



ENTERPRISE CHALLENGE FUND FOR THE PACIFIC AND SOUTH-EAST ASIA

A report on the outcomes of the ECF portfolio assessment for 2012

August 2012

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

Contents

Executive Summary	1
1. About the Enterprise Challenge Fund	2
2. Who does the ECF benefit?	5
3. Progress	6
4. Results	14
5. Lessons Learned	36
6. Next Steps	38

Annexes

Annex 1: The funded projects

Annex 2: Summary tables of impact

Symbol	Currency	Present rate*: 1 Australian dollar =
A\$	Australian dollar	1
F\$	Fiji dollar	1.84 Fiji dollars
K	Papua New Guinea kina	2.17 kina
KHR	Khmer riel	4,170 riel
LAK	Laos kip	8,154 kip
P	Philippine peso	42.80 peso
SB\$	Solomon Island dollar	7.46 Solomon Island dollars
US\$	United States dollar	1.02 United States dollars
VT	Vanuatu vatu	91.93 vatu

*rate current as of 25 July 2012

Executive Summary

This 2012 Enterprise Challenge Fund (ECF) Annual Portfolio Report documents the progress of 21 business awarded grants to develop commercially sustainable projects that benefit disadvantaged communities. The report looks outside the projects to additional investments being made, changes in the wider market system and the lessons learned to date.

Progress

In 2012, the ECF is monitoring 21 business projects in seven countries in the Pacific and South-East Asia. Over 3 years, A\$10.64 million in Australian Government funds have been granted and the private sector has invested A\$14.85 million in bidder co-contribution. Projects have been funded in key sectors where poor people can supply goods and services including agriculture and tourism, and in sectors where the poor lack access including financial services and energy.

Companies used grant funds and co-invested their own funds to access raw materials and wider markets including developing facilities in remote areas and improving supply chains. Companies have grown and increased staff; 76% of them are on track to be commercially sustainable in the medium term.

Results

ECF funded projects are reaching people near or below the national poverty line with new or increased incomes. Poor people are learning new skills and knowledge that can further increase livelihood opportunities and chances of securing a job.

As at July, 348,460 poor people (49% female) had increased access to goods and services directly and indirectly from the ECF. 50,053 (49% female) poor people had increased net income through supply, use of services and employment or contracts and an annual net additional income benefit to the poor was A\$1.5 million.

Employment and contracts provided increased income of more than two to three times the national poverty line as well as providing access to a secure source of cash. Supplying goods and services to companies has led to additional income equivalent to 90% of the national poverty line and, as most suppliers have multiple sources of income, this contributed to improved living standards. Companies also provided non-wage benefits such as training, scholarships and improved infrastructure in villages.

Over half the funded projects have invested additional funds to scale up their operations beyond original expectations. 43 other businesses have entered the market as suppliers and competitors to the ECF projects, with additional benefits for poor people.

Lessons learned

Key lessons learned for future programs and for the private sector are being disseminated through meetings and workshops.

- Grant funding to the private sector can fast track pro-poor benefits by reducing the risk of investing in new ventures involving poor people which companies would not or could not have invested in.
- The most effective model, and the most commonly used by ECF funded companies, was working directly with the poor or remote communities. Quick returns, training and reward programs also helped to gain trust and develop supply chains with poor communities.
- Longer-term impact reporting outside the planned 3-years will capture the true impact of a challenge fund, as most projects continue to grow and reach more poor people.

Future considerations

In the next 12 months, the ECF team will explore how to encourage additional impacts from selected projects, undertake additional research into key areas and conduct workshops in the region to communicate the lessons from the Enterprise Challenge Fund.

As at July 2012, over 50,000 poor people are benefiting from the Enterprise Challenge Fund through increased incomes and reduced costs, and this equals A\$1.5 million additional income per year to the poor.

1. About the Enterprise Challenge Fund

The Enterprise Challenge Fund (ECF) for Pacific and South-East Asia is a A\$20.5 million AusAID-led Australian Government initiative.

It aims to contribute to poverty alleviation by creating income generating opportunities and access to goods and services with a positive economic benefit for poor people. Since 2007, the ECF has awarded grants to 24 business projects in Cambodia, East Timor, Fiji, Laos, Papua New Guinea, Philippines, Solomon Islands and Vanuatu.

As a pilot program, the ECF had no country or industry quotas. It used a competitive bidding process with grant decisions made by experienced, independent assessment panels. No government took part in decision making and grant draw downs were administered by the managing contractor, Coffey International Development.

Most of the supported business projects have now been operating for some time. Lessons are now clear on the effectiveness and appropriateness of the challenge fund modality for stimulating the type of private sector development that has maximum possible impact on poverty alleviation.

Private sector business entities applying for ECF grants had to demonstrate that the grant was crucial to the project being implemented and that it would satisfy the assessment criteria in three key areas – commercial sustainability, benefits to disadvantaged communities, likelihood of broader impacts in the wider market and economic development.

This report assesses 21 business projects still in progress. In July 2012 these companies had an outreach to over 348,000 poor people, of whom 50,053 poor people and 1,113 small businesses have increased annual income in 2011–12 of A\$1.5 million.

Why is it relevant?

The ECF contributes to the Australian Government's Private Sector Development Strategy (August 2012) to support sustainable economic growth in partner countries by:

- facilitation of a productive private sector as an important contributor to increased incomes and living standards for poor people
- improved access to agricultural technology leading to increased productivity for rural and remote communities
- increased access to financial services for poor people

- more efficient supply chains that will improve market access for poor people
- trade and export market development that will provide flow on economic, employment and rural income benefits.

ECF projects are contributing to these objectives in relatively difficult market environments and supports a wide range of practical lessons in achieving outcomes through this approach.

Key outcomes expected

Challenging the private sector to propose development solutions has led to innovative outcomes. Projects funded new products and services specifically designed for the poor and opened opportunities to develop industry in which rural and remote communities could participate.

To achieve wider impact in markets, innovative projects need to be scaled up or replicated in different locations and wider business environments stimulated to enhance economic growth. This growth will ultimately improve the lives of people in these countries.

The ECF achieves the right impacts by:

1. implementing projects through a co-investment of grant funds and private sector contribution
2. the business growing and becoming viable by transacting with the poor
3. the business generating opportunities for the poor through access to employment and supply; and new goods and services leading to higher incomes, increased skills and improvements in living conditions for people affected by poverty in the area
4. as the business grows and communities benefit, adapting or scaling-up the business model to new products or wider beneficiary groups, as more beneficiaries are interested in transacting, and increasing the likelihood that the business will be sustainable
5. in time, generating interest in the wider business environment and other companies copying the behaviours or crowding-in to service the market; and in some cases, if a large number of projects operate in the same space or with a catalytic project, the support market can respond with changes to regulations, and improved access to financial and communication services.

This growth will ultimately improve the lives of people in these countries.

Role of the fund manager

At the local country level, an ECF network of Country Managers and a Fund Management team support by overseeing the technical monitoring and private sector support program and communicating project results.

The ECF monitoring program began with baseline beneficiary surveys and included 6-monthly visits by Country Managers to assess project progress and, through observation, interviews and surveys, collect data on business growth, impacts for beneficiaries and changes to the wider business environment from the funded projects. The ECF Monitoring Specialist visits programs every year to assess use of the monitoring system and provide technical advice to Country Managers. The monitoring system is working towards compliance against the Donor Committee for Enterprise Development – Standard for Results Measurement, the first challenge fund to do so.

The ECF monitoring visits also allow companies to source important information about their business. For example, on a monitoring visit to hotels in Laos, the ECF Country Manager took along a Teamworkz staff member to see the hotels firsthand, meet hotel staff and gain feedback on the Teamworkz online marketing and booking service. Information gathered from the monitoring visits was used to improve website content for the hotels.

The Fund Management team also developed a program to communicate and share the lessons from the ECF program as a whole and from projects. Linkages between supported projects and other market players and organisations are facilitated by targeted meetings and presentations. Country Managers are responsible for implementing tailored work plans developed for each project.

The dissemination program uses a targeted approach:

- Linkages developed through contact programs are tailored for each project: from technical support for an identified need in a business project to mutually beneficial links between supported businesses.
- Meetings with multilateral and regional donors and national government bodies update the lessons from relevant projects and implications for their programs and policies.
- Presentations are made to relevant groups at scheduled conferences and seminars.



Examples of the outcomes from these activities:

- Carnival Australia (Vanuatu) linked with Australian Business Volunteers to develop a strategy for the Mystery Island Tourism Organisation. The assessment recommended a full time General Manager be appointed. Carnival Australia subsequently partnered with New Zealand Aid Program to provide funding for the role. Further links with the International Trade Centre initiated implementation of a product development and diversification program for primarily women stallholders at Mystery Island.
- Bright Hope Institute (Cambodia) linked with an Australian Business Volunteer to increase the capacity of the management team and provide income generation opportunities for dormitory students to increase retention rate. The volunteer helped Bright Hope secure additional scholarships for poor students funded by the World Bank and a water filtration system funded by the Embassy of Germany which supplied drinking water for students and an income opportunity for bottling and selling filtered water.
- Facilitation of contact between the Sarami (Vanuatu) cattle project and Solomon Islands Government resulted in a sale of 400 cattle from Sarami as the first step in trialling a similar approach in the Solomon Islands.
- Promoting the results of adapting the ECF monitoring system to the Donor Committee for Enterprise Development Standard for Results Measurement at relevant conferences has increased interest from other donors in improving results measurement in challenge funds. A lessons paper will be written and featured on the ECF website in 2012.

Box 1: ECF Grantee Perceptions 2012

In 2012, Coffey International Development developed a grantee perception survey and asked grant awarded companies to respond to 14 questions based on their experience and perceptions. The survey covered:

- why the grant was needed, how the project progressed in general and against the business as a whole, and how/why the project involved communities
- what was the use of the monitoring visits and advice provided
- how effective challenge funds can be for donors to work with the private sector.

Of the 21 funded projects, 12 responded (see below and throughout the report).

- All 12 companies indicated that ECF was a good way for donors to work with the private sector and 10 stated that it would not have been possible to start the project without the ECF grant.

When asked about the role of the Fund Manager and monitoring visits:

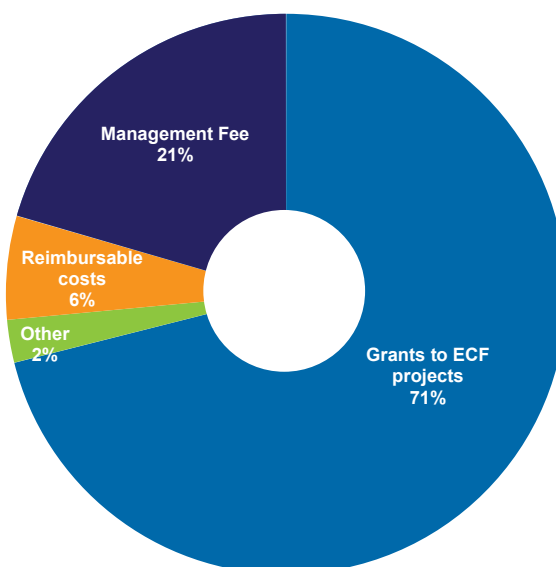
- 90% found monitoring visits useful or very useful, specifically that the information was useful (4/10) and supported business decisions (9/10)
- 70% indicated the ECF team had provided useful information to support improving and changing the business
- 30% thought advice and information was either not useful, not received or were not sure – all responses from Pacific businesses that have had a number of challenges during implementation.

ECF Program funds allocation

The total Australian Government ECF allocation of A\$20.5 million over 6 years includes:

- A\$14.5 million (71%) for grants for private sector development in the Pacific and South-East Asia
- A\$5 million (29%) for running costs of the program over 6 years: management of assessment panels (A\$0.7 million), marketing of the fund (A\$0.1 million), travel (A\$0.4 million) and 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).

Program funds allocation - July 2012





2. Who does the ECF benefit?

ECF projects create economic and social benefits for poor people through direct supply and employment, and access to goods and services. The assessment panel used a number of factors to assess and select beneficiaries who were poor or considered disadvantaged in comparison to the general population.

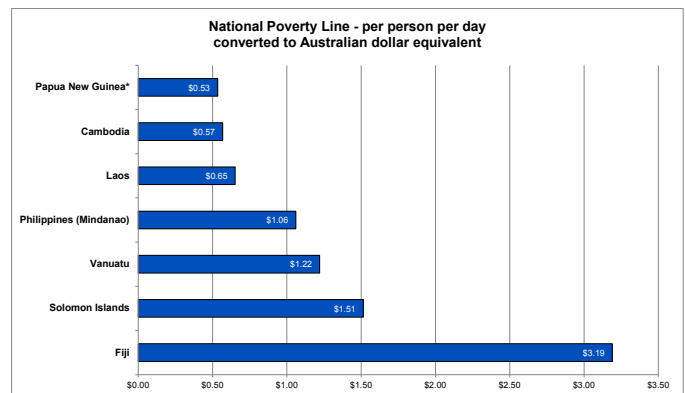
Poverty profile

- Location: In some countries, target beneficiaries live in areas affected by conflict, natural disasters, remoteness and isolation, or economic downturn.
- Situation: Target beneficiaries may be socially disadvantaged by lack of access to basic goods or financial services, being minority groups in the country, or economic or structural adjustment challenges.
- Income test: A poverty baseline, conducted in 2010 by interviewing 306 people (189 male, 103 female) face to face across all projects, indicated that many beneficiaries were living on income below the national poverty line.



