

# Enterprise Challenge Fund for the Pacific and South East Asia

GROWING BUSINESS TO REDUCE POVERTY



## Annual Portfolio Report 2010

A report on the outcomes of the ECF portfolio assessment including proposed measures to address challenges and enhance the prospects for ECF success.

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**Australian Government**  
**AusAID**

AN AUSTRALIAN GOVERNMENT, AUSAID INITIATIVE



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## Abbreviations

ACIAR Australian Centre for International Agricultural Research

ADB Asian Development Bank

AusAID Australian Agency for International Development

BEE Business Enabling Environment

ECF Enterprise Challenge Fund

FAO Food and Agriculture Organisation

M&E Monitoring and Evaluation

PITIC Pacific Islands Trade and Investment Commission

PSD Private Sector Development

UNCDF United Nations Capital Development Fund

## EXECUTIVE SUMMARY

The 2010 Enterprise Challenge Fund (ECF) portfolio totals 23 projects in eight countries in the Pacific and South East Asia.

The strategic intent of the ECF now has an increased focus on the beneficiaries and the introduction of a results-chain approach to monitoring and evaluation.

During the past year, the Fund Manager also:

- restructured in-country teams to a country and regional basis
- undertook poverty and project impact baseline survey of ECF project beneficiaries
- designed and implemented a process of results-based monitoring and evaluation at both portfolio and project levels (recommended in the ECF Mid-Term Review)
- completed field visits to 22 out of 23 projects including eight case study visits between April to June 2010
- improved the structure of Private Sector Development (PSD) program between Country Managers and Fund Director.

### ECF beneficiaries

A beneficiary survey was developed to collect baseline poverty information using World Bank poverty level indicators<sup>1</sup>. ECF key beneficiaries include predominantly poor people who are directly impacted including employees, customers, suppliers or communities accessing goods and services from businesses receiving an ECF matched grant. The survey showed that the income levels of most beneficiary households are currently below the national poverty line.

### The results

ECF projects are progressing- 20 of the 23 projects are underway with infrastructure development and expansion of operations.

Emerging outcomes are appearing for beneficiaries and the business environments:

- Suppliers are extending the supply of raw materials in response to markets becoming more accessible.
- Customer and community involvement is increasing.
- Some beneficiaries are watching and thinking about what to grow and sell.

- Some projects are being influenced by the business environment.
- Over two-thirds of projects have increased opportunities for employees (new jobs and skills), suppliers and communities (increased income generation opportunities).
- Some beneficiaries are starting to expand their livelihoods, and improve living standards with the use of additional incomes for school fees, food, and improved houses.
- There are strong indications that these impacts will increase as business developments are completed and operations are extended.
- Aspects of business environments are changing in response to ECF projects.
- There are challenges for some projects with securing the ongoing supply of raw materials and landowner issues. These areas are being worked through by the grantees, and supported by the Country Managers and Fund Director.
- Some grantees and businesses need more support from the Fund Manager than envisaged in the design of ECF.

### Lessons learned

- The value of a matched grant is evident as the grantees and employees are working hard to meet their commitments within their varied operational environments.
- The value from this type of aid modality is apparent in the extensive infrastructure and operations development already completed. Current business plans demonstrate the inherent value of using experienced business operators in these environments. This approach is being noticed by stakeholders and donors.
- The impacts for beneficiaries and the business environment warrant close examination. Positive development outcomes are emerging from using private sector projects as a vehicle to improve the livelihoods and living standards of people, particularly in the Pacific.

### Next steps

Ongoing monitoring and support of sustainable business growth and benefits to beneficiaries is required to ensure the full potential intent of ECF can be realised.

<sup>1</sup> Poverty indicators were drawn from: World Bank. 2006. *Lao PDR: Poverty Assessment Report*. World Bank.





## 1. INTRODUCTION

This 2010 Enterprise Challenge Fund (ECF) portfolio report highlights implementation progress and the emerging impacts of projects. It identifies themes for lessons learned and next steps.

The ECF Mid-Term Review conducted in September 2009, included a number of recommendations that were agreed by AusAID and ECF including a realignment of the strategic intent with an increased focus on beneficiaries and a results-chain approach to monitoring and evaluation.

During the past year, the Fund Manager:

1. confirmed Bidding Round 3 projects to bring the total projects to 23 in 8 countries (one project withdrew in June 2010)
2. restructured in-country teams to a country and regional basis
3. realigned the ECF strategic intent based on recommendations from the Mid-Term Review (Figure 2)
4. undertook poverty and project impact baseline survey of ECF project beneficiaries
5. designed and implemented results-based monitoring and evaluation at both portfolio and project levels
6. completed field visits to 22 out of 23 projects including eight case study visits between April to June 2010
7. improved the structure of the Private Sector Development (PSD) program between Country Managers and Fund Director.

The progress reported is structured on the ECF Strategic Results Framework – portfolio level (Figure 2) and emerging unintended results.

### 1.1 ECF Portfolio Strategic Results Framework

The rationale of the ECF is to stimulate pro-poor growth through an expansion of private sector businesses. Challenge Funds aim to bring the poor into markets by innovation from the private sector using matched grants for projects.

#### ECF Goal

In the realigned ECF Strategic Results Framework (Figure 2), the portfolio level includes the ECF Goal: *Private sector-led growth in poorer regions of Asia and the Pacific* at the top of the hierarchy.

The portfolio level has two key outcomes:

1. increased social and equitable development of beneficiaries
2. improved business enabling environment (BEE) at operational and systemic levels.

ECF projects are funded on the condition that the business expansion will contribute to improving the livelihoods and living standards for poor men and women such as employees, customers, suppliers or communities accessing goods and services from these businesses. Indirect impacts for the wider community are also expected.

### 1.2 ECF theory of change and assumptions

The intended ECF theory of change includes:

- As ECF projects are implemented, the funded business will grow.
- With this intended business growth, the livelihoods of beneficiaries are expected to improve, which will then contribute to improvements in living conditions for beneficiaries and wider communities.
- The business growth would also contribute to improvements in the business environment for beneficiaries (e.g. behaviour changes, information and financial services).
- As ECF funded business grows, a contribution would be made to the improved operational and systemic business environment.
- Therefore, improvements to both the business environment, and the social and equitable development of beneficiaries, will contribute to the ECF goal of increased private sector-led growth in the poor regions of Asia and the Pacific.

The Country Manager support and PSD roles (provided by the Country Manager and Fund Director) are intended to enhance impacts for beneficiaries and the business environment.

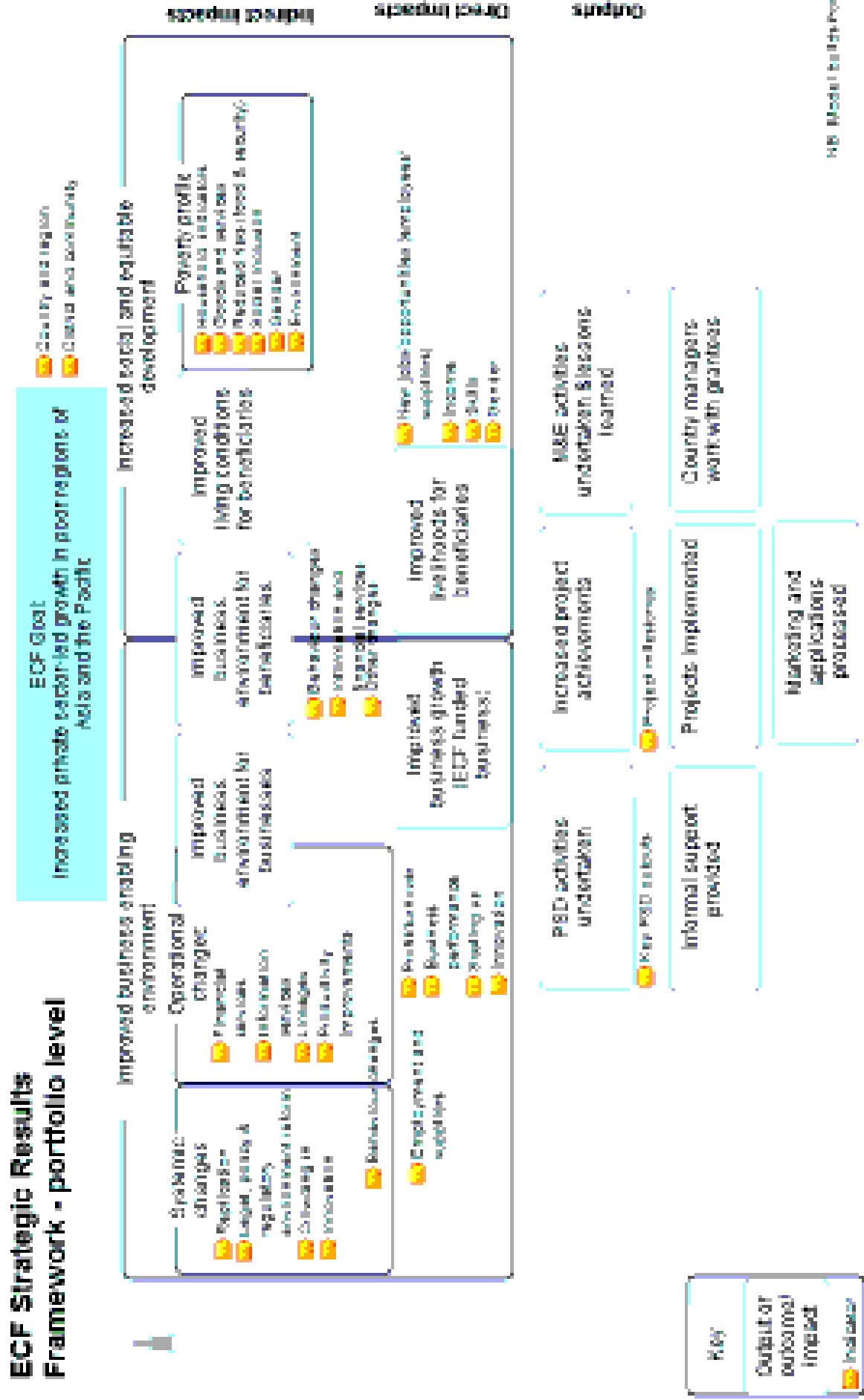
A key assumption underpinning ECF intent is that the grantees and businesses have sufficient skills to implement the project. This and other project specific assumptions are being monitored by the Fund Manager.



