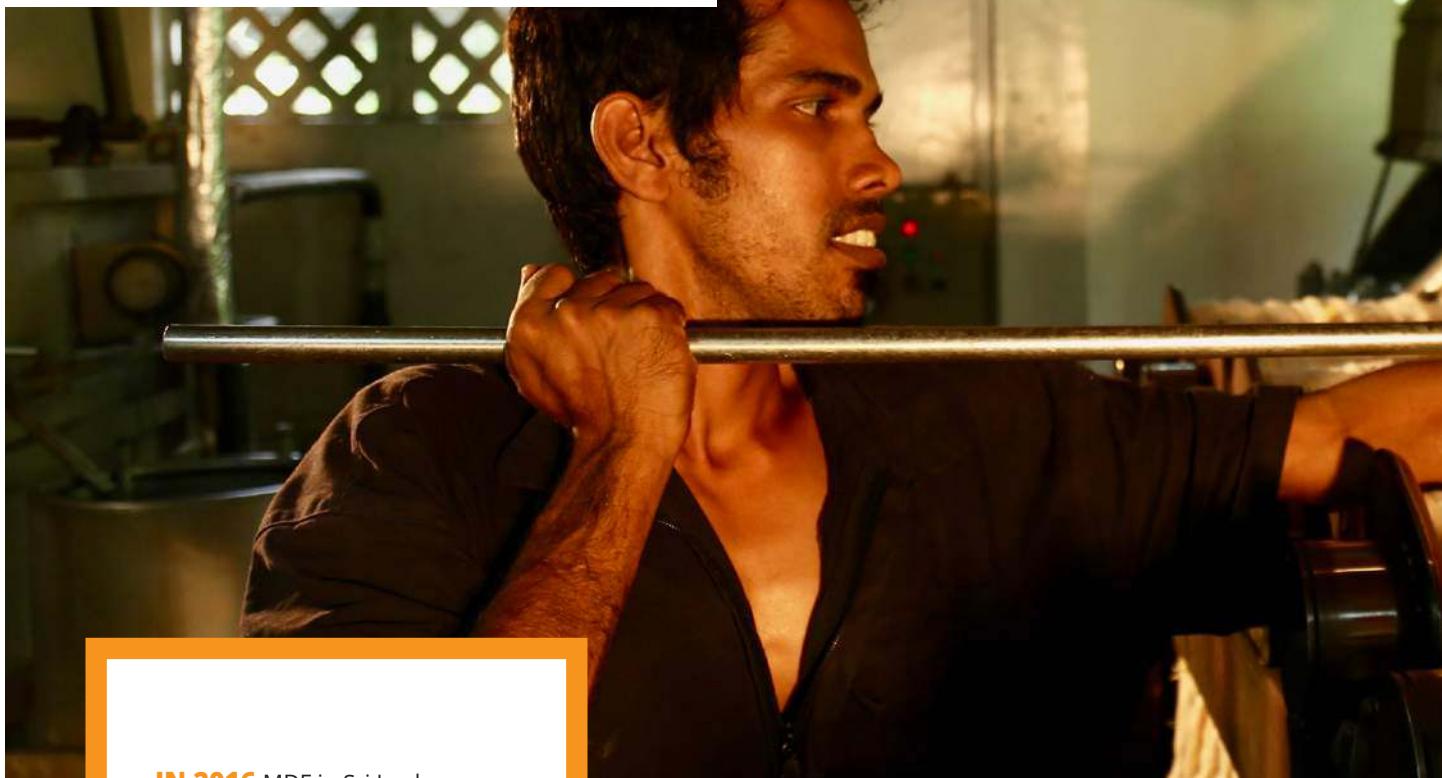
Kalmadu village is growing as a result of the new business opportunities. The people of the village cover their day-to-day living expenses with proceeds from the sale of the fish they catch, while channelling funds from giant freshwater prawn sales into investments in fishing, and in fixed assets such as bicycles, motorbikes and land, as well as education and social obligations. As the partnership between the business and the local fishers develops, so will the prospects of the village and its families. The community's enthusiasm is clear. Things are looking up for Kalmadu.

“

I am mostly using the funds to buy jewellery for my (unmarried) daughter and for the other members of the family because that is very important



MDF SRI LANKA IN 2016



IN 2016 MDF in Sri Lanka focused on laying the groundwork for the programme in the years ahead. The team has grown to 19 members and has built a young portfolio that is beginning to generate learning and understanding that will steer MDF's direction and focus in Sri Lanka. In Sri Lanka, MDF is focusing on Tourism and Related Sectors, recognising the economic and inclusive growth potential in these areas.



The Sri Lanka portfolio of partnerships shows a balanced picture in terms of geographical location of partners, beneficiary profiles, and the variety of focuses of partners – ranging from large established conglomerates to small, emerging start-ups. Partnership activities have touched all nine provinces in Sri Lanka and include pioneering initiatives such as exporting giant freshwater prawns, establishing a commercial tissue culture in Southern Province, and hosting an international blogger conference to support more travel to the Northern and Eastern Provinces which not only helped broaden economic activities across the country, but also linked excluded groups (women, conflict-affected families, poor farmers, workers and communities) to growth markets in tourism and export. This early experience reflected the readiness and willingness of businesses, of all sizes and locations, to work with MDF. The limitations of this



With a firm foundation in place MDF Sri Lanka's young portfolio is already yielding results.

was that weak business capacities, at times, stunted the pace of implementation of selected partnerships, and they often required close support and management.