Projects that provided goods and services available to both poor people and non-poor people were assessed on how the project included poorer people through targeted education and skills, subsidies such as scholarships or availability of goods and services in areas with a majority of poorer people.

To date, all ECF funded projects are reaching people near or below the national poverty line.



The relevance of the income benefit generated by each project has been assessed by comparing the income benefit to the respective national poverty line.

3. Progress

Businesses funded and established in rural areas

Over three bidding rounds, ECF assessment panels awarded A\$13.352 million in grants to 24 business projects in six sectors across eight countries in the Pacific and South-East Asia.

Currently 21 projects are underway¹ and A\$10.64 million of the A\$11.5 million in grant funding has been disbursed. The private sector companies have invested matching funds of A\$14.85 million for a total investment in the 21 projects of A\$25.5 million.

The ECF portfolio represents a relevant and informative cross-section of projects implemented by a variety of enterprises:

- grants of A\$100,000–200,000; 8 projects (38%)
- grants of A\$200,000–750,000: 7 projects (33%)
- grants of A\$750,000–1.5 million: 6 projects (29%)
- locally owned companies awarded grants: 14 (67%)
- small–medium enterprises (5–200 employees) awarded grants: 19 (90%).

A summary of the 21 projects is included in Annex 1.

Infrastructure and investment

During the first 1–2 years of implementation, companies used ECF grant funds and co-invested their own funds to increase infrastructure for improving access to raw materials and wider markets. A number of facilities were developed and improved in remote areas.

- Agricultural production facilities including construction or expansion of nine processing and handling operations for vanilla (rapid curing and extraction), ducks, cocoa, fish, coconuts, handmade paper, natural soaps and oils, and organic fruit fly baits; construction of two nurseries for teak and cocoa seedlings and an expanded quarantine facility with four heat treatment chambers
- Tourism facilities in remote areas including expansion of an eco-lodge, jetties, amenities blocks and barbeque facilities at three sites
- Energy infrastructure of an off-grid hydro-power supply plant
- Education facilities including 12 classrooms and a four-room dormitory
- New and expanded office facilities for management of projects
- Infrastructure to increase access to markets including two resource centres, vessels for inter-island shipping, roads and bridges to improve transport of goods to market.

ECF projects by sector	Pacific	Asia
Agriculture/agri-business (including fishing and forestry)	10	2
Tourism	2	1
Financial Services	0	2
Renewable energy	1	1
Shipping	1	0
Education	0	1
Total	14	7

Some facilities are jointly owned and operated by local communities in partnership with the company and infrastructure is available for wider use by the community and other private sector companies.

In establishing businesses that work with poor communities, companies have improved supply chains through providing communities with new knowledge and training, and understanding of products, and stimulating interest in partnering with the company.

Progress against expected outcomes

In all 21 projects, grant funds have been invested in line with the approved application. Minor changes to the schedule were made in response to changing market conditions such as improved foreign exchange rates and decline in market demand.

The current portfolio assessment indicates that 13 out of 21 (62%) projects are on track to meet all objectives; eight projects (38%) are likely to meet only some of the original objectives.

Without ECF

In the Grantee Perception Survey of 2012, 90% of grantee respondents indicated their projects would not have started when they did without the ECF grant, and would have started in 3–5 years (60%) or 6–10 years (10%).

Analysis by the Fund Management team in 2010 of ‘what would have happened without ECF funding for these businesses’ indicates that 11 projects (52%) would not have happened at all, 5 projects (24%) may have started in the 5–10 years longer term with fewer or no pro-poor benefits if they were implemented, and the remaining 5 projects (24%) could have been implemented without ECF support at some stage but would be unlikely to deliver the same level of development impacts.

¹ Two projects did not proceed, and one grantee withdrew at an early stage, because of changed market conditions following grant approval.

Contribution of other programs

While ECF funded projects were awarded grants when no other sources of funds were available for the project, in some cases – particularly ‘public goods’ projects- other donor funds have also contributed to other parts of the implementation and overall development impact.

In a number of cases, the ECF funding was a catalyst for setting up programs that donors were then able to partner with².

Partnerships before ECF selection that supported development of the ECF project:

- Cagayan de Oro Handmade Paper crafts (Philippines) was supported by two Dutch based export companies: Dutch technical assistance agency PUM provided a consultant to support developing a pricing strategy and costing structure; the CBI export program paid expenses and marketing for the team to attend the Paper World Exhibition in Germany for 3 years.
- SAMIC has long-term technical support from RIMANSI (Philippines), Canadian Cooperative (Canada) and the CARD Microfinance Research Institute (Philippines).

Partnerships achieved after ECF funding due to improved conditions or expansion of the company:

- Bright Hope Institute (Cambodia) partnered with Australian Business Volunteers and received 6 months of technical advice that increased access to donor funded programs for education and led to a contribution from the German Embassy for water filtration system (\$US8,000), six full scholarships funded by World Bank (US\$300 plus living allowances per student) and a partnership with CARE Australia to provide flood relief services of A\$190,000 to local communities.
- To support the community where Sunlabob (Laos) developed off-grid energy in Laos, Swiss NGO Helvetas provided CHF 350,000 per year (A\$330,000) for community development activities in Nam Kha and other villages in income generation, starting small businesses and training in energy efficiency.
- Following development of infrastructure and tourism development programs, Carnival Australia (Vanuatu) received additional assistance from the New Zealand Aid program for the appointment of a general manager to Mystery Island Tourism Association.

Business growth and commercial sustainability

A key indicator of project success is business growth against targets – turnover, volume and value of transactions with the poor, and profitability. It indicates an increased chance that the business will be commercially sustainable and continue to operate and develop benefits in the long term. The ECF monitors business growth as part of assessing success.

Sustainability has been assessed by looking at commercial viability such as turnover and profitability, and through feedback from key stakeholders on their interest to see the project continue.

ECF funded projects are in many cases only part of an overall business, such as a commercial bank developing a mobile payment service or a seafood company diversifying into coconut-based bio-oil. In these cases, project sustainability needs to be considered separately from the business to assess the likelihood of ongoing commitment. Companies may restructure or change their corporate strategy, leaving the ECF project in the hands of new owners or without a clear future. This is less likely to happen to a commercially viable project.

In July 2012, after a relatively short operating period, eight of the 21 ECF projects were operating profitably. Seven of the nine smaller projects (grants below A\$200,000) were profitable. Only one of the 12 larger projects, with longer and more costly implementation stages, managed to achieve a net profit position.

Increased employment in business

An aspect of business growth is employment of workers at the head office. ECF funded projects have created employment opportunities for 300 new full-time jobs (162 male, 138 female). Many of these employees are skilled workers – management, technical specialists and office workers. They are not targeted beneficiaries of the project but support improved economic growth for developing countries.

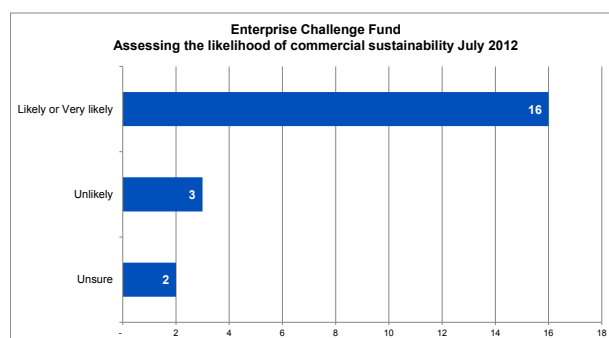


² The contribution of other public funds has not significantly increased ECF results and therefore this report includes the full value of the results of the projects. The exception is Helvetas inputs to the Sunlabob (Laos) program and where results have been influenced by Helvetas program, this has been noted.

ECF evaluation predicts 16 of the 21 supported projects (76%) would be commercially sustainable in the medium term.

Examples of the business growth and related commercial viability of ECF projects:

- In 2012, Bright Hope Institute (Cambodia) had 787 enrolled students studying full and part time – an increase of almost 400% since the ECF grant – and was generating profits. In 2011, 145 students graduated with a degree in Rural Development or General Management and employers are sourcing more quality workers in the district from Bright Hope.
- The Cagayan de Oro Handmade Paper crafts (Philippines) project increased paper production capacity by over 250% as a result of the ECF grant and increased export sales. The business is profitable; more than 300 households are supplying increased abaca inputs and poor urban female workers have benefited from increased incomes.
- Future Forests (Fiji) received a grant to upgrade their teak tree nursery and this aspect of the business became commercially sustainable within 2 years. Future Forests has partnered with 250 local landowners and supplied 30,000 teak seedlings for planting on their land for a future supply of teak.
- SAMIC's (MEADA) microinsurance operation in Cambodia has expanded to 16 branches, provides two insurance products to 11,781 microfinance clients and is profitable. MEADA is in the process of becoming a separate company, which will allow insurance provision to a wider audience.
- Volcanic Earth (Vanuatu) skin care product business substantially increased gross income and net profits following the ECF grant and has partnered with a local company to source input from remote suppliers. A downturn in export sales created some cash flow difficulties but this growing business is commercially sustainable.
- Teamworkz (Laos) internet marketing and booking service for tourism operators in two underdeveloped provinces in Laos has substantially increased booking revenues since the ECF project began. Almost 2,000 additional bookings have been made to rural and remote hotels, 95% of whom previously had no internet profile or marketing materials.
- Wilderness Lodge (Solomon Islands) has doubled its capacity. The eco-lodge has more visits from tourists and is making increased profit, which is invested into improving the facility further and developing a supply chain of tourism goods and services from local communities.
- During 2011, the WING (Cambodia) mobile payment platform was sold to a new owner Refresh Mobile – a company that operates a point of pay technology service with over 8,000 outlets in Cambodia. WING's commercial viability was assessed as part of the bidding process and the new owner indicated WING will be close to break-even by the



end of 2012. As at March 2012, WING had more than 381,000 signed up customers in Cambodia with 82% of clients in rural areas outside of Phnom Penh.

Three projects (14%) were assessed as having an uncertain longer term commercial sustainability.

- Mainland Holdings (Papua New Guinea) has struggled to secure sufficient volumes of vanilla for a viable export business. This company was sold in 2010 and the new owners have maintained the ECF supported vanilla business, which is dependent on profits to be generated.
- Marine Consultancy Services (Vanuatu) has been adversely impacted by lower than expected return freight from the islands and increased competition on the route. The latter is good for the previously under-served island communities but has undermined Marine Consultancy Service's income and most of the company's trips to the locations have not been profitable.
- The Sunlabob (Laos) off-grid electricity project proved to be technically complicated and not a commercially viable approach when focused on the provision of power to the poor. Donor or government subsidies are needed to ensure the poor are fairly and equitably serviced.

Implementation of two projects has been slower than expected and it remains too early to clearly determine their future commercial sustainability. The Didao (Solomon Islands) fishing project only recently completed the processing facility and the first fishing trip by the new boat was in July 2012; Masurina (Papua New Guinea) built two resource centres at places where timber and other products can be traded but landowner disputes in one location have delayed full implementation.

Challenges to implementation

A number of companies have experienced delays in implementing their projects.

- Time taken to implement can be longer than expected in projects developing large scale infrastructure in remote areas such as Emirau Marine (Papua New Guinea) and Carnival Australia (Vanuatu) – The remoteness of the areas, and additional costs for transporting materials to site or resolution of issues, meant projects were delayed and implementation was behind schedule.

In 2008 – that was when the financial crisis hit but we never thought about not undertaking the project as the [farmers] were already starting to plant. How can you tell someone [from the remote hills] that the project will not go ahead because of a global financial crisis!

Luchi Cabanlet, Manager of Cagayan de Oro Handmade Paper (Philippines)

- Natural disasters in late 2011 during the wet season – In Fiji and Cambodia flooding impacted on agricultural farm areas and Nature's Way (Fiji) and Pupuk Alam (Cambodia) projects. In the Philippines a typhoon caused widespread damage to Cagayan de Oro equipment, destroyed stock levels and required evacuation of the 25 families of factory workers.
- Landowner disputes in Papua New Guinea and Solomon Islands – Masurina (Papua New Guinea) is making slower than expected progress due to landowner disputes arising from mining activities starting in the area. The project has developed strong links to local communities, infrastructure and skills for use in future. Currently the east side of C-Corp (Solomon Islands) cocoa plantation has stopped activities because of disputes between two landowner groups.
- Delays in permits and accessing necessary resources – The connection of 3-phase power was delayed to Emirau Marine Products (Papua New Guinea) new coconut processing operation. In Laos, Sunlabob completed the first off-grid renewable energy pilot in 2010 but the proposed second project is still in the planning stage pending agreement with the Government of Laos. In the Solomon Islands, significant delays in obtaining permits for the fish processing operation and visas for technicians to construct the plant affected Didao.
- Changed market conditions require an adjusted strategy – Volcanic Earth (Vanuatu) found increased global and domestic competition for tamanu oil, the primary raw material sourced from poor communities. Orders for the product substantially declined. Volcanic Earth has focused on online orders and developing offerings for the local tourist market. Reddy Farms (Fiji) had less than expected demand for processed ducks. The market is taking time to gain interest in this new product. Pro-poor outcomes will be considerably lower than expected. The business is diversifying into other market niche areas to be commercially viable.
- Uptake of goods and services less than expected – In three cases, assumptions of how communities would react to the economic opportunities offered by ECF projects were not realised. Carnival Australia (Vanuatu) developed tours and opportunities with local communities in the three Vanuatu sites visited by their cruise ships but uptake has been slow. Outside management assistance has been sought to help communities better organise.

