

# Enterprise Challenge Fund for the Pacific and South-East Asia

GROWING BUSINESS TO REDUCE POVERTY

## Annual Portfolio Report 2011



A report on the implementation progress, emerging impacts from funded business projects and the lessons learned to date.

Prepared for the Australian Agency for International Development (AusAID) by Coffey International Development

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## Appendix 1 - ECF-funded projects by country

Symbol	Currency	Present rate*: 1 Australian dollar =
A\$	Australian dollar	1
F\$	Fiji dollar	1.91 Fiji dollars
K	Papua New Guinea kina	2.41 kina
KHR	Khmer riel	4,436.94 riel
P	Philippine peso	45.94 peso
SB\$	Solomon Island dollar	8.02 Solomon Island dollars
US\$	United States dollar	1.08 United States dollars
VT	Vanuatu vatu	92.96 vatu

# Executive summary

This 2011 Enterprise Challenge Fund (ECF) Annual Report highlights implementation progress, emerging impacts from funded business projects and the lessons learned to date.

## Progress

The 2011 ECF portfolio is currently funding 21 projects in seven countries in the Pacific and South-East Asia. To date A\$9.9 million in Australian Government-funded grant funds have been provided and A\$11.6 million has been leveraged from the private sector as part of bidder co-contribution to projects.

ECF-funded projects have completed construction of infrastructure, invested in supply chain development including training, and working with potential customers to promote use of goods and services. Projects are tracking well with 15 of 21 projects expected to meet all objectives and a majority of projects will be commercially sustainable before the end of the three-year monitoring period.

During the past year, the Fund Management team supported ECF program through:

- monitoring of project results and application of the international standard in results measurement set by the Donor Committee for Enterprise Development
- promoting project results and lessons learned through a linkages program with key stakeholders in private sector, government and donor agencies
- developing a strategy for increased communication of results from ECF-funded projects.

## Results

ECF projects are benefiting the poor through increased employment, incomes and access to goods and services.

To date, ECF has an outreach of over 150,000 people and 34,966 people are directly benefiting from employment, increased incomes or use of the improved goods and services and these numbers will continue to grow in the future.

All projects have provided beneficiaries with knowledge and skills to improve the quality and quantity of supply, to upskill employees and to better understand and use ECF-funded goods and services.

Evidence suggests that once projects have been fully implemented and direct impacts realised, parties in the public and private sectors are expressing interest.

In around three-quarters of funded projects, crowding in and scaling up has occurred, providing additional benefits for the poor. Longer term improvements to productivity, legal and regulatory changes and replication are also underway.

The ECF linkages program has contributed to providing business support and advice as well as stimulating wider indirect impacts through sharing of results and lessons learned.

## Beneficiaries

The 2010 beneficiary survey showed that ECF projects are targeting the poor with a majority of household income less than the national poverty lines. ECF beneficiaries also often lack access to goods and services such as electricity and clean water.

## Lessons learned

Key lessons have been learned for future challenge funds.

- Monitoring projects over a longer term period will enable further direct and indirect benefits to be realised, and increase impact reporting on poverty reduction.
- A well-conceived and proactive private sector development linkages program can provide support and strategic guidance where needed and stimulate other indirect benefits.
- Partnering with the private sector has delivered considerable development outreach and can support economic growth. The private sector has also developed partnerships with other local organisations to improve participation of the poor.

## Future considerations

Over the next 12 months, ECF projects will be completing their three year monitoring period and final assessments, including additional beneficiary surveys, will be conducted.

The ECF Fund Management team is also undertaking additional measures to enhance the effectiveness of the ECF program and to communicate key lessons from the ECF to support future private sector development programs.

*In the past two years, the Australian Government has provided A\$9.9 million dollars in grant funding, A\$11.6 million has been co-invested by the private sector.*

*The ECF has an outreach of over 150,000 people across the Pacific and South-East Asia and an estimated 35,000 people and 970 small businesses are directly benefiting.*

*The Enterprise Challenge Fund is an Australian Government AusAID initiative.*

# 1. Introduction

## About the Enterprise Challenge Fund

The Enterprise Challenge Fund for Pacific and South East Asia (ECF) is a A\$20.5 million AusAID funded Australian Government initiative providing a competitive opportunity for businesses to obtain grants to assist in commercialising business projects in participating countries to contribute to sustainable poverty reduction. This pilot program will reveal significant lessons learned in developing and managing private sector programs in the region and in how working in public-private partnership can contribute to sustainable development outcomes.

The ECF has three key impact areas:

1. Business growth and sustainability of the project
2. Increased social and equitable development for project beneficiaries
3. Wider systemic impacts including replication, crowding in and scaling up.

As at July 2011, ECF has released A\$9.9 million in grant funding out of A\$14.5 million for 21 projects in seven countries in the Pacific and South-East Asia (Vanuatu, Papua New Guinea, Solomon Islands, Fiji, Philippines, Cambodia and Laos) in a range of industry sectors.

## Expected key outcomes

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

To achieve wider systemic impacts, ECF projects are intended to be positive models that stimulate other companies to copy or crowd in to the marketplace and stimulate the wider business environments to enhance economic growth. This growth will ultimately improve the lives of poor people in these countries.

Achieving the impacts of ECF is based on the following assumptions:

- The funded business project will grow and become commercially sustainable.
- The business growth will contribute to improvements in livelihoods for beneficiaries and wider communities.
- The business growth will contribute to improvements in the business environment for beneficiaries (e.g. behaviour changes, increased access to information and financial services).
- Other companies will change behaviour in the operational and systemic business environment as the ECF model demonstrates success.
- 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 poor regions of the Pacific and South-East Asia.

## Role of the Fund Management team

The ECF provides support at the local country level through a network of Country Managers and a Fund Management team to oversee the technical monitoring and private sector development program.



Figure 1. Country Managers on a monitoring visit to Didao project in Malaita, Solomon Islands

Country Managers track and measure the progress of all projects through regular impact monitoring activities. In their six-monthly project visits, they audit the use of funds, observe and interview, and collect data on business growth, impacts for beneficiaries, jobs created and any changes to the wider business environment.

Country Managers, through a proactive dissemination and linkages program, promote and share lessons learned with key stakeholders to donors, agencies, local non-government organisations and private sector organisations to maximise the prospects for systemic impacts. The linkages program has had an unexpected benefit of assisting a range of projects to address identified needs to strengthen business operations and community benefits.

For example, in the Solomon Islands the team supported the recruitment of an Australian Business Volunteer to help the Didao seafood project improve financial management procedures as the business gears up to take on the challenges of a larger business operation.

This report provides an annual update of the data collected throughout 2010–2011 and reports on project progress, impacts and lessons learned.

## ECF Program funds allocation

The total Australian Government ECF allocation of \$20.5 million over six years includes:

- A\$14.5 million (71%) allocated to grants for private sector development in the Pacific and South-East Asia
- A\$5 million (29%) allocated to running costs of the program over six years including management of assessment panels (A\$0.7 million), marketing of the fund (A\$0.1 million), travel (A\$0.4 million) and staffing costs including salaries of nine country managers and three fund management staff for marketing, management of contracts, finance and administration, monitoring and data collection, reporting, and business linkages for all projects and the fund (A\$4.2 million), and an independent monitoring team (A\$0.5 million).

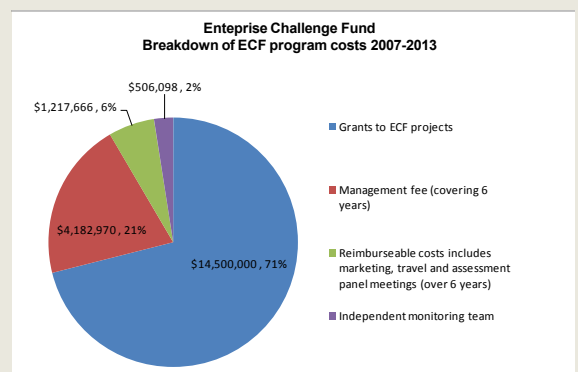


Figure 2. Breakdown of ECF costs 2007-2013

## 2. Performance of the Enterprise Challenge Fund Portfolio

### Overview of portfolio progress

In 2008 and 2009 the ECF private sector assessment panels awarded A\$13.352 million in grants from the total allocation of \$14.5 million. The allocations, across six key sectors, went to 24 private sector projects in eight countries of the Pacific and South-East Asia.

As at 30 June 2011, 21 projects were in various stages of progress; three projects withdrew<sup>1</sup> in early implementation stages. Total expected grant funds of A\$11.558 million will be used by ECF projects by December 2012.

Table 1. ECF projects by sector and region

Sector/region	Pacific	Asia
Agribusiness including fishing and forestry	10	2
Education	0	1
Energy	1	1
Financial services	0	2
Tourism	2	1
Shipping	1	0
Total	14	7

As at July 2011, ECF had disbursed A\$9.9 million in grant funding and through bidder contribution has leveraged an additional A\$11.6<sup>2</sup> million from the private sector – a total of A\$21.5 million to support economic growth.

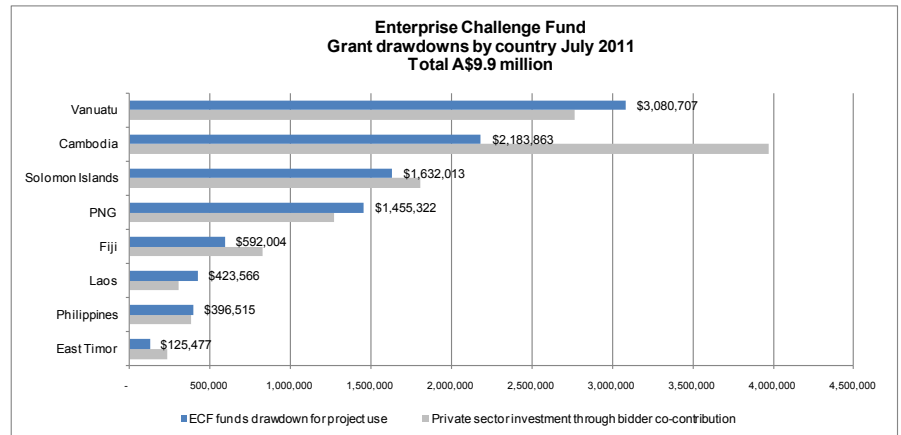


Figure 3. ECF grant draw downs by country as at July 2011

ECF funds have contributed to business set-up and operational costs including:

- Agricultural infrastructure – three new factories processing ducks, coconut oil and fish, four factory expansions for vanilla processing, production of paper crafts and natural soaps and oils; nurseries for cocoa and teak; silage pasture for cattle; quarantine facility
- Tourism infrastructure – expansion of eco lodge; improved infrastructure and supporting services at cruise ship call sites
- Renewable energy infrastructure – a new hydro-power supply plant
- Education infrastructure – new school classrooms and dormitories
- Island shipping – new inter-island vessel to service remote communities
- Knowledge and training – quality of supply; marketing for poor customers; agricultural extension; production and processes; financial literacy; tourism practices.



Figure 4. Opening of Emirau Marine Products coconut oil processing plant in Kavieng, Papua New Guinea



Figure 5. Bright Hope Institute new classroom building in Kampong Chhnang Cambodia



Figure 6. Completed bungalows at Wilderness Lodge, Solomon Islands

<sup>1</sup> Following grant approval two projects did not begin operations as a result of changed market conditions in 2010 – Solomon's Biodiesel and Pelena, both biofuel projects in the Solomon Islands. The Solutech solar lamp project in East Timor was cancelled by the grantee in July 2011 because lower than expected demand meant that the proposed local assembly operation was no longer commercially viable.

<sup>2</sup> From grantee quarterly reporting expenditure claims and includes reasonable estimation of bidder contribution for Sarami (Vanuatu) as waiting on finalisation of grantee financial statements.



Figure 7. Reddy Farms employee by the incubator in Lautoka, Fiji

These 21 businesses are now focused on consolidating operations while ensuring that commercial outcomes can be achieved through supply chains and targeting key customer bases which, by design, benefit the poor and lead to impacts in the wider business environment. Projects are benefiting poor communities through employment, increasing incomes and providing access to goods and services. To date, ECF has an outreach of over 150,000<sup>3</sup> people and an estimated 34,966 people and 970 small businesses have directly benefited, including

- 414 people employed
- 1,629 people and 889 small businesses able to increase their incomes through selling goods and services to ECF projects
- 151,506 people and 81 small businesses with access to vital goods and services such as mobile payments and micro-insurance, access to electricity and agricultural products. From these 32,923 people and the 81 small businesses are currently taking advantage of opportunities presented by ECF projects.

These figures are expected to rise over the course of project implementation and through indirect impacts in the wider business environment (see Section 3. Impacts for more detailed analysis of direct and indirect impacts).