Figure 1: Torres community. Marine Consultancy Services (Vanuatu)

FIGURE 2: STRATEGIC RESULTS FRAMEWORK FOR ENTERPRISE CHALLENGE FUND

## ECF Strategic Results Framework - portfolio level



## 2. BENEFICIARY PROFILE

### 2.1 Who are the ECF beneficiaries?

The ECF predominantly benefits poor people directly impacted by funded projects such as employees, customers, suppliers or communities accessing goods and services from businesses receiving an ECF matched grant (Table 2). The intention is to improve their livelihoods and living standards.

A beneficiary survey was developed to collect baseline poverty information incorporating World Bank poverty level indicators<sup>2</sup> including:

- household size
- total annual income
- access to food, water, power
- access to markets, transport, health facilities
- incidence of crime.

Face-to-face surveys of 306 ECF beneficiaries (189 male, 103 female, 14 mixed groups) across 23 projects<sup>3</sup> used both random and targeted sampling techniques to establish baseline data on current and potential ECF direct beneficiaries. A sample of direct beneficiaries will be re-surveyed, when projects are nearing completion, to assess the changes. The impacts on indirect beneficiaries will also be examined.

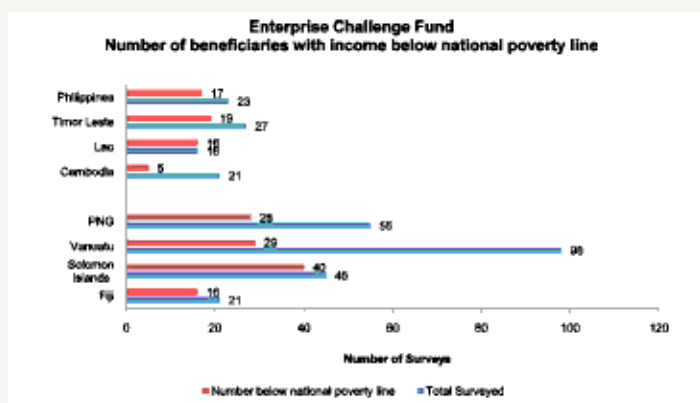


Figure 3. Graph of ECF beneficiary income vs. poverty line<sup>4</sup> in ECF project countries (n=306)

### Income levels

Based on household information from the survey, the income per person was calculated and compared to national poverty lines.

ECF monitoring and evaluation (M&E) project data showed that ECF projects either are or are intending to benefit poorer people living below the national poverty line.

Most ECF projects are specifically targeting disadvantaged communities that are lacking access to power with intention e.g. *Solutech*<sup>5</sup> (East Timor) and *Sunlabob* (Laos) or access to markets such as *Didao* (Solomon Islands) and *Marine Consultancy Services* (Vanuatu).

The recent visits to 22 of the 23 ECF projects showed that some beneficiaries' lives are already improving as a result of ECF projects.

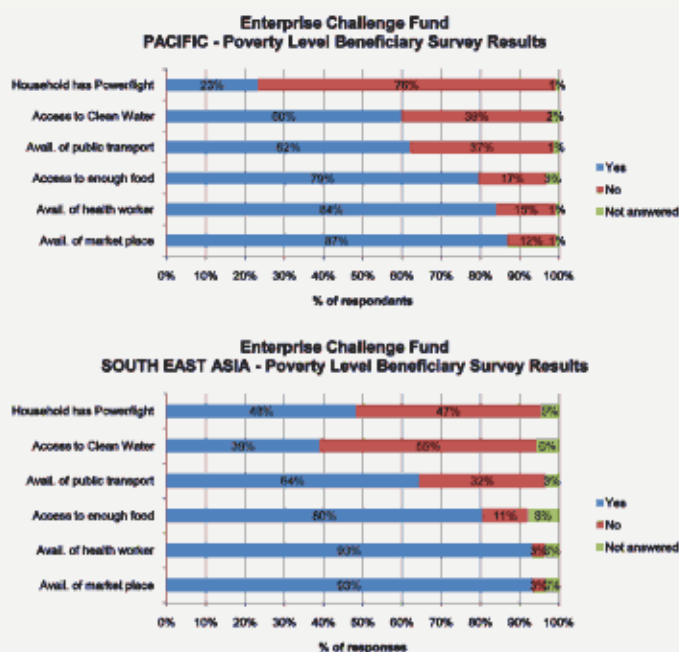
### 2.2 What are their lives like now?

The survey results show that many beneficiaries lack access to vital goods and services on a daily basis such as power, water and food.



Figure 4. Women selling reef fish, potential project beneficiaries, North Malaita, *Didao* (Solomon Islands)

A regional analysis of ECF beneficiaries showed differences in poverty levels between Pacific and Asian countries (Figure 5).



### beneficiaries (219 Pacific and 87 Asian survey respondents)

In the Pacific, access to basic needs such as power, food and clean water was limited in many cases: 76% of ECF beneficiaries surveyed currently have no household power and 17% have limited access to food during the year.

In South East Asia, there is wider access to services such as transportation, markets and health facilities. However, less than 50% of ECF beneficiaries report access to clean water and power.

Overall, the analysis showed that ECF beneficiary households in Pacific and Asia were larger in size and earning less than the national average.

<sup>2</sup> List of poverty indicators drawn from: World Bank. 2006. Lao PDR: Poverty Assessment Report. World Bank

<sup>3</sup> Beneficiary surveys for some sub-groups of four projects (Teamworkz, WING, Solomon Biodiesel, C-Corp) will be undertaken in second half of 2010.

<sup>4</sup> Poverty line sources used are recorded in the project M&E frameworks

<sup>5</sup> Project reference: project name is in italics, country name follows in brackets.

### 2.3 What changes are happening for people already?

Key project outputs are being completed such as infrastructure, and business operations are beginning or underway.

Many of the ECF funded projects are starting to see benefits emerging for the key beneficiaries particularly in Bidding Round 1 and 2 projects that have been in operation for 12-18 months.

Improvements noted by some beneficiary survey respondents included:

- access to employment
- access to income through agricultural supply
- provision of skills through extension workers
- access to goods and services e.g. transportation of retail, health and government goods or access to power supply
- improved living standards with the use of additional incomes for school fees, food, and improved houses.

Figures 6–8 illustrate some examples.



Figure 6. Female employee. SAMIC (Cambodia)



*Using vanilla funds for medical help for child with cleft palate and buying store goods*

Figure 7. Vanilla growers in highlands. Mainland (Papua New Guinea)



*Orders are increasing; deadlines of purchase orders are now met; more comfortable working conditions; easier to contact clients now*

Figure 8. Female employee. Cagayan de Oro Philippines

A more detailed breakdown of emerging impacts for beneficiaries is presented in Section 4.



### 3. PERFORMANCE OF THE ENTERPRISE CHALLENGE FUND PORTFOLIO

#### 3.1 Without ECF?

Project stakeholders were asked, 'What would have happened without ECF?' Over 90% of respondents said these developments or changes would not have happened now or at all. Approximately 10% said some developments might have happened in 5 years or longer, or not to this extent.