Marine Consultancy Service (Vanuatu) provided shipping services to remote areas expecting that the market would respond. Lack of supply logistics and facilitation at the source has meant lower than expected freight and revenues.

More than 5,500 promotion sessions were held with farmers on the Pupuk Alam (Cambodia) fruit fly baits but they were slow to use the baits. Farmers often use credit for agricultural inputs repayable on successful harvests. They are reluctant to change to new inputs until they have seen their effectiveness for themselves.

Box 2: Grantee Perception Survey 2012

Overall, grantees felt that their project had a good potential for sustainability and growth, and was highly beneficial for the community. Five survey respondents plan to invest more money in the future.

In comparison to their wider business activities, the ECF project scored very good or excellent but as four respondents indicated, the project requires 'hard effort'.

Lessons in implementation

- Flexibility in contracting would improve the likelihood that projects could adapt to incorrect market assumptions and changes in markets. In three cases, changing market conditions meant the companies decided against the project and grant funds were not used. While this is a positive aspect of challenge funds, adaptation is a key requirement of the private sector. Future challenge funds should include sufficient flexibility in contracts to retain the nature of the funding but allow adaptation of the program.
- Companies considered reputation a key reason to invest in funded projects and continue to do so. In 14 of the 21 projects the companies are visibly accountable to the wider community through significantly large customer bases, government accreditations and wider community involvement. In the 2012 Grantee Perception Survey, 80% of respondents rated the reputation of the projects as good or excellent when compared to their company or business as a whole.
- Success attracted more investment for WING (Cambodia) and Future Forest (Fiji) from private investment and for Bright Hope (Cambodia) and Carnival (Vanuatu) from donor funding and partnerships. Projects yet to begin, such as Emirau Marine Products (Papua New Guinea) have struggled to raise working capital, despite the capital existing. Clearly, access to capital is still a key constraint to private sector start-up in the Pacific and South-East Asia.

Box 3: Grantee perception survey 2012

100% of grantees felt the ECF was a good way for donors to work with the private sector, for several reasons:

- The established private sectors in various countries may have good ideas but resources are limited to implement these ideas. No other bodies provide this type of funding to the private sector.
- ECF is a more efficient and cost effective way of kick-starting projects and allowing for the creativity and efficiency of the private sector.
- Involvement of private sector specialists in the selection process was good and the straightforward applications did not create additional paperwork. Continuous reporting is good for accountability.
- Use of matching grants means equal participation will help make it effective. It is not a handout but requires the company to invest and work towards the success of the project.

Sector analysis



Types of products: agricultural produce (vanilla, fish, cocoa, cattle, teak), value-added products sourcing raw agricultural inputs (handmade paper, beauty products), agricultural inputs (fruit fly baits, quarantine services, resource centres for timber)

Grant funding: A\$5.55 million

Locations: all countries except Laos

4,586 beneficiaries in supply of raw materials and inputs, out-growing of livestock, and planting of crops

Agribusiness projects tend to require a long period for implementation, particularly when the projects include construction of facilities or require new techniques by beneficiaries. Agribusiness projects offer good prospects for improved livelihoods for rural communities but they also present challenges in reliability of supply chains.

Types of projects: renewable energy including village level hydro power and coconut oil based bio-fuel

Grant funding: A\$1.379 million

Locations: Xieng Khaung province, Laos and Kavieng province Papua New Guinea

2,164 suppliers accessing renewable energy and providing inputs into the production

Renewable energy business projects have the potential to offer significant social and economic benefits in education, health and finance. Using the private sector to improve access to renewable energy in developing countries works better in remote areas where access to energy is less reliable and is costly. Using available local inputs, such as coconut oil and thermal power, also allows local communities to participate in the industry.

ECF funded projects have been more technically complex. They require construction of plants and equipment and, in both projects, and have incurred additional costs than originally planned. Outreach is relatively large, for example Sunlabob (Laos) provided power from a hydro-turbine to 350 households (over 2,000 people) within a relatively short time but technical issues with the equipment have required additional investment. Sunlabob partnered with a local non-government organisation to train villagers in using electricity to improve small scale economic activities and energy efficiency.

ECF agribusiness projects will benefit a wide number of poor people; however, this is taking longer than expected due to consent processes, supply of raw materials and growth in business capacity.

Businesses have accessed wider markets for sale of goods and have improved the supply of raw materials through offering incentives (Emirau, Papua New Guinea) and higher prices (Sarami, Vanuatu). They are improving quality and quantity of supply through extension work (Puritau, Papua New Guinea), providing equipment that increases efficiency (Cagayan de Oro, Philippines) and introducing new technology to support industry growth (Nature's Way, Fiji; Pupuk Alam, Cambodia).

A number of projects offer a high potential for replication in similar environments on a country and regional basis.

Key considerations

- Agribusiness projects can be beneficial for a large number of suppliers.
- Agribusiness projects provide extension and support services that are lacking in remote areas.
- Out-grower models are used to expand into export or specialty markets as they are more flexible.
- Good communication and collaboration, and paying higher prices will increase farmer loyalty.



Two approved bio-fuel projects did not proceed for commercial and other reasons. They displayed the difficulties confronting such projects in the region, as well as the need for equity support to encourage these types of more innovative business ventures.

Key considerations

- Renewable energy in remote areas takes time to get up and running – usually more than 3 years.
- The cost of accessing the renewable energy needs to be less for poor people than available alternatives such as batteries, coal, kerosene or petrol.
- The business needs to ensure the renewable energy offered in remote areas is cost effective and of equivalent quality to energy available in urban areas so the remote areas are not operating at a disadvantage. This is an area where donors or government agencies should consider providing subsidies for the poor to participate.

FINANCIAL SERVICES



Types of projects: mobile payment platform and a credit risk/basic life insurance products for microfinance customers

Grant funding: A\$1.6 million

Locations: remote provinces of Cambodia

Outreach of 324,213 poor people and 42,113 are using the services for economic benefit

Financial services projects funded by ECF (both in Cambodia) are highly innovative and reach large numbers of beneficiaries very quickly. WING (Cambodia) has reached over 381,000 customers (82% in rural areas) and SAMIC (Cambodia) insurance has insured 13,000 clients and spouses. Customer–customer recommendations drive the uptake, for example several family members sign up to WING in order to transfer funds to each other.

The capacity of these organisations was high and demand for the products in these markets was effectively identified in the business planning stage. Businesses have also been flexible in their responses to the lessons of product implementation and working within the improving regulatory environment. Both had long delays because of legal process, which halved the number of people benefiting from expectations. Use of sales personnel to market products is a key success factor.

Both businesses are looking to extend their product range and services, for example, WING is offering bill-pay, payroll and supplier payment services, and SAMIC (MEADA) is looking at offering insurance to the wider public.

Key considerations

- The cost of starting up financial services for the poor is very high and much work is needed to recover costs because profit on transactions is low and transaction frequency is high.
- The best measure of effectiveness of financial services is not access but the use and benefit including quantifying and qualifying the benefits of financial services for the poor.
- The low financial literacy rate is a key barrier to more people accessing financial services. Companies have provided training in financial literacy for poor people to improve uptake and use of products.

TOURISM



Types of projects: expansion of tourism facilities in remote areas to support large numbers of tourists to travel to remote areas through cruise ship tourism and online marketing of local tourism enterprises

Grant funding: A\$1.142 million

Locations: Solomon Islands, Vanuatu, Laos

14 employees and 2,000 poor men and women providing inputs to hotels and tourism services

Tourism is a key industry for the private sector in developing countries and has wider poverty benefits and other areas of poverty alleviation such as increased access to goods and services, environmental benefits and improved incomes.

Tourism projects funded by ECF build 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 (Solomon Islands) in remote Morovo

Lagoon, improving infrastructure and training local communities in tourism through Carnival Australia (Vanuatu), and providing online access for remote hotels through Teamworkz (Laos).

The skills and training complements benefits to the wider community by providing food for restaurants, markets for handicrafts, transport services and employment.

Key considerations

- The most successful projects have provided a good skills enhancement program in tourism and community development.
- Indirect benefits to communities are wide reaching but difficult to measure other than by assumptions and case studies.
- The likely environmental impact of tourism needs to be assessed and companies can work to support sustainable tourism and develop eco-tourism practices.

ECF funded projects provide income generating opportunities for poor people

‘Farmers are learning how to classify [abaca] and this shows how they can earn higher prices’



4. Results

Communities benefit from funded projects

The ECF through income generating opportunities and access to goods and services, create further opportunities to improve livelihoods by investing in education and new assets.

100% of projects are benefiting the poor with an outreach of 348,986 people, mostly the poor, and 1,113 small businesses.

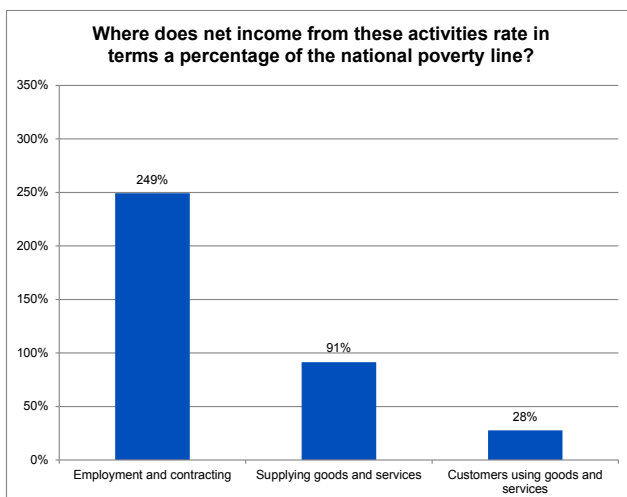
Results in this report are aggregated and tables outlining individual project contribution are included in Annex 2.

	Employment and contracting	Supplying goods and services	Customers using goods and services
Total poor people with net income benefits or reduced costs	230	4,191	39,325
Total benefits to poor people over 12 months	A\$384,509	A\$265,551	A\$664,830

ECF projects directly benefit 43,383 poor people with A\$1.315 million distributed to poor people in the last 12 months.

The income represents a considerable benefit for poor people, as shown by assessment against the national poverty line.

These figures will continue to rise as companies expand production and grow, and through actions in the wider business environment.



Increased incomes through employment and supply

ECF funded projects provide income generation opportunities for poor people to access full time or casual employment or to earn incomes from developing supply chains for raw materials and services.

Income from additional employment and contracts

Eleven projects employ poor people in full-time work or casual contracts and 230 (128 male, 102 female) poor people had income from wages of A\$384,509. These positions are typically filled by poor people who were not previously employed. The average wage is 249% of the respective national poverty line.

Five projects are providing full-time employment for poor people in technical roles. These roles are based in rural areas and relate to operation or maintenance of infrastructure or factories constructed there. Companies have provided training at the start of employment and usually ongoing skills development.

- Two villagers in Xieng Neu village and Nam Kha village in Xieng Khaung province in Laos have been employed by Sunlabob as local grid technicians. They were trained to monitor the flow of water daily and maintain the site. They earn LAK 600,000 (A\$73) per month, about four times the income of other villagers.
- Wilderness Lodge has employed an additional 14 staff, 50% female, from the local community to work in the expanded eco-lodge. Previously villagers were not formally employed but provided fruits and vegetables from household farms. Employees earn on average SB\$5,900 (A\$790) per year, over three times the rural Solomon Islands poverty line.

Eight projects use casual contracts with poor people in unskilled roles such as field and plantation maintenance or sorting, grading and packing in factories.

- C-Corp contracts 90 field and plantation workers in Horokiki, Solomon Islands in permanent, contract and casual positions. Workers earn SB\$4.5–4.75 per hour (SB\$35 or A\$4.70 per day) or three times the national poverty line. Workers also receive allowances for rainy days and sick leave; accommodation is available for employees in the plantation site.
- 12 women have been employed as graders and sorters of green vanilla pods by Mainland Holdings in Lae, Papua New Guinea. They work on an on-call basis, operating around 25% of the time. The women primarily work during peak season and earn K2.30 per hour (K17.25 or A\$7.95 per day) which is two times the national poverty line.

The overall benefit of employment income (or wages) is a more stable and predictable income supply. Additional benefits come in providing assurance for accessing financial savings and loans.

Income from supplying goods and services

Fourteen projects have developed supply chains to access goods and services from poor people and small businesses, which helps more poor people in rural areas to access markets.