At the close of 2016, the Sri Lankan portfolio consisted of nine partnerships or roughly 50 percent of the targeted 17 partnerships by the end of MDF's first phase. Through this portfolio, 18 unique innovations were introduced – some of which were truly first-of-their-kind initiatives in Sri Lanka, including Divron's organised cold chain to connect inland seafood to export markets, Edge's attempt to introduce different adventure tourist activities in new locations, and Hammock Studio's ICT-powered HR platform for the tourist industry. For every dollar MDF invested, its partners invested USD 3.50. This indicates ownership on the part of our partners, likely leading to enduring market system changes.

As expected, the value of additional market transactions (USD 188,000) was lower than private sector investment (USD 259,000) as investments will slowly begin to yield dividends. Divron and Coolman were the only partnerships where the businesses started accumulating AMT, while Aruna will do so in the coming 12 months.

Projections for AMT are high – many times the estimates. This reflects the strong market trends driving the partnerships. Propelled by strong international demand for a lucrative product, Divron has rapidly expanded. However, risks posed by low water levels in reservoirs and maintaining relationships with fishing communities and government could affect the ability of the partner to meet the AMT projections. To mitigate these risks, Divron is establishing its own prawn nursery to reduce the

mortality rate of post larvae, and increasingly investing in relationship-building in communities around the reservoirs. Coolman has evolved its business model in response to delays in the original business plan. Risks relating to weather patterns or regulations affecting seafood catches could influence the partner's ability to reach projected AMT, but these risks are hedged by the presence of diverse revenue streams and multiple markets for the products. For Aruna, the drivers are the increased yields through tissue culture saplings, export and tourism market demand, and the ability of Aruna to service a large number of clients.

The same drivers that contributed to the high projected AMT also contributed to high projected incomes (much higher than estimates). Relatively high wages in Sri Lanka, particularly in the tourism industry, also contribute to high income. The household-level poverty and gender study indicated that tourism employment was often a pathway out of poverty for households. In 2016, approximately 4,500 adults benefited from MDF partnerships; these were mainly fishing households supplying giant prawns to Divron and fishers supplying seafood to Coolman. The projected and actual results were based on partner information and brief monitoring visits by MDF which will be further validated from ongoing assessments.

There was a difference in incomes (both actuals and projected) for men and women. This reflects the reality that wages in Sri Lanka for women are lower than those of men. Within the current portfolio, income for women is generated through minimum wage factory employment, while men's income comes from profitable crops (banana), seafood (prawns) and higher paid employment (tourism). However, in Sri Lanka, women tend to be the primary money managers and have a strong decision-making role in household finances hence, even with men earning, the household as a whole is benefiting. MDF's work in WEE aims to unlock more opportunities for women.

For FTE employment, projections lag slightly behind estimates. FTE jobs were projected conservatively for two reasons: the dynamics surrounding farm labour were not well understood nor was the relationship between increased tourism and jobs. However, the portfolio is promising, with Coolman having already generated 70 FTE jobs in former conflict-affected areas, with women taking 65 of these. Hammock Studios is poised to contribute in coming years to increased tourism sector jobs and to up-skilling individuals, thus enabling them to find good tourism sector jobs and develop in these roles.

Beyond partnership work, a Household Analysis of Poverty, Gender and Ethnicity study was completed this year. Findings from the study are being fed into the strategy and informing intervention design to ensure that the key constraints identified through the study are addressed. In relation to WEE, several factors including transportation, flexibility and segregated work spaces were identified as impacting on the participation of women in the workplace in Sri Lanka. In terms of ethnic relations, factors like voice, increased economic activity, and confidence in institutions were seen to be key to promoting increased social cohesion.

All of the four strategic engagement areas were populated with partnerships and the year ended with a healthy partnership pipeline being explored and negotiated. MDF Sri Lanka will continue to work to align the strategies within each engagement area with the vision of the Ministry of Tourism Development, the Sri Lankan government agency with which MDF is aligned. In the coming year, the focus will be on translating the pipelines into partnerships while constructively addressing exclusion frontiers (Poverty, WEE, and Ethnicity).



DIVERSIFYING TOURISM DESTINATIONS, PRODUCTS AND SERVICES



We want to see greater diversification of Sri Lanka's tourism destination products and services



More tourism products and services available,
increased tourism coverage and a more
coordinated environment

Working to broaden the industry base by working with partners to increase the range of tourism related products available, increased coverage (to include less visited areas) and a more coordinated environment; all of which leads to, among other things, a better tourism experience

7 business innovations

including support to the expansion of experiential tourism products (sea kayaking and river safaris) to other regions of the country.

4 active partnerships

with 2 hotel operations, a handloom manufacturer and retailer and an inbound tour operator.

// WHY WE WORK HERE

NO.2
YARN

2.2 million
tourist arrivals in
2016

Rising from 0.4 million arrivals since the end of the conflict in 2009



130,000
people employed in the sector



PROGRESS IN **DIVERSIFYING TOURISM IN 2016**

MDF's work in tourism in Sri Lanka in 2016 looked to diversify the industry base to offer more choice in tourism products, more channels (information and transport), increased coordination and governance for the sector and better services aimed at tourists. Looking forward, this will help push the tourism boundaries into other areas of the country, beyond the major hotspots, and better connect its growth to poor and vulnerable people, the majority of whom reside and operate on the fringes of the sector.