#### 3.2 ECF project implementation

The ECF portfolio of 23 private sector projects with ECF matched grants is funded to the value of AU\$13.154 million. Figure 9 displays the drawdown status per country at end of June 2010.

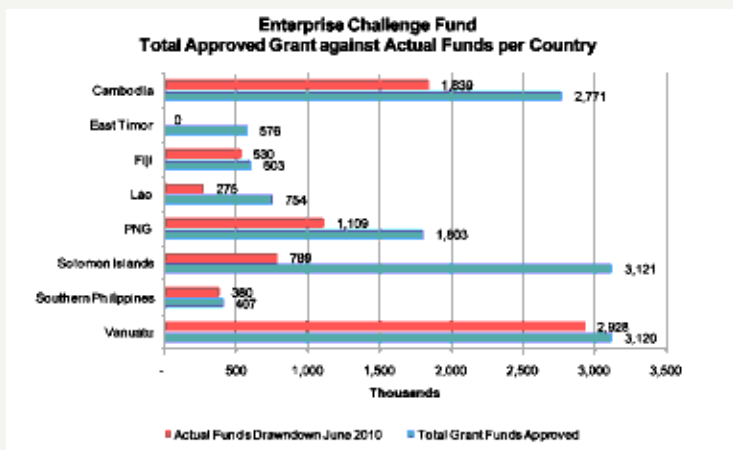


Figure 9. Percentage draw downs by country

Currently, the 23 ECF projects are at various stages of implementation and operational stages:

- Three projects are working through land and supply chain details and are yet to start infrastructure development and set up operations: *Didao* and *Solomon's Biodiesel* (Solomon Islands), and *Solutech* (East Timor).
- Eight projects are completing infrastructure development (e.g. building plants, completing training) and are preparing to get underway with operations (Figures 10 and 11).
- Eleven projects have completed their key outputs (e.g. plants, training, infrastructure) and have operations underway. Businesses are focused on areas such as developing their supply of raw materials, customers, services, processing and marketing (Figure 12).
- The two projects that are well advanced in their operations are focusing on extending production and sales, and examining their business sustainability: *Cagayan de Oro* (Philippines) and *Volcanic Earth* (Vanuatu).



Figure 10. Building the coconut vegetable oil plant for fuel at Kavieng, New Ireland. Emirau (Papua New Guinea)



Figure 11. Bungalows under construction. Wilderness Lodge (Solomon Islands)



Figure 12. Supply and production of vanilla is increasing. Mainland (Papua New Guinea)

### 3.3 ECF performance progress

This section analyses ECF portfolio performance.

#### Project ratings

The project grantees, Country Managers and Fund Manager rate the ECF projects quarterly on:

1. Business growth
2. Commercial sustainability
3. Development benefits
4. BEE and systemic impact.

These rated components are validated and then aggregated by the Fund Manager into a summary score. The current portfolio spread of ratings for ECF projects is shown in Figure 13.

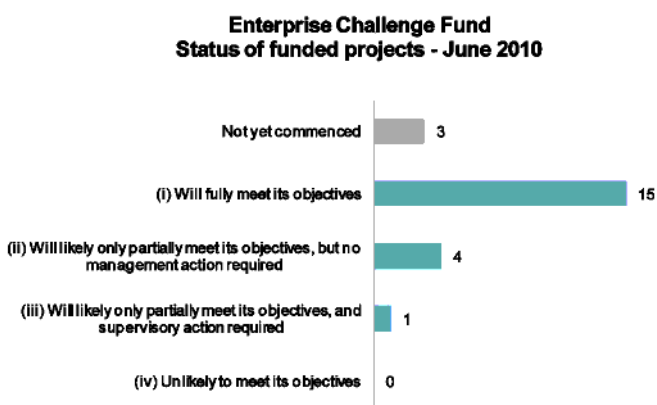


Figure 13. Status of ECF projects, June 2010

Figure 13 shows that 15 of the 20 active projects (75%) were rated on target to meet their objectives.

One project is running behind target and requires management action:

- *C-Corp* (Solomon Islands) is experiencing a high level of dissatisfaction with landowners over management of the Horokiki plantation. Continued labour issues and challenges for local management are causing significant concern. The Country Manager is working with C-Corp to continue dialogue with landowners.

Five projects are running behind targets but do not require management action:

- *Bright Hope Institute* (Cambodia) has concern over linkages needed to support commercial sustainability and development outcomes.
- *Nature's Way* (Fiji) is still impacted by a substantial downturn in throughput after flooding and Tropical Cyclone Mick in December 2009. The industry will continue to recover over the coming months.

- *Pupuk Alam* (Cambodia) has concerns over commercial viability of the internal bait production. Beer yeast is on-sold commercially in Cambodia (in other contexts it has been a waste product). This and the additional cost of electricity has increased factory cost and delayed implementation.
- *Volcanic Earth* (Vanuatu) has concerns over fewer orders received than expected and the less than expected growth of the coconut mill as well as increased competition for tamanu oil. Demand for both raw inputs is the basis for the development outcomes. The project will likely require further time before development benefits are known.

The six projects running behind target are being monitored by their respective Country Managers, reinforcing the need for regular liaison.

Three projects are considered 'not yet commenced':

*ch* (East Timor) is experiencing project delays due to management issues. The agreement with the microfinance provider was recently signed and initial supplies of solar panels have been sourced. Local assembly is not expected early 2011.

*Solomon Biodiesel* (Solomon Islands) is having difficulties in securing land for the processing facility in Honiara.

*Solomon Islands* is having difficulty starting up due to lack of formal industry information. Additional market research, conducted with the support of an ECF-funded grant, provided due diligence and supported start-up through developing linkages to export markets. An Australian joint venture partner has been identified by Fund Director.

#### Project classification of ECF projects

Based on the lessons learned to date and emerging beneficiary and BEE impacts, some ECF projects can be placed into categories:

- **Potential star projects** for beneficiary and BEE impacts include *Marine Consultancy Services* (Vanuatu), *Wilderness Lodge* (Solomon Islands), *Emirau* and *Paradise Spices* (Papua New Guinea), *WING* (Cambodia); and *Reddy Farms* (Fiji).
- **Solid projects** with positive impacts for beneficiaries and BEE include *Carnival*, (Vanuatu) *Mainland* (Papua New Guinea), *Didao* (Solomon Islands), which could be a star if implemented effectively, *Pupuk Alam* (Cambodia) and *Future Forests* (Fiji).
- **Projects on track for more limited completion and future options** as a business model include *Solutech* (East Timor), *Sunlabob* (Laos) and *Nature's Way* (Fiji).
- **Uncompleted projects:** *Pelena* (Solomon Islands) has been withdrawn.

## Industry analysis

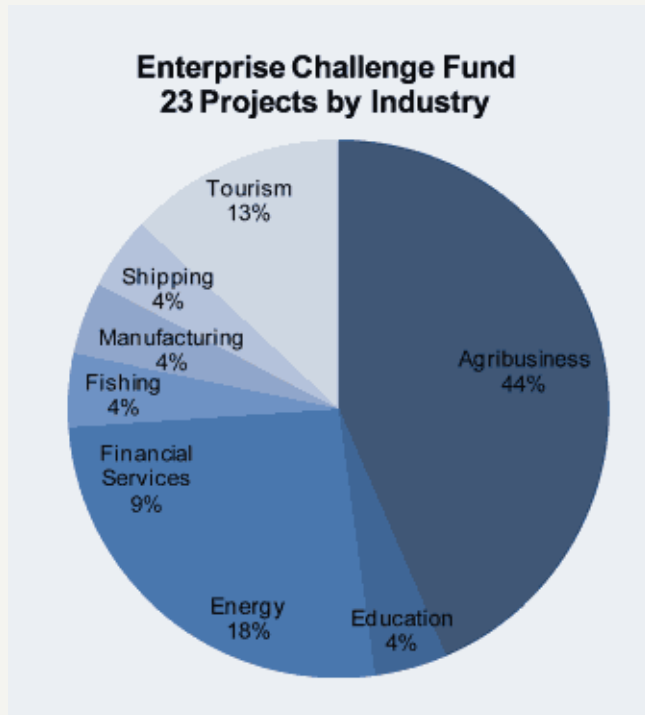


Figure 14. Enterprise Challenge Fund projects by industry

Variations are emerging in the implementation rates for different sectors of projects:

- Tourism business developments are relatively straightforward to implement. They have limited infrastructure development and incorporate elements of training which are positively impacting on local community employees and service providers e.g. *Wilderness Lodge* (Solomon Islands), *Carnival* (Vanuatu).
- Agriculture projects require supply chain development and construction of processing plants. Most of these projects are currently at the infrastructure completion stage with some projects in early operational phase. Lessons learned include ensuring an adequate supply of raw material is available e.g. *Volcanic Earth* (Vanuatu), *Mainland* (Papua New Guinea).
- Financial services projects are customer focused. Marketing and communication of services are important components of these projects e.g. *WING* and *SAMIC* (Cambodia).
- Energy projects are more complex requiring construction and a fully operational processing plant. These projects are taking longer to implement and some businesses are facing challenges with land e.g. *Solomon's Biodiesel* (Solomon Islands) and agreements with power authorities e.g. *Sunlabob* (Laos).