**Without ECF**

ECF uses a results-based management approach that incorporates project logic models and indicators to assist with systematic data collection, including both qualitative and quantitative research methods. This approach enables Country Managers and the Fund Management team to assess progress and attribution from ECF-funded activities. Baseline values were established for all projects and the changes emerging from ECF related activities are being assessed at three to six monthly intervals, depending on location.



Figure 8. Nature's Way produce ready for export, Nadi Fiji

ECF projects can be divided into two categories:

1. *Introduction of new products and services* – baseline values are zero and progress is tracked accordingly.
2. *Business activities that would not have occurred at this level in the short to medium term without an ECF grant* – tracking progress from these ECF-funded activities within existing operations is more challenging particularly in assessing ECF contribution.

The analysis of “what would have happened without ECF funding for these businesses” shows that 11 projects (52%) would not have happened at all without ECF support, five projects (24%) may have happened in the longer term (eight years plus) with fewer or no pro-poor benefits if implemented, and the remaining five projects could have been implemented without ECF support at some stage but are highly unlikely to have incorporated the same level of direct and indirect impacts.

**Project performance against key outcomes**

The project grantees, Country Managers and Fund Management team, rate the ECF projects quarterly against key expected outcomes including:

1. Business growth
2. Commercial sustainability



Figure 9. Cagayan de Oro stall at Paperworld 2011, Frankfurt, Germany

3. Development benefits (direct impacts)
4. Business Enabling Environment and systemic impact (indirect impacts).

These rated components are validated and then aggregated by the Fund Management team into a summary score.

The current portfolio ratings for ECF projects show 15 of the 19 active projects (78%) are assessed as on target to meet all objectives, four projects are expected to only partially meet objectives. Two projects are still in early stages of implementation and therefore it is too early to judge the extent of achievement.

**Business growth and commercial sustainability**

The ECF tracks business growth as a key outcome of ECF grant funding. All 19 ECF business projects that have been fully established are operating successfully with most now achieving or exceeding break even; the majority are confidently expecting to remain commercially viable. Subsequent expansion and diversification will only be evident in the next 2–3 years.

- WING (Cambodia) has developed a mobile payment platform that has reached over 250,000 customers (50% of these in rural areas) over two years of operation. The project is now reaching up to 13,000 new customers per month. WING is expecting to achieve breakeven in 2014.

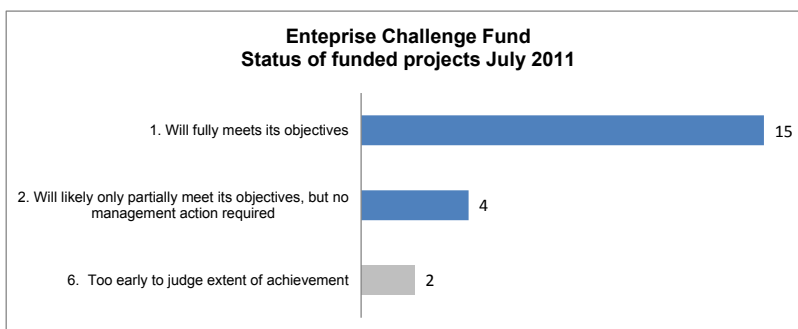


Figure 10. Status of ECF projects as at July 2011

<sup>3</sup> A large portion of this relates to the outreach of the WING (Cambodia) project with outreach to 125,000 rural people and benefits to ~25,000 rural people.

- Teamworkz (Laos) has finalised 812 bookings valued at US\$70,480 (A\$ 65,259) in three provinces since the launch of three new ECF supported websites. All sites are currently achieving breakeven. Feedback during recent ECF field visits was very positive particularly for smaller hotels where the Teamworkz system provides security of income, additional bookings and a reliable on-time payment system; it is therefore a preferred booking agent.
- Nature's Way (Fiji) handled 638 tonnes of exported fruits and vegetables in the first six months of 2011. This represents a 90% increase over the volumes handled in the same period in 2008 and places the business in a profitable position. Exporters have reported that the improved facilities and additional capacity at Nature's Way have provided them with confidence in relation to expanded export sales.
- SAMIC (Cambodia) has been in operation for 18 months and has fully developed the loan protection micro-insurance product. SAMIC has provided training and promotional materials to all 13 branches, and hired and trained specialist micro-insurance staff. Microfinance clients are given training in insurance products and offered the option to take up the insurance at the time of taking the loan. SAMIC micro-insurance policies currently cover 10,366 clients and their relatives, and secure loans of US\$2.4 million (A\$ 2.6 million). The premiums collected are now covering operational costs and therefore the project will be profitable in the long term.
- C-Corp (Solomon Islands) is in the process of rehabilitating cocoa plantations in Horokiki. They are barely breaking even due to regular theft of the cocoa pods. This has increased costs (additional staff to harvest pods quickly) and reduced sales volumes. Nonetheless C-Corp expects to be profitable within the next 12 months.
- Cagayan de Oro (Philippines) has increased the sales volume of handmade paper products by 15% due to successful marketing at the 2011 Paperworld Fair in Europe. Cagayan de Oro has also secured two new international buyers in Germany and Belgium and featured in a wedding magazine in Ireland.

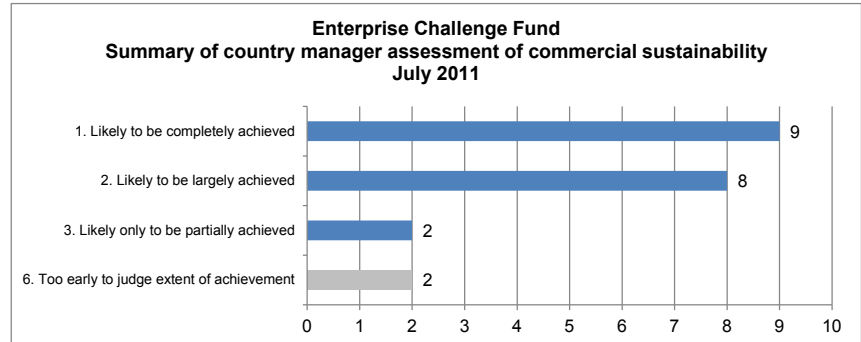


Figure 11. Commercial sustainability rating for ECF-funded businesses at July 2011

- The two projects not yet operational – Emirau Marine Products in Papua New Guinea and Didao in the Solomon Islands – will take another 12 months or longer to reach a profitable position.

Overall, three-quarters of the business have been assessed by Country Managers as demonstrating new or extended business products and services are likely to be commercially sustainable beyond the ECF project time frame.

All projects have been taking on additional employees in the factory or at business level to support the growth. These employees are primarily skilled workers from urban areas but some projects have also specifically employed non-skilled workers from local communities. For example Sarami (Vanuatu) is employing local women for casual weeding of pastures and Sunlabob (Laos) is training and employing local village grid technicians to perform general maintenance at the hydro-power supply plant.

None of the projects have deviated significantly from their original business plan but there have been some modifications of product or service mix and supply chain arrangements. In some cases the market has changed and the business has adapted accordingly; in other cases the number of potential suppliers and other beneficiaries has either decreased, due to performance or logistical issues, or expanded as the business has grown and diversified.

- Reddy Farms (Fiji) duck project planned to contract over 100 relatively poor families to raise ducks but this is likely to be reduced to around 50 contractors due to poor performance by some contractors. These contractors will earn increased incomes with improved prospects for small business diversification.
- Volcanic Earth (Vanuatu) skin care project has expanded exports of tamanu oil to overseas customers from 1,000 litres in 2008 to 8,000 litres in 2010. The number of tamanu nut suppliers has expanded to most of the main islands of the country. Initially this aspect of the business was expected to benefit a small number of suppliers on one or two islands. This project has also diversified into the cruise ship tour market and the expected related income stream will ensure commercial sustainability and increase flow-on benefits to suppliers and subcontractors.
- WING (Cambodia) has expanded the use of the WING platform from individual transactions to bulk payment to facilitate payroll and supplier payments for businesses. This has been successfully trialled with a number of small to medium sized businesses and non-government organisations. WING indicates that by 2013 this will represent 50% of the transactions processed by WING. This will target businesses that operate in rural areas such as garment factories and non-government organisations.



Figure 12. Landowners with Australian Business Volunteers at Mystery Island, Vanuatu

In many cases, it has taken longer than initially expected to implement and consolidate the new or extended operations, particularly for Pacific Island based businesses. The infrastructure, capacity and funding issues in this region have meant relatively slow progress and implementation challenges.

### Challenges

Approximately half of the ECF-funded businesses experienced, or are experiencing, challenges in implementing and building up their operations to a sustainable level. Some of these challenges were expected with the introduction of new and extended products and services in generally difficult environments.

Key challenges facing ECF-funded businesses include:

- ensuring sufficient supply of raw materials, and a reliable supply chain in more remote areas and from suppliers who often have limited commercial experience
- securing sales in difficult local markets and/or very competitive international markets
- maintaining sufficient cash flow to sustain the business during the implementation stage when access to finance is often difficult
- working with more remote and inexperienced communities to build capacity and ensure the maximum possible project flow-on benefits
- managing the increased level of administration required for the extended or new business operations.

More support is being requested and provided by the Country Managers and the Fund Director where appropriate. Over half of the ECF-funded businesses have required more support than expected, particularly Pacific Island businesses. In addition, through the linkages program, the Fund Director and Country Managers are taking a proactive role in facilitating further support from other sources, such as Australian Business Volunteers and the Pacific Islands Trade & Invest.

A key lesson emerging from these and other ECF projects, particularly in the Pacific Islands, is the need for more strategic planning support and guidance at the application and implementation stages. More ongoing support for the grantee and involved communities would ensure that the prospects for a sustainable business and tangible flow-on benefits to disadvantaged communities are maximised.

A more formal business support or mentoring program could be partnered with an Enterprise Challenge Fund in order to better support project development and implementation.



## Sector analysis

Over half of the ECF-funded businesses are involved in agribusiness, particularly in the Pacific Islands. In Asia, four of the seven the projects are provide new or extended services in the education, finance and tourism sectors.

Lessons emerging from the ECF projects in these sectors include:

- Agribusiness projects funded by ECF have typically required a relatively long period for implementation, particularly when processing plants are being constructed. Such projects clearly offer good prospects for improved livelihood opportunities for rural communities but they also present challenges in terms of reliable supply chains. ECF agribusiness projects are expected to provide benefits to a wide number of poor people; however, this is taking longer than expected due to consents process, supply of raw materials and the growth in business capacity required. There are positive developments in many areas of these business such as sales and marketing and the supplies of raw materials are increasing (e.g. Volcanic Earth (Vanuatu), Mainland (Papua New Guinea)). The business owners, staff and communities are keen to learn and improve their capacity in business activities such as extension work, administration, income generation and marketing. The improvements in confidence and experience of the business owners and suppliers are evident, for example, vanilla growers near Lae, Mainland (Papua New Guinea) and staff at Reddy Farms (Fiji).
- Financial services projects funded by ECF (both in Cambodia) are highly innovative and reach large numbers of beneficiaries. WING has reached over 250,000 customers and SAMIC insurance is covering 10,366 clients and spouses. The capacity of these organisations was high and demand for the products in these markets was effectively identified in the business planning. Both companies already had large networks of clients and a well-known brand in the country. These businesses have also been flexible in their responses to the lessons of product implementation and working within the improving regulatory environment. The training of sales personnel who market these products is a key factor in the success. Both businesses are looking to extend their product range and services, for example, WING is offering billpay, payroll and supplier payment services, and SAMIC is offering life insurance options to existing clients.

- Tourism projects funded by ECF are building capacity for remote tourism providers through training, infrastructure improvements and facilitating the increase of tourists to remote areas. For example doubling the capacity at Wilderness Lodge in remote Morovo Lagoon (Solomon Islands), improving infrastructure and training local communities in tourism through Carnival (Vanuatu), and providing online access for remote hotels through Teamworkz (Laos). Tourism projects can have large flow-on benefits to wider communities through provision of food for restaurants, markets for handicrafts, transport services and employment.
- Energy (renewable) projects funded by ECF have been technically complex: they require construction of equipment such as hydro turbines and assembly of solar panels. The outreach can be relatively large in numbers, for example Sunlabob (Laos) is providing power from a hydro turbine to 223 households, and takes a relatively short time. Projects partnered with community development organisations can enhance and support the income generation potential for beneficiaries through access to energy.

## Wider business environment impact analysis

ECF-funded businesses, in conjunction with the ECF private sector development linkage and dissemination program, are generating emerging impacts to the wider systemic business environment. A key strategic-level intended outcome of ECF is that the funded business activities are copied (replicated) in different locations to increase the benefits to poor people, and that wider business environments are stimulated to enhance economic growth.

The innovative introduction of new products and services, and increased access to goods and services (e.g. transport, energy, education and financial services) funded by ECF, are stimulating the wider business environments in the Pacific and South-East Asia. The improved productivity and increased confidence in some business environments is stimulating other businesses and donors to enter the markets, and copying



Figure 13. Sorting of vanilla pods at Mainland Holdings factory in Lae, Papua New Guinea.

and demonstrated interest in replication by beneficiaries and other businesses in the funded business environment.

