

The Enterprise Challenge Fund (ECF) for Pacific and South East Asia is a A\$20.5 million AusAID-led Australian Government initiative. It gives businesses in ECF participating countries a competitive opportunity to obtain grants for help in commercialising business projects. To date A\$11.5 million in grants has gone to 22 business projects across eight countries: Cambodia, Laos, Philippines, East Timor, Vanuatu, Papua New Guinea, Fiji and Solomon Islands. The key rationale of the grants is to have a sustainable impact on poverty through employment, income generation and access to goods and services.

Technical review by Dr Anne Glover,  
Coffey International Development Specialist



Australian Business Volunteers  
in Mystery Island Vanuatu

### Millennium Development Goal 8

In cooperation with the private sector, make available the benefits of new technologies, especially information and communications



### Why is capacity development linked to economic growth and poverty reduction?

Economic growth is critical for development outcomes and reducing poverty, and the private sector is a key driver of economic growth. The Millennium Development Goals also highlight the importance of the private sector in providing new technologies, including access to information and communication, as part of poverty alleviation. New technologies are beneficial only if they are able to be used effectively.

The ECF is not a direct capacity development or technical assistance program. It is a fund working with companies in developing countries to target the poor as participants and partners, and close gaps in business knowledge and access to information.

### Capacity development benefits through the Enterprise Challenge Fund

These case studies show capacity development in different forms during the course of the ECF.

#### Employee relations – staff training initiatives in the ECF

A number of companies recognised the importance of internal and external training programs for their staff from local communities to support business capacity and growth.

**Masurina** was awarded an ECF grant to develop resource centres in remote villages of Milne Bay, Papua New Guinea. Local communities can use the resource centres for trade and other commercial activities including supporting sustainable trade in timber. Masurina piloted an apprenticeship (internship) program in wood carving as part of their project as a cost effective way to develop new skills for local youth and a future workforce.

**Wilderness Lodge** was awarded an ECF grant to expand an eco-lodge in Morovo Lagoon, Solomon Islands. They used environmentally sustainable methods, and incorporated extensive training to strengthen the human resources of the business, including hospitality training of staff in conjunction with other ecotourism operations. The lodge developed a program of staff exchanges with other eco-lodges in the area to share skills and experiences.

Exchanges are a good motivational technique for employees and can contribute new ideas to the organisation.

#### Increasing production through training, new technology and working with supply chains

Many suppliers are in poor or rural areas with a limited access to information or new technologies. Capacity development programs contribute to stronger supply chains.

**Vanilla projects** Mainland Holdings and Paradise Spices in Papua New Guinea use agricultural extension workers who survey vanilla producing households in the target area and provide targeted training and advice in cultivation and curing. The expectation is that supply can increase to 50 kilograms per household. On-the-job training and advice at the farm can give directly related and practical advice and allows for individual feedback. In this case, the company also gains important information on available supply.



Wilderness Lodge staff in Morovo Lagoon,  
Solomon Islands

**Reddy Farms** was awarded an ECF grant to establish a duck out-grower program in Fiji. They originally trained 50 duck out-grower contractors to raise ducks to optimum weight and price. Around 15 out-growers successfully applied the techniques and provided healthy and weighty ducks which attracted a higher resale price. Reddy will continue to work closely with these out-growers.

**Offering new products and services requires new ways of marketing**

ECF funded projects targeting the poor as customers have developed innovative marketing strategies designed to educate and source feedback from customers.

**WING Cambodia** is a mobile phone payment service that allows customers to transfer, store and cash-out their money using a mobile phone. WING's ECF grant helped them expand these services to rural provinces of Cambodia where they currently reach over 300,000 people.

WING partnered with a local non-government organisation to run a radio program that was part mini-drama format and part talk-show, to educate 1.2 million Cambodians on financial literacy. The program focused on the benefits of budgeting and saving and using the WING system for these benefits. The program sought feedback from over 2,000 customers in 12 shows on their understanding of financial literacy, and adopted the feedback into future education programs.



WING pilots in Kampot province, Cambodia

**Companies, particularly those in less developed countries and small-medium sized companies, often have limited access to business support and advice**

Funded projects accessed business support in the following initiatives:

- Mentoring – a semi-formal business mentoring relationship grew between the ECF Country Manager and companies in a number of cases. More than half of



Extension workers showing farmers how to cultivate vanilla in Lae Papua New Guinea

- the ECF-funded businesses requested business support or advice in financial management, strategic planning or product development. Mentoring builds a longer lasting relationship between business people in countries while transferring experience and advice.
- Volunteers – An Australian business volunteer was used by a number of ECF-funded companies including the Bright Hope Institute (Cambodia) to successfully source funding for income generating activities. Volunteers can be a useful resource for specific tasks in a development program, at a relatively low cost.
- **Assessment process and business support** – In some cases, companies would have benefited from strategic planning support and guidance at the application stage. Future challenge funds could consider an organisational capacity assessment as part of the assessment process and links to business support services from the outset. A more formal business support or mentoring program might better support project development and implementation when working with smaller companies, particularly in the Pacific.
- **Support companies to develop good feedback loops** – In cases where a new technology, such as use of new farming techniques, mobile banking or online systems, was being introduced, companies provided training with feedback loops to ensure that customer or supplier opinions were collected rapidly. Companies were able to adapt their product or training program using this feedback and uptake of the new technologies was more likely.

**Lesson for future challenge funds**

These case studies show how the ECF and funded companies have used a range of capacity development techniques to build individual and organisational capacity and develop ongoing relationships with suppliers and customers in rural areas. Future challenge funds could improve consideration of capacity development in the following ways.

- **Assessment process and capacity development for beneficiaries** – Capacity development is a key consideration in the assessment of funded projects. In future challenge funds, applicants could demonstrate how skills and knowledge will be transferred to support the poor in the uptake of new technologies, as part of the ECF grant funding costs.

In developing the monitoring approach in partnership with the companies (and beneficiaries), future challenge funds could use feedback loops to inform the fund on company progress, and help companies test how funded activities lead to increased knowledge, behaviour change and uptake of benefits.