26%

Women engaged throughout the sector in hotels, tourism activity providers and as agri-business suppliers

MDF's partnership with **Cinnamon Hotels and Resorts** to support an international travel bloggers' conference (TBC) aimed to increase exposure to the Eastern and Northern Provinces of Sri Lanka. The event brought an international spotlight to tourism in Sri Lanka and was key in creating substantial online coverage for the Eastern Province. MDF is now monitoring the activity to establish the extent to which the conference influenced others to travel to these regions.

MDF is working with two partners to expand the tourism footprint to less visited regions of the country. With **Serendib Hotels**, MDF is helping to identify locations for new community-based, high-value lodges in different regions of the country. Five locations have been shortlisted, including some in the north, and construction is expected to begin in 2017 in at least two locations. These lodges have a unique way of integrating the local community with their operations, as suppliers to the hotels or as activity providers. In another partnership with **Edge Adventures**, a leading inbound operator aimed at the adventure market, MDF is supporting the launch of new adventure-based tourism products: sea kayaking, river safaris and river canyoning. The activities will be launched in early 2017.

To support the creation of more online tourism content, MDF began working with event management company **Avant Premiere**. The progress of this partnership has been slow and very gradual. One of the key challenges faced was that Avant Premiere's chief executive officer, who was the key driver of this initiative, left the company to pursue other interests. This partnership is likely to be dissolved in early 2017.

To promote new tourism products, MDF began working with **Selyn**, the only Fair Trade-certified company in Sri Lanka producing handloom products. Selyn employs around 140 workers in their factory and a further 600 sub-contracted workers, 95 percent of whom are women. Previously, Selyn's sales were only targeting Europe but, with sales to Europe declining, they have begun to target the growing in-country tourism industry with MDF's support and also the North American market. New product designs and distribution channels are anticipated to usher in new growth for the company.

To address the issue of skilled worker shortages in the hotel and restaurant industry, MDF partnered with a technology provider to link hotel schools with restaurants and hotels. More details on this can be found in the Digital Capability section of this report.

In the coming year, MDF will look to further expand this portfolio with partnerships relating to developing new eco-tourism products that take advantage of the rich wildlife and rainforests in Sri Lanka. It will explore the scope to improve online connectivity in tourist destinations through a potential partnership with a telecommunications company and the Ministry of Tourism. Last, but not the least, Sri Lanka is dotted with a number of small but promising tourism products, such as cultural activities, homestays and camping. In an effort to push the boundaries of the tourism industry, MDF will focus on connecting these areas with more inbound operators while building the capacity of these small institutions.



Based on its current partnerships alone, MDF's work in diversifying tourism will result in over **USD 36,000** in additional income benefiting **192 men and women**.



// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Cinnamon TBC Asia 2016	Cinnamon Hotel Management Limited is a leading player in the Sri Lankan hotel industry. MDF supported it to organise an international travel bloggers' conference held in June 2017 and take selected bloggers to the Northern and Eastern Province. In total, through the blogging of 57 bloggers, the event reached 7.5 million people generating 56 million web impressions.	Activities completed and monitoring ongoing	Not yet applicable
Serendib Hotels	MDF is supporting Serendib to conduct nationwide scoping to identify locations to set up new high value community lodges. Two scoping visits were completed with the third and final to be completed by the first quarter of 2017. Five locations have been tentatively shortlisted.	Active	Not yet applicable
Edge Adventures	MDF supported Edge Adventures to introduce three new adventure tourism products: sea kayaking, river safari and river canyoning. Equipment for sea kayaking has been purchased, while the tools for river canyoning are being installed. The new activities are expected to be launched before June 2017.	Active	Not yet applicable
Selyn	Selyn is the only Fair Trade-certified handloom organisation in Sri Lanka. MDF is helping Selyn to cater better to the tourism segment and other international markets. They attended a New York trade fair, where they received initial orders worth USD 10,000. On the domestic front, they are poised to enter the tourism market in early 2017.	Active	Not yet applicable

MAKING SRI LANKAN PRODUCE AND PRODUCTS INTERNATIONALLY COMPETITIVE



We want to promote Sri Lankan produce and products for export and tourism markets



Better connections to end markets via improved market access, reduced post-harvest losses and better input and information access

MDF is working towards connecting poor farmers to growing end markets that have an international appeal, by working on enhancing and establishing supply chains, improving market access, reducing post-harvest losses, and having better access to inputs and information.

3 business innovations

including the establishment of Sri Lanka's first giant freshwater prawn exporter, targeting the export and tourist markets of Sri Lanka

2 partnerships

with a giant freshwater prawn exporter and a nursery to establish a tissue culture plant

// WHY WE WORK HERE



**Represents
13%**

of the GDP In Sri Lanka



PROGRESS IN

SRI LANKAN PRODUCE AND PRODUCTS FOR EXPORT AND TOURISM IN 2016

MDF's focus in horticulture is specifically on the segments of the engagement area that have an international appeal (export and tourism). This will help connect the rural poor involved in agriculture to growth markets. In 2016 MDF looked at fruits (mangoes, bananas and papaya), vegetables (leafy vegetables, brinjal, okra, cowpeas and drumsticks) and spices (black pepper and cinnamon) and linking these products to export and tourism markets. In aquaculture, the focus is on coastal and inland fisheries (prawns, ornamental fish, guppy, seahorses and clownfish), targeting the export and tourism markets. The portfolio in this sector remains new, and MDF plans to work with exporters, processors and vendors to improve the supply chain, increase production and quality and, in general, support linkages to smallholder farmers and fishers.