Up to one-quarter of the products and services in the project country and across the region are attracting interest from other businesses and industry bodies. Ultimately, this is leading to increased interest in scaling-up, expansion and/or diversification of up to one-third of the ECF-funded business operations. This increased level of business activity is expected to help widen outreach to beneficiaries in, for example, increased income opportunities, jobs, and access to goods and services.

The positive impacts evident at this stage demonstrate the wider value and leverage from ECF funding. Tracking these longer-term impacts beyond the life of the projects would enable the extended impacts from ECF projects to be more accurately captured, and support private sector development as an effective modality in reducing poverty through economic growth.

## Who are ECF beneficiaries?

A baseline survey of the intended beneficiaries for all projects during 2010 interviewed 306 people (189 male, 103 female, 14 mixed groups) face-to-face across all projects. The survey used both random and targeted sampling techniques to establish baseline household income and living standards data on current and potential ECF direct beneficiaries.

A sample of direct beneficiaries will be re-surveyed in late 2011–2012, when projects are nearing completion, to assess the changes. The impacts on indirect beneficiaries will also be examined.

Key beneficiaries are:

- agricultural growers and farmers such as vanilla, cattle, cocoa, abaca and teak in rural areas – primarily in the Pacific
- customers accessing new goods and services such as financial, shipping, micro-insurance, education – primarily in Asia
- communities providing inputs to tourism providers such as food, transportation, tours and handicrafts in both Asia and the Pacific
- small to medium enterprises in multiple sectors operating in remote or rural areas servicing poorer communities.

The baseline results showed that most ECF beneficiaries surveyed are living on household level income lower than their national poverty lines. Many beneficiaries lack access to vital goods and services on a daily basis such as power, water and food.

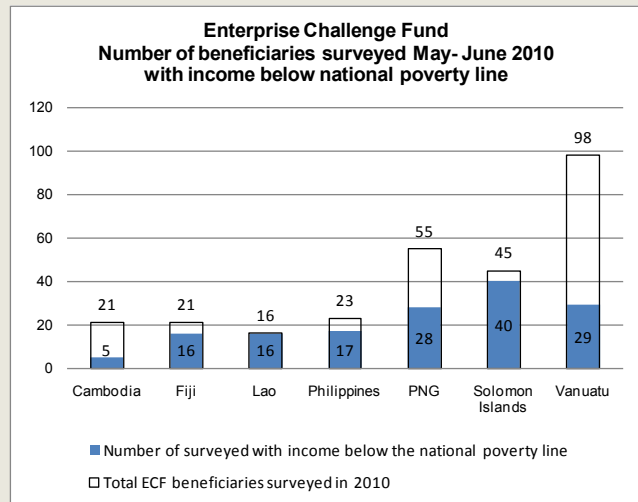


Figure 14. Number of beneficiaries surveyed May–June 2010 with income below the national poverty line



Figure 15. Emirau Marine Products factory workers in Kavieng, Papua New Guinea



Figure 16. Training villagers as boat operators at Mystery Island, Vanuatu.



Figure 17. Chilli farmer using Pupuk Alam baits in Kampong Cham, Cambodia;

### 3. Impacts

The key development impacts from ECF business projects can occur at two levels:

- directly through employment, supply to the funded project, or through the project improving access to goods and services
- indirectly through changes in the wider business environment generated by the ECF-funded project.

#### Direct impacts of ECF-funded projects

ECF aims to address poverty alleviation by positively impacting poor people, termed here 'beneficiaries'.

To date all ECF projects are contributing to poverty reduction through new and additional income (through employment and to suppliers) and access to vital goods and services. These benefits create further opportunities for poor people to improve their living standards such as investment in health care and education.

#### Improved opportunities for income generation

ECF-funded projects improve and increase income generation opportunities by providing new markets for poor people to supply new or existing raw materials and services. In 15 of the 21 ECF-funded projects, individuals and small businesses are accessing increased incomes:

- Projects source agricultural raw materials through developing supply chains based on locally sourced inputs such as the purchase of cattle with Sarami (Vanuatu), sourcing of vanilla through Paradise Spices and Mainland Holdings (Papua New Guinea) and village level fishing through Didao (Solomon Islands).
- Projects develop new products and services such as out-growing of Pekin ducks through Reddy Farms (Fiji).
- Projects develop facilities to attract tourists to remote areas and supporting tourism development for local communities through Carnival (Vanuatu) and Wilderness Lodge (Solomon Islands).

Increased income as a direct result of the ECF projects are also improving beneficiaries' ability to purchase goods and services including school fees, fuel, clothes and other essential household items.

Additionally two ECF-funded projects are increasing income generation opportunities for small to medium sized businesses that employ or support poor people:

- WING (Cambodia) has incentives for local small businesses to act as tellers to manage the liquidity of WING platform.
- Nature's Way (Fiji) provides quarantine treatment facility services for local exporter businesses that have supply contracts with smallholder farmers and employ local people, including a high proportion of women, in their sorting and grading operations.

To date, ECF has increased income opportunities for 1,629 suppliers and 889 small businesses.

All agricultural projects funded by ECF have included an expansion or construction of processing facilities and in some cases are working with subcontracted suppliers of inputs. These processes have required set up time as well as development of the supply chain. Currently, most projects are providing good returns, which are likely to increase, for suppliers and the number of suppliers is also likely to increase in future.

- Volcanic Earth (Vanuatu) sources local inputs for its skin care products, including coconut oil and tamanu

nut oil. The company assisted a local small businessman to establish a virgin coconut oil extraction facility and this operation employs young men to do the extraction and sources coconuts from nearby communities. Volcanic Earth buys tamanu oil from an independent, small mill that sources nuts from an increasing number of island communities where it is estimated each supplier is on average earning around V3,200 (A\$34). In both cases the small local businesses will also expand and diversify.

- Paradise Spices (Papua New Guinea) has been working with over 300 farmers growing vanilla in remote areas and selling to the production facility in Port Moresby. Farmers are on average earning K350 (A\$145).
- Didao (Solomon Islands) and Emirau Marine Products (Papua New Guinea) are still in the set-up phase with commencement on track for second half of 2011. Both projects have the potential to improve livelihoods for relatively significant numbers of disadvantaged people in more remote areas.

#### Raising Pekin Ducks in Fiji

The Reddy Farms project in Fiji was provided with a grant of A\$149,900 and will outsource the raising of ducks to disadvantaged households in the increasingly depressed cane growing areas near Lautoka. Each household will be provided with week old ducks, feed and technical support as required during the seven-week growing period. At the end of this period the ducks will be weighed and the contractors paid accordingly. Contractors are responsible for constructing the holding pen for the 50–100 ducks per growing cycle.



Around 50 households will be involved with the project and each contractor should be able to earn a minimum of \$F1,000 (A\$524) per year from Reddy Farms – some may be able to earn twice this amount. There are no ongoing costs for contractors and the limited associated workload means that women take responsibility for the duck growing without disruption to their other activities.

Based on potential contractor surveys, the average yearly household income for most of the contractors is \$F4,500–6,000 (A\$2356–3141) and the additional income from the Reddy Farms contract will make a significant contribution to family incomes. Linkages with micro-loan providers have been developed to assist those wishing to diversify their home-based businesses based on the experience and skills learned from their contract supplier activities.

The ECF management team facilitated a test case interest-free loan from an Australian Rotary club to a single mother so she could establish the holding pen and become a contractor to Reddy Farms. Following the first collection of her ducks she told the ECF Fund Director "this has already changed my life".

Table 2. ECF project beneficiaries with increased income generation opportunities as at June 2011

Project	Type of income generation opportunity	Projected number of beneficiaries and baseline number	Number of suppliers as at June 2011	Est. average or indicative income (per annum in 2011)
Reddy Farms (Fiji)	Farmers trained in duck out-growing, and raising and selling ducks to Reddy Farms	50 suppliers Baseline = 0	25 suppliers contracted for duck out-growing	F\$736 (A\$385)
Sarami (Vanuatu)	Cattle smallholders selling cattle to Sarami	100 smallholders Baseline = 0	60 smallholders	VT67,000 (A\$720)
Emirau Marine Products (Papua New Guinea)	Coconut and copra suppliers selling to Emirau	2,000 suppliers Baseline = 0	Nil (production to commence shortly)	Not buying yet
Didao (Solomon Islands)	Fishermen in the Lau Lagoon fishing village	1,200 fishers Baseline = 0	Nil (yet to begin fishing)	Not selling yet
Masurina (Papua New Guinea)	Wood suppliers	Kwato 10 suppliers Bwasa 6 suppliers Baseline=0	Nil sawn logs being used for housing	Yet to be sold for income
Cagayan de Oro (Philippines)	Abaca farmers	300 farming households Baseline = 0	300 farmers	P16,000 (\$A348) per harvest Note – time from planting to harvest is three years.
	Raw materials suppliers	18 suppliers	18 suppliers	Not yet collected. suppliers change based on orders
C-Corp (Solomon Islands)	Landowners at Horokiki plantation	200 people	0 (no dividend paid yet)	No payments yet
Mainland Holdings (Papua New Guinea)	Vanilla growers	Baseline=0	In 2011 season to date approx. 250 purchases from suppliers (includes multiple payments to up to five middle men-buyers)	Av K50 (A\$20) per sale per supplier
Paradise Spices (Puritau) (Papua New Guinea)	Vanilla growers	300 farmers Baseline = 0	300 farmers	Av K80 (A\$33) per payment per supplier
Volcanic Earth (Vanuatu)	Coconut and tamanu nut suppliers	Coconut suppliers 1 500–1,000 tamanu nut suppliers Baseline = 0	1 family supplying coconuts Up to 500 tamanu nut suppliers	Estimated VT3,200 (A\$34) per person per tamanu nut supplier Will be surveyed in October 2011
Carnival (Vanuatu)	Landowners and tourism providers in the 3 target locations	300 tourism suppliers Baseline = 300	300 local landowners/ tourism providers	Estimated additional income from increased visits is VT30,000 (A\$323) per supplier Will be resurveyed in November 2011
Pupuk Alam (Cambodia)	Women contracted through Cambodian Women for Peace and Development to supply baits in local communities	No target in MOU Baseline = 0 for women.	26 women	Av KHR176,923 (A\$40) for women
Wilderness Lodge (Solomon Islands)	People in surrounding area providing tourism services	Baseline = 155	Village tourism suppliers and community members involved (100 people indicative-part time)	S\$28 (A\$3.50) average per person
Total number of beneficiaries with increased incomes			1,629 people	
Increased incomes to businesses that employ poor people			Number of businesses as at June 2011	Est. average or indicative income (for 2011)
Nature's Way (Fiji)	Cooperative members growing fruits and vegetables supplying to Nature's Way	300 cooperative members (estimated) Baseline = 120	156 cooperative members	F\$4,594 (A\$2,405)
WING (Cambodia)	Cash express agents are local merchants trained in WING and providing cash in cash out services.	750 cash express agent Baseline = 0	733 cash express agents	US\$20 (A\$18.50) per month plus commission an estimated US\$610 (A\$565) per year
Total number of businesses with increased incomes			889 businesses	



Figure 18. Carnival beneficiaries learning boat safety skills in Mystery Island, Vanuatu

Figure 19. Mainland Vanilla pollination training and extension workers in Lae, Papua New Guinea

Figure 20. Cagayan de Oro training of abaca farmers in use of organic fertilizers in Cagayan de Oro, Philippines

### *Increasing production through training and new technology*

Companies have recognised that in order to develop a strong supply chain, they must interact with the beneficiaries and include training in new and improved techniques. Companies have developed partnerships with local government agricultural agencies and extension workers, or training modules conducted in-house.

Agricultural projects are training suppliers in new or improved techniques that improve the quality and quantity of goods in the supply chains:

- Cagayan de Oro (Philippines) has provided abaca farmers with three locally managed stripping machines that greatly improve the quality and quantity of the abaca yield, and allow farmers to process abaca at the S1 grade.
- Mainland Holdings and Paradise Spices (Papua New Guinea) are continuing extension work activities and providing ongoing training to vanilla growers.

- Reddy Farms (Fiji) is training duck out-grower contractors to ensure they are able to raise their ducks to optimum weight and price. The animal husbandry techniques can be applied to raising other livestock.
- Didao (Solomon Islands) will provide access to improved fishing techniques including small fishing vessels with outboard motors and improved fishing lines for improved quantity and quality of catch.
- Emirau Marine Products (Papua New Guinea) is supplying seedlings from improved varieties of coconut trees to landholders to replace senile coconut trees on their land and thereby improve future yields and incomes.