- Goods were primarily agricultural inputs from poor suppliers including cattle, fish, ducks, vanilla, coconuts, abaca and tamanu nuts. Goods were collected from multiple suppliers and then processed for domestic or export markets; or combined with other inputs and processed into new products such as handmade paper or skin care products.
- Services provided by poor communities included tourism and supporting the provision of financial services. Suppliers were required to act within the supply chain in rural areas, such as small merchants providing WING (Cambodia) payment services or local villagers providing tourism services in villages around Wilderness Lodge (Solomon Islands).

In some cases, poor people were already producing goods and services and companies provided skills and training to improve practices, increase yields and gain higher prices for increased incomes. Other projects have introduced new products for suppliers to grow and, with training and ability to sell back, increase income.

To date, 4,191 people are benefiting from supplying raw materials to ECF funded projects from poor communities. This includes 2,004 men and 2,187 women as suppliers and in many cases both men and women contribute to the production. Suppliers have



³Sarami fattens the cattle on their improved pastures funded by an ECF grant and sells to the abattoir at a higher weight and price, so there is also a benefit for the abattoir in higher quality and increased supply of cattle.

additional income of A\$265,551, a significant amount; on average income equated to 91% of the national poverty line income.

All supplier households surveyed in the 2012 beneficiary survey indicated they have multiple income streams and the supply to the ECF-funded business is only one part of their income. For example farmers who supply abaca to Cagayan de Oro (Philippines) also grow vegetable and hardwood trees for other companies.

- 300 abaca growing households in Misamis Orientals in northern Mindanao are selling abaca to the local buying station constructed by Cagayan de Oro using ECF funds. Previously the closest place to sell abaca was a local market place 30 minutes away by motorbike. The buying station uses a simple grading sheet to identify the different grades and pays P30–45 (A\$0.7 to A\$1) depending on the quality. A household earns on average P14,400 (A\$335) from the sale of abaca every three years. 'Farmers are learning how to classify [abaca] and this shows how they can earn higher prices' said the manager of the buying station.
- 300 vanilla growers in Morobe province are supplying vanilla beans to Puritau (Papua New Guinea). Growers have sold approximately 2.1 tonnes of vanilla beans worth K33,000 (A\$15,200) to develop vanilla extracts and oleoresins. Vanilla growers on average make K660 (A\$300) from selling vanilla to Puritau and this equates to 85% of the official poverty line for the National Capital District. Farmers indicate that vanilla provides good business but as the price has fallen (from the high in 2003 when there was a global vanilla shortfall) so has their interest. However, in very hot weather they like to work in the vanilla plantation as it allows them to work in a shed.
- 40 cattle small holders in Vanuatu sell cattle to Sarami in a lucrative deal. The Sarami price of VT37,000 (A\$400) per cow is higher than the VT25,000 (A\$270) paid by the local abattoir³ and saves VT5,000 (A\$55) on transport costs. Farmers sell 1–5 cattle in a year and this income can earn the more than equivalent of the national poverty line in Vanuatu.
- 410 members of the local community work with Wilderness Lodge (Solomon Islands) to provide goods and services for the eco-lodge. Local communities supply garden produce, vegetable and fruits, seafood, honey, chicken, building materials and timber; they organise tours and carvings for tourists. As the ECF supported the doubling of the lodge, half of the income can be attributed to the project. Community earning of around SB\$210,000 in 2011 this equates to around 48% of the national poverty line. As tourist numbers are increasing, Wilderness Lodge is organising village tours that give villagers tour fees, which represent 6% of total community income.

In these ECF funded projects, companies work with farmers and landowners who have access to resources such as underutilised land or plants or trees. The decision to supply is often reliant on income needs at the time. Farmers often have multiple sources of income. They may plant crops that require inputs or labour but can be harvested quickly to recoup costs, or plant trees that can be left for many years and decide to sell when prices are high or when they need money quickly.

For example, 10 farmers providing vanilla to Mainland Holdings had 300 vanilla plants. In a discussion, they said they sell vanilla for immediate cash to fund day-to-day expenses. Additionally, the purchase log books at the buying station in Cagayan de Oro showed that a number of farmers had sometimes sold 10–12 kilos of abaca at a time to cover daily needs; some sold 180–300 kilograms or enough to pay school fees or purchase inputs. The locally available buying station means farmers can sell small or large quantities of abaca as needed and have more control over their cash flow.

In two cases, ECF projects are working with small–medium enterprises in rural areas to form part of the supply chain for their products.

- 850 small businesses in every district of Cambodia (70% in rural areas) are working with WING Cambodia to provide merchant services including cash-in and cash-out for the WING mobile payment product. Businesses include grocery stores, mobile phone shops and market retailers and earn US\$10 per month plus commission which can be around US\$300 for busy cash expresses. When customers come to the stores to use WING services, they often buy something else.
- 160 cooperative members are working with farmers in the community to develop an export supply of fruits and vegetables. These cooperative members are using the Nature's Way heat treatment facility to treat the produce for export to Australia or New Zealand. Farmers in remote areas of Fiji can earn up to F\$5,000 per year (A\$2,700) depending on the amount they supply.

Box 4: Grantee perception survey 2012

100% respondents indicated that the community is benefiting from the project and 90% indicate that women in particular are benefiting. Examples of benefits from the grantee's perspective are:

- Being able to supply or be employed and earn incomes
- Providing more opportunities for people including skills training
- More stable prices and agricultural returns in the long term following the ECF investment
- Linking with other agencies such as non-government organisations and providing environmental benefits

Non-cash benefits

To develop and build on relationships with the communities, companies often provide other benefits beyond wages or payments. This corporate social responsibility approach takes several forms:

- Wilderness Lodge (Solomon Islands) acquired a 7 metre longboat from Uepi Resort and gave local villagers 1-month hands-on training to undertake blue water fishing charters, which the community will manage. Wilderness also allows community access to their boats for taking people to hospitals and pays funeral expenses.
- Cagayan de Oro (Philippines) has provided 73 school student scholarships to home-based workers because they found many of the women were working primarily to fund school fees.
- Masurina (Papua New Guinea) rehabilitated a boat for use by community members for children to attend school across the river and for other community members to travel to hospitals or town to trade.
- C-Corp (Solomon Islands) has been very actively involved in community development in East and West Horokiki and has set up health clinics, water supply, solar panels and a community library.
- Carnival Australia (Vanuatu) has developed a passenger donation program, expected to raise around \$A100,000 per year to be used for needed community projects at Pacific Island call sites.

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 coconut based bio-fuel 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.

Using technology to increase agricultural productivity

An important principle in applying a challenge fund to the agricultural sector is to select business projects that will invest in new techniques for increased productivity and develop/maintain efficient supply chain arrangements because it is in their commercial interests to do so.

In many ECF target countries, government agriculture extension services are limited and physical infrastructure is inadequate. Agricultural productivity is hampered by limited local technical support services and inputs. Restricted market access makes it difficult for farmers and businesses to achieve economies of scale to support investments in improved productivity. An ECF grant can help companies address these shortcomings as an integral part of their business plan, and benefit rural communities.

Some of the 12 agricultural projects were funded for new technology; others for better techniques or practices that can be easily absorbed by target beneficiaries. To date 8,346 farmers have access to new techniques and technology in rural areas. Of them 1,322 (15%) are using these techniques to increase agricultural production, a figure that will continue to grow as farmers adapt their practices.

- Sarami (Vanuatu) has developed new pastures suitable for the Pacific environment, successfully implemented the first large scale silage operation in the region and will shortly begin a genetics improvement program. Sarami also provides supporting transport services and will offer small holder suppliers free genetically improved bulls to improve the overall standard of small cattle herds. Up to 200 small holders are expected to eventually benefit from the project and prospects are good for beneficial replication in the Pacific, with a wide range of livestock productivity improvement outcomes.
- Pupuk Alam (Cambodia) has introduced organic fruit fly baits to 5,424 farmers in Cambodian provinces. These baits, which will soon be produced in Cambodia, offer a more cost effective and safer alternative to insecticide spraying and also allow farmers to secure organic certification for their products. Surveys revealed that to date 521 farmers use the baits and this has increased incomes to an average US\$100 per hectare per year. Farmers who supply organic fruits and vegetables have reported that they can achieve prices 400% higher than for the non-organic product.

- Cagayan de Oro (Philippines) has expanded abaca plantations, trained farmers in the use of organic fertilisers and soil conditioners, introduced mechanical abaca stripping machines, trained farmers on accurate grading techniques and introduced a buying station for easier access to, and better returns from, the market. These supply chain and productivity improvements are directly benefiting 300 rural households.
- The Nature's Way Cooperative (Fiji) quarantine heat treatment facility, a key link in the export supply chain, has expanded its capacity and productivity is up by up to 50%. This project connects with other programs, such as Australian Centre for International Agricultural Research, to improve papaya crop quality, increase availability of improved seedlings for farmers, and open export freight and overseas market access. The expanded capabilities eliminate the risk of export chain bottlenecks and warrant investment in supply side productivity improvements. Local supply of export fruits has increased with flow on benefits to the approximately 3,500 men and women employed in export fruit grading, packing and supply of inputs, or supplying fruits from farms to local exporters who use the facility.

Other ECF projects made direct and indirect contributions to agricultural productivity. These include funding three extension workers for vanilla growers to improve outputs for Mainland Holdings (Papua New Guinea), provision of 4,500 coconut tree seedlings to address the declining yields from senile trees for Emirau (Papua New Guinea), improved seedling nursery and plantation timber planting and maintenance techniques for Future Forests (Fiji) and introduction of hybrid cocoa plants and an integrated pest and disease crop management plan for C-Corp (Solomon Islands).

Projects have gained positive environmental impacts from more sustainable practices which were also taken into account during the ECF assessment process.

These innovations were the key reason why projects were selected. Improving supply chains by increasing agricultural productivity leads to increased incomes for poor people. Restricted access to market for rural farmers has been one of the most challenging barriers to improved rural livelihoods and the significance of the improved market opportunities for ECF projects cannot be overestimated. All ECF agriculture related projects represent a steady market for rural suppliers.

The number of rural beneficiaries is expected to increase substantially as these ECF projects expand their operations over the next few years.

‘ALL I WANT IS TO GIVE A GOOD LIFE TO MY KIDS...’

Lili Watts is a mother of five and a poor village woman from Peava on Gatokae, Solomon Islands. In Lili's life of dire poverty, she sometimes doesn't even have enough food to feed her children. To earn a living, Lili sells garden vegetables and homemade cakes.

Lili's house is made of wood and corrugated tin. There is no power supply in the village and the river is the only source of water. Lili has two sons, the youngest 4 months old, and three daughters. Despite her poverty, she sends two of her kids to primary school. Lili's husband does various day jobs. He lives in Honiara and earns up to 400 Solomon dollars per month (A\$55). However, he did not contact Lili while she was pregnant with her last child. Lili has been the only person taking care of her family.

Lili has been a vegetable supplier to Wilderness Lodge for the past 3 years, her main source of income. She said that in 2010 her weekly income was SB\$20–40 (A\$3-\$5.50) and she was primarily selling lemons at a SB\$13 (A\$1.75) per kilogram.

In 2011, business became better. As Wilderness Lodge completed construction and marketing for the bungalows, it started ordering more produce and her weekly sales went up. She says 'some weeks I would manage to sell as much as SB\$60'. She sold cabbage, beans, potato and chili. Lili says Wilderness Lodge always provides a week's advanced notice for purchase requirements and villagers can accordingly prepare produce.

When asked about her biggest benefit, Lili said that Wilderness Lodge helped deliver her baby. She says, in the past, she would hardly manage to save SB\$300 in a year (A\$40) even when her husband contributed to the family. Now, 'I had to work my way to manage my family'. Because of Wilderness Lodge's additional business with the bungalows she managed to save SB\$1,000 (A\$135) for her baby's delivery. 'I wanted my baby to be safe and I wanted to deliver in Honiara'. Lili used her entire savings to travel to Honiara to give birth.

Lili still struggles and this year worked less as her little boy needed a lot of her time. She is barely managing her family by selling her produce and making cakes, but she tries to live a happy life and says that her kids are her best source of happiness.



Lili says she is very grateful that she can sell her produce to Wilderness Lodge, as it is difficult for her to go to other villages to sell. She spoke highly of the management and says Wilderness Lodge is a village-friendly organisation that has supported many villagers with emergency medical transport and contributed to funeral expenses.

Lili plans to continue to sell to Wilderness Lodge and hopes to do more once the baby is older. Lili says, 'all I want is to give a good life to my kids'.

Increased access to goods and services that benefit the poor

Eight ECF funded projects have developed goods and services expected to benefit poor people. Direct access to services such as transport, electricity, financial services, when used, will contribute to economic growth and reduced cost of doing business for poor people. New agricultural products reduce costs for farmers.

As at July 2012, over 335,790 poor people are able to access goods and services from ECF funded projects. Of those who use the projects' goods and services for income generating activities, 39,325 are directly benefiting economically through the reduced cost of doing business, and subsidised access to education, transport and electricity. They will benefit in future from access to crops such as teak. The benefits from reduced costs amount to A\$664,830 for poor people.

More than 100 small–medium businesses in rural areas of Laos are benefiting from the access to online marketing and access to electricity.