2.5 million

people involved in the related sectors



Women engaged

as part of fishing and farming household enterprises.

In 2016, MDF started working successfully with **Divron Bioventures** to help the company set up rural supply chain infrastructure, complete with trucks, cold panels and extension services, which helped hundreds of fish farmers increase their income, while also increasing Sri Lanka's export of giant freshwater prawns. Through Divron's own hatcheries, around 50 water bodies spread across the Northern and Eastern Province have been stocked with giant freshwater prawn larvae; 30 of these reservoirs have reached a stage where the prawns have grown big enough to be harvested. Assessments carried out by MDF have shown that all fish farmers involved in giant freshwater prawns are greatly benefiting in terms of increased income. Households are investing their increased income in their children's education, improving their houses (adding roofs and sanitation facilities), buying nets and fixing boats, with some investing in jewellery (a form of savings). Very positively, there has been an increase in the number of active fish farmers in these water bodies. Encouragingly, taking note of this success, the National Aquatic Development Authority (NAQDA) took an active interest in this initiative and influenced the company to stock more water bodies across the country. The success of the initiative also led to Divron increasing its investment in establishing a prawn nursery to help improve the survivability of post larvae stocked in the various reservoirs.

MDF began working with established nursery **Aruna Nursery** to set up the first commercial tissue culture lab in the Southern Province. Fruits such as bananas grow abundantly in the south, predominantly by smallholder farmers, for sale to export and tourist markets. Owing to low-quality saplings and disease prevalence, however, as much as 40 percent of the activity holding productivity has been lost. The introduction of a new, sturdier banana variety through a tissue culture lab holds much promise in terms of increasing the productivity (and income) of these farmers while also creating more farm employment. The lab is expected to start full production in early 2017, with a trial production underway at the end of this reporting period.

In 2017, MDF plans to explore a partnership with a leading mango exporter to introduce an off-season variety of mango, and a quality retention process during ripening. This partner will target the export market. Discussions have also begun with an organic-certified virgin coconut oil exporter to help it increase quality production and sourcing from local farmers. In aquaculture, ideas are being explored to link seafood exporters with crab farmers in the Northern and Eastern Provinces. For most of these facilities, the majority of the workforce are seen to be women, and supporting expansion will lead to more jobs for women.



Based on its current partnerships alone, MDF's work in Sri Lankan produce and products for export and tourism markets will result in over **USD 18.42 million** in additional income benefiting **21,506 men and women**, including **385 FTE jobs**.



// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Divron Bioventures	MDF is supporting this giant freshwater prawn exporter to set up a cold chain to stock and harvest prawns and help it obtain supply chain expertise and extension services. The cold chain set-up was completed, with one regional centre (in Vavuniya) operational. Based on a supply chain consultant's advice, an efficient system was put in place and extension services to fishers are ongoing. Prawns are being stocked, harvested and exported.	Active	Not yet applicable
Aruna Nursery	MDF is supporting Aruna Nursery in setting up a tissue culture laboratory, the first in that region of the country. All the equipment has been bought and the lab technicians hired. Construction of storage and tunnels are ongoing and expected to finish in the first quarter of 2017. Trial production has started on Cavendish bananas using the tissue culture lab.	Active	Not yet applicable

INNOVATION IN DIGITAL SERVICES FOR EXPORT AND INCLUSIVE GROWTH



We want to see improvements in Sri Lanka's digital capability to facilitate inclusive and export-led services-orientated growth



**Stimulating innovation and investment via
a more vibrant environment**

MDF's work lies in stimulating more innovation and investment in the digital arena of Sri Lanka, by creating a more supportive, vibrant environment for start-ups while nurturing new product development for IT-enabled services for other key sectors of the economy.

5 business innovations

including supporting the creation of the first accelerator programme targeting emerging start-ups, in partnership with Sri Lanka's apex IT association, the Sri Lankan Association for Software and Services Companies (SLASSCOM)

2 partnerships

with the Sri Lanka ICT Association, SLASSCOM and a technology-based solution provider operating in the hotel/restaurants arena

// WHY WE WORK HERE



**USD 850
Million**

annual earnings; tripling
in the last ten years



PROGRESS IN **DIGITAL SERVICES IN 2016**

The IT industry is one of the fastest growing industries in Sri Lanka, almost tripling in revenue in the last ten years with a GDP contribution of USD 850 million. In 2016 it employed around 80,000 people, 34 percent of whom were women. The sector largely comprises of software development, product re-engineering, business process outsourcing and management. The ICT engagement industry therefore holds much promise as Sri Lanka aspires to transform itself into an upper middle income country thriving on a service and innovation-based economy. Owing to its cross-cutting nature, the sector also contributes significantly to other key sectors of the economy including tourism and agriculture. The existence of a stable IT infrastructure (network and international connectivity) coupled with the availability of local expertise, is an ideal environment in which to develop new apps and solutions (otherwise known as IT-enabled services, or ITES) that promote efficiency in other sectors. MDF's focus in this area reflects this duality; one segment focuses on helping the sector to grow to target the export market through better access to skills, mentorships and finance (venture capital); and another segment supports innovation and the promotion of IT-based products and services targeting tourism and agriculture.