Tourism companies are providing training for local communities and at cruise call sites:

- Wilderness Lodge (Solomon Islands) has facilitated improved carving skills for men in the community to produce souvenirs for visiting tourists.
- Carnival (Vanuatu) has trained local men and women to provide tour services and manage the transit boat supplied to Mystery Island.

Table 3. ECF projects providing access to goods and services for rural communities as at June 2011

Project	Type of beneficiaries targeted with access to goods and services	Projected number of beneficiaries and baseline number	Outreach of goods and services to beneficiaries to date June 2011	Uptake and benefits from access to goods and services to date June 2011
<i>Access to agricultural improvement inputs</i>				
Pupuk Alam (Cambodia)	Farmers provided with access to organic fruit fly baits replacing more costly pesticides in five rural districts	Target = 700 households Baseline = 0	5,424 farmers have been trained and received sample baits	340 farmers are currently using the baits in their fields reducing their input costs and providing improved health
<i>Access to financial services</i>				
SAMIC (Cambodia)	Microfinance clients accessing insurance products that provide loan protection and life insurance	Target = 33,918 clients Baseline = 772 clients (from pilot)	6,145 clients have micro-insurance coverage for themselves and their spouses. To date, 10,366 people are protected by micro insurance.	To date, 6,145 businesses are protected and 47 clients have successful received claims against insurance policies
WING (Cambodia)	Customers in rural areas signing up to use the WING payment platform	Target = 560,000 customers Baseline = 0	125,000 rural clients. WING has an estimated 250,000 clients in May 2011 with 50% of these clients from rural areas.	~25,000 - an estimated 20% of customers are active customers using WING system to conduct transactions on average 3-4 times per month
<i>Access to higher quality rural education</i>				
Bright Hope Institute (Cambodia)	Scholarships for poor students in the remote province of Kampong Chhnang	Target = 700 students per year and 100 scholarships for poor students per year Baseline = 353 students (part-time) and 0 scholarship students	623 students are receiving higher education at the Bright Hope Institute	123 students have received education scholarships in 2011
<i>Access to transportation</i>				
Marine Consultancy Services (Vanuatu)	Households in Banks, Torres and West Malekula islands able to access a more reliable freight-in and freight-out shipping service	Target = 8,000 people (population of Banks and Torres) Baseline = 0	Potentially 8,000 people in Banks and Torres have now improved access regular and reliable shipping service	Will be assessed in October 2011 by second beneficiary survey and trip records
<i>Access to energy</i>				
Sunlabob (Laos)	Households signed up and receiving power from the hydro power station in the remote village of Nam Kha	Target = 650 households Baseline = 0	355 households - an estimated 2,093 people are able to access power from Nam Kha hydro power station	223 households are signed up and using renewable energy - an estimated 1,315 people
Total outreach of goods and services to beneficiaries funded by ECF project			151,506 people	
Total uptake and benefits from access to goods and services to beneficiaries funded by ECF projects				32,923 people
<i>Businesses provided with access to information and financial services</i>				
Teamworkz	Hotels provided with access to online marketing and payment facilities	Target = 100 hotels Baseline = 0	81 hotels have agreements with Teamworkz	All 81 hotels are currently marketed online and to date 812 bookings has been received through the Teamworkz websites

## Access to goods and services

Seven of the 21 ECF projects, four in Cambodia, are targeting the poor as customers by providing access to goods and services. The commercial sustainability of these projects relies on the company working with communities to provide better goods and services that reduce costs or improve prospects for income generation.

In directly providing access to services such as transport, education and financial products, the projects will contribute to better economic growth through reduced input costs and improve the ability of poor people to access new markets and earn income. Additionally, many projects increase access to non-economic benefits such as communication and media, better environmental benefits through improved lighting and reduced use of bio-mass fuel sources, and quality education.

To date, these have an estimate outreach to 151,506 people in the Pacific and South-East Asia with uptake and benefits estimated at 32,923 people. Additionally the Teamworkz (Laos) project is providing access to information and online payment systems for 81 rural hotels that directly employ or source from poor people.

Products are targeted at geographic areas where a majority of poor people reside; goods and services are accessible to both poor and non-poor in the targeted areas. In some cases the projects have generated additional marketing or incentives to support the poor to sign up.

- WING (Cambodia) has developed a national mobile payment platform that has signed up over 250,000 clients across Cambodia with around 50% of these in rural areas outside the capital Phnom Penh. This outreach has been achieved through a comprehensive network of mobile network operator partners, a sales forces and merchant network with presence in all 24 provinces and a marketing campaign and financial literacy training targeting people in rural communities.
- Marine Consultancy Services (Vanuatu) has introduced for the first time a regular shipping schedule to the remote Banks and Torres Island in northern Vanuatu. This access has meant improved and more reliable sea freight of retail goods, building materials, passengers, and government services and goods to the 8,000 inhabitants of the islands.
- Teamworkz (Laos) has partnered with 81 hotels in three remote provinces of Laos through face to face negotiations. The ECF funds have been used to develop professional marketing materials for the hotels and provide online booking and payment facilities.
- Pupuk Alam (Cambodia) has provided training and sample organic fruit fly baits to 5,424 farmers in five provinces of rural Cambodia. Farmers range from smallholders to large commercial plantations. The baits are a cheaper and more environmentally friendly alternative to protecting crops against fruit fly.

## The road less traveled – reaching out to hotels in the remotest provinces of Laos

Teamworkz was provided with a grant of A\$ 227,030 grant to provide online marketing and booking services for hotels in three remote areas.

“The biggest investment [for us] was time and resources to collect information from hotels in remote areas – the lack of market information was biggest impediment of [rural] hotels to the market.” General Manager of Teamworkz



The project has agreements with 81 hotels in rural areas. It funded a professional travel writer and photographer to create profiles as an estimated 95% of the hotels did not have sufficient marketing materials.

The company has been very positive particularly for smaller hotels. It is providing security of income and additional guests. Three hotels noted that Teamworkz provided better on time payment system than many of the travel agents. To date, Teamworkz has secured 812 bookings with these 81 hotels amounting to US\$70,480 (A\$65,259).

Interviews with tourists in Champasak showed that tourism dollars were reaching the poor through purchase of transportation, entry fees and handicrafts. Hotels indicated that most employment was sourced from local villages and food in restaurants was sourced from local providers.

Additionally, tourism in Laos is expanding. Improved infrastructure such as government funded roads and extension of the electricity grid was evident in remote areas and thus regional and international tourists have better access. Many hotels were considering or were expanding their numbers of rooms. The internet presence for remote hotels means they are also able to benefit.

### *New products and services require new ways of thinking*

Behaviour change at the poverty level can take time, particularly where a new product or service is being introduced. Projects targeting the poor as customers have developed information and knowledge sharing, training and product demonstrations that promote the use of the products and facilitate behaviour change. This has often been difficult when dealing with largely under-educated or remote populations lacking access to communication. It requires a concerted effort to provide incentives or demonstrate effects to scale up the outreach.

- SAMIC (Cambodia) found insurance was a new concept in rural Cambodia. There were cultural issues and clients shied from discussing death so the project materials were adapted (used the term 'protection'). Understanding was higher in the main cities as clients were familiar with car and house insurance. In rural areas, it was not until the first claims had been paid that uptake of insurance rose from 40% to 70% of all microfinance clients.
- Pupuk Alam (Cambodia) found that after training in use of the new organic fly baits, farmers were not using them or were using both pesticides and baits. It was hard for them to trust that the fruit fly baits worked because if they did not, and their crops failed, they would be left with a debt from purchasing the fertiliser on credit. Additional training by the Pupuk Alam extension team on a one-to-one basis required more extension officers to be employed than was originally planned.

### **WING Cambodia mobile payment platform takes flight**

WING was provided A\$1.5 million to extend the outreach of their mobile payment platform to rural areas in Cambodia.

In the last 24 months, WING Cambodia has successfully rolled the payment platform out to all provinces in Cambodia. WING built a network to support customers by:

- signing up with seven of the eight Cambodian mobile network operators
- developing a network of WING Cash Express (supported by Master Cash Express – larger merchants with access to larger cash flows) outlets for cash in and cash out
- developing and training sales agents to cover all provinces that provide initial training and sign up to the WING system
- running training in financial literacy and marketing WING to rural communities through TV commercials and radio talk programs with a potential outreach to over 1.2 million Cambodians.



The advantage for WING customers particularly in rural areas is the reduced transaction costs for sending or receiving funds – often to or from relatives in other provinces as a majority of rural Cambodians are unable to access bank accounts. Funds were traditionally transferred via friends or taxi drivers and were expensive - on average US\$2 whereas via WING this transaction would cost US \$0.50c – a saving of \$1.50 (A\$1.62) per transfer.

Additionally WING invested in value-added functions including billpay function, allowing WING customers to pay bills such as phone top up, water and electricity accounts. WING is investigating using billpay functionality for other services such as fast food and bus tickets.

WING is also expanding through targeting the suppliers and employees of businesses in urban and rural areas with bulk payment services for payroll or supplier payments. This could easily save days of time for larger factories in rural areas that pay in cash.

As at June 2011, WING had over 250,000 registered customers and recorded around 300,000 transactions for that month. Since January 2011, WING has registered over 50,000 new customers and looks set to continue to grow.



## Employment

Employment of poor people is a direct benefit of private sector companies in developing countries. While the number of direct employees will be fewer than poor suppliers or customers, fair employment is more likely to provide higher income, skills and opportunities for advancement.

In ECF-funded projects, employment for can be categorised into two types:

1. Formal employment opportunities for skilled workers often provided with skills as part of the ECF project at the company level
  - Reddy Farms (Fiji) has employed six local community members to support the hatchery operations including a new female hatchery manager
  - Sunlabob (Laos) has employed two village grid technicians in Nam Kha village in Laos to provide basic maintenance for the hydro turbines
2. Casual or more informal labour arrangements for non-skilled workers – primarily labourers in agriculture – often specifically targeted to poor people
  - C-Corp (Solomon Islands) is employing 65 casual workers for weeding and field maintenance of the cocoa plantations.
  - Sarami (Vanuatu) is employing an additional 10 female contractors to do weeding and root crop work during the growing season.
  - Mainland Holdings (Papua New Guinea) is contracting unemployed women to sort and grade vanilla.
  - Future Forests (Fiji) has contracted local men and women to plant trees and maintain plantations on a regular basis. Most of these contractors in the relatively remote Ra province otherwise survive on subsistence farming activities.
  - Cagayan de Oro (Philippines) is outsourcing assembly of paper based products on a casual basis to 46 home-based workers in the local area.

The number of jobs for employees and casual workers from ECF related activities is increasing, and making good progress towards projections.

To date, ECF companies have provided employment for 414 full-time equivalent<sup>3</sup> (FTE) people.

### Reddy Farms: one woman's story

ECF funding support for the Reddy Farms duck project in Fiji included the construction of a hatchery to produce ducklings for distribution to the grow-out contractors.

Reddy Farms appointed Titilia, a 26 year old single mother to be trained and to operate the hatchery. Reddy Farms provided a house on the property for Titilia and her extended family to live while she works at the hatchery on a flexible basis. She is paid minimum wage of \$F2,100 per year (A\$1,100) as a trainee but there is no rental charge for the house - Reddy Farms also covers the electricity and other costs of the property.

As Hatchery Manager Titilia has learnt a great deal about hatchery processes, poultry management, equipment control and has developed into a good manager. During an interview with the ECF Fund Director, she indicated that the opportunity had changed her life. Titilia and her extended family now feel secure, have free accommodation and have more money to spend on food. From a personal perspective, she has "learned a lot" and feels she now has a bright future.



Figure 21. Paradise Spices employees at factory in Port Moresby, Papua New Guinea

<sup>4</sup> Full-time equivalent (FTE) is number of days taken over one year (240 days/year); may be seasonal, paid in kind etc, but does not include unpaid family labour. For example - two employees each working 10 days per month would equal one FTE.