## ECF regional analysis

Of the 23 ECF projects (Appendix 1), 15 are located in four Pacific countries and eight are located in four Asian countries.

The nature of the projects differs between the regions. Pacific projects predominantly process raw materials including agricultural, timber and fishing.

In Asia, many of the projects are involved in providing new or extended services including financial and education.

Both Pacific and Asian stakeholders interviewed said ECF is providing opportunities to introduce innovative business activities in their countries e.g. a new plant for vanilla oleoresin extraction in Papua New Guinea, or to extend and diversify their operations.

Themes are appearing under lessons learned that can be used for future economic development considerations.

## Country analysis

Variations between countries are also appearing in the implementation of projects:

- Four Vanuatu projects are well underway and impacts are emerging from all projects.
- Four agricultural and energy projects in Papua New Guinea are either operational or will be within a few months and impacts are emerging. The achievements can be attributed to the hard work of the experienced grantees and support of the Country Manager. These projects are already providing valuable lessons particularly for implementing agricultural processing in Papua New Guinea.
- Smaller locally based projects are proving to be easier to implement in the Solomon Islands.
- Both the East Timor and Solomon Islands' business environments are providing new logistical and infrastructural challenges for the more complex projects to work through.
- Three Fiji projects are underway and impacts are emerging.
- Eight projects in Asia are being implemented as planned with some scope variations (extended and reduced). Some projects face regulatory challenges.

## 4. IMPACTS

The direct and indirect impacts for beneficiaries are emerging from ECF projects at this stage.

### 4.1 Direct impacts for beneficiaries

As ECF projects are implemented, it is evident that businesses are extending their operations and this is leading to an increased number of jobs both full and part-time for men and women. Examples include *Wilderness Lodge* (Solomon Islands, Figure 15) and *Volcanic Earth* (Vanuatu).

Other projects, such as *Sunlabob* (Laos), are focused on creating more income generation activities for beneficiaries.



*We learned about providing service, cooking food for tourists, how to be organised and plan ahead.*

Figure 15. Lodge staff. *Wilderness Lodge* (Solomon Islands)

#### Employment and skills

The number of jobs<sup>6</sup> for employees and workers from ECF related activities (Table 1) is increasing. It is evident that ECF projects are creating new jobs for employees as businesses expand or new businesses are set up. The numbers of additional jobs are likely to increase given the expansion plans of most projects. Most employees surveyed report limited or no previous employment.

The focus of 22 of the ECF funded businesses is on employing local staff; they only recruit outside staff when specific expertise is not available.

Table 1. Additional jobs contributed from ECF projects to date.

Country	Projects	F/t	P/t
Cambodia	Bright Hope Institute	5	0
	Pupuk Alam	3	0
	WING	10	61
	SAMIC	0	0
East Timor	Solutech	Not started	
Fiji	Future Forests	3	16
	Nature's Way Cooperative <sup>7</sup>	0	0
	Reddy Farms	2	0
Laos	Sunlabob	13	0
	Teamworkz	2	0
Philippines	Cagayan de Oro	tbc	tbc
PNG	Emirau	7	15
	Mainland	3	20
	Masurina	2	10
	Paradise Spices	3	0
Solomon Islands	C-Corp	8	60
	Didao	Not started	
	Solomon's Biodiesel	Not started	
	Wilderness Lodge	6	30
Vanuatu	Carnival	2	0
	Volcanic Earth	7	0
	Marine Consultancy Services	20	0
	Sarami	12	10
<b>Total jobs</b>		<b>108</b>	<b>222</b>

tbc—to be confirmed

#### Employee skills

ECF funded businesses are placing strong emphasis on staff training for the additional jobs, as the following examples show:

- Extension workers with *Mainland* and *Paradise Spices* (Papua New Guinea) are sharing skills and supporting vanilla growers to improve yields.
- *WING* (Cambodia) has employed pilot team leaders to oversee the recruiting of customers in urban and semi-rural areas (Figure 16). They report learning business, marketing and customer skills.
- *Cagayan de Oro* (Philippines) has provided abaca training for stripping machines which has led to an improved quality of the fibre produced.

<sup>6</sup> Further analysis on gender disaggregation will be undertaken later in 2010.

<sup>7</sup> Project experienced delays due to flood and cyclone





**Figure 16. WING pilots and team leader promoting mobile banking for new customers. WING (Cambodia).**

### Income generation

The current level of income<sup>8</sup> per beneficiary and the contribution from ECF projects was calculated (Table 2) from the beneficiary survey data<sup>9</sup>.

The analysis of beneficiary income levels and potential earning from ECF projects shows:

- income levels of most beneficiary households are currently below the national poverty line (Figure 3)
- three projects are yet to start infrastructure development
- five projects are completing infrastructure development or early stages of establishing operations and confirming supplies of raw materials
- beneficiaries from nine ECF projects e.g. *Masurina* (Papua New Guinea), *Wilderness Lodge* (Solomon Islands), *Carnival* (Vanuatu), *Cagayan de Oro* (Philippines), said their income has already increased through business related activities from the ECF project
- most of these beneficiaries said they were expecting their incomes to increase with the increased opportunities to sell their product e.g. *Mainland* (Papua New Guinea)
- some beneficiaries are thinking about how much to plant and produce or what to grow or sell now they have a market for products e.g. Banks and Torres Island communities, *Marine Consultancy Services* (Vanuatu).

Further increases in income generation are highly likely later in 2010 and 2011–12 given the current level of development on the ground and the preparation, training and development or extension of the businesses at this stage e.g. *Sunlabob* (Laos) and *Emirau* (Papua New Guinea).

Impacts on the direct and indirect beneficiaries will be monitored six-monthly with onsite visits from the Country Manager.

Figures 17–19 show current examples of beneficiaries with improved or potential access to income generation.



**Figure 17. Community transporting sawn timber. Masurina (Papua New Guinea)**



**Figure 18. Small farm holders loading their sold cattle onto a truck. Sarami (Vanuatu)**



*With electricity (we) will do more weaving ... we can double production with having light at night. We have orders.*

**Figure 19. Woman weaver. Sunlabob (Laos)**

<sup>8</sup> Further analysis of incomes for beneficiary subgroups (e.g. employees, suppliers) will be undertaken later in 2010.

<sup>9</sup> The baseline beneficiary survey for some subgroups will be completed for four projects later in 2010 where projects are yet to start or sensitive issues were encountered during the monitoring and evaluation visits.



Table 2. Average beneficiary ECF project component income

Projects	Key project beneficiaries	Beneficiary income per household (AUD) <sup>10</sup>	Beneficiary income from ECF project per household per year (AUD)
<b>Cambodia</b>			
Bright Hope Institute	Students (including scholarship)	n.d.	n.d.
Pupuk Alam	Farmers using bait	2400*	5/6 beneficiaries noted harvest was better and income in future would be higher*
WING	Pilots and customers	1948*	n.d.
SAMIC	Customers purchasing insurance	1035*	305.88*
<b>East Timor</b>			
Solutech	Customers purchasing solar	1582	nil #
<b>Fiji</b>			
Future Forests	Employee and plantation workers. 1 landowner group	11270*	8408.85*
Nature's Way Cooperative	Farmers	2175*	nil #
Reddy Farms	Sugar cane farmers (new opportunity)	2400	3127.43*
<b>Laos</b>			
Sunlabob	Households receiving power	124	nil #
Teamworkz	Tourism provider staff; communities in 3 locations	n.d.	n.d.
<b>Philippines</b>			
Cagayan de Oro	Farmer suppliers	1665.44	681.1
<b>Papua New Guinea</b>			
Emirau	Coconut and copra suppliers	1295.4*	89.27*
Mainland	Vanilla growers	822	- 5 rehabilitation (543 plants), 8 newly selling (1325 plants) - 2 planning to buy and on-sell vanilla - 1 planning (250 plants) - 2 plants still wild (120 plants)
Masurina	Community wood suppliers, community workers	836*	-3 working in saw mill, 2 interested to work, 3 previously selling to Masurina
Paradise Spices	Vanilla growers	3668	- 3 beneficiaries rehabilitation 512 plants - 3 newly selling (500 plants) - 2 planning (94 plants) - 2 not growing
<b>Solomon Islands</b>			
C-Corp	Landowners & plantation workers	n.d.	n.d.
Didao	Island fishing village households	132	nil #

<sup>10</sup> Income levels include all beneficiaries surveyed e.g. employees, suppliers. This data will be segmented and re-analysed later in 2010.