80,000
people employed
in the sector



34%

Women engaged
throughout the sector

In 2016, MDF started working with **SLASSCOM**, the apex IT association of the country, to help initiate a programme designed to support start-ups. Initially the concept struggled to gain traction among its stakeholders, but with MDF's support, it not only managed to get off the ground, but also brought in USD 200,000 as co-investment from other private sector firms (the target was USD 170,000). The subsequent plan is to organise mentorship for emerging start-ups by bringing in international expertise and then, as they develop, link them with international investors in Singapore. The concept is expected to be repeated annually. In total the programme expects to support around eight to 10 start-ups per year, creating much-needed jobs for men and women in Sri Lanka.

Hammock Studio, through its brand name Foodie, has a client base of 40 customers in the hotel and restaurant business in Sri Lanka. At the end of 2016, the service only covered point of sale and food delivery systems. Seeing the need for a better skilled workforce in the hotel/restaurant sector, Hammock decided to expand its portfolio to include an HR component. MDF has been supporting the company to develop this, and once the

module is developed and launched, Foodie will have a pool of qualified workers ready to be deployed to its clients' premises (on a temporary or permanent basis) as the need arises. Through this new addition, Foodie expects its client base to increase to 100 hotels and restaurants covering approximately 1,000 employees.

A series of discussions began in 2016 with telecommunication partners and ITES providers to develop new applications targeting the agriculture and tourism sectors. These apps would connect buyers and sellers and enable better access to agriculture information, and in tourism areas would increase Wi-Fi connectivity in tourism hotspots, and support booking services. The engagement area holds much potential in developing new products that promote more effective participation and empowerment of women. The findings of the poverty and gender study showed mobility to be a key impediment to women effectively participating in economic activities. With the presence of many apps that operate similarly to Uber, MDF is pursuing businesses interested in developing services aimed solely at women passengers and drivers



Based on its current partnerships alone, MDF's work in digital services will result in over **USD 1.01 million** in additional income benefiting **225 men and women** from jobs.



// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
SLASSCOM	MDF is supporting SLASSCOM to initiate a programme that mentors and invests in the growth of selected IT start-ups into established companies. To date, seed funding worth USD 300,000 has been collected.	Active	Not yet applicable
Hammock Studio	MDF is supporting Hammock Studio to develop and incorporate an HR module into its existing POS platform targeting the hotel and restaurant sectors. The POS has 40 clients and, with the HR module, the partner expects to reach 100 customers.	Active	Not yet applicable

STIMULATING ENTREPRENEURSHIP AND BUSINESS ACTIVITY IN FORMER CONFLICT-AFFECTED AREAS



We want to stimulate and strengthen economic activities in former conflict-affected areas



More businesses established and supported in the North and East

The specific focus of this strategic engagement area is to support local business activities – typically at a disadvantage compared to the more established business of the Southwest – so that the North and East's economic fabric improves, shows less gaps, and peace offers opportunities for all

3 business innovations

including the establishment of the first fish cannery plant in the North which employs over 50 poor women and provides new markets for poor fishers.

1 partnership

with a fish cannery facility

// WHY WE WORK HERE



Around 10%
of Sri Lanka's total GDP
is generated in these
regions



**Around 2.5
million**

people live in the North
and East of the country



PROGRESS IN

ENTREPRENEURSHIP IN FORMER CONFLICT AFFECTED AREAS IN 2016

The civil war that plagued Sri Lanka for 26 years, on ethnic lines, ended in 2009. Since then, economic activities are gradually returning to those regions. Encouragingly, the former conflict-affected areas (primarily the North and the East) have shown double digit GDP contribution growth over the last year but there is still much more to do. Widows, families affected by the war, internally displaced people, orphans, and the youth living in these regions are struggling to access sustainable economic opportunities. Not surprisingly, poverty rates in former conflict affected areas are among the highest in this country (Mullativu in the North has poverty rates of around 28 percent). Agriculture, aquaculture and, to an extent, an emerging tourism sector are areas which show growth potential, however linkages with markets, institutional capacity, access to skills and finance are some of the constraints faced by these businesses.



**Potential for
high
engagement**

of ethnic minorities
and women headed
households

MDF has looked into what parameters encourage social cohesion in these areas and has found that having better access to voice, more confidence in key institutions (chamber, councils, respective associations), increased access to more economic activities and more effective interaction between and representations of different ethnicities in the workplace are some of those pathways. These findings are helpful to MDF to navigate and design partnerships in these regions.

MDF initially signed two partnerships under this area: one where it began working with the only plastic waste recycler in the north, and in the other, it is helping establish a fish processing and canning facility in Mannar in the Northern province. With the plastic waste recycler **Dayana** progress has been slow, reflecting the capacity of businesses in the region. The organisation, which is run by a self-taught business entrepreneur started discussions with MDF around an idea of setting up a large scale plastic goods facility. MDF helped Dayana get access to a plastic industry consultant who helped right-size the plans based on market feasibility and Dayana's handling capacity. However, the suggestions offered by the consultant were at odds with the entrepreneur's intentions and he has not yet moved to take them on. At the time of writing, discussions with the partner had stalled. While they may be revisited at a later date, for now work with this partner has been discontinued.