- 350 households in five villages in Xieng Khaung province in Laos have electricity for household lighting, cooking and security. Electricity is now cheaper than before by LAK 53,000 (A\$6.50), a household saving of 5% against the national poverty line. 17 new businesses have started to make use of the electricity for small scale manufacturing including purified water, furniture and weaving, and providing labour saving services such as rice mills.
- 11,781 microfinance clients have opted to take out insurance products from SAMIC's insurance program - MEADA (Cambodia)- including credit risk and basic life insurance that pays out clients in case of death or disability. From interviews with ECF team members, most clients take up insurance so that they do not have to sell their assets in emergencies and to reduce the potential debt of family members. You don't know when an unexpected event will occur, if an accident happens,

the money will [reduce the] burden to other family members. Insurance costs 1.5% of the loan value for credit-risk or US\$6 for a couple per year for life insurance. Having insurance is a benefit for small loan holders as it provides protection from financial crisis when needed, contributing to the cost of funerals where ordinarily these costs are shared amongst villagers, often assets are sold or additional loans taken. Since 2009, 104 people have made claims of on average US\$341 per claim. The value of the claims has equated to 42% of the national poverty line or equivalent of half an annual salary.

- 250 landowners in Fiji have purchased or been given 30,000 teak seedlings to plant on unused land in rural areas. Teak is a long-term investment but considerable income will be realised in 10–20 years. Future income of F\$150 per tree (A\$80) when thinning in 8–10 years and F\$300 (A\$160) in 20 years when mature trees are harvested equates to F\$2 million in future value for landowners.
- After three years, WING (Cambodia) has signed up 318,432 rural customers in Cambodia directly and through partnering with other companies. However, 87% are inactive customers who are not using or have never used the system. WING is English based and some customers easily forget how to transact. Khmer enabled mobile phone handsets are rare in Cambodia but WING is working with a technology company to introduce cheaper Khmer enabled handsets which will likely increase the number of active customers. Customers sending money to their families through WING are saving around US\$19 per year; during October–December, when rice is harvested, the number of active users rises to 15–20%. WING also provides secure storage of income and convenient access to cash-in and cash-out in almost every district in Cambodia.
- Bright Hope Institute actively follows up how many students get jobs after graduation. In 2011, 122 of 160 graduates had employment within 6 months of graduation. Graduate students indicated that



their income was US\$150 per month, US\$50 per month higher because of the degree. In May 2012, interviews with local organisations including private companies, non-government organisations and government agencies indicated organisations are happy with the quality of students and will continue to hire graduates from Bright Hope Institute.

The ratio of access to uptake is high with 96% of poor people able to access goods or services then deciding to sign up.

The ratio of uptake to benefit (from use) is 14%, largely related to the WING (Cambodia) project which has a uptake to benefit ratio of 13% defined by 4% active rural users (using the system every three months) and 9% dormant users (have not reused the system after first using it). While this seems low, this is fairly typical of new mobile payment platforms and recent Consultative Group for the Poor Analysis on Mobile Payments systems⁴ found that active user rates could

vary from 1% to 18% with an average rate of 8%. The ratio of uptake to benefit without WING (Cambodia) is 99% which shows that products and services are relevant for poor markets.

Goods and services increase access for the poor to innovations and new technology that reduce the cost of doing business, provide access to new markets or create livelihood benefits from goods and services.

For uptake to be successful, goods and services must offer advantages against traditional practices. This may be cost related but convenience, accessibility and safety are also key factors.

'Prestige' is a factor that should not be discounted. Access to bank-cards⁵, television, mobile phones, internet presence for companies and long-term investments in teak also provide reputation and image benefits.

SMALL BUSINESSES SUPPORT THE POOR TO USE WING

Mr Sok Chea runs a mobile phone shop on street 245 in Phnom Penh. He has also been a WING cash express merchant since September 2008. His good performance took him to master agent in 2009 and he now manages 25 cash merchants in Phnom Penh.

Being a WING Cash Express is good. Last month Mr Chea earned around US\$360 in commission from WING transactions. He sees around 30–40 new customers per month and estimates he will earn another \$100 in sign-up commission.

What sort of transactions does he see? Around 200–300 customers per day transact with WING by buying wing tinh cards (mobile phone airtime), taking cash out and using WING wei lui – a transfer from a WING customer to a non-WING customer. He does not see a lot of cash in. A number of people transfer funds to the province to pay for wedding invitations. In Cambodia, people typically send money to those getting married rather than a present.

On average he says he is earning around US\$500–600 per month and estimates that 50% of his business revenue is through WING. And around 25% of WING customers will also buy something else from his store.

He says he will use the additional income to improve his business and their home.



When he started with WING, Mr Chea was trained for around 30 minutes in using the WING product; he attended the WING office for training in identification of counterfeit bills. Almost all customers need support when signing up and 30–40% of customers require ongoing training in the unit, usually because they do not have enough English language to understand the use of the system. If they don't use it very often, they forget how to do transactions.

Customers frequently use non-WING to non-WING with the merchant undertaking the transaction. However, there is a US\$300 limit on transfers and it costs \$1.50 rather than \$0.50c for WING. Mr Chea estimates that up to 80% of these clients will begin to use WING once they know how it works – it costs less and customers can send more money.

⁴The Challenge of Inactive Customers: Using Data Analytics to understand and Tackle Low Customer Activity, McKay et al, February 2012.

⁵ATM card is one of the top three items Cambodians would like to own, according to a survey released late last year by Indochina Research.



Sustainability of benefits for communities

Commercial sustainability of the business has ongoing benefits for suppliers, customers and the wider community. Many ECF-funded activities will have long-term development impacts:

- Knowledge and skills from businesses can be transferable such as the training in harvesting high quality abaca through Cagayan de Oro (Philippines); training in animal husbandry from Reddy Farms (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 WING (Cambodia) radio shows.
- 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.

Gender – Improving women’s participation to ECF projects

A growing number of businesses are recognising positive business and development outcomes from supporting and empowering women. Gender equality and empowering women is the third Millennium Development Goal.

Gender has been considered by ECF since the fund began in 2007 and is considered as part of the assessment criteria. During ECF implementation and monitoring, significant attention is paid to the different needs, interests, priorities and roles of women in the business projects that received funding.

To date, 22,139 women, or 51% of total direct beneficiaries, have economically benefited from ECF projects through access to employment, increased income and goods and services, primarily due to projects that specifically target women such as SAMIC (Cambodia). A number of ECF funded projects also have intended and unintended gender outcomes as they are implemented.

In the monitoring program and grantee perception survey 2012, companies were asked whether women in particular were benefiting from their projects and 83% indicated they had. This included benefiting from opportunities to be employed or the supply of goods and services:

- Volcanic Earth (Vanuatu) has provided additional income earning opportunities for 20 women’s groups in Malekula Vanuatu. Over 200 women earned cash income of VT2,000 in 2011 (A\$20) by collecting tamanu nuts that are cured and have oil extracted through cold pressing for use in skin care products. All the women in the group have independent incomes and can choose how it is spent.
- Masurina (Papua New Guinea) has distributed a number of sewing machines donated in England and has purchased equipment to begin sail making. Masurina, which will provide training to men and women in sail making, reports they are ‘breaking the mould in enabling women to embrace new activities’.
- C-Corp (Solomon Islands) trained women in jobs such as harvesting, brush cleaning and provided seedling contracts so that they are able to earn income. C-Corp found that many of the women workers were valuable and more reliable than men.
- Women also own vanilla farms in areas of Bulolo and Markham Districts of Morobe Province and are working with Mainland Holdings (Papua New Guinea).
- Reddy Farms (Fiji) has increased the number of women working at the slaughterhouse and partnerships with female contract farmers; women often look after the ducks during the day.

A number of goods and services allow women to benefit.

- Many mobile banking and payment models around the world link use of the system to phone ownership which women are disproportionately less likely have. WING (Cambodia) has designed the system to be used on any phone and women can borrow a phone to use. WING also offer a non-WING to non-WING service which women and men without access to a mobile phone can use. To date, WING has 34% female customers, a ratio consistent in urban and rural areas.
- Improved access to electricity has specific benefits for women in villages such as improved cooking techniques and security for travelling at night. A local non-government organisation in Laos arranged electric light for public buildings such as schools. A school in Nam Kha village has been able to offer space for learning activities at night. Now, after rice harvest, 76 young people aged 15–25 (many women) who are unable to attend the distant high school, are studying in the primary school building at night.
- Pupuk Alam (Cambodia) works with female farmers in crops such as chili. There is a reduced use of pesticides particularly in family-run farms where all family members, including children and women farmers who are planning to start a family, can assist in the farming more safely.
- Nature’s Way (Fiji) appointed a female board member who is actively advocating for more extension work to female farmers and increased inclusion of female cooperative members. Now five out of ten employees at Nature’s Way are women compared with none several years ago; now of the 160 co-op members, 14 are women where previously there was only one. Supporting more female participation in governance is a good step to reducing barriers for women to participate.





Environment – Environmental benefits through ECF projects

Poor people in this region have a higher dependency on natural resources such as 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 reducing poverty, promoting security and preserving 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 to international standards, and thus protect livelihoods and reduce the impact of environmental degradation on the poor. Addressing environmental and climate change challenges is central to the poverty reduction efforts of the AusAID development assistance program, as well as being Millennium Development Goal 7.

Partnering with the private sector can promote innovative techniques and processes that encourage communities to be aware of using natural resources rationally. A number of ECF-funded projects highlight the potential for using the private sector in the Pacific and South East Asia for positive environmental models.

1. Projects contribute to improved use of natural resources and develop supply chains using products sourced from traditional farming practices

- Future Forests (Fiji) developed extensive teak plantations on degraded and underutilised land, and is working with Conservation International to develop new plantations of teak and indigenous trees on degraded land owned by local communities.
- Emirau Marine Products (Papua New Guinea) is working with a local organisation to supply better yielding coconut trees to landowners with a growing percentage of senile trees. The replacement coconut trees are planted in the traditional manner and will offer landowners benefits beyond the ECF project.

2. Tourism projects promote sustainable tourism and environmental management and work with local communities to protect environmental resources:

- Over 50% of hotels working with Teamworkz (Laos) in remote areas indicated that negative environmental and social impact is a key concern. This included cutting down forested areas, constructing more roads and bridges to the small islands area in Four Thousand islands and management of additional rubbish. Teamworkz has a ‘caring for destination’ rating on its website and provides information for visiting tourists on appropriate cultural behaviour. When staff put profiles together they look for these types of stories; currently 68% of project profiles have a caring for destination information.

- Wilderness Lodge (Solomon Islands) partners annually with a non-government organisation to conduct eco-tourism, and sustainable community development workshops with villagers.

3. Projects investing in innovative renewable energy and alternative energy sources:

- Sunlabob (Laos) was funded for renewable energy to supply five villages (over 350 households) in rural Laos with 24-hour access to electricity from localised mini hydro-power turbines. Kerosene use has declined and the standard of lighting now allows school children to read and learn at night. The turbines need flowing water throughout the year to operate – an incentive for villagers to protect vegetation in catchment areas of the streams, and prevent mudflows, flash floods and erosion.

4. Projects practicing environmental friendly production methods:

- The Cagayan do Oro Handmade Papercrafts (Philippines) wastewater treatment facility for proper management of factory effluents recycles wastewater for use in comfort rooms and to clean the factory. The facility is being used as an example for other small companies by the Department of Environment in the Philippines.

Grant funding can be targeted at projects that exhibit environmentally friendly practices and work with local communities to preserve the environment and natural resources.

Comparing and contrasting – different models of land use in the Pacific Islands

People in the Pacific have a strong attachment to their land and, despite efforts to introduce regulated land ownership structures, most prefer to operate under the traditional communal land ownership systems. Given that land is often the key ‘investment’ by local communities in commercial agricultural projects, it is imperative that cultural frameworks are incorporated into agreements between rural landowners and companies operating plantation projects on traditional land.

Two ECF projects in the Pacific Islands – Future Forests (Fiji) and the C-Corp (Solomon Islands) cocoa project – present contrasting examples of such arrangements and the different medium-term outcomes tell useful lessons. Both projects were approved for an ECF grant because of the expected short and longer term benefits to the rural communities. They also both incorporated provision of land by the communities and plantation outputs familiar to these project partners.

- The Future Forests (Fiji) project in the underdeveloped Ra province of Fiji incorporates teak plantations on leased and traditional land. The nursery expanded with ECF support and Future Forests recently launched on the local stock exchange to secure funding for plantation expansion and a downstream plantation timber processing operation.

The Future Forests model has a mutually beneficial arrangement with the landowners for ongoing incomes and substantial longer term assets for local communities. Land is leased from landowners under established Fiji Government arrangements but the more important ongoing benefit is cash payments to the men and women who plant and maintain the plantations –around \$A118,000 per year, or the equivalent of 250 part-time jobs, in addition to new incomes for those directly employed by the business.

As the leased plantations mature the landowners receive agreed, substantial payments for the harvested timbers. Efforts are also made to encourage landowners to plant trees on their own land using the skills learned from contract planting and maintenance. For example, a Future Forests gift of 15,000 teak seedlings for planting on community land should bring total funds back to landowners of \$F1 million (\$A540,000) in 8–10 years, when trees are thinned, and over \$F1.5 million (\$A800,000) when the mature trees are harvested in around 20 years.