Projects	Key project beneficiaries	Beneficiary income per household (AUD) <sup>10</sup>	Beneficiary income from ECF project per household per year (AUD)
Solomons Biodiesel (Burrows)	Copra suppliers and families	# too early or not yet started	
Wilderness Lodge	Households in village and surrounding area	230	99.11
<b>Vanuatu</b>			
Carnival	Landowners and tourism business suppliers at 3 locations (Mystery, Wala and Champagne Beach)	1443	728.03
Volcanic Earth	Coconut and , Malekula nut suppliers	2641	2223.35*
Marine Consultancy Services	Banks & Torres islanders & West Malekula (additional area)	3489	- 7 using <i>Brisk</i> to transport/sell copra, 2 government use, 2 for fishing/selling fish, 6 in tourism ventures, 2 running retail stalls, 1 for transportation
Sarami	Small cattle holders	3259*	1341.69*

Notes: n.d. = not yet collected; \* sample size small; # too early or not yet started; \*\*4 responses are 150 VT per hour depending on hours spent working

### Income generation skills

Approximately, one-third of beneficiary groups reported they are learning new skills about income generation from extension workers or business operators (Figure 20).



*Currently our extension team is heavily involved in teaching farmers about vanilla rehabilitation and flower stimulation for the next vanilla season. We are expecting the production to double by 2011*

Figure 20. Extension worker in action. Mainland (Papua New Guinea)

However, more support and training for income generation are strongly requested by some government representatives and communities. The assumption that beneficiaries, with limited knowledge and inexperience, are able to start effective income generation activities without access to support appears incorrect e.g. *Marine Consultancy Services* (Vanuatu) and Mystery Island landowners *Carnival* (Vanuatu).

Without this additional support, beneficiary outcomes for income generation and improved living standards from some projects could be constrained.

### Increased access to goods and services

The poverty baseline survey showed that most ECF beneficiaries currently lack some access to basic goods and services such as clean water, power, food, security or adequate housing. Access to health clinics, schools and markets are also limited for some beneficiaries.

Increased access to goods and services for some beneficiaries is already emerging from some ECF projects. Approximately one-third of beneficiaries' surveyed report that the additional income is enabling the increased purchase of goods and services for their families, and changes are starting in the wider community.

#### Examples

- Additional income is being spent on school fees, food, fuel, clothes and other household items (e.g. cooking pots) e.g. *Volcanic Earth* (Vanuatu), *Mainland* (Papua New Guinea).
- Customers have increased access to mobile banking and finance by *WING* (Cambodia) and loan repayment insurance by *SAMIC* (Cambodia). Some beneficiaries said services are providing increases in the transfer of funds, banking records, savings and financial security for families with loans.
- More retail products and supplies, health, passengers and government goods are being transported to Banks and Torres Islands by the *Brisk* (Figure 21) *Marine Consultancy Services* (Vanuatu).



*In 2005 we ate noodles as no boat and no goods. Now more food. Supplies are coming for health dept from Brisk and supplies for store coming from Brisk ... more reliable.*

**Figure 21. *Marine Consultancy Services* (Vanuatu). The Brisk now services Banks and Torres Islands on a regular schedule, with services extending to West Malekula.**

- Improved houses with sawn timber used by the communities near Bwasa (Figure 22) and Kwato from the installed sawmills, *Masurina* (Papua New Guinea).



**Figure 22. House made from sawn wood, Bwasa, Normandy Island. *Masurina* (Papua New Guinea)**

- Increased access to education in rural areas particularly for girls at Bright Hope Institute (Cambodia). The students said they were the first in their families to study at tertiary level and want to contribute back to their communities (Figure 23).



**Figure 23. First full-time student intake receiving scholarships with staff. *Bright Hope Institute* (Cambodia)**

**Behaviour change**

Changes in some beneficiaries' behaviour are emerging as they are now focusing more on income generation opportunities and identifying what they need to do. These changes indicate that further improvements in their income generation and living standards will be forthcoming. However, there are also smaller groups of beneficiaries who are waiting to see whether these opportunities are sustained before they take some action (e.g. still deciding whether to rehabilitate their overgrown vanilla plants) e.g. *Mainland* (Papua New Guinea).

*Highlighted changes*

- Banks and Torres Islands' village business groups are working out which crops/ handicrafts to send out for sale in Santo or Port Vila as they can rely on a boat coming regularly e.g. *Marine Consultancy Services* (Vanuatu).



*Almost everyone is now planting abaca, including those who are not being extended assistance by the project*

**Figure 24. Abaca farm from Cagayan de Oro (Philippines)**

- *WING* (Cambodia) has found that rural people do not know how to use mobile banking. To stimulate the use of these services, a new marketing campaign was developed to assist with educating rural people on how they can receive funds by mobile banking. The advertisement (Figure 25) shows how the villager uses the cow to record the pin number sent by mobile signifying a cash transfer. The villager, hiding his pin number, then takes the cow to receive cash from a cash express agent. ECF funds were used towards this advertisement.



**Figure 25. Advertisement. WING (Cambodia)**

Research on changes to customer's lives from using WING mobile banking services will be undertaken later in 2010.

**Other Impacts**

One project in the ECF portfolio displaying an emerging wide range of impacts for beneficiaries (Figure 26) is *Marine Consultancy Services* (Vanuatu). The ship is servicing Banks and Torres Islands (26 stops) on a regular schedule for the first time. Direct and indirect impacts are already evident in health, education, tourism, retail, transport and trade. The sustainability of this transport service is dependent on the volume of cargo and passengers building to a viable level during 2011 and 2012.



*The wheels are beginning to turn for the first time*

**Figure 26. Businessman in Sola, Banks Islands. Marine Consultancy Services (Vanuatu)**



## Gender

From the project visits and beneficiary survey, it is evident that ECF grants are increasing employment and income generation opportunities for both women and men. Many businesses are providing training to their staff.

Some projects are extending access equally e.g. *Carnival* (Vanuatu) is training men and in particular women as shuttle boat and tour operators.



Figure 27. Boat handling training, Mystery Island. *Carnival* (Vanuatu)

Some income generation projects are providing increased opportunities particularly for women e.g. *Emirau* (Papua New Guinea).



Discussing the price they will receive for supplying whole coconuts.

Figure 28. Women in New Ireland. *Emirau*. (Papua New Guinea)

Other projects, such as *Volcanic Earth* (Vanuatu), are specifically targeting agricultural produce by both men (coconuts) and women and families (tamanu nuts). *Sunlobob* (Laos) Helvetas program is seeking equality in demand based whole-of-village income generation training programs.

The emerging impacts from some projects were reported by both men and women to be making a difference to their lives including:

- can earn more money
- more training in jobs
- more money for school fees
- can buy more food

- better standard of housing
- more clothes available.

Further gender analysis of the case study field visit results will be undertaken later in 2010.

## Environment

A number of projects have internal environmental policies e.g. *WING* (Cambodia), *Carnival* (Vanuatu), *Emirau* (Papua New Guinea), or external certifications such as Forests Stewardship Council certification e.g. *Future Forests* (Fiji) or Rainforest Alliance Certification e.g. *Mainland* (Papua New Guinea).

Some projects are also regularly in consultation with environmental initiatives such as GoLocal Kastom Gaden e.g. *Wilderness Lodge* (Solomon Islands) and WorldFish e.g. *Didao* (Solomon Islands). Establishing these links are part of the PSD linkages program where appropriate.

The environmental impacts from ECF projects were assessed at the application stage. The Fund Manager is monitoring environmental impacts on a six-monthly basis. Emerging environmental impacts are limited at this stage and include:

- coastal erosion being monitored at *Wilderness Lodge* (Solomon Islands) and Mystery Island, *Carnival* (Vanuatu) where it may be seasonal
- turtle colony on Champagne beach where steps are being taken to conserve the environment and infrastructure plans. Villagers are also being educated on turtle conservation at other sites e.g. *Carnival* (Vanuatu).

## 4.2 Indirect impacts

Projects were funded on their business case, and intended impacts for beneficiaries and the Business Enabling Environment (BEE).