With **Coolman**, activities have progressed fairly well and encouraging results are already emerging. The facility has commenced trial production and around 65 workers (50 women) have been hired and trained by an international factory manager hired through MDF support. With the facility now operational and with excess capacity, Coolman has struck an arrangement with another sea food exporter, Prawn Ceylon, to use Coolman's facility for contract processing. Having access to this new facility up north has allowed Prawn Ceylon to diversify to other seafood (crabs, cuttlefish, and octopus) and, to date, an estimated 20,000 kg of sea food has been processed and exported. All of the seafood has been procured from the fishers in Mannar district in the Northern Province. In total, around 65 men and women have benefited from increased incomes and jobs. MDF projects that these partnerships will benefit around 2000 people by 2019. Almost all of these beneficiaries are poor or vulnerable and of Tamil ethnic background. In 2017, MDF will work with Coolman to strengthen its institutional capacity in terms of accounts and HR management to ensure the growth of the company remains sustainable.

Beyond these partnerships, there are now ongoing talks with an organic compost supplier to help expand their coverage to more regions in the north and the east. The poverty study revealed that, for poor farmers, access and affordability of inputs (chemical fertiliser) were significant constraints. Compost is a viable for increasing their productivity while cutting down costs. Discussions are also ongoing in the Eastern Province on establishing a mud crab facility and a vegetable out-grower scheme serving the tourist segment



Based on its current partnerships alone, MDF's work in improving entrepreneurship in former conflict affected areas will result in over **USD 0.96 million** in additional income benefiting **4,300 men and women**, including **200 FTE jobs**.



// WHO WE'RE WORKING WITH

PROGRESS WITH OUR PARTNERS IN 2016			
PARTNERSHIP	UPDATE	STATUS	SYSTEMIC CHANGE PATHWAY THIS CONTRIBUTES TO
Coolman	<p>Coolman has a fishmeal, fish canning and seafood processing facility in Mannar. With MDF support, Coolman has engaged an international factory manager, acquired selected fish canning equipment and obtained environmental compliance, following which they have started trial production. Sixty-five employees have been hired, and by mid-2017 the company expects to start buying fish from local fishers. Coolman is undertaking contract processing for another seafood exporter and this is expected to continue in the coming years.</p>	Active	Not yet applicable

WOMEN'S ECONOMIC EMPOWERMENT

IN SRI LANKA



MDF in Sri Lanka spent a year laying the foundations for its WEE work in the country, from: its in-depth learning during the Household Analysis of Poverty and Gender Dynamics study; its first experiences of recognising commercially viable opportunities to work in WEE; undertaking its

first set of WEE-related partnerships and activities; and learning from early results and lessons. While still in early days, there are already emerging areas of focus for this portfolio.

The first area is strengthening the workplaces of women; fostering work environments that are conducive to women in Sri Lanka is still an uncommon practice. MDF's experience in other country contexts has been that working with businesses and sectors that already employ women, provides the perfect developmental ground for trialling models to improve workplaces and engagement. MDF can use these practical examples of successful working models to encourage players that may be less engaged with women. For this reason, MDF in Sri Lanka will first seek to build WEE models in such 'women-centred' markets and expand them more broadly. This approach also provides a clear gateway to increased participation when hand-in-hand with growth – MDF has seen that an existing group of women working will increase the likelihood of other women joining and influence the longevity of their employment. Further practical factors, such as timing of working hours (flexibility) are critical and, in Sri Lanka, the entry point to the job is also important from the perspective of social acceptability. Recruitment that is assisted by well-respected entities such as village elders and religious organisations can help overcome initial reluctance to join. During early work with **Coolman's** processing factory in the North, village elders and the church were shown to be successful in 'spreading the word' and recruiting a large number of female workers.

The second area is around the importance of women to cash flows and financial decision-making in Sri Lankan households. The Household study repeatedly indicated that women's control and management of household financing in Sri Lanka is particularly strong, even though women's participation in the workplace may be low. Across socioeconomic groups, women are frequently handed the bulk of household earnings on a daily/weekly basis by their husbands and are responsible for regular expenditures and are instrumental (even often the idea generators) in major household purchases. Understanding this is crucial, as not only are income gains likely to benefit both household members but, the effectiveness of money management in homes (particularly agricultural based homes and SMEs) is a critical factor in determining:

a) whether families can expand their income-earning activities, b) their risk-taking ability, and c) if they are able to invest in inputs and services that MDF wishes to promote. This is particularly important to Sri Lanka where, as exemplified by the Household study, many families are struggling with basic consumption costs, and engage in unwise borrowing habits for non-income earning activities.

MDF observed that, in former conflict-affected areas in particular and perhaps even more broadly, with a higher flow of money into households affected by alcoholism, issues around violence, financial entitlement and conflict were more prevalent. Careful security measures (such as lowering the visibility of money and ensuring women are not made overly exposed by new opportunities) are important to consider.

Third, MDF will look into the more challenging field of increasing women's participation in workplaces and trade environments where they have previously not been able to engage in, or have done so to a limited degree. This would most likely be via carving out 'first movers' so as to try to normalise and anchor the first point for companies and potential female employees or business owners to follow suit. This may be by partnering directly with workplaces that can build the conditions themselves, or with secondary providers to lower entry restrictions to 'difficult' workplaces, or through the creation of shared partnership activities (e.g. positive trade environments amongst joint partners, banking, or information via ICT). MDF will build on the experience of other countries, which distinguish between two types of circumstances of fostering women across roles: 1) where there is inherent and actual resistance to change, and 2) where there is no real reluctance to change, but rather something has just not been practiced before. In the former, activities are more difficult, whereas the latter often gains traction more easily and with less resistance, essentially providing early, but critical 'low hanging fruit'. Often the distinction is subtle and requires testing. Given the subtleties of stigma in workplace in Sri Lanka, learning in this sphere will be vital over the coming year.