Table 4. ECF projects and additional employment of workers as at June 2011

Project	Type of employment	Projected number of employees and baseline number (FTE)	Male	Female	Number of additional employees as at June 2011 (FTE)
Natures Way (Fiji)	Employment of workers in factory for packing and grading	25 Baseline = 10		5	5
Reddy Farms (Fiji)	Employment of local community members in the hatchery	15 Baseline = 5	3	3	6
Sarami (Vanuatu)	Employment in farm and pasture	29 Baseline = 7	10	6	16
	Women employed on casual basis for weeding*	n/a Baseline = 0		5	5
Emirau Marine Products (Papua New Guinea)	Employment of factory workers	25 Baseline = 0	22	3	25
Didao (Solomon Islands)	Employment of factory workers	20 Baseline = 0	0	0	0
Future Forests (Fiji)	Plantation and nursery workers*	Potentially 78 Baseline = 17	17	8	25
Masurina (Papua New Guinea)	Workers in resource centres working on sawmilling and labour*	10 Kwato 5 Bwasa Baseline = 8	1	1	2
Cagayan de Oro Handmade Papercrafts (Philippines)	Employment of factory workers in paper making and assembly including home-based workers	199 Baseline = 19	15	3	18
	Home-based workers*	(in 199 above) Baseline = 31		3.5	3.5
C-Corp (Solomon Islands)	Employment of factory workers	50+ Baseline = 25	24	12	36
	Casual labour in fields*	100 Baseline = 0	19.5	45.5	65
Mainland (Papua New Guinea)	Employment of factory workers	28 Baseline = 2	2	2	4
	Seasonal extension workers	20 Baseline = 0	4	8	12
Paradise Spices (Puritau) (Papua New Guinea)	Employment of factory workers	16 Baseline = 6	2	2	4
Volcanic Earth (Vanuatu)	Employment of factory workers	24 Baseline = 7	3	3	6
Carnival (Vanuatu)		n/a	n/a	n/a	n/a
Teamworkz (Laos)	Head office staff including travel writers and website designers	5 Baseline = 4	1	2.5	3.5
Wilderness Lodge (Solomon Islands)	Hotel staff	21 Baseline = 12	3	3	6
Pupuk Alam (Cambodia)	PA extension officers and trainers	8 Baseline = 1	15		15
SAMIC (Cambodia)	Insurance officers	14 Baseline = 2	7	1	8
WING (Cambodia)	Call centre and WING management staff	n/a Baseline = 0	27	28	55
	WING pilots – sales agents that promote WING to community members*	200 Baseline = 0	50	25	75
Bright Hope Institute (Cambodia)	Teaching staff including faculty specialists	39 Baseline = 25	5	5	10
Marine Consultancy Services (Vanuatu)	Boat crew and freight handlers	5 Baseline = 0	5		5
Sunlabob (Laos)	Head office staff including engineers and finance staff for Nam Kha project	39 Baseline = 36	1	1	2
	Village grid technicians providing basic maintenance of turbines*	10 Baseline = 0	2		2
Total number of people employed			238.5	175.5	414

\* employment targeted at non-skilled workers from local communities

## Training and skills development for new employees

As part of new employment, most companies are investing in training for employees. This is particularly evident in projects requiring technical skills or providing new products and services. Often training is conducted with a number of recipients and from there more permanent contractors are selected.

- WING (Cambodia) requires new sales agents (WING pilots) to undertake a two-day training course before starting. The original intention was to train a large sales force to cover the country and at one stage over 200 pilots were being trained every month (a total of 3,600 pilots trained in total). However, only 20 (10%) were being retained mostly due to the small base salary and the high workload required to receive commissions. A new strategy focusing on high performers and greater rewards means that the program is working with around 300 current pilots spending more time in the field.
- Cagayan de Oro (Philippines) provides training to all potential home based workers. To date over 88 have been trained in assembling paper based products and 46 are being regularly used to assemble orders.

## Cagayan de Oro: Training a local home-based workforce

Cagayan do Oro Handmade Papercrafts is located in Cagayan de Oro in northern Mindanao, Philippines and was awarded an ECF grant of A\$407,139 to develop an abaca supply chain and expansion of a handmade paper making factory that uses abaca.

Cagayan de Oro contracts home-based workers to assemble and construct the cards and paper products. The company has trained 88 local women and is currently working with 46 on an ongoing basis.



In many households, the home-based workers have also trained their family members (sisters, children, husbands) to support. They can be helped by 3–5 family members.

The average income for some suppliers is up to P95,000 (A\$2,083) per year in 2010 and this is expected to increase in 2011.

*“In 2007, we received an order for 1 million cards and therefore had to mobilise the whole community to help!”* Luchi Cabanalet Cagayan de Oro founder

Additionally Cagayan de Oro has also provided the 73 home-based workers with school supplies and scholarships for their children. This program was developed as many of the women indicated the main reason they were working was to fund school fees for children.

## Other direct impacts to beneficiaries

### Gender benefits

*The ECF must ensure that women as well as men are able to benefit. Care must be taken to ensure that the process is gender sensitive by engagement with potential bidders, requiring proposals to consider the effects on gender equality, including gender expertise in relevant positions and measuring program impacts on male and female beneficiaries’ – Lessons learned in the application of gender during the Enterprise Challenge Fund 2009*

Through the implementation of the ECF projects, it is evident that a number of the projects are having intended and unintended impacts on gender outcomes.

1. Over the past 12 months projects that have developed supply chains with traditional products have found ways to provide training targeting areas where women can benefit and provide higher quality inputs:

- Cagayan de Oro (Philippines) – the Department of Trade and Industry provided training to women in local communities in creation of abaca by-products such as weaving of bags and mats. The Cagayan de Oro team will support these women who were trained by using some of the additional ECF funds accessed through better exchange rates by setting up weaving apparatus next to the abaca buying station.
- Extension workers from Mainland Holdings (Papua New Guinea) have been targeting training at women particularly the more detailed work of pollination of vanilla plants.

2. Projects targeting beneficiaries as customers need to find ways to enhance uptake of goods and services for both men and women:

- SAMIC (Cambodia) has an 80% female client base and provides monthly business and credit and savings management training through regional offices. During interviews, the SAMIC officers indicated that a number of the “heads of households” or family members of the SAMIC clients had also expressed interest in training and therefore SAMIC encouraged them to also attend.
- One of the impediments to women continuing to higher education is the lack of access to accommodation close to the Bright Hope Institute (Cambodia). Men were able to stay overnight in local wats (Buddhist temples) culturally inaccessible to women. Bright Hope Institute planned and has completed construction of four dorm rooms able to accommodate 36 students with a focus on supporting women to continue their education away from home.
- The baits offered by Pupuk Alam (Cambodia) make a significant labour saving to female farmers. In the past when farmers were using pesticides they carried up to 20 litres per trip with up to 600 litres required for a whole field. Women were less able to manage this themselves and required assistance from men. Using Pupuk Alam’s fruit fly baits, the load is much lighter (only 10 litres if mixed) and so women are able to do this themselves and manage their own farms.

3. Projects are also finding formal employment of women is beneficial for business growth:

- Reddy Farms (Fiji) are continuing to focus on women where possible. They are now employing three women, including the single-mother hatchery manager who benefits from the flexible working hours and on-site free accommodation.
- Nature’s Way (Fiji) has appointed the first female to the board and in 2011 has female cooperative members. Nature’s Way has also noted the numbers of female employees are increasing.
- Carnival (Vanuatu) has ensured that women have been involved equally in the tour and transit boat management training.



Figure 22. Farmer displays juje fruit using Pupuk Alam fruit fly bait in Kampong Cham province, Cambodia



Figure 23. Training in pollinating vanilla plants in Lae, Papua New Guinea



Figure 24. Eco friendly hotels part of the Teamworkz hotel partners in Champasak province, Laos

### Environmental benefits

Poor people in this region have a higher dependency on natural resources including forests, fishing, and agriculture and are disproportionately affected by living in a degraded environment. Improved management of the environment and natural resources contributes directly to poverty reduction, to promote security and to preserve the ecosystems that poor people rely on for their livelihoods. Economic growth and private sector development programs can model environmental management and good working practices complying with international standards thereby protecting livelihoods and reducing impact of environmental degradation on the poor.

– Environmental Impact in the Enterprise Challenge Fund for Pacific and South-East Asia 2010

The Enterprise Challenge Fund is continuing, in the past 12 months, to have positive impacts on the environment.

1. Projects contribute to improved use of natural resources and develop supply chains using products sourced from traditional farming practices:
  - Paradise Spices (Papua New Guinea) is using extension workers with vanilla farmers to promote traditional growing techniques and training in cultivation process to reduce use of chemical fertilisers, herbicides or pesticides; farmers are trained to use mulch of organic nature only.
2. Tourism projects promote sustainable tourism and environmental management, and work with local communities to protect environmental resources.
  - Teamworkz (Laos) has incorporated a caring for the environment rating for hotel profiles they feature on the website. This is voluntary and when staff put together profile they look for these types of stories. Currently 68% of project profiles have a caring for destination information and based on research conducted with hotels in the field, a number of hotels were interested in developing eco-tourism and sustainable tourism including village tours.
  - Carnival (Vanuatu) has completed social and environmental impact studies on the three cruise ship call sites and has implemented both infrastructure and site management improvements in accordance with the findings and recommendations of these studies.
3. Projects investing in innovative renewable and alternative energy sources.
  - A local non-government organisation working with the community in Nam Kha that has electricity provided by Sunlabob (Laos) has noted the reduction of the use of kerosene lanterns in the village with the access to electricity. The electric light is of a much higher quality than kerosene lamps



Figure 25. Teak seedlings for planting in Ra province, Fiji

which produce very poor light (similar to candle light) and therefore also has health benefits.

4. Projects practicing environmentally friendly production methods.
  - Pupuk Alam (Cambodia) farmers are reporting reduced pesticide usage now, due to the efficacy of the bait product, which is also organic and biodegradable and thus has minimal environmental effects.
  - The waste products created in processing of Mainland Holdings (Papua New Guinea) vanilla are environmentally friendly and are disposed of as natural and organic fertilisers.
  - Emirau Marine Products (Papua New Guinea) will produce vinegar from coconut water and export this product, creating additional income, rather than disposal into the soil.

Additionally funded projects are enhancing their environmental impact through partnerships:

- Conservation International has engaged with Future Forests (Fiji), purchasing their seedlings and contracting poor landowners to reforest degraded areas.
- Teamworkz and Sunlabob projects in Laos are proposing a partnership associated with the provision of renewable energy solutions including solar panels for remote hotels to conform to eco-tourism status.
- World Fish, an environmental non-government organisation, is working with Lau Lagoon communities that will be part of the Didao (Solomon Islands) project to try and rehabilitate fish stocks, and has designated the area a Marine Protected Area.

The ECF Fund Management Team is supporting positive environmental impacts. It has conducted an internal review of environmental management and developed an environmental checklist to be used during the monitoring process to identify risk areas for environmental management.

## Indirect and wider impacts from ECF projects

Enterprise Challenge Fund projects are also expected to bring about indirect impacts in the wider business environment at the:

- local operational level such as scaling up and innovation
- broader systemic level such as crowding in of other businesses, productivity improvements, legal and regulatory changes, and replication.

All 19 operational ECF projects are showing progress in these areas.

It has become evident that such impacts occur once projects have been fully implemented and have tangible and visible outcomes. Accordingly, wider impacts from ECF projects are only beginning to emerge and their scope and significance are likely to accelerate in the next few years.

It is also clear that proactive promotion and development of linkages is needed by the Fund Management team to support broader impacts. The team's structured linkages program is beginning to stimulate outcomes. The examples below demonstrate a wide range of very encouraging examples of the emerging impacts on the wider business environment from ECF activities.

### Scaling up

Scaling up, when projects continue to expand and develop, can deliver additional benefits. A number of ECF projects have expanded to new products or geographical markets through successful expansion of the ECF project. In many cases, this will lead to additional pro-poor benefits.

### Scaling up into new markets

- Teamworkz (Laos) has signed an agreement with World Hotels Limited to expand their sites to two new countries, Thailand and Cambodia.
- Volcanic Earth (Vanuatu) has developed a partnership with Carnival to develop a Volcanic Earth factory tour for cruise ship passengers. Carnival has planned 100 calls for Port Vila in 2012 which could lead to a doubling of sales and will therefore require additional raw materials to be sourced from the local communities.

### Scaling up into new products

- SAMIC (Cambodia) has launched two new loan products in 2011 including basic life insurance and extended credit loan protection. It is expected to reach 5,000 clients by end of the year.
- Future Forests (Fiji) is working with a local company to develop a commercial approach to the raising of the 'Fiji

Fantastic' sheep breed among teak timber plantations. Once there are sufficient numbers of sheep they will be sold to communities with timber plantations who can then earn income and have a source of meat. Previous Fiji Government efforts in this area were unsuccessful because of unsustainable consumption of the sheep.

- WING (Cambodia) is rapidly expanding its mobile banking services to provide a more efficient bulk payment platform for payroll and supplier payment services. WING is working with 22 businesses totalling 6,585 new clients, who are mostly new clients. Nine companies have been contracted (totalling 1,306 new clients) and 13 (totalling 5,279 new clients) have agreed to work with WING or have approached WING to enhance payroll or supplier business functions. WING estimates that by 2013, 50% of transactions will be through bulk payments made by other companies.

### Likely and expected future scaling up of ECF-funded projects

- Pupuk Alam (Cambodia) has formed a partnership with the Food and Agricultural Organisation in Cambodia to look at providing organic fruit fly baits through their integrated pest management program that provides farm inputs to

development programs in a number of countries in the region.