The intended ECF indirect impacts were realigned within the updated Strategic Results Framework (Figure 2). It is expected that ECF projects will contribute to impacts in BEE at two levels:

1. Operational – includes linkages, productivity financial and information services, crowding in, business behaviour and scaling up or new investment
2. Systemic – includes replication, innovation, legal, regulatory and policy environment and innovation.

A structured approach for the PSD linkages program was implemented to ensure that activities are aligned and contribute to the different project phases including:

1. Country Manager and Fund Director supporting ECF funded businesses to establish key business building blocks and operations (e.g. land, information)
2. PSD activities aimed at impacts in the wider environment (e.g. innovation, replication, regulatory) and the sharing of lessons learned
3. Relevant links promoted between projects, sectors, organisations and countries.

## 1) Operational

At this stage most ECF projects are focused on completing infrastructure and establishing operations. Some indirect impacts are appearing in their operational business environments.

### Linkages

Linkages for projects are being established with the government sector and industry bodies. Government and industry stakeholders interviewed consider the projects are valuable opportunities for development and learning. The Country Manager and Fund Director are either supporting the grantee linking with relevant organisations or establishing these links directly as part of their PSD activities.

#### Examples

- *Carnival* (Vanuatu) where the Country Manager is working with the Mystery Island Landowners Association and Carnival to assist building facilities with landowner capacity. An Australian Business Volunteer is planned to provide additional support.
- *Pukuk Alam* (Cambodia) has established links with Cambodian Women for Peace and Development to assist in the promotion and distribution of fruit fly bait. The Country Manager and Fund Director are supporting this link as many of the farmers are women and both parties will benefit from this relationship.
- *Teamworkz* (Laos) is providing the photos and hotel descriptions collated for their websites to the hotels on CD for use in their own marketing.
- Digicel is discussing expansion of their communications and e-banking services to catchment areas relating to ECF projects in Papua New Guinea (*Mainland, Paradise Spices*) and two of the *Carnival* call sites in Vanuatu and in the Torres and Banks region based on the expected increase in commercial activity generated by the *Marine Consultancy Services* (Vanuatu) shipping service.

Linkages with other relevant programs are also being established by Country Managers and the Fund Director e.g. Australian Centre for International Agricultural Research (ACIAR), Food and Agriculture Organisation (FAO), Asian Development Bank (ADB) rural development programs to provide additional support for some projects and promote lessons learned between programs.

### Productivity

Approximately one-third of ECF projects are already impacting on industry and sector productivity by showing different ways to operate or using innovative processing methods. These productivity improvements are then impacting on other areas such as the legal and regulatory environment.

#### Examples

- *WING* (Cambodia): The introduction of Mobile banking is changing the way some people are using and saving money.

It is reducing the time to transfer money and replacing the need for visiting banks. The introduction of this service has stimulated the updating of banking policy and regulatory environment in Cambodia. Other countries in the Pacific and Asia have expressed interest in the impacts from these developments. The ECF contribution has assisted WING to move into rural areas and extend their marketing campaign to reach rural communities.

- *Emirau* (Papua New Guinea): This project is introducing new technology to convert coconuts into vegetable oil for fuel including the processing of coconut by-products (Figure 29). The project is working closely with Cocoa and Coconut Research Institute to introduce a higher yield coconut plant. These plants are currently being distributed to potential beneficiaries to assist in their plantation rehabilitation. Operations will use up to 10,000 coconuts a day from October 2010. The opportunities for communities to earn additional income and the supply of oil to the power company on an ongoing basis are likely to have long-term impacts and lessons for Papua New Guinea. There is already interest in the replication of this type of operation in other areas of Papua New Guinea.



**Figure 29. Coconut Research Institute staff and ECF Country Manager at the coconut plant nursery, Kavieng, Emirau (Papua New Guinea)**

- *Cagayan de Oro* (Philippines): This project has helped increase paper production output from 4,000 to 10,000 pieces per week. The Fibre Industry Development Authority and the National Commission on Indigenous Peoples Central Offices in Manila have expressed interest in showcasing the project.

### Financial and information services

The amount and type of financial and information services available (e.g. financial, tourism and insurance) are increasing in Cambodia and Laos. The ECF funded components are contributing to these changes. These businesses are influencing their operating environments and contributing to changes in the wider business environment.

#### Examples

- *SAMIC* (Cambodia): this project is increasing the availability of life insurance in Cambodia. A decree is currently being drafted to update insurance regulations in Cambodia.



- *WING* (Cambodia): The *WING* educational marketing campaign is more extensive than initially planned due to the low levels of financial literacy. *WING* is also currently introducing a business-to-business mobile banking service into the financial sector in Cambodia.
- *Teamworkz* (Laos): Websites developed by *Teamworkz* and the growing tourist numbers are contributing to the tourism destination planning underway by tourism stakeholders.

Additionally, both *WING* and *SAMIC* (Cambodia) are exploring microfinance options for customers. *Reddy Farms* (Fiji) is already working with microfinance organisations to assist cane farmers. Increasing the availability of microfinance is being supported by the grantees, Country Managers and Fund Director as part of the immediate and wider PSD program.

### Crowding in

The introduction of some ECF projects to business environments is starting to lead to renewed or new interest in some particular sectors or industries.

#### Examples

- *Marine Consultancy Services* (Vanuatu): Other companies are now sending more ships to Banks Islands. One operator said these trips have not yet resulted in increased copra cargo from the islands due to production constraints. *Marine Consultancy Services* is now providing copra bags to island communities to help increase copra cargo. Island communities also confirmed that no other operators (apart from *Marine Consultancy Services*) are providing transport services on a regular schedule.
- *WING* (Cambodia): *WING* is expecting up to four new mobile banking providers to enter the market within the next year. *WING* emphasised that the entry of new operators will assist with educating people on how to use mobile banking as well as providing increased competition.
- *Sarami* (Vanuatu): There is now stronger competition for purchase of cattle from small holders in Santo as *Sarami* activities have stimulated increased in buying trips by other buyers.

### Scaling up or new investment

Approximately one-third of grantees are increasing their business contribution to increase productivity and enhance sustainability.

#### Examples

- *Masurina* (Papua New Guinea): Two additional sawmills will be used to increase production to more sustainable levels and provide more opportunities for community income generation.
- *Wilderness Lodge* (Solomon Islands) has provided additional capital to enhance their development of the bungalows and increase their marketing.
- Some businesses have increased their product lines including *Volcanic Earth* (Vanuatu) into soaps and hair-products and *Paradise Spices* (Papua New Guinea) into water purification and coffee extracts using the new plant funded by ECF.

- *Marine Consultancy Services* (Vanuatu) is now servicing an additional area – West Malekula by transporting cargo and passengers.
- *Future Forests* (Fiji) has trialled sheep raising in plantations and plan to extend program to provide local, rather than imported, mutton.



Figure 30. *Future Forests* sheep amongst teak trees

## 2) Systemic

Most ECF projects are currently in the infrastructure development or early stages of operation phase. It is relatively early for systemic impacts to be emerging but some projects are already starting to impact on their wider business environment.

### Innovation

Innovation among ECF projects varies considerably. Some represent technical innovations e.g. *WING* (Cambodia), *Solomon's Biodiesel* (Solomon Islands), *Emirau* (Papua New Guinea), *Sunlabob* (Laos), while others represent innovations in terms of their local environment but not necessarily by international standards (e.g. *Nature's Way* (Fiji), *SAMIC* (Cambodia), *Pupuk Alam* (Cambodia), *Future Forests* (Fiji)).

Government, sector and other organisations' representatives consider that ECF is providing unique opportunities for innovation in their immediate and wider business environments. The introduction of new technology for agricultural processing, energy and new products in particular is providing learning for business and private sector stakeholders.

#### Examples

- The value of private–public partnerships to implement government initiatives e.g. *Sunlabob* (Laos) in the supply of village based hydropower is providing key lessons about the structure and viability of this approach to provide electricity for rural customers.
- The interest is evident in the benefit from agricultural processing in Papua New Guinea, which predominantly exports raw materials (e.g. coffee, spices). The added value from the vanilla plant at *Paradise Spices* and the energy processing plant at *Emirau* converting coconuts into vegetable oil as business models and the impacts for beneficiaries are being closely monitored.

- *WING* (Cambodia) is also creating strong interest from financial and technology sectors within Asia and the Pacific as it rolls out its services to customers.
- Two projects in the Solomon Islands, currently working through land and logistics, are innovative in their environments:
- *Didao* has the potential to change the fishing industry for Solomon Islands.
- *Solomon's Biodiesel* has potential to impact widely on copra production in the Solomon Islands, as it will use up to 30% or more of the current production of copra production in the production of biofuel.