- The C-Corp (Solomon Islands) project rehabilitates run-down cocoa plantations on traditional land and exports high grade cocoa beans. C-Corp adopted joint venture agreements with two landowner groups that provide dividends once the operation

is profitable and the eventual transfer of the entire business to the landowner companies. The landowners invested their land and no interim lease or other payments were part of the agreement.

The ECF assessment panel approved the grant on the basis that the landowners would reap benefits in ongoing employment and contract work and, in the longer term, would take ownership of a valuable business. The project was regarded as a good model in the important cocoa industry in the Pacific – rehabilitation of plantations, integrated disease and pest management plan, and higher value commodity exports.

However, the project has problems, stemming in part from the joint venture agreements. About 90 local men and women have been employed by the operation and C-Corp has assisted a number of community facilities, but the two landowner groups do not believe they have received an equitable return for the use of their land. The joint ventures were based on international commercial standards that are not compatible with the outlook of the landowners. Dividends, based on the companies’ accumulated profits, do not entail the ongoing payments that landowners expected; and the unclear future value of the business they will inherit does not resolve their interim income requirements. The tense relationships and a serious cocoa bean theft problem mean C-Corp is struggling to secure the volumes of cocoa beans it requires to break even.

These different outcomes from similar projects demonstrate the importance of culturally appropriate and mutually beneficial agreements with landowners for successful rural projects in the Pacific. There are clear lessons for commercial sustainability of the business ventures.

- The Future Forests model incorporated a more inclusive, longer-term consultation process with landowners and, importantly, tangible cash benefits from the outset to compensate for the use of their land. This business is doing well and has strong commercial growth prospects. Because of its operational model, the more Future Forests prospers the greater will be the social and systemic impacts.
- The C-Corp model set up a commercial structure not properly understood by the intended beneficiaries that has proved to be culturally inappropriate and ultimately counterproductive. The arrangement does not provide, from the landowners’ perspective, sufficient reward for their contribution/investment in the period before the uncertain longer-term benefits can be realised. This ECF project is thus facing difficulties and is likely to require restructuring to achieve the expected commercial, economic, systemic and pro-poor outcomes.



Systemic change for more benefits and longer lasting impact

Systemic change is the measure of success of a challenge fund project. It shows that the initial investment has impacted on the market system and is likely to be sustainable and benefit more poor people. Systemic change can be described as impacting on the wider system in three key ways:

1. intervention can increase through expansion of the business model or reaching additional beneficiaries
2. the approach can be expanded to other market players
3. the wider business market could be prompted to change.

Changes in the market system outside the original ECF funded project are more likely once the business model is successful and community benefits are being realised.

Systemic change can occur at the enterprise level within beneficiary enterprises (copying) or through expansion of the business (scaling up) or through other market players from the start up of competitors, new suppliers entering the growing industry (replication, crowding in) and other changes in how the market system functions.

To date, 19 projects (90%) have impacted on the wider market, at first through additional investment by the company or communities. There are also a number of examples where small–medium sized businesses in other markets are using new goods and services to improve their business.

A further 42 companies and organisations are providing benefits to poor people through new competition to the ECF funded opportunity or by using the goods and services from the ECF project to benefit more poor people.

Delayed projects that are yet to operate a full business cycle, Didao (Solomon Islands) and Emirau Marine Products (Papua New Guinea), have had no systemic impacts beyond a high level of interest in the success of both models. Projects such as WING (Cambodia) and Future Forests (Fiji) have been of considerable interest in the wider market and have launched into new products or markets and seen new suppliers and competitors enter the market.

Systemic changes have appeared closer to the end of the 3-year period and are likely only the beginning.

Companies and communities invest to scale up the projects

The first indication that a business model is successful is when the company itself invests additional funds in new products or expands to new markets. Then, as other community members realise the benefits, other beneficiaries will be interested and may change their production to supply to the company or use the new goods and services. Both scaling up and more beneficiaries copying increase the likely sustainability of the business model.

Box 5: Grantee perception survey 2012

40% of survey respondents indicated they will invest more money to diversify into other products, increase infrastructure, maintain equipment, and comply with new legislation in order to further support communities.

11 projects (52%) have or will invest over A\$1.2 million in additional funds to scale up their operations to new products or markets for the poor and/or have new beneficiaries supplying to the project through copying.

The additional outreach to poor people from scaling up has been included in the reporting of direct project impact (above). It is difficult to separate original activity from copying, particularly in access to goods and services where any beneficiary may choose to use the product but the choice may arise from direct marketing, company training or word of mouth.

New opportunities for the existing poor market

- Bright Hope Institute (Cambodia) received US\$8,000 from the German Embassy in Phnom Penh for a water purification system able to provide up to 250 litres per hour of clean drinking water for students. Bright Hope bottles the water for sale under the label 'Hope Water' and 12 dormitory students work part time bottling the water on school grounds to earn additional income to support their studies.
- MEADA microinsurance (Cambodia) rolled out a second insurance product – basic life insurance – in April 2011 and has signed up 1,739 clients of the SAMIC microfinance institute and 1,428 spouses. The product provides life insurance for US\$3 per person per year and the benefit is US\$350 for individual client and US\$700 for couples. In 12 months, three claims have been paid amounting to US\$1,750.

- Puritau (Papua New Guinea) has diversified operations and established a successful purified water business which will expand sales significantly and support the commercial viability of Puritau. To date, sales are around K100,000 (A\$46,000) per year but additional benefits to the poor have not yet been seen.
- Masurina (Papua New Guinea) has launched a copra purchasing venture through the ECF funded resource centres in Milne Bay, which complements ongoing timber sales. There are no tangible impacts to date but communities are showing interest.
- Future Forests (Fiji) successfully launched on the Fiji stock exchange in early 2012 securing F\$1.8 million (A\$1 million) in additional funding for expansion of its plantations and construction of a plantation timber downstream processing operation. The timber operations will provide a market for the teak in future and thus benefit the 250 landowners.

New markets where more poor people can benefit

- C-Corp (Solomon Islands) increased its planting area beyond Horokiki to 20 hectares of plantings in Mbalasuna. The new area employs 6–8 local villagers and will start producing crops in 2013. C-Corp provided funds for Mbalasuna villagers to purchase a vehicle for sourcing wet beans from surrounding remote cocoa growers and processing them in driers provided by C-Corp.
- Teamworkz (Laos) has expanded its website coverage to two additional countries, Cambodia and Thailand, opened a new office and signed up 70–80 hotels and tour operators in Sihaoukville and Phnom Penh.
- SAMIC (Cambodia) opened three new branches for microfinance in rural areas in May 2012 and now has 16 branches in five provinces. The business will be able to recruit further clients from these areas, who will be trained and offered insurance products. SAMIC expects to open five more branches in the next 6 months.
- Pupuk Alam (Cambodia) signed an agreement with the United Nations Food and Agriculture Organisation to supply Cambodian organic fruit fly baits to programs in Laos and Myanmar. The bait production facility will become a hub for the region and scaled up accordingly.
- Carnival Australia (Vanuatu) will begin a new cruise itinerary to Milne Bay, Papua New Guinea in October 2013 with calls at Alotau, Doini Island and Trobriand Islands. Carnival will use a similar approach and lessons from its experience in Vanuatu to work with communities to develop tourism services.

More beneficiaries start to supply or copy

- WING (Cambodia) customers often recommend other friends and family members to sign up particularly to transfer cash. A common transfer is from families in villages to their children studying in Phnom Penh for living costs. No record is taken of why clients sign up to WING so it is unclear how many were advised by an agent, heard about the service on TV or radio, or were told by a friend or family member.
- The buying station funded by Cagayan de Oro (Philippines) has had requests from other abaca suppliers to sell abaca. Farmers indicated that 'fibre classification is giving ... higher incomes and ... a very good market price'. Seven non-cooperative members have supplied abaca resulting in an additional US\$212 to poor communities and more are planting abaca to use the local buying station.
- Fruit flies were reduced considerably from the wide area trials for fruit fly eradication by Pupuk Alam (Cambodia). Neighbouring farmers who did not participate to the trials have requested lures and protein baits as well, which helps with the community-wide approach needed for effective eradication.

In some cases, scaling up has been limited by geographic reach. For example, many Cambodians working in Thailand and Vietnam would like to use WING services to send money home to their families but the system is not set up for international remittances.

In other cases, rules and regulations may limit supply to a set number of beneficiaries. In the case of MEADA microinsurance, legislation previously restricted offering insurance to people beyond microfinance clients. Where projects provide services in partnership with other groups such as cooperatives, this has been beneficial in launching and trialling new products but may inhibit scaling up.

Small to medium companies use ECF projects to improve productivity

30% of ECF projects have helped improve conditions for small and larger companies to start up and improve their businesses. These case examples show how new technology or access to new markets or customers has benefited businesses and poor communities.

Electrifying small businesses in Laos

- Once Sunlabob (Laos) provided electricity to five villages in remote Laos, new ventures started up to improve the turnover of traditional businesses. Small business start-up was also supported by access to village development funds in partnership with Helvetas, a Swiss non-government organisation. In Na Phia village, women established a weaving house. Each woman could create up to three pieces of weaving per month; using electricity to work during the rainy season and at night, they can now make five. Each piece sells for LAK 50,000–100,000 (A\$6–12). The weaving house has 17 looms and almost all women in the village use it. The women indicate that electricity allows them to work during the day and night depending on their home duties.
- In the village of Xieng Neua, a local entrepreneur established an electric rice mill. Previous diesel-powered mills were slow and expensive to run. The village bank loaned approximately LAK 25 million (\$A3,065) and the miller provided training to farmers to improve rice production using small loans and advice on techniques. Farmers could then sell their rice to the miller. The partnership is expected to improve the quality and quantity of rice, and access to markets through the rice mill, and eventually provide services to up to 10 villages.

Mobile payroll for rural and remote employees in Cambodia

- Sok Bunhang, accountant for the American Association for Cambodia, manages the payroll for up to 100 staff working in rural schools in the provinces as English and computing teachers. Previously the payroll was paid in cash. Mr Bunhang had to go to the money changer in the market to send the pay to staff, costing money and time. Over the last 12 months, the association has been paying staff using WING. 'WING has so many agents at the province level that staff can always find a way to get their salary when they need,' Mr Bunhang said. 'Banks are often [too] far from town.' The association sends funds to the WING team who process payments to the staff's WING accounts. At the end of the month, it used to take Mr Bunhang 2 days to run the payroll and now it takes around an hour with a check to the bank. He used to pay more than US \$100 per month to transfer the funds. Now WING charges only US\$40 for the service.



Each woman could create up to three pieces of weaving per month; using electricity to work during the rainy season and at night, they can now make five.

Investing in small business to improve coconut oil supply in Vanuatu

- When Volcanic Earth (Vanuatu) expanded production using the ECF grant, they needed an increased supply of coconut oil. The company provided seed funding, assistance and training to a young man to produce direct micro-expelled oil. To date, the contractor has three full-time staff (all men) earning VT6,600 per week (A\$73) and has purchased 100,000 coconuts equating to VT1 million (A\$10,000) from six families in the local area. This will expand to more remote areas in future as demand for coconut oil from Volcanic Earth increases.

Accessing export markets for fruits and vegetables in Fiji

- Pacific Harvest, established in 2010, is a new exporter of fruits from Fiji. Pacific Harvest visited the ECF funded quarantine facilities run by Nature's Way and the high standard of operation was a 'crucial' factor in its decision to invest in the industry. Pacific Harvest provided papaya seeds to villagers in five villages and established its own plantation. Villages supplying papaya earn F\$1,500–2,000 per week (A\$800–1000). In 2010, Pacific Harvest exported 110 tonnes of papaya to Australia and New Zealand by sea and air freight. In 2011, the company employed 73 men and women; 15 people sorted and graded.

More tourists mean more business opportunities in remote Laos

- Outside Tad Fane Resort in the Bolevan Plateau in Champasak is a thriving market of around 30 stalls selling tea, coffee, local handmade souvenirs and food to tourists that visit the resort. Online marketing of the resort has brought more tourists; Tad Fane indicated 10% of bookings are through this website. A female market stallholder indicated 'business is good' and she's selling 'a lot to buses of tourists visiting sites'. These tourists are mostly from Thailand on package tours. She sells weaving and Thai tourists buy up to 40–50 per week. At LAK 150,000 (A\$18.75), she can turnover up to A\$1,000 per week. She now sells on behalf of the women in her village, 300 households with around two weavers per household. She notes there are more tours coming through and more stalls are starting up.

Wider businesses and support markets take interest and respond

The private sector is usually quick to take up opportunities. Once a business model has been shown to be successful in an expanding market, competitors or other suppliers will look to benefit. However, when considerable investment is required and the risk is higher, the decision to invest and begin action may take longer.

The monitoring approach focused on the impact on the grantee so the view of the full market system is limited. Wider systemic impact is assessed by asking the company if any interest was elicited and in discussions with key industry stakeholders. In some cases it may not be obvious whether a company enters the market or adopts an approach because of the ECF funded project.