// ATTRACTING MORE WOMEN TO WORK IN TOURISM

One of the most positive findings of the Household study was that tourism is a clear pathway out of poverty for men and women working directly in the sector (as hotel workers and activity providers) and indirectly (as service providers to hotels and in supporting industries), with all but those working on the very fringes of the sector benefiting. This confirms that MDF's tourism strategy in Sri Lanka to move this 'working' model to emerging tourism areas in untapped regions, is heading in the right direction i.e. where tourism thrives, men and women have the opportunity to get themselves out of poverty.

MDF will therefore focus on first 'opening up' opportunities for new jobs and income earning options, by setting up the initial stage of conditions for women to enter. For example, through **Cinnamon TBC Asia 2016**, increased visibility leading to greater tourist traffic in the North and East can create the potential for women in the sector to benefit.

MDF became aware in the past year that women face stigma working in this sector, especially in the hotel industry, because of social perceptions around the inappropriateness of women being engaged in front-

facing roles with tourists, and safety concerns. Enabling women to take a first step (into employment and poverty reduction) will be insufficient for many women, as they may be deterred by the fear, or prevented because of these negative social perceptions. MDF hopes to gain expertise in developing working models on how to overcome such 'intangible' issues surrounding social norms across the sector.

While getting women directly involved in the tourism industry still remains a challenge, MDF has started working in supporting industries for tourism. The handicraft industry in Sri Lanka, which is predominantly female, offers opportunities to foster increased women's participation. MDF's engagement with **Selyn Exporters**, where over 90 percent of the workforce is female, will create direct income-earning opportunities for women as handloom weavers and artisans. There is also a potential that future opportunities will be created for women to become involved in tourism through the establishment of lodges by **Serendib Hotels** and engagement with community tourism activities and services.

// TRANSFORMING WOMEN'S FAMILY-BASED SKILLS TO CREATE INTERNATIONALLY COMPETITIVE PRODUCE AND PRODUCTS SERVICES

During the Household study, MDF found women were engaged within farming households and, less frequently, as workers in production processes and value addition for Sri Lankan produce and products. In this way, they benefited both from the overall income gain of these farms, as well as with increased employment in their own right.

In **Aruna Nursery**, women make up 95 percent of the nursery workforce. It was found to be appropriate for women to be employed as nursery workers, and they benefited from the female work community that had been fostered, the flexible working hours, and mentoring from the business owner's wife (also a senior key manager of the business). Women valued being able to apply learning from the nursery on their own farms, where they had begun experimenting with new varieties and techniques. Similarly, at **Nelna** over 60 percent of the mango processing workforce is female; this is encouraged by the notion of a secure working environment due to the

existing female workforce as well as benefits provided, such as transportation. In the aquaculture sector, as in the case of **Divron Bioventures**, women are more commonly engaged as members of fishing households. It was observed, as is the case throughout Sri Lanka, that women play a strong role in financial management in these households, often leading on making regular purchases (such as food) and having a joint say in major purchases (such as vehicles and TVs). There is potential for women to be more actively engaged in post harvesting and supporting activities such as mending nets, cleaning and sorting, which MDF is exploring further.

Going forward, MDF will seek to better understand women's roles as day labourers as these were found to be prominent in the Household study, with both men and women using these roles as easing mechanisms in times of cash shortfalls, instead of borrowing money. Women's roles as purchasers of inputs, which is estimated to be high, will also be explored.

// GETTING DIGITAL SERVICES TO WORK FOR WOMEN

Women's involvement in, and benefit from, engagement with the growing digital services market in Sri Lanka is manifold with women making up 34 percent of the 80,000-strong workforce in the sector. Women can benefit in a variety of ways: from the service provision afforded by digital markets, from increased market access through apps or increased number of starts-up led by women, and from better access to invaluable information in agricultural markets. Digital services can even facilitate easier entry to jobs through improved communication on employment.

MDF is working with partner **Hammock Studio** (brand name Foodie). It has a client base of 40 hotel and restaurant businesses in Sri Lanka and is developing an HR module that will enable it to link clients to a qualified workforce on a short or long-term basis. The ambition is to work with 100 clients before end of 2017 once the

module is operational. MDF will work with Hammock Studio to explore different recruitment channels to ensure a high turnout of females in the pool. Having a balanced gendered mix, will help Hammock Studio appeal more to its client base. The company is open to including more support options e.g. transportation and flexible hours, to attract more women to its pool.

MDF's discussions with telecommunications partners and ITES providers to develop new apps targeting the agriculture sector (through connecting buyer and sellers and access to better agricultural information) and the tourism sector (increased Wi-Fi connectivity in tourism hotspots and booking services) will improve women's access to employment opportunities through new markets being fostered, and improve their access to services and information.

// PLACING WOMEN IN THE SME GAP IN FORMER CONFLICT-AFFECTED AREAS

Women are highly economically active in former conflict-affected areas, which is unsurprising given the circa 40,000 female-headed households in the region as a result of the conflict. Women frequently lead micro-enterprises, but these are often not commercially viable and lack strong connections to sustainable markets. Although set-up factors such as initial funding and labour are easily overcome, these businesses tend to stagnate, often as a result of an overreliance on NGO-type and overseas diaspora-dependent end markets and weak marketing efforts. While undoubtedly invaluable at the start, these micro-enterprises are both fragile and lack long-term growth potential.