**Figure 31. Farmers discussing fruit fly bait. Pupuk Alam Cambodia**

### Legal, regulatory and policy environment

Three ECF projects in Asia are contributing to changes in their legal, regulatory and policy environments:

- *WING* (Cambodia) roll out of services is leading to changes in banking regulations.
- *SAMIC* (Cambodia) is contributing to changes in the insurance industry.
- *Sunlabob* (Laos) has established a private contract with Electricity Department Laos to supply power to the main grid including the reduced price for power supply to five villages.

It is expected that other ECF projects will contribute to changes in their environments as the implementation progresses.

### Behaviour change

Behaviour changes generated by the ECF projects have mostly been restricted to the actual business ventures and those suppliers working closely with the project.

One key change evident at this stage is that business owners and senior management realise the need to work in a collaborative manner with suppliers and that their business growth relies on a reliable supply chain. This increased awareness is generated by their practical project experience and has also been facilitated by discussions with Country Managers on the business growth and sustainability of projects.

### Examples

- *Marine Consultancy Services* (Vanuatu): island communities are changing perspectives on commercial activities as result of connection to external market.
- *Mainland and Paradise Spices* (Papua New Guinea): the commercial and organised approach to vanilla growing and supply is improving.
- *Carnival* (Vanuatu): landowner councils at sites are reorganising to improve procedures and participate in the obvious benefits of the project.
- *Future Forests* (Fiji): landowner groups are collaborating in a unified manner and planning for the future through valuable teak plantations.

### Replication

Approximately one-third of ECF-funded business projects have received interest in future replication. Examples

- *SAMIC* (Cambodia) has been linked to United Nations Capital Development Fund (UNCDF) as a potential model for micro-insurance services in the Pacific.
- The Department of Agriculture in Fiji is very interested in the *Sarami* (Vanuatu) as a model for rejuvenating the local beef industry. It is also monitoring the Reddy Farms project as a model for proposed diversification of the struggling small scale cane farm sector.
- *Paradise Spices* (Papua New Guinea) and *Emirau* (Papua New Guinea) are prompting replication in another province.
- *Wilderness Lodge* (Solomon Islands) has attracted interest in village-based tourism in other locations in Solomon Islands and Vanuatu.
- *Carnival* (Vanuatu) has attracted interest from other shipping companies and tourism bodies in Vanuatu and other Pacific countries.

There is also interest in replication of some ECF project approaches in other countries such as *Teamworkz* (Laos) website development in Vanuatu.

Key lessons are arising from ECF projects on the approaches, structures and outcomes within their business operating environments. The PSD program is involved in sharing these lessons with relevant parties.

## 5. Conclusion

In the ECF portfolio of 23 projects, 20 are underway with infrastructure development and expansion of operations. Some projects are taking time to get fully operational. Three projects are working through land and logistical details but are on track for development and operation in the latter part of 2010.

### Key conclusions

- The value of a matched grant is evident as the grantees and employees are working hard to meet their commitments within their varied implementation and operational environments.
- Some projects are starting to emerge as potential stars, solid projects or projects that may have more limited results. Approximately one-quarter of the projects are likely to deliver more than was planned.
- ECF is providing businesses with the opportunities to extend or develop new areas of operations which are increasing employment, income generation and broader opportunities for some beneficiaries. In turn, beneficiaries are starting to expand their livelihoods and improve living standards.
- Emerging outcomes are appearing for both the business environment and beneficiaries which is the desired intent of the ECF. Suppliers are gearing up to extend supply of raw materials; and customers and community involvement are increasing. Some beneficiaries are watching and thinking about what they will do with the new opportunities.
- Linkages are being established with government sector and industry bodies. There is interest in replicating some of the projects. ECF is contributing to innovation and emerging changes in behaviour with the business environment and beneficiaries.
- It is evident that both direct and indirect impacts are emerging from ECF projects. There are strong indications that these impacts will increase as business developments are completed and operations are underway.
- Some projects face challenges such as securing the ongoing supply of raw materials and landowner issues. These areas are being worked through by the grantees, and supported by the Country Managers and Fund Director.
- The ongoing monitoring of sustainable business growth and benefits to beneficiaries is required to ensure that the full potential intent of ECF can be realised.
- It is apparent that some grantees and businesses require more support from the Fund Manager than anticipated in the design of ECF. This is due to the lower capacity and experience levels of some grantees.

Looking forward, a key focus will be on extending and building business operations to a viable and sustainable level.

The value from this type of aid modality is becoming apparent. The extensive infrastructure development and operations already completed and current business plans demonstrate the inherent value of using experienced business operators in these environments. These results are being noticed by government and donor stakeholders.

The impacts for beneficiaries and the business environment warrant close examination. Positive development outcomes are emerging using economic development as a vehicle to improve the livelihoods and living standards of people, particularly in the Pacific.



Figure 32. Papua New Guinea highlands

## 6. Lessons learned

As the ECF pilot proceeds, lessons learned are appearing under key themes. The Fund Manager is taking these emerging themes into account and responding in its operations and planning. These themes and assumptions will be monitored and documented as ECF proceeds.

This analysis was undertaken at two levels:

1. Project level
2. Portfolio level.

### 6.1 Project level

#### Business viability and sustainability

- The Fund Manager has found that some supply chain details require clarification. This is impacting on the implementation timeline of some projects.
- The commercial viability and sustainability of business developments requires more planning in the early stages of projects.

#### Project implementation

The scope and pace of project implementation is slower than expected due to grantee capacity and the operating environment.

- Infrastructure improvements need to link with local capacity building. Progress can be slow even when grantee has extensive resources.
- Technical support for locally owned business is often important.



- Capacity and experience of some grantees and landowners is more limited than anticipated which affects business implementation.
- More input is required to assist with building grantee and landowner capacity for some projects.
- Projects in difficult environments such as East Timor and the Solomon Islands can take some time to get underway. Access to suitable land and other infrastructure can delay implementation and require additional support from Country Managers in set up.

## Income generation

Income generation capabilities of potential and actual suppliers to earn increased incomes and create other business activities is more limited than anticipated. Some beneficiaries have not had these opportunities before nor been exposed to different types of business.

## Experienced business operators

Using experienced business operators in these countries means the projects are implemented as fast as the context allows. Also the previous trust and history ensures services are used.

## Regulatory environment

Regulatory environments are impacting on the implementation of some projects. Some projects are encouraging an updating of regulations which is slowing down business development progress.

## 6.2 Portfolio level

### Impacts from projects

Benefits to communities rely in part on the commitment of the grantee. The projects with the greatest incentive to achieve beneficiary outcomes are often smaller companies embedded into the local business environment. In some cases, the Fund Manager has needed to remind larger companies of their expected development outcomes.

The Fund Manager has developed an approach incorporating discussions with grantees and holding grantees accountable for development outcomes under the Social Compliance Code of Conduct in their contracts.

This approach is supported by the updated project monitoring and evaluation activities. The Fund Manager (including Country Managers) holds regular interviews with key project stakeholders (i.e. grantee, employees, beneficiary groups and sector stakeholders) six-monthly or annually to monitor the progress towards business growth, beneficiary and business environment outcomes.

### Foreign exchange rate management

ECF grant funding was approved on applications submitted in mid 2008–09. Grant funds are made on a reimbursement basis of locally made expenditure during the quarter.

During project implementation, the Australian dollar has gained against all local currencies. A number of projects have already indicated a net gain, particularly in Asia. Some projects have flagged they will drawdown less funding or on agreement from the Fund Manager have amended their work plans to use the exchange rate gains to enhance the original project.

ECF needs to maintain a flexible contractual structure to fund draw downs given shifting economic environments in providing draw downs and will continue to monitor all funds are used to maximise project potential rather than sending funds based on approved (historic) projections.

## Innovation and value for money

Interviewed government personnel, sector and other organisations' representatives consider ECF is providing unique opportunities for innovation in their immediate and wider business environments.

Some projects are already demonstrating their success; others are proving to be worthwhile but may not warrant replication.

ECF is using innovation in economic development as a vehicle to introduce new technology, and new products and approaches into the Pacific and Asian countries.

Project personnel are learning, and gaining exposure and experience from the matched grant. This approach is also ensuring that the aid dollar component is being utilised effectively alongside the grantees' contribution. The close monitoring by the Fund Manager is also a safeguard for these funds.

## Business environment impacts

- The impact on private sector attitudes to implementing projects consistent with ECF objectives requires tangible commercial outcomes. These outcomes can take some time to be achieved and most supported projects have yet to reach this stage.
- Government agencies and donors are interested in ECF projects at an earlier stage but also require outcome data for maximum impact on PSD programs.
- Some smaller projects can have replication and PSD impacts that exceed their size. While beneficiary impacts may be limited in numerical terms, some offer excellent models for beneficial projects in similar environments.