Indirect impacts through other companies	
Number of new companies supplying (38) or competing (4)	42
Total poor people with net income benefits from the new companies	6,670
Total benefits to poor people over 12 months	A\$181,958

New suppliers enter the market

As at July 2012, four (20%) projects have seen 38 new suppliers enter the market. In two cases, the availability of the products funded by the ECF project meant companies could provide additional benefits to communities and in one case, the ECF project was partially responsible for the start-up of new businesses. In one case, crowding in has had no impact, only displacement of the original funded project.

- Conservation International is using teak seedlings from the Future Forests (Fiji) nursery to establish plantations in Fiji. It paid \$F140,000 (A\$76,000) to 500–600 landowners for planting and field maintenance on an additional 350 hectares of land. This equates to \$F255 (A\$138) for each worker or 13% of the national poverty line.
- 30 small and medium businesses, such as security firms, garment factories, manufacturing and supply companies, have partnered with WING (Cambodia) to use the system for payroll and bulk payments to suppliers. This initiative has signed up an additional 6,145 new clients who perform up to four revenue generating transactions per month.

- Three new exporters have begun operations in Fiji after inspecting Nature's Way resources to ensure capacity to handle their export volumes. Fifty new farmers supply to these exporters earning an average of F\$5,000 (A\$2,700) per year. The increased start up of new exporters is likely to lead to new agricultural growing areas in Fiji but this will not be evident for another 2–3 years.
- Sarami (Vanuatu) has begun exporting tamanu oil, which has seen increased demand following increased marketing by Volcanic Earth (Vanuatu).

New competitor start-up

Three (14%) projects have seen four competitors start up in the market. In two cases, the link to the ECF projects is clear; in one case it is unclear and unlikely. The difficulty with accurately assessing the impact relates to the lack of business information companies are willing to share with funders of their competitors.

- Laobookings.com sought advice from Teamworkz (Laos) to develop their competitor online website for hotels in Laos. Laobooking.com is working with hotels in Vientiane, Luang Prabang and Chamapask and increasing their market presence. To date laobooking.com are partnered with 80 hotels, eight (10%) in remote areas. Using the average booking and flow-on to beneficiary rate of Teamworkz, this could equate to 64 additional bookings in rural areas or an additional US\$750 per hotel per year. It is also likely that benefits would flow to poor people through employment and opportunities to supply to hotels.
- Two new shipping companies are servicing the remote provinces of Banks and Torres in Vanuatu where Marine Consultancy Services (Vanuatu) has been providing a regular shipping service. The companies time their departure to travel just before the Marine Consultancy service to capture market share and are primarily buying and freighting copra on return journeys. With the downturn in copra prices, it is unclear how sustainable this would be for communities.
- Cellcard Cash is also providing a mobile phone payments system in Cambodia. Cellcard started up in 2010 and appears to focus more on young urban people. It is unlikely that it was as a result of the WING (Cambodia) project. It is also unclear how this business is progressing: it spent the first 9 months after launching trying to secure necessary licences at a time when WING already had 258,000 customers.

In one case, new legislation supporting companies to offer microinsurance in Cambodia has prompted other insurance companies to consider investing in microinsurance and in learning lessons from the SAMIC (Cambodia) project. Most commercial companies are investigating new products such as agricultural insurance and key lessons such as investment, communication and approach are relevant.

Business models are copied (replicated) in other markets

To date, no projects have been imitated or copied in other markets although interest has been sought by other companies. Only one project has had significant interest.

- The Solomon Islands Government purchased 400 cattle from Sarami (Vanuatu) to develop a cattle project in the Solomon Islands. Sarami will provide technical advice and guidance based on its experience with the ECF project. Sarami has also agreed to facilitate a visit to the Santo operations by Fijian Department of Agriculture officials, which may have lessons for upgrading the dairy industry in Fiji.

Replication is a long-term matter and would only occur when a successful business model exhibits clear impacts. Start up and operation of other models would likely take longer than 3 years.

Support services provide public infrastructure, access to finance and communications, and improved legislation for the market

In the Pacific, smaller economies mean the ECF is having a proportionally larger impact. Therefore, there are more examples of ECF projects having an impact on the wider support market.

- The National Bank of Vanuatu branch at Mystery Island has undertaken a savings and thrift training program for local communities for financial management of cruise revenue. Mobile communication towers were installed in Mystery Island as a result of the increased activity in the area.
- The Coconuts Livelihoods Improve Program is working with cocoa growers in rural areas of the Solomon Islands and uses the plantation managed by C-Corp (Solomon Islands) in demonstrating appropriate pest and disease management systems. This will benefit the wider industry by protecting against the cocoa borer.

In Asia, wider market initiatives underway to facilitate economic growth will affect ECF projects as well as improving the environment for other players. However, there is little or no attribution to the ECF.

- In November 2011, the Ministry of Economic and Finance in Cambodia issued a circular regulating the insurance industry and allowing microinsurance to be offered broadly. This has significant benefits for the industry and potential clients.
- The tourism industry in remote areas is being enhanced by new roads and bridges that facilitate further tourism. In Laos more tourism may not be a good thing if unregulated or uncontrolled.
- The International Finance Corporation is working with the National Bank of Cambodia to draft legislation for international remittances via mobile phone services from other countries.
- WING (Cambodia) has sought support from a US based phone manufacturer to make cheap Khmer enabled handsets for an estimated US\$10. WING will sell these at cost to improve the uptake and use of the WING service but the wider benefit will be increased access to mobile phones for the poor.

Analysis

How businesses are reaching the poor

There is growing evidence of the positive impact that businesses are having on development – not least by generating jobs, taxes and economic opportunities for communities, suppliers, distributors and consumers.

We need to know much more about how different businesses and business models deliver development impact at the local level. Understanding that impact and how the relationship is formed is important for strengthening the business case for doing more in this important area and to provide greater clarity for businesses, governments and donors on how to invest and target resources most effectively, and how to develop a supportive policy environment.

Jon Samuel for Anglo American on Business Fights Poverty

Broadly, ECF projects conform to three models for companies working with the poor: Firstly in reaching poor suppliers and directly forming relationships with farmers and communities; secondly acting through intermediaries; or thirdly reaching out to poor people with targeted and specifically designed goods and services.

Each model shows a different casual link between companies and beneficiaries. Assessing the key characteristics, impacts and limitations of each model will inform how future challenge fund programs can assess the likelihood that a model will create sustainable pro-poor impact directly and indirectly through copying.

Model 1 - Direct beneficiaries:

Beneficiaries are suppliers or workers to the grantee



Example: C-Corp (Solomon Islands) has developed a cocoa plantation and works directly with cocoa bean suppliers – the direct beneficiaries of the project are the 40 landowners who partner directly with the company through a joint venture and the 90 workers directly employed.

This model is the most common and most effective model funded through ECF projects. It has been used in 11 projects – primarily for farm or supply chain projects but also at Wilderness Lodge (Solomon Islands) where the company directly sources inputs from local communities to supply the hotel and tourists.

The 11 projects are working with over 2,000 suppliers and employees. Companies were able to work more effectively with suppliers to ensure consistency of quality and quantity. However, overall outreach is lower in numbers of people.

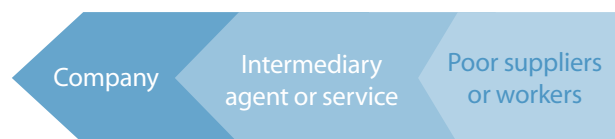
Working directly with suppliers requires investing in the relationship to build trust through offering higher prices and/or providing training and inputs to improve supply.

Company operations are either closely located or relocated to rural areas and to poor suppliers. The company controls the selection process of those involved and sets the benefits. Companies also invested in transportation linkages such as a local buying station in Cagayan de Oro (Philippines) and Sarami (Vanuatu) arranging a regular pick up of cattle for sale. Companies were also more directly involved in supply chain improvements providing technical equipment, training and extension workers.

At the same time, companies need to focus on developing the sale market for products such as import replacement (ducks in Fiji or bio-oil in Papua New Guinea) or expanding into export markets (Vanilla in Papua New Guinea and handmade paper in Philippines) and this required coordination of both ends of the supply chain.

Model 2 - Indirect beneficiaries:

Beneficiaries as suppliers or workers down the value chain



Example: Volcanic Earth (Vanuatu) purchases tamanu nut oil from a local tamanu oil mill in Santo. The main poor beneficiaries are the 1,200 female tamanu nut suppliers who supply to the mill.

The second model, used by four projects, is about reaching and benefitting poor suppliers and/or workers through intermediary suppliers. The model has been used for supply chains where companies are set up physically far away from beneficiaries and require supplies or services from a large number of people in rural areas. In many cases, companies are located close to domestic customers or export facilities and are focused on sales and marketing. In the case of Carnival (Vanuatu), an Australian company operating through short stays on cruise ships, community members supply services to tourists. In Nature's Way (Fiji), the company runs a quarantine facility and cooperative members, primarily medium to large scale exporters, use the services. The benefits are for the farmers supplying to the exporters.

In these four cases, projects have worked with over 250 intermediaries and linked approximately 1,700 poor people for supply and employment.

Companies who used this model find it easier to manage supply and reach a larger number of poor people through intermediaries. However, companies

had less control over whether poor people were benefiting and had less commitment to continuing supply. Measuring the impact of the project was difficult as the beneficiaries were difficult to trace.

Cagayan de Oro (Philippines) had planned to operate the abaca supply through a cooperative based in a local area to consolidate the supply of abaca. However, they found a more direct approach was needed in the short term to support the business practices of the cooperative and to gain the trust of the farmers. At a later stage the cooperative may be self-sufficient and they will be able to shift again to Model 2.

Model 3 - Indirect beneficiaries:

Beneficiaries as recipients of goods and services



Example: Bright Hope Institute (Cambodia) provides education and this created access to tertiary level education 787 students. The service is provided in a rural area therefore is targeted at rural people and poor people are targeted through scholarships and discounted accommodation (subsidies) to ensure that the poor have an equal opportunity to benefit.

Model 3 is about creating access to goods and services, and benefiting the poor as consumers. The six companies using this model in the ECF provide products such as teak seedlings and organic fruit fly baits and services such as mobile payments, microinsurance, education, transport and electricity. These six projects have benefited over 35,000 people from using the goods and services.

In some cases, companies developed products or services specifically designed to reach poor people where traditional products are too expensive or non-existent. For example mobile banking was introduced in rural Cambodia where access to formal financial services was limited and off-grid mini-hydro electricity model was developed for villages outside the national grid of Laos.

Livelihood benefits to communities include improved health from reduced use of pesticides and increased access to goods and services in remote areas through regular transportation.

Companies may pre-select the poor as their customers e.g. microinsurance products offered to clients of a microfinance institute targeting the poor or in Bright Hope Institute (Cambodia) students apply for scholarships and on-campus accommodation through an assessment of their situation and needs.

Companies may also target products or services to geographic areas with a disproportionate number of poor people. In this case, subsidies may be able to ensure that the poor are able to benefit. Sunlabob (Laos) found that the very poor were unable to afford the cost of accessing the off-grid electricity so through partnership with the Government of Laos the very poor were offered free meter boxes.

Analysis of the models' ability to reach the poor:

- Model 1 required a large investment by companies and to date has provided less benefit per project (average 300 beneficiaries); however the overall impact is of higher quality and companies have invested more in up-skilling suppliers which will foster sustainability. Model 1 is also the most effective and traceable for focusing and measuring pro-poor impact with direct links to most beneficiaries.
- Model 2 has been used more commonly in island communities where suppliers are geographically spread. An indirect partnership model is more effective when the partnership between the company and the intermediary is well managed but the impact on the poor was less easy to assess.
- It would be important for companies to consider future strategies for empowering suppliers to form cooperatives or collectives. Companies could then move from Model 1 to Model 2 once suppliers were sufficiently up-skilled and organised, and be freed up for expansion.
- Model 3 can allow for greater outreach and wider impact, and can lead to improved business performance and sustainable change. Model 3 relies on assumptions that the products will reach poor people and that people will be able or willing to use the product for a benefit. Self-selecting and ensuring good targeting of poor people is important. New products and services need to clearly show how they are better than existing practices – reducing costs, and improving living standards and livelihoods.

Summary

As at July 2012, the ECF has a total outreach of 348,460 poor people. A total of 50,053 poor people were benefiting through increased incomes and reduced costs; this equates to A\$1.5 million in annual net income for poor people.

Businesses are growing in rural areas

- 21 businesses are established and operating and involving poor communities in the Pacific and South-East Asia.
- 76% of projects are assessed as commercially sustainable through examining profits and turnover, and taking into account how stakeholder recognition impacts on continued investment.
- 300 new jobs have been created at the management level. These are not jobs for poor people but represent business growth.

Companies are involving poor people directly, through intermediate suppliers and by providing goods and services targeted at poor people

- A majority of ECF companies deal directly with poor people to increase skills and loyalty and this is leading to a more inclusive business arrangement.
- Companies have designed goods and services that meet the needs of poorer people living in rural areas providing cost reduced, accessible and secure ways of doing business and improving livelihoods.