- Carnival (Vanuatu) is increasing its bidder contribution investment in the project from A\$ 830,000 to A\$ 1,595,000, an additional A\$ 765,000. The additional investment is for new wharfs and further investment in infrastructure in all three sites. Carnival sees this project as a model for future investment and intends to use the lessons for other visited sites. Carnival has committed further calls and additional ships in the region and will invest additional resources to support development of infrastructure at all three sites. Additionally Carnival has shown interest in expanding cruise ship calls to a number of ports in Papua New Guinea using the Vanuatu experience to improve the approach. Carnival management has completed scoping studies of potential call sites in Papua New Guinea.
- SAMIC (Cambodia) is taking steps to separate the insurance business from the microfinance institute to form a dedicated non-government organisation focused on supplying insurance products to poor and vulnerable families. This will also support SAMIC to market products to a wider market and not just focus on the microfinance clients once the industry has been regulated. This is expected to occur in 2012.

## Using WING payment platform to provide better services for program and health impact

Population Services International (known as PSI) is a leading global health organization. As a key partner of the Government of Cambodia, PSI Cambodia's current portfolio focuses on family planning, reproductive health, malaria prevention and treatment, child survival and HIV/AIDS.

PSI Cambodia presently provides payments to approximately 255 community mobilizer Staff in different provinces and locations. In the past program staff members were required to travel for 1.5 days to 11 provinces to deliver the US\$20 (A\$18.52) transport allowance to each community mobiliser staff. In the past, PSI Cambodia experienced some challenges with these payments, including risks associated with carrying cash, added responsibilities for program staff and delayed payments due to travel schedule. PSI staff would spend around US\$1,650 (A\$1,528) per month for 1.5 days of travel, per diems, fuel and car rental to get the monthly transport allowance to the mobilisers.

PSI met with WING to discuss using the WING payment platform to make these payments more efficient. WING provided training to program staff and developed an interface that could be used to make the bulk payments at the head office. PSI paid the WING account opening fee for all 255 community mobilisers and the WING pilot and cash express team provided training and support in the field.

On discussion with the PSI team, they state "it does really help and (there are) benefits for us" - using WING mobile transfer allows payment to be made from PSI to the community mobilisers within two processing days, funds are now paid on time and the mobilisers are happy. The process is more transparent and less risky for program staff. Overall the cost has decreased to US\$163.75 (A\$151.60) per month – a considerable saving in both cost and resources.



## Dissemination of project results and using linkages to stimulate change

For indirect impacts to occur, communication and demonstration of project results is the first step. This leads to interest in the business model that will stimulate change in the wider environment and eventually lead to additional benefits.

The ECF has developed a program where Country Managers actively promote and share lessons learned with key stakeholders from donor agencies, local non-government organisations and private sector organisations to maximise the prospects for systemic impact. The linkages program has had an unexpected benefit of assisting a range of projects to address identified needs to strengthen business operations and community benefits.

The types of linkages facilitated by the Fund Management team to support business growth and capacity of the ECF-funded projects include:

- use of Australian Business Volunteer experts to work with the community on Mystery Island for the Carnival (Vanuatu) project to improve visitor management procedures; and discussions with New Zealand Agency for International Development to implant an experienced person on the island to ensure more equitable distribution of the benefits from increased cruise ship passenger arrivals
- linkage of Volcanic Earth (Vanuatu) with Pacific Islands Private Sector Organisation for support in registering for the True Pacific brand initiative
- facilitating possible involvement of Westpac bank in supplying the bank's new microfinance product to the duck grow-out contractors working with Reddy Farms (Fiji) – such microfinance support would allow contractors to expand or diversify their operations
- the Country Manager working with a Peace Corp volunteer to set up an internship program with businesses in the local community after current scholarship students from Bright Hope Institute (Cambodia) indicated they would like to access practical experience before graduating.

The types of linkages undertaken to support changes in the wider business environment include:

- the Netherlands Development Organisation, SNV, contacting Pupuk Alam (Cambodia) to learn more about their organic fruit fly baits and the potential for using these in a mango export program; and subsequently Pupuk Alam taking part in presentations on fruit fly baits and fruit fly management in partnership with in SNV training sessions
- sharing the lessons of the micro-insurance project SAMIC (Cambodia) with Pacific based United Nations Capital Development Fund, which is using them in planning similar microfinance programs in the Pacific
- linking the Sarami (Vanuatu) cattle project to interested public and private sector parties in Fiji and the Solomon Islands with the objective of revitalising the beef industries in these countries
- linking the C-Corp (Solomon Islands) cocoa rehabilitation and improvement project with the Department of Agriculture in Fiji for lessons relevant to similar plans for cocoa in that country
- sharing lessons from the Teamworkz (Laos) project with South Pacific Tourism Organisation, which is looking at ways to enhance access for remote tourism in the Pacific.

## Innovation in ECF

While not a focus of ECF projects, innovation has been exhibited in a number of ways. Defining innovation in a project depends on the business, social and cultural environment in which project is operating. Additionally, for a project to be innovative, it needs to stir the interest of others and cause action that leads to more pro-poor outcomes.

- Sarami (Vanuatu) was funded as an innovative model for cattle breeding that could have wide ranging applications across the Pacific and even Australian tropical regions. Sarami has been trialling different pasture regimes and has identified the best option. They have also begun a selective breeding program. There is interest in the approaches used by Sarami in the Pacific Islands.
- WING (Cambodia) has incorporated a culture of flexibility in designing and implementing the WING project trialling new ways of marketing to rural areas, training local representatives in marketing and as tellers, and funding financial literacy. Product development and face to face training in use of the services and the platform has been improved over time: a Khmer version has been developed, and the service to support Khmer riel and US dollar transactions has been expanded. As part of product development, WING offered the option of a US\$5 (A\$4.60) ATM card that could be used in ANZ royal ATMs to access WING funds. It was thought that a small number of users in Phnom Penh would take this option but during the roll out, 90% of new customers, even those in remote areas, opted for it. Indochina Research recently found that an ATM card was one of the top three things Cambodians would like to own.
- Teamworkz (Laos) has provided online marketing and payment facilities to small to medium sized guesthouses in rural Laos. The biggest investment was in time and resources to collect marketing information from hotels in remote areas (most online tourism companies rely on hotels to provide this information but professional photos and English write up are not possible for many smaller guesthouses).
- Cagayan de Oro (Philippines) has developed a wastewater treatment facility as part of their factory expansion. Wastewater is now recycled and used for comfort rooms and to clean the factory. A Department of Environment and Natural Resources review of factories in the area noted the Cagayan de Oro wastewater treatment facility was unique and of a high standard. The head of the department has been invited to visit and will use the example as a model for waste management in small to medium sized enterprises in the area.

## Crowding In

Crowding in occurs when other businesses follow the ECF-funded project in commercial servicing of particular markets. In some cases, companies are competing for existing customers or providers; in other cases, companies are targeting new customers or providers in other geographical areas.

It is likely that the success of ECF-funded projects has contributed to crowding in of other businesses into the immediate environment in five of the 21 of ECF projects.

- Conservation International is working with Future Forests (Fiji) to procure teak seedlings to plant in their own plantations and has signed a long-term commitment.
- Two companies have begun sea freight services to the Torres and Banks region following the service introduced by Marine Consultancy Services (Vanuatu).
- Cambodia has a second mobile payment platform. Cellcard cash is a mobile platform created by mobile network operator Mobitel with funding from Global System for Mobile Communications Association to compete with WING (Cambodia) and WING cash express is being targeted to sell CellCard cash services. To date, there are no clear figures on outreach.
- Laosbooking.com, a subsidiary of two technology companies in Laos, began operation of an online tourism portal in April 2010 after discussions with the General Manager of Teamworkz (Laos) on their successful business model. To date Laosbooking.com has websites for 110 hotels and tour companies and also cross sells technical support.
- Sarami (Vanuatu) has begun exporting tamanu oil in competition with other ECF project Volcanic Earth (Vanuatu) and this will also provide further incentive for the tamanu nut oil mill to move to Santo and expand operations.

Competition may pose an immediate challenge for businesses receiving funding from ECF but it signals an increasing confidence and maturity in the market. It also indicates likely wider and longer term benefits to beneficiaries as a result of competition.

Table 5 ECF projects experiencing crowding in at at June 2011

Projects	How much crowding-in is happening or interest is being displayed? Examples include:
Future Forests (Fiji)	Other companies beginning to plant teak
Marine Consultancy Services (Vanuatu)	One competing shipping service established, primarily for copra
WING (Cambodia)	One new competitor for mobile payments
Teamworkz (Laos)	One new competitor in online tourism marketing
Volcanic Earth (Vanuatu)	One new competitor for tamanu oil exports

## The growing teak industry in Fiji

An ECF grant of \$A190,000 was awarded to Future Forests Fiji in January 2009 to develop a teak nursery operation in the underdeveloped Ra Province of Fiji.

This operation has become the single largest commercial tree nursery in Fiji with a capacity of 400,000 seedlings per year and is operating profitably. Over 140,000 teak trees have been planted mainly

on freehold land and Future Forests plans to expand its plantations to 470 hectares of both freehold and leased land. 30-40 landowners receive incomes from Future Forests contracts to plant seedlings and maintain company plantations. The project also works in collaboration with Conservation International which pays 500-600 landholders to plant and maintain their own plantations. Both beneficiary groups will have medium and longer term assets in the form of valuable teak plantations.

Future Forests expects to list on the South Pacific Stock Exchange in August 2011 with the intention of raising \$F4.9–6.1 million (A\$2.6–3.2 million) from new shareholders. The capital raised will be used to expand teak plantations and develop mill infrastructure for the processing of plantation timbers.

The ECF grant in 2009 allowed Future Forests to develop an efficient seedling nursery and expand timber plantations. This was the catalyst for growth and as the Managing Director, Rod Evers, stated "ECF support during our difficult early development stage was crucial to our success".



### Likely and expected future crowding in of ECF-funded projects

In a further eight projects there has been some interest in the work but currently no potential competitors have taken formal action or market entry. It is likely to occur in the future:

- C Corp (Solomon Islands) has noted that 'people (other cocoa producers) are very interested in what is happening in Horokiki with C-Corp'. This relates to the rehabilitation of cocoa plantations and development of an export market for a Solomon Island cocoa brand.
- Carnival (Vanuatu) remote call site infrastructure improvements by Carnival Australia with the help of an ECF grant have encouraged other cruise ship operators to expand their calls to Vanuatu. Princess Cruises and Carnival Spirit, both managed out of the United States, are planning increased calls to Vanuatu. The three sites supported by the ECF grant are unfortunately unable to handle the larger cruise ships operated by these companies.



## Productivity

As ECF-funded projects are often operating in remote and rural areas, projects can also enable business through additional transportation, communication and financial services:

- In Vanuatu both Mystery Island (visited by Carnival) and the Banks and Torres Islands (Marine Consultancy Services) now have cellular phone coverage partly as a result of the additional demand stemming from the increased number of cruise ship calls to Mystery Island and the availability of reliable freight services for construction and maintenance of the tower at Banks.
- Once in progress, it is anticipated the Emirau Marine Products (Papua New Guinea) will indirectly benefit up to 10 transport operators who will be contracted to transport whole coconuts to the oil-processing factory.
- Improvements in country level infrastructure through government and other donor funded programs are also resulting in enhanced productivity for ECF projects and beneficiaries:
- New roads and extension of the electricity grid in remote areas of Laos funded by Lao Government programs has improved access to tourists and hotels working with Teamworkz (Laos) and hotels in the area are responding by increasing their accommodation capacity.
- The Solomon Islands Government is looking at investing in an airport in the province close to Wilderness Lodge (Solomon Islands) that will provide better access for tourists to the lodge.
- C-Corp (Solomon Islands) experimentation with cocoa rehabilitation techniques has been extremely successful and is now being used as a demonstration model by the local industry body Cocoa Livelihood Improvement Program. They have also implemented a new fermentation and production technique which improves productivity.

## Legal, policy and regulatory environment

A majority of ECF projects will have little impact on the wider regulatory level given that few projects funded in each country and they are in many industries:

- WING (Cambodia) is providing a country-wide national payment platform and therefore has prompted regulation of the mobile banking industry. In October 2010, the Bank of Cambodia issued a prakas (Government of Cambodia ministerial proclamation) to support mobile platforms in both Khmer riel and United States dollars and WING has been able to use this to expand their platform.

## Likely and expected future legal, policy and regulatory environment impacts

As projects grow and become mature, there are likely to be future impacts on legal or regulatory environments but generally only with larger projects or many projects:

- Future Forests (Fiji) is planning to develop a carbon credit trading program in Fiji which will require the Government of Fiji to address carbon credit trading laws.
- In Cambodia, a sub-decree providing regulation for the insurance industry covering micro-insurance has been pending since the program began. Once passed, SAMIC (Cambodia) will be able to provide insurance products to the general public.

These types of impacts will take time to develop, probably after the three year monitoring period has concluded.