Women in these regions often seek formal employment but barriers, such as limited opportunities, workplace harassment, limited safe transport options, and issues around social stigma can place severe limitations on

this, which is challenging given the context of recovery these women face. Interestingly, working with **Coolman** provided much-needed employment for 50 women in its fish processing facility, which is a rare prospect in this region. This partnership also shows how a traditional skill – that of fish preparation – can provide a pathway for women's participation in what is otherwise a fairly male-dominated sector, and how household activities can, in the right circumstances (such as appropriate spaces for women to work alongside other women), evolve into workplace opportunities. With a dearth of mid-tier SMEs in these regions that can inject more life into the local economy, MDF will work to foster more vibrancy in this sphere through the growth of existing and new players. MDF will seek commercial opportunities for greater women's participation as SME owners or employees across a variety of sectors.



Based on its current portfolio of partnerships alone, MDF in Sri Lanka aims to benefit more than **13,050 women** producers, farmers, entrepreneurs, labourers, workers, consumers, and/or family members.



MARKET INTELLIGENCE

IN SRI LANKA



LESSONS FROM WORKING IN MDF IN SRI LANKA IN 2016

REALISE THAT POVERTY LEVELS ARE LOW BUT VULNERABILITY IS NOT

It is encouraging that extreme poverty levels are low in the country and only exist in certain pockets. However, a large proportion of the population is hovering at near poverty levels and remains vulnerable to shocks. Their income levels put them higher on the income curve, but illness, loss of a breadwinner or crop failure, for instance, could easily put them back to poverty levels. One reason for such fragility is that a large population in Sri Lanka still operates on the fringes of the growing economy. For MDF it is important to push the boundaries in the areas in which it works to create more inclusive and durable impact.

UNDERSTAND THAT SOCIAL MARKERS PLAY AN IMPORTANT ROLE IN DECISION-MAKING WITHIN HOUSEHOLDS

Households across different ethnicities in Sri Lanka are strongly influenced by social norms and markers. For instance, households buy expensive appliances because they see others in the community doing so; or farmers continue to grow paddy, even though the income from it is inadequate, because farming is held in high esteem in Sri Lankan societies. The implication for MDF is that it needs to appreciate this wider dimension in which its target beneficiaries operate and based on that, look for ways to influence change.

FOCUS ON LOW FINANCIAL LITERACY LEVELS

A troublingly common aspect of poor households and emerging businesses is the low levels of financial literacy and control. Poor understanding of financial management has contributed to increased lending and debt levels at the household level. The poverty and gender study identified these debt levels as key constraints preventing households from moving out of poverty. Businesses also suffer from a lack of understanding of finance and investment principles leading many to borrow and make expansion plans that are not commercially feasible. From these lessons, MDF is supporting selected partners to access to proper financial advice and is also looking for ways to promote financial literacy at household levels.

ASSOCIATIONS ARE GENERALLY FUNCTIONING AND PRESENT GOOD ENTRY POINTS

It is not atypical to find functional working associations at the grassroots levels across Sri Lanka. Most of them have a working body, that meets periodically, a certain level of documentation related to registration and membership and, in some cases, monetary mechanisms whereby a margin is kept for the running of the associations. For MDF, these organisations provide an ideal entry point to understand and interact with the market as well as end beneficiaries as well.

THE CENTRE IS MISSING

A broad observation across different sectors (tourism, ICT, FMCG, retail and agriculture) is that there are many established businesses at the top that have good growth potential, strong institutional capacity and multiple revenue streams. However, beyond them, there is a gap – the missing centre – and then there are emerging, small businesses. The conflict may have played a role in this scenario. MDF will need to stimulate more investment and innovation by working both upstream and downstream.

WEE CAN BE ENCOURAGED BY WORKING ON PARAMETERS LIKE TRANSPORTATION, WORKSPACE ENVIRONMENT, AND AMORE SUPPORTIVE WORK ENVIRONMENT

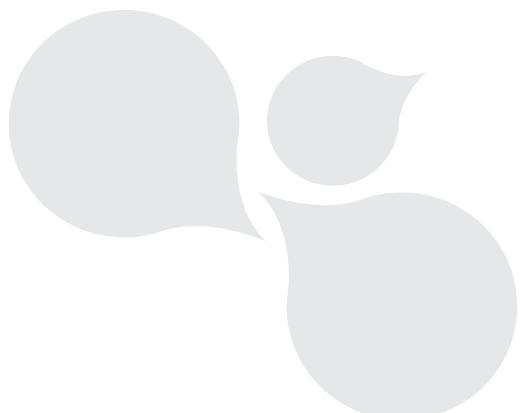
Despite their high levels of education, women's labour force participation is low in Sri Lanka. While traditional social norms have a part to play in this disparity, MDF's analysis revealed that there are other, more controllable factors that also contribute to this. These relate to the availability of safe transportation to work or proximity to homes. In some rural areas, creating segregated work space has promoted greater women's participation. Recruitment also has an influence; in poor regions, businesses have been successful in recruiting women into the workforce when they employed or used local community people (e.g. village elders, priests or NGO workers) to scout for women workers. In tourism, some innovative hotels, have found that by inviting the family into job interviews, more women are recruited. In the same way, friendlier norms within these organisations can be encouraged by offering flexible hours or children's day care services to enable women to work. These findings are helping MDF design more effective partnerships that promote WEE.



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