## Level of support by Fund Manager

- Smaller projects may require more support from the ECF team if they are to achieve their expected outcomes. This could be guidance on particular issues (where there is relevant expertise in the team) or facilitation of linkages with other companies or agencies.
- It cannot be assumed that a grantee in a relatively small business will have the resources or experience to overcome all project challenges.
- This can be a time-consuming process and any future ECF-type projects need to have a clear 'social investment' approach and the subsequent allocation of required resources.

## Monitoring and evaluation

- The M&E design and implementation procedures present a number of resource and logistical issues for an ECF program with a wide variety of projects in different industry sectors and in remote locations in different countries.
- The M&E framework, objectives and methodology need to be developed and agreed from the outset. Data collection needs to be an ongoing process with realistic expectations as to what data can be collected.
- Using a results-chain logic model and aligned monitoring and evaluation framework approach clarifies the intent, and assumptions, and assists with the selection and collection of important data.
- Gathering beneficiary information is an important aspect of validating an ECF funded project. Beneficiaries are often in a remote location that can be far from company headquarters and requires a number of days and resources for travel.

## 7. MEASURES TAKEN AND PROPOSED TO ADDRESS CHALLENGES AND ENHANCE EFFECTIVENESS

### 7.1 Measures taken to date

The following measures were undertaken by the Fund Manager during 2009-2010 to enhance the ECF.

#### Monitoring and evaluation

Monitoring and Evaluation was a key focus during this year following feedback from the Mid Term Review team and discussions with AusAID in 2009. The following activities were completed:

- Twenty three project level results-chain logic models were developed.
- The ECF M&E approach was tailored (based on existing donor poverty tools) to collect beneficiary poverty data using a one page survey. This survey was conducted in projects from March to June 2010, with completion of four projects planned in October 2010.
- The ECF M&E Framework was realigned to a *Strategic Results Framework* at multiple levels (portfolio, project, beneficiary).
- A standardised approach was introduced to data collection and recording across all projects using a mixed-method approach (survey, interview, observation, quantitative indicators).
- Updated the ECF M&E plan with the results-chain approach at portfolio and project/beneficiary levels.
- The robustness and validation processes of data collation and reporting were strengthened by the Country Managers and Fund Manager taking an increased role in on site validation.
- All project M&E frameworks were extended into a multi-level spreadsheet where data is centrally recorded by Country Managers, PSD and M&E advisers. These spreadsheets will be provided to the Independent Monitoring Team on an annual basis.

- Field visits to 22 out of 23 projects were completed including eight case study visits April to June 2010. The case study impact information was provided to the IMT prior to their cost benefit analysis case study visits.

#### Country Manager structure

The number of Country Managers was reduced to five with a more regional focus taken in Cambodia and Laos and parts of the Pacific. The Fund Management team is now able to work more closely with the Country Managers.

Country Managers are now responsible for the data collection using the updated project M&E frameworks. Support and guidance is provided by the M&E adviser.

#### Private Sector Development

A structured PSD approach is being implemented and the following activities were completed:

- Preparation of external PSD environment documents for each project
- Completion of PSD linkages plans for each project
- Provision of support and guidance to Country Managers to develop linkages with key stakeholders
- Dissemination to relevant bodies of the emerging impacts from projects, lessons learned and potential for replication.

*Emerging BEE impacts:*

#### 1. How funded projects are influencing changes in BEE:

- Emerging impacts on BEE from projects are outlined in section 4.2. Indirect Impacts.
- Some projects are already impacting on BEE and this is likely to increase as ECF projects are fully implemented and the lessons become more meaningful to stakeholders.

#### 2. Key changes in the BEE context influencing project performance include:

- *Solomon's Biodiesel* (Solomon Islands) is experiencing difficulty in securing land. High level government support and assistance is being provided but access to affordable and suitable industrial land remains an issue.
- *WING* (Cambodia) is finding the regulatory environment is slowing down implementation but banking regulations are being updated.

The majority of other projects are not currently impacted by the BEE but as they develop issues may arise that will require ECF management team monitoring.

#### 3. The ECF team is influencing private sector development in the country/region due to experience of the project:

- Fund Director is working with Country Managers and grantees to tailor the PSD activities to achieve the maximum possible connection with, and impact on, relevant stakeholders.
- Experience to date has shown that stakeholders in public and private sectors want to see tangible project outcomes before there can be significant PSD impacts.



## 7.2 Measures proposed in future

The Fund Manager proposes the following measures to enhance activities during 2010-2011.

### Monitoring and evaluation

- Embedding the use of M&E logic models with Country Managers and grantees.
- Revising the case study format to be more useful for key stakeholders.
- Updating profiles of 13 non case study projects based on emerging impact information. Ideally this should be further updated following the second beneficiary survey to assess progress.
- Extending the goal of the ECF to *'Private sector-led growth in poorer regions of Asia and the Pacific and increased access to commercially sustainable jobs and services'*.
- Repeating beneficiary surveys for all non case study projects on completion. This can be completed by the Country Managers during field visits with additional time to access remote locations of beneficiaries.
- Providing ongoing support and guidance for Country Managers with their six monthly data collection visits and recording in the project M&E frameworks.
- Collating and validating project information for quarterly reporting (outcome progress will be reported six monthly).

### Private Sector Development support

The PSD program is currently focused on linking the grantee to PSD agenda and providing lessons to key stakeholders.

Over the next 12 months the proposed PSD linkages and support activities will include:

- Ongoing update of the PSD linkages plan for each project with new opportunities as they arise.
- The monitoring and evaluation noted some projects have a lower capacity to deliver project outcomes than others. There is a need to assist some grantees in linking with other parties to support and enhance project development. This can be handled primarily through the Country Managers who will use their contacts with assistance agencies, donors and other organisations which can help to overcome identified project technical, management and other obstacles.

- In many cases, grantees will have strategies to work effectively with suppliers. However experience has shown that some beneficiaries require additional assistance or guidance beyond the grantee in order to engage in meaningful commercial activities that will improve overall community outcomes. The linkage of the Mystery Island Tourism Association with an Australian Business Volunteer for *Carnival* (Vanuatu) is an example. The PSD linkages program could be extended to these areas.
- Reallocation of days from the withdrawal of *Pelena* (Solomon Islands) to support other Solomon Islands projects experiencing difficulties in start-up.

### Enhanced monitoring for environmental impact

Environmental management is important in development programs as the poor often have a higher dependency on natural resources. A key factor in reducing poverty is ensuring that resource usage is sustainable.

To better monitor environmental impact, the ECF management team develops an environmental audit checklist to be used by Country Managers on their six monthly project visits.

## Appendix 1

### List of ECF funded projects

Region	Country	Company	Sector	Grant Approved	Quarters completed														
South East Asia	Cambodia	Bright Hope Institute	Education	\$ 199,300	3														
	Cambodia	Pupuk Alam	Agribusiness	\$ 873,100	3														
	Cambodia	SAMIC (formerly CHC Limited)	Financial Services	\$ 198,450	4														
	Cambodia	WING	Financial Services	\$ 1,500,000	6														
	Laos	Sunlabob	Energy	\$ 526,682	4														
	Laos	Teamworkz	Tourism	\$ 227,030	5														
	Philippines	Cagayan de Oro Handmade Paper Crafts	Agribusiness	\$ 407,139	7														
	East Timor	Solutech	Energy	\$ 575,500	3														
Pacific	Fiji	Future Forests Fiji	Agribusiness	\$ 190,000	6														
	Fiji	Nature's Way	Agribusiness	\$ 263,321	7														
	Fiji	REDDY FARMS LTD	Agribusiness	\$ 149,900	3														
	PNG	Emirau Marine Products Ltd.	Energy	\$ 996,000	4														
	PNG	Masurina Ltd	Agribusiness	\$ 183,166	4														
	PNG	Mainland Holdings	Agribusiness	\$ 453,745	6														
	PNG	Puritau	Agribusiness	\$ 170,000	6														
	Solomon Islands	Solomon's Biodiesel (formerly Burrows)	Energy	\$ 1,175,615	2														
	Solomon Islands	C-Corp	Agribusiness	\$ 1,155,000	6														
	Solomon Islands	Didao	Fishing	\$ 680,000	2														
	Solomon Islands	The Wilderness Lodge	Tourism	\$ 110,000	3														
	Vanuatu	Carnival Australia	Tourism	\$ 805,000	6														
	Vanuatu	Marine Consultancy Services	Shipping	\$ 750,000	6														
	Vanuatu	Sarami Plantation	Agribusiness	\$ 1,375,000	4														
Vanuatu	Volcanic Earth	Manufacturing	\$ 190,000	6															