## Copying – a way to extend the benefits

Most ECF projects have had to target or select beneficiaries due to limited resources for training or equipment. However, other community members seeing the benefits and opportunities are also hoping to benefit. The demonstration effect is a useful and cost efficient way to gain new suppliers or customers. These impacts are starting to emerge for several ECF projects:

- Cagayan de Oro (Philippines) has received interest from non-cooperative farmers who have begun planting abaca in order to supply to the buying and grading station funded by the ECF project.
- Some farmers who have been using the organic fruit fly baits provided by Pupuk Alam (Cambodia) noted that their neighbours are also interested to use the baits given they are cheaper and they work. In this case, there is a high benefit to other village households taking up bait use as this could lead to fruit fly being eradicated from the whole village.



## Replication

Replication – other businesses imitating the project approach and creating additional pro-poor benefits – has not, to date, occurred of the full ECF-funded projects.

In one-third of projects there is strong private sector interest to replicate ECF-funded models:

- Sarami (Vanuatu) the Solomon Islands Department of Agriculture visited Sarami and plans to buy 400 cattle to start rehabilitation of industry.
- The South Pacific Tourism Organisation remains keen to use the Mystery Island approach of working with landowners from the Carnival (Vanuatu) project as model for the Pacific regional cruise ship strategy. A representative from the organisation will visit Mystery Island late in 2011.
- A school in Mondulkiri (province in Cambodia) is interested in replicating the model used by Bright Hope Institute (Cambodia). There is also significant interest from donors in this model for improving access to education, and additional funds are already being made available.
- WING (Cambodia) participated in the Mobile Money conference in Singapore in 2011 and has been contacted by a company in Peru which is interested in replicating their model.

Replication is only possible when a successful business model exhibits tangible impacts and this can take time, often longer than three years, to be fully implemented. There is a strong potential in a number of projects.

Table 6 ECF projects experiencing replication or copying as at June 2011

Projects	How much replication or copying from ECF projects is happening?
Carnival (Vanuatu)	Interest in replicating the model of working with landowners and improving infrastructure - potential is being explored by Carnival in Fiji and Papua New Guinea
WING (Cambodia)	Interest is being displayed and similar businesses (although not competing) have begun to operate
Sunlabob (Laos)	Interest in replication by International Finance Corporation of public/private partnership for electrification to more remote rural areas
Beneficiary level replication - copying	
C-Corp (Solomon Islands)	C-Corp is working with Coconut Livelihood Improvement Program (CLIP) and farmers are shown how the C-Corp integrated pest and disease management plan operate
Cagayan de Oro (Philippines)	A number of farmers have begun planting abaca in absence of support in order to take advantage of the ECF funded buying station
Pupuk Alam (Cambodia)	Farmer-to-farmer promotion is happening

### Using the knowledge from Vanuatu ECF-funded project to support the cattle industry in other Pacific Island countries

The Sarami beef project in Vanuatu was approved for a grant of A\$1,375,000 by the ECF assessment panel primarily for its beneficial replication potential in the Pacific Islands. There is already strong interest in the project from Fiji and the Solomon Islands.

Sarami has almost completed an integrated beef pasture improvement, silage production and genetics improvement project in Santo. Sarami will thus be able to receive better prices from the local export abattoir and has already begun paying smallholder cattle suppliers 50% more than they received in the past.

The owner of Sarami has met with interested companies in Fiji where the model is regarded as suitable for a commercial project to enhance the local beef industry. Government authorities from the Solomon Islands travelled to Vanuatu and have indicated an interest in purchasing cows and bulls from Sarami as the first stage of a commercially based rejuvenation of the beef industry that may include the Sarami silage model.





Figure 26. Staff of Emirau Marine Products at launch in Kavieng, Papua New Guinea

## 4. Summary

*Progress is underway for all 21 funded projects but in some cases implementation is taking longer than planned.*

Nineteen ECF business projects have been fully established and are operating successfully with most now achieving or exceeding break even and the majority confidently expected to remain commercially viable. Two projects are completing infrastructure and expect to be operational later in 2011.

*Development outreach is high and the potential for income generation is increasing.*

The ECF-funded projects have reached over 150,000 people and are directly benefiting 34,966 people and 970 small businesses through employment, increased income, and access to good and services. This number will continue to grow.

All 21 projects have provided knowledge and skills to beneficiaries through development of in-house training for employees and suppliers, use of extension workers, community outreach programs, and partnerships with local government agencies and non-government organisations.

*Systemic impacts occur when a project has been fully implemented, is successful and sees tangible benefits.*

It has become evident that once projects have been fully implemented, interested parties in the public and private sectors are entering the industry.

Crowding in and scaling up has occurred more quickly and this can lead to additional benefits for poor people. This is occurring in most projects that are fully implemented.

Productivity improvements, legal and regulatory impacts, and replication, take a longer time and can lead to larger benefits in the national or wider environment.

Accordingly, most wider impacts from ECF projects are only beginning to emerge and their scope and significance are likely to accelerate in the next few years.

*A program with business linkages and dissemination of lessons learned provides additional benefits for ECF-funded projects.*

ECF projects that are actively promoted and lessons learned disseminated to key stakeholders in donors, agencies, local non-government organisations and the private sector organisations, maximise the prospects for systemic impacts. This experience has demonstrated the usefulness of regular monitoring and stakeholder consultation during project implementation to identify constraints to the project, potential beneficial impacts, and the need for proactive facilitation of specialist assistance and support from various agencies.

The linkages program found projects:

- in initial stages of start up often require business support and advice; promotion of the projects can identify programs in the country that can provide support
- that have achieved tangible benefits are good models for pro-poor development; dissemination of results and lessons learned can lead to replication or copying.

*ECF is funding successful business models in the Pacific and South-East Asia.*

ECF is finding successful business models that are prompting indirect impacts in the wider business environment:

- A majority of ECF-funded agribusiness projects, primarily in the Pacific, have focused on developing a supply of new or locally sourced products from poor communities to support manufacturing operations. This has been used with both traditionally grown produce (such as vanilla, abaca, coconuts, cocoa) or new produce (ducks, teak) but in all cases companies have also provided training or equipment supporting more efficient techniques.
- Projects are providing access to services that replace inefficient and expensive existing systems such as online payments for hotels and mobile phone transfers or access to advanced agricultural products such as organic fly baits and stripping machines for abaca.
- Projects are developing and expanding tourism infrastructure in remote areas of Pacific and South-East Asia and building capacity for remote tourism providers that bring more tourist visits.

## 5. Lessons Learned

As the ECF pilot proceeds, key themes are appearing that are providing useful lessons for implementing and managing challenge funds.

### ECF improving the impact on poverty reduction

*An adequate timeframe for monitoring to show the full scope of project benefits can be longer than three years.*

In many projects the key intended benefits; in particular those for the wider business environment, will be achieved after the three year monitoring period has ended.

In the Pacific, agribusiness projects are taking longer than expected to implement. In some cases, infrastructure is slow to be completed or supply chains take longer to be developed so the first business cycle will not be completed until the second or third year of the project. The geographic remoteness of some projects has also delayed success. Intended systemic benefits such as use of the project as a model needs to wait until the project is successful before the model can be promoted or lessons effectively disseminated. In some cases the full scale of the pro-poor benefits is not evident until the final year of ECF monitoring.

- Emirau Marine Products (Papua New Guinea) coconut processing operation required a long lead time to finalise the plant in the provincial centre of Kavieng. Initial processing of coconuts will begin in August 2011 and anticipated flow-on benefits to suppliers are unlikely to reach their full potential before the ECF three year contract concludes in June 2012.
- C-Corp (Solomon Islands) copra rehabilitation project will require more than three years to demonstrate sustainable benefits to local communities. The challenges in rehabilitating plantations in a harmonious manner with landowners and installing the required supply chain improvements have taken over two years to overcome and for this project a more realistic monitoring time frame would be five years.

It would be beneficial in future challenge funds to include a post monitoring follow up five years after the grant was awarded.

*Behaviour change at the poverty level takes time and relies on innovative interactions particularly where a new product or service is being introduced.*

Most ECF-funded projects are targeting the poor as suppliers for the business or as customers for a new product or service. Projects have found that in order to support suppliers to develop better quality and quantity yields and customers to understand and use their products, they have had to invest in training, and in marketing or knowledge sharing campaigns and demonstration programs targeted specifically at the poor. These have been conducted through in-house experts or partnerships with non-government organisations and have actively monitored the behaviour change. Targeted training and knowledge share has been in many cases costly and time consuming, often involving employment of additional staff as trainers. In most cases; this investment has created a wider outreach to customers and provided better inputs from suppliers.

Potential projects should demonstrate how they will target and reach the poor and consider this as part of the ECF grant funding costs.

### ECF creating a conducive business environment

*Legal and regulatory impacts are unlikely in the short term unless a critical mass of projects has been funded in a particular industry.*

To date, the only impact on the legal or regulatory environment has been through large scale projects such as WING (Cambodia) that impacts on 250,000 customers across the country. The impact of other ECF projects has been much smaller and in isolation. This sort of impact is also unlikely to be attributed to the activities of a single project.

Future challenge fund programs that target specific sectors and have larger number of projects are more likely to have some impact on the legal and regulatory environment.

*Developing an effective dissemination and linkages program through the ECF management team has led to wider benefits for projects.*

*“Effective linkages occur when undertaken by a team member with knowledge of all projects to facilitate best “matches”.*  
ECF Fund Director

During discussions with key stakeholders, there were often opportunities for sharing of lessons and linkages with a number of projects in different countries, especially those in similar industries. It has been important that all country managers are knowledgeable on all projects and their operation.

Additionally, the dissemination of lessons learned and promotion of the innovative models are more useful when projects are more mature and tangible outcomes are evident. The Sarami (Vanuatu) beef project, attracted interest from a cross-section of parties from the outset but once different pastures and silage production had been successfully trialed this interest developed into strong replication potential.

### ECF and providing access to business support services

Over half of the ECF-funded businesses have required more support than expected, particularly Pacific Island where business support services are often not available or are very expensive. In addition, through the linkages program, the Fund Director and Country Managers are taking a proactive role in facilitating further support from other sources.

A key lesson is the need for more strategic planning support and guidance at the application and implementation stages. More ongoing support for the grantee and involved communities would ensure that the prospects for a sustainable business and tangible flow-on benefits to disadvantaged communities are maximised.

For future challenge funds, a more formal business support or mentoring program could be partnered with an Enterprise Challenge Fund in order to better support project development and implementation.

### **ECF projects, market failure and providing a useful lesson to institutional and commercial lenders.**

ECF projects are funded because of a market failure to finance perceived risky projects. These successful projects that involve poor communities are not able to access funding through institutions or donors due to perceived risks or lack of lending strategy for particular sectors or industries.

Through additional research into access to finance and the linkages program, ECF is promoting the funded business models to banks and donors after the project has shown success and can change donor sector alignments and bank lending strategies. For example, in Vanuatu, the South Pacific Tourism Organisation has realigned its strategy for regional tourism to include the model of cruise ship tourism using the ECF-funded Carnival project.

### **ECF and the partnership with private sector**

#### ***A monitoring and evaluation system should provide results that can support the development of the project.***

Monitoring and evaluation is an important aspect of a challenge fund. A clear program of assessing project impacts and use of quality standards such as DCED standard for results measurement provides a consistent basis for collecting data.

The information is also useful for business development projects. The use of logic models is similar to business flowcharting tools and resonates with companies. *"It turned out to be very helpful for us especially in learning the Logic Model. To be honest, we are not looking at many aspects of the project the way you do. We are head on, one track pursuing to accomplish the project. It was indeed an eye-opener in terms of expanding our vision and understanding of the other facets of the project which we have not really given some thought."* Cagayan de Oro company founder

Additionally, the monitoring data collected is often market research information for projects and has been provided back to projects to support their needs. For example, passenger

and tourist surveys conducted with tourism projects in Laos and Vanuatu have been provided back to the companies for their business purposes.

### **ECF and developing small to medium enterprises**

ECF funded a number of successful projects with small or medium sized enterprises. There is the risk that significant grant funding to such a company may expand it beyond its financial or management capacity or preparedness. Therefore, part of the assessment process needs to ensure the capability of the company to do so. Positive examples of expansion of small business models include:

- Reddy Farms (Fiji) which has managed to implement a challenging integrated project with positive signs in successful sales to hotels and other large customers in Fiji
- Volcanic Earth (Vanuatu), a relatively small business that has expanded its export sales and is in the process of diversifying its business
- Future Forests (Fiji) which will move to a medium sized business as direct result of ECF support.
- In all cases, the business has required external advice in order to support growth, either through the ECF Country Manager or other business support agencies. Managing the expansion and cash flow has been a major priority.

For future challenge funds, it would be useful to include fund allocation for this support along with planned linkages strategy.

### **Use of ECF bidder partnerships and consortiums**

- Some ECF-funded projects have successfully used partnerships with development organisations in order to deliver the project and provide better access for their goods or services to the very poor.
- SAMIC (Cambodia) has rolled out the micro-insurance project through the existing SAMIC clients. This was a useful approach as there was an existing and wide network reaching the poor, and small branches existed in remote locations, staffed with local people.

