



Growing Business to Reduce Poverty

Enterprise Challenge Fund for the Pacific and South-East Asia

From 2010 - 2013 the ECF funded businesses have benefited 78,154 people by an estimated A\$8.179 million in increased income. This equates to 50% of Australian Government funds spent on the program. By 2015, the full value of the program will have been converted into income for the poor.

Background

Private sector development is an area of importance for the Australian aid program as outlined in Australia's Helping the World's Poor through Effective Aid: Australia's Comprehensive Aid Policy Framework to 2015-16 and contributes to the third strategic goal of sustainable economic development – improving incomes, employment and enterprise opportunities.

The ECF for Pacific and South-East Asia was established to address this important area and is an A\$20.5 million AusAID-led Australian Government initiative. It aimed to contribute to poverty alleviation by creating income generating opportunities and access to goods and services with a positive economic benefit for poor people.

Selection and start up

During 2007-09, three bidding rounds were held. Interest in the challenge fund was very high with over 1,200 companies registering and submitting 532 concept notes. The assessment panels approved 24 projects in Cambodia, East Timor, Fiji, Laos, Papua New Guinea, Philippines, Solomon Islands and Vanuatu with 21 projects successfully completing the project as outlined in the approved application.

Companies used the ECF funds to build infrastructure, developed skills and build partnerships with the poor and rural communities during establishment. To date, 14 projects (58%) are commercially sustainable.

Results

From 2010 - 2013, the ECF has benefited 78,154 people (39,196 men and 38,958 women) with A\$8.179 million in income earned by communities.

Over half the funded projects (80% of those that are already commercially sustainable) have invested additional funds to scale up to new products, services and new markets. Other poor people will benefit from this. Over 130 mostly small-medium enterprises have improved productivity or entered new markets due to the ECF funded projects.

Looking at value for money, this means for every A\$1 of public (AusAID) funds spend on the ECF (A\$17.218 million in total) that 0.50c or half of these funds (A\$8.179 million) has reached the poor in 3 years. By 2015, the full value of the program will have reached the poor as increased incomes and reduced costs.

Lessons

The ECF as a pilot has developed lessons and contributed to research into challenge funds impacting on the way challenge funds will be considered in future.

- The ECF has demonstrated that with appropriate support the private sector can play a pivotal role in alleviating poverty.
- The two regions ECF operated in – the Pacific and South-East Asia required different approaches. The high performance of ECF projects in Asia indicates that a challenge fund model can be appropriate and effective; projects in the Pacific had a lower impact and found more challenges in implementation. The standard challenge fund model only addresses the access to finance impediment to a more vibrant, productive and beneficial private sector in the Pacific but not the other factors such as the need for business support.
- To improve challenge fund management - providing a sector focus will reduce management cost and time, improved due diligence on the applications would provide the assessment panels with better information to make judgement on, and investing in a strong results measurement and evaluation program has had significant benefits.

Sustainability of Benefits for Communities

Commercial sustainability of the business has ongoing income benefits for suppliers, customers and the wider community.

Many ECF-funded activities will have additional long term development impacts:

- Knowledge and skills from businesses can be transferable such as the training in harvesting high quality abaca in Philippines; training in animal husbandry in Fiji which can be applied to improve chicken and pig raising for local farmers; and rural people who gained cash management and savings advice through radio shows in Cambodia.
- Forest and crops planted in the land and controlled by local landowners such as teak trees in Fiji, cocoa plants and rehabilitated coconut plantations in Solomon Islands will have a long-term economic benefit.

- Long-term assets will continue to benefit communities for many years and can be used by other companies, such as wharfs at cruise sites in Vanuatu, hydro-power equipment in rural Laos, and factories and other buildings built in rural areas.
- Income is also used by families to save and invest in children's education, purchasing assets such as motorbikes and cattle, and household improvements.

This important aspect of the Enterprise Challenge Fund benefits community development.

The ECF pilot program has shown that large numbers of poor men and women can benefit from grants to the private sector. Its emerging lessons for future programs working with private sector development can improve living standards for poor communities.

Why Coconut Growers Choose To Supply

On average the 300–400 farmers in Kavieng province, Papua New Guinea interested in supplying to Emirau Marine Products, each have more than 200 coconut trees on their land. A healthy tree provides 60–65 nuts per year. For many selling coconuts is a way to smooth an erratic cash flow. Most are subsistence farmers, so whenever they need extra cash to pay school fees or to buy an asset, they sell coconuts to access immediate funds. On average the growers receive 2–3 kina (A\$1) for 5 nuts and can either sell to Emirau or Coconut Product Limited, another company in Kavieng.

Emirau Marine Products was awarded an ECF grant of A\$996,000 to develop a whole coconut processing operation and factory. Emirau has work on improving the supply of coconuts with farmers by providing seedlings for replanting, training on plantation management and monthly cash incentives for farmers who replant the most new coconut trees on their land. In production, Emirau will need over 10,000 coconuts a day.

Emirau's plantation manager Mr Kalu Das logo said, 'Emirau has been very active, and have assisted with vehicle and other resource to uptake the coconut plantation initiative. To date they distributed 4,500 plantation nuts, and are visiting and monitoring the new plantations ... Emirau are providing a new species of coconut which has a big canal and a big shell. In fact very recently they have been requested to plant 13,000 new coconut plants in Kavieng'. The community had not seen any plantation and/or replanting programs in the previous 10 years and coconut plantations had become wild and senile.

As the decision to sell coconuts is on an as-needs' basis, sales vary across the years. Farmers do not know whether there is an increasing or decreasing trend in selling coconuts. Most growers are planting new plantations or rehabilitating old plantations, indicating an increased recognition of the benefit of selling coconuts.