- Similarly, Pupuk Alam (Cambodia) developed a distribution network for organic fruit fly baits through local organisation Cambodian Women for Peace and Development. This partnership was supported by the ECF Fund Director.

This still needs monitoring. In one case the project has become less focused on the development outcomes of the project, which are being managed by another partner:

- Sunlabob (Laos) has formed a partnership with RISE (Rural Income through Sustainable Energy). Sunlabob focuses on the business of energy generation through partnership with the electricity agency and providing electricity. RISE focuses on the use of the electricity by villages through community development programs and income generation training using electricity. This has led to an accountability gap for the ECF development benefits.

For a future challenge fund, it would be useful to identify where partnerships would be beneficial to identify potential linkages in delivering the development impacts and prompt these.

### ***Some projects, despite best intentions, will not work.***

ECF is operating projects of differing sizes in often difficult and changing environments and therefore some business projects may fail. Three projects contracted and have withdrawn from the ECF. Two projects had not yet begun in the Solomon Islands (Solomons Biodiesel, Pelena); one project (Solutech) in East Timor for solar panels found itself in a substantially changed business environment when other companies provided cheaper alternatives to a price conscious clientele. There was also an economic downturn in rural areas and the project was no longer viable.

It is important to have this understanding at the outset. An adequate business support program must be accompanied by adequate monitoring of the external environment to check on viability. The partnership approach is important as companies investing their own funds will also do this checking and are likely to pull out of a project rather than waste their own funds if the viability is not assured.

## 6. Next steps

### Measures taken to date

The following measures were undertaken by the Fund Manager in 2010–2011 in managing the ECF program.

#### *Application and implementation of monitoring against Donor Committee for Enterprise Development (DCED) standard*

The ECF is reviewing key areas of the program for compliance with the standard in Results Measurement set by the Donor Committee for Enterprise Development (DCED). The standard sets a minimum level of quality for achieving and assessing results and has been developed for private sector development projects.

- Country Managers have been trained in the standard and workshops held with key ECF stakeholders to discuss the approach.
- Logic models (results chains) for each project have been prepared by Country Managers and the monitoring plans have been adapted as required.
- In May 2011, a consultant specialising in the DCED standard (funded by AusAID) conducted a field visit and reviewed progress against the standard in Solomon Islands, Vanuatu and Cambodia. The consultant recommended a number of areas for further refinement.

#### *Developing a strategy to communicate the ECF impacts and lessons learned*

In February 2011, ECF and AusAID developed a revised communications approach to increase information on the ECF through materials highlighting the livelihood benefits of the Australian Government-funded ECF program.

A communications specialist spent 10 days in Canberra during March–April 2011 conducting stakeholder consultations and drafted a communications strategy for presentation to AusAID in May.

Further refinement of key messages and recommendations is underway.

#### *Developing a focused linkages program*

The Fund Management team reviewed all ECF projects and the linkages program is being strengthened with a focus on projects with the strongest prospects for systemic impacts. This program takes into account the limited available resources and the types of linkages activities with the greatest potential for replication and other broader impacts.

This program has been linked to the revised communications strategy.

### Measures proposed in future

The following measures are proposed in 2011–2012 to enhance the effectiveness of the ECF program.

#### *Conclusion of contracts for projects*

Of the 21 projects funded in 2008 and 2009, 11 will complete their three year implementation in December 2011, and April and July 2012. The Fund Management team will finalise the projects through:

- conclusion of the final ECF grant fund draw downs and project audits
- collecting final project monitoring information including follow-up beneficiary surveys
- final contract closure.

#### *Progression to DCED mock audit and sharing of lessons in the ECF implementation*

A DCED mock audit has been scheduled for August 2011 to test the compliance of the ECF system using seven projects funded in 2008 and 2009. The mock audit will also provide feedback on compliance against the standard and areas where further refinement would benefit the program.

Ongoing feedback to the DCED secretariat on the experience of ECF through the DCED workshop in January 2012 'Current trends and results in Private Sector Development: Practical experiences in PSD – achieving and using the results' is planned.

#### *Research into thematic areas such as access to finance and supply chains*

During project implementation and discussions with key stakeholders, including AusAID counterparts, two key themes were identified as having the potential for stimulating further broad systemic change in the business enabling environment as a result of ECF experience: nucleus estate and supply chain strategies with a focus on potential benefits in the Pacific Islands; and access to affordable and appropriate finance.

The ECF Fund Director will undertake desk based research and consultations with key stakeholders in order to develop an overview on each area including key thematic lessons learned. The Fund Director will also undertake a linkages program to disseminate the report to key stakeholders.

#### *Linkages program in 2011–2012*

Ongoing mentoring of the Country Managers by the Fund Director in developing linkages and dissemination of lessons learned from key ECF projects will continue with a focus on maximising outcomes from those projects with sufficient track records to provide tangible lessons for agencies and the business sector.

The focus will be on cost effective sharing of beneficial business models with governments, donors, non-government organisations, finance providers and the private sector in order to maximise potential for replication and positive impacts on the business enabling environment. Where possible, other parties already linked to ECF projects will be encouraged to continue collaboration and flow on benefits as the ECF program concludes.



27 Figure 27. Didao fishing village in Malaita, Solomon Islands

# Appendix 1

ECF-funded projects by country	Summary	Sector	Grant value (A\$)
<b> Cambodia</b>			
Bright Hope Institute – rural education in Cambodia	Bright Hope Institute has partnered with ECF to build new classrooms and dormitories, improve the site's infrastructure and increase its capacity to provide higher level education for students in the province.	Education	\$199,300
SAMIC Limited – micro-insurance in Cambodia	SAMIC has introduced a micro-insurance program for its microfinance clients to provide protection for immediate family members in the event of accidental death. Through ECF, SAMIC is offering an education program for clients on health matters, family planning and insurance benefits.	Financial Services	\$198,450
Pupuk Alam – organic fruit fly baits in Cambodia	Pupuk Alam sought an ECF grant to assist with the production and introduction of an organic fruit fly bait to farmers in Cambodia – a lower cost and environmentally friendly alternative to broad spraying of chemicals.	Agribusiness	\$873,100
WING Cambodia – mobile payments in Cambodia	WING is a provider of mobile phone payment services, enabling customers to transfer, store and cash-out their money using a mobile phone. WING sought ECF support in bringing the payment services to rural Cambodians through initial education programs to build community awareness of mobile technology and banking and to ensure its eventual commercial viability.	Financial Services	\$1,500,000
<b> Fiji</b>			
Future Forests – teak plantations in Fiji	Future Forests will expand and improve its teak seedling nursery. These seedlings are both sold and used for new teak plantations on company and landowner properties.	Forestry	\$190,000
Nature's Way – quarantine treatment in Fiji	Nature's Way was established in 1995 to undertake mandatory quarantine treatment on behalf of Fiji's fruit export industry; it does not export in its own right. ECF support for Nature's Way is increasing the heat treatment capacity to handle peak loads, improving handling and grading, an outreach program to farmers to improve supply chains and health, and quality certification of the operation.	Agribusiness	\$263,321
Reddy Farms – Pekin duck farming in Fiji	Reddy Farms is using an ECF grant to introduce duck contract farming with low-income rural households in the Lautoka area of Fiji and the establishment of a commercial hatchery and processing facility. The processed ducks will be sold to hotels, supermarkets and restaurants.	Agribusiness	\$149,900
<b> Laos</b>			
Teamworkz – online tourism in Laos	Teamworkz is working with ECF to expand their online accommodation and tour sales websites to include the remote provinces of Luang Namtha, Champasak and Xieng Khuang. Based on their experience, Teamworkz recognised the tourism potential of these spectacular provinces was constrained by the absence of online information and booking services.	Tourism	\$227,030
Sunlabob – renewable energy in Laos	Founded in 2000, the innovative company Sunlabob has grown from a small team of technicians to a leading company providing affordable renewable energy solutions in remote off-grid areas in Laos.  Sunlabob partnered with ECF to pilot installing hybrid AC electricity grids in remote villages, providing reliable electricity to households. The pilot area is in Xieng Khaung province and will focus on three villages surrounding Nam Kha.	Energy	\$526,682
<b> Papua New Guinea</b>			
Emirau Marine Products – coconut fuel in Papua New Guinea	Emirau Marine Products is constructing a processing facility to produce 8,000 litres of diesel replacement coconut oil per day with the support of ECF. Emirau is supplying solar driers to assist the copra suppliers and is working with the Cocoa and Coconut Institute to develop a coconut plant nursery to allow rural communities to replace their senile coconut plantations.	Energy	\$996,000
Mainland Holdings – processed vanilla exports in Papua New Guinea	Mainland applied for an ECF grant to expand into this industry and establish a vanilla processing and export project.  The processing plant converts fresh green vanilla pods into desiccated, fermented and dried products to international standards.	Agribusiness	\$453,745

ECF-funded projects by country	Summary	Sector	Grant value (A\$)
Masurina – resources centres in remote Papua New Guinea	Masurina is using the ECF grant to partly fund the development of multi-purpose resource centres at Kwato Island and Mwatebu in the Milne Bay province. The resource centres will be places that local communities can use for trade and other commercial activities.	Agribusiness	\$183,166
Puritau – downstream vanilla processing in Papua New Guinea	Paradise Spices is using the ECF funding to establish a solvent extraction facility to produce pure vanilla extract, vanilla oleoresin and other spices at the company's site in Port Moresby.	Agribusiness	\$170,000

### Southern Philippines

Cagayan de Oro Handmade Papercrafts in Philippines	Cagayan de Oro Handmade Papercrafts was awarded an ECF grant to expand paper production and improve the supply chain for the single most important input, abaca. Supply chain improvements include increased plantings of abaca, technical support to farmers, supply of fibre stripping equipment to farmers and establishment of a grading and weighing station.	Agribusiness	\$407,139
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### Solomon Islands

C-Corp – cocoa rehabilitation and export in Solomon Islands	C-Corp was awarded an ECF grant to rehabilitate and redevelop 280 hectares of Horokiki cocoa and 60 hectares of new cocoa plantations in collaboration with local landowners on the main island of Guadalcanal. The grant will support the growing of cocoa beans on the plantations, the purchase of a cocoa processing unit and the marketing of Guadalcanal origin premium grade cocoa to export markets.	Agribusiness	\$1,155,000
Didao Development Corporation – fish processing and export in Solomon Islands	Didao is using an ECF grant to establish a processed fish export operation. Offshore reef fish will be sourced through local fisherman operating as a newly formed fishing cooperative in North Malaita and Didao will supply cooperative members with technical support and equipment. A new carrier boat will collect fish for transport to a new processing operation in the capital, Honiara.	Fishing	\$680,000
Wilderness Lodge – remote tourism in Solomon Islands	The Wilderness Lodge is a 100 per cent locally owned eco-lodge situated on a coral lagoon at the south-eastern tip of Western Province in the Solomon Islands. The ECF grant has enabled Wilderness Lodge to double guest accommodation and improve site infrastructure with a focus on protecting the natural environment. The project will also incorporate expansion and strengthening of the human resources of the business, including hospitality training of staff in conjunction with other ecotourism operations.	Tourism	\$110,000

### Vanuatu

Carnival Australia – cruise ship based tourism in Vanuatu	Carnival Australia has been operating cruise ships to Pacific locations for over 75 years. ECF is partnering with Carnival Cruises to share the costs of infrastructure and service upgrades to facilitate increased calls in three frequented locations in Vanuatu – Mystery Island, Champagne Bay and Wala to support the maximum possible returns to local communities.	Tourism	\$805,000
Marine Consultancy Services – interisland shipping in Vanuatu	Marine Consultancy was awarded an ECF grant to develop a separate shipping schedule to the remote and under serviced Banks and Torres island groups in northern Vanuatu in order to improve access to goods and supplies and promote industry in the remote areas. The project will also expand Marine Consultancy's storage and transit facilities at Luganville in Santo.	Shipping	\$750,000
Sarami – smallholder cattle improvement in Vanuatu	Sarami was awarded an ECF grant to source younger cattle from smallholders at higher prices, upgrading their pasture operations and introducing silage to allow them to achieve higher sell prices. The project is also introducing genetic improvements and providing free bulls to smallholders once they supply agreed numbers of cattle.	Agribusiness	\$1,375,000
Volcanic Earth – skin care manufacturing, processing and export in Vanuatu	Volcanic Earth is a natural skin care manufacturer using locally grown inputs in their unique range that has received international recognition. Volcanic Earth has been awarded an ECF grant to expand its processing plant to produce bulk supplies of skin care products and the upgrade packaging and labelling capabilities for export markets that will increase the purchase of locally sourced inputs from remote communities in the islands of Vanuatu.	Agribusiness	\$190,000