Poor people are benefiting – accessing jobs and markets for supplies, and using new goods and services

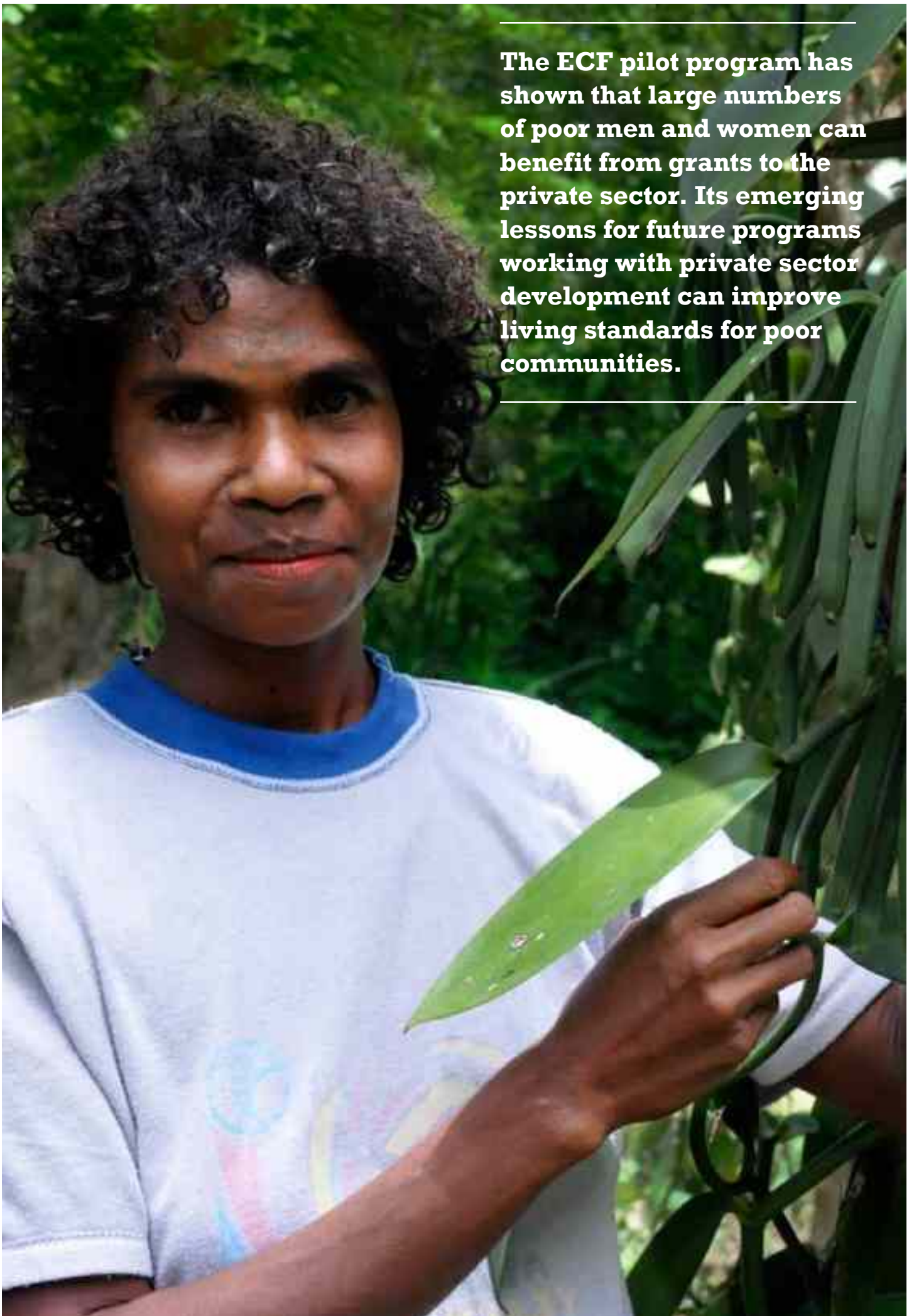
- 43,383 poor people are directly benefiting through partnerships with companies and the ECF and this has provided A\$1.315 million to poor people over the last 12 months.
- Employment and contracts with companies provided annual income equivalent to two to three times the poverty line as well as providing access to a secure source of cash.

- With the opportunity to participate in supply chains, poor people provided goods and services earning equivalent to the poverty line; as most suppliers have multiple sources of income, this is a good income basis for poor people. Companies often provided non-wage benefits such as training, scholarships and improved infrastructure in villages strengthening relationships.
- Accessing new goods and services often reduces the cost of alternatives but also provides more opportunities for poor people to do business. On average, using new goods and services reduced costs by equivalent value of 20% of the poverty line and provided additional non-economic benefits including access to finance, education and transportation.

Companies invest more and other companies enter the market

- 11 projects (52%) have invested or will invest an additional A\$1.2 million to scale up their operations to new products or markets for the poor and/or have new beneficiaries supplying to the project through copying.
- 42 other businesses are entering the market as suppliers and competitors to the ECF projects and this has led to an additional 6,670 poor people indirectly benefiting with, over the last 12 months, an additional A\$181,958 to poor communities.

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.



5. Lessons Learned

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 the private sector invests

90% of respondents in the grantee perception survey indicated their new and risky projects would not have started when they did without the ECF grant.

The ECF grant was a joint 'investment' with the grantee in relatively risky business projects with potential for acceptable commercial returns from working with the poor. The market failures that justified the ECF intervention included limited access to appropriate and affordable commercial finance, in some cases a perceived or real sovereign risk, weak supply chains compounded by inadequate infrastructure facilities and suppliers, or customers with limited access to new skills and technology.

The companies invested in the project because it would be profitable, it was the right thing to do and it could improve their business and relationships with communities despite being more work than other business ventures. In most cases, this has led to improved opportunities for the poor but also led to further investment from others and as the projects grow more people are benefiting. ECF and other challenge fund projects can play a catalytic role in both addressing these types of market failures and providing useful lessons that will help guide governments, donors and others in the development of effective policies and programs that result in a more conducive business enabling environment.

Models for businesses working with the poor

The most effective development or beneficiary model – and most commonly used with ECF funded companies – was companies working directly with the poor or remote communities. Additional costs were incurred for establishing production facilities in remote areas, training, extension work, and investment in infrastructure such as transport or collection points. This model takes longer to generate scale of impact but uptake is much higher and ultimately indicates a more sustainable arrangement between the company and the poor.

Future challenge funds should include a detailed assessment of the partnership models as part of the selection process – asking companies to outline the model in the application and conduct an independent assessment that covers the company, intermediaries and the poor communities. The long-term impact must be considered given that investment in the initial years will far outweigh short-term programs.

Sector specific funds can target the poor more effectively

The most efficient sectors for reaching more poor people quickly were agriculture – providing access to market which is a key barrier to many farmers – and tourism primarily through a large range of opportunities to provide services and supply to the industry. Additionally sector focused funds can draw on a variety of similar lessons from projects involved in related activities.

A properly structured dissemination program can enhance the commercial and development outcomes.

The ECF management team undertook a dissemination program from the outset of the program to inform stakeholders and market players, as well as to link projects with support programs where appropriate. Based on the experience from the dissemination program stakeholder needs were assessed as government bodies were interested in demonstrated outcomes that impact on their private sector, income generation and export development policies and programs; development agencies were interested in the relevance to their portfolio and the documented impact on poverty and private sector parties were focused on the tangible commercial outcomes of projects before that will be influenced to copy models that involve working with disadvantaged communities in difficult industries or environments.

- Information sharing activities in the initial stages of the program were useful and established the networks for future collaboration.
- Linking grantees with support agencies was effective, particularly in the Pacific where there is limited business support services, has been effective in addressing some technical support or management issues, particularly for business owners with limited knowledge of the available support. Linkages between ECF projects have also been a useful lesson sharing activity undertaken by the ECF Fund Management team.
- Banks and other commercial financial institutions are interested in the ECF approach. Approaching commercial lenders for assistance when some projects ran into working capital problems during their implementation stage was not successful but when several projects were operating successfully the owners reported that banks were interested and offered finance, therefore allowing projects to scale up.
- Systemic impact will stem from influencing different stakeholders and market players once the business models and associated development benefits are in place. A facilitation program could be included in the program to support the sharing of information and in some cases this could result in additional systemic impacts such as scaling-up and replication.

Consideration of geographic context

Fourteen of the 21 ECF projects are located in the Pacific Islands and this may reflect the significance of the access to finance shortcomings in this region when compared to larger South East Asian countries in the ECF target countries.

The Pacific Island projects have generally been slower in their implementation and in achieving tangible outcomes for the intended beneficiaries. Many of the Pacific Island projects have been confronted by a broad range of market, infrastructure, management and cultural challenges. Additionally, the Pacific Island projects have demonstrated a greater need for technical and project management support.

A challenge fund operating in the Pacific Islands needs to be designed to take account the complex environment. Linkages programs particularly those with business support could be incorporated from the outset, grant funding should be targeted at supplier facilitation and supply chain improvements and a longer time period for projects to be monitored for outcomes.

Addressing supply chain and access to market issues

Development objectives around the world incorporate the common themes of improving the capabilities of poor people in rural and remote areas to secure new or improved incomes through more efficient supply chain mechanisms and better access to reliable markets.

The ECF has demonstrated that business projects can provide such opportunities and that if the conditions are right businesses can offer sustainable income and livelihood opportunities more quickly than agriculture research and industry development programs. In many ECF projects the business itself brings the market to suppliers through improved linkages and facilities, in the Pacific Islands in particular, where infrastructure shortcomings and other factors have hampered the transition of many rural communities to a more commercial, income earning position.

Related lessons from the ECF:

- Supported companies can address supply chain impediments and usually improve opportunities for poor men and women.
- Some supply chain impediments are beyond the resources of a single business project to resolve. In this area, publicly funded programs can address structural issues and international market access for the benefit of an entire industry.
- Uptake by beneficiaries will depend on a number of factors and business owners need to take into account cultural considerations and the local operating environment.

- Successful business projects in the agriculture sector not only provide relatively short-term benefits to suppliers; they also offer useful case studies or models that can guide further improvements or beneficial copying or replication. Projects that fail to deliver expected outcomes can be also be effective case studies for the public and private sectors, and should be included as part of a dissemination program to inform relevant stakeholders.

Supporting small business growth in the Pacific

A number of larger ECF projects have offered opportunities to foster the development of smaller businesses and microenterprises as well as provide access to goods and services that support small business growth. Examples include supporting a local contractor to establish a coconut production business in Vanuatu and providing transport to community groups to start collection of cocoa in more remote areas.

In these examples, the ECF project itself offers the market opportunity and thereby addresses a major reason for the relatively restricted development of locally grown small and medium businesses – limited and fragmented markets for new enterprises without established networks and financial resources.

A future challenge fund has the potential to strengthen the small–medium business sector in regions such as the Pacific Islands. By facilitating mutually beneficial linkages between larger scale businesses and local small business a challenge fund may achieve more tangible outcomes for local entrepreneurs than by providing seed funding for new businesses with few or no market opportunities.

Longer term reporting will capture the true impact of the challenge fund

A majority of ECF projects are likely to be commercially sustainable, and continue to grow and reach more poor people. It appears that many of the impacts will occur in future, particularly those in the wider market systems that are only just starting to emerge. In private sector programs, the impact is long term. A post-impact assessment in 2 years would be useful to assess the longer-term sustainability and full impact, and measure the value of this type of grant investment.



6. Next Steps

Encouraging systemic change in innovative projects

- In 2012–13, the ECF team will explore how to encourage additional impacts for four selected projects. These projects have accelerated the use of mobile banking and microinsurance in Cambodia, made innovative improvements in the cattle industry and developed a sustainable and beneficial timber plantation in the Pacific. The ECF team will identify opportunities for facilitation activities that can increase the scale of benefits and sustainability of the model through uptake by the wider business community.

Measuring the impact

- The income figures in this annual report relate to the income earned from activities in the last 12 months. Calculation of the full impact from the 3 years of ECF funding would take into account all income generated in previous years and the benefit this can accrue. This calculation will be included in the next ECF annual portfolio report.
- Using the Donor Committee for Enterprise Development Results Measurements Standard has been useful in terms of compliance for monitoring and in providing some rigour to the process. The ECF is also the first challenge fund to use this standard and a full audit on key projects would demonstrate progress of the monitoring system and highlight where the challenge fund model can be adapted to perform a results management approach.

Learning from the pilot

- Program level research into thematic areas is more useful now that a majority of projects are showing results and lessons. Research into development theme areas such as gender and environmental management and private sector theme areas such as supply chains and access to finance will be released on the ECF website in 2012.
- The ECF is generating lessons for donors working with the private sector and for private sector companies in working with poor communities. It will be important to communicate and disseminate these lessons. Three 'lessons learned' workshops will be planned in Asia, the Pacific and Australia in 2013.

BRIGHT HOPE INSTITUTE – CAMBODIA

Grant value: A\$ 199,300

The Bright Hope Institute is providing tertiary education to rural Cambodians in Kampong Chhnang. Bright Hope used an ECF grant to construct 12 new classrooms and four dormitories, and upgraded existing infrastructure such as computers and curriculum materials. With improved facilities, Bright Hope can accept up to 800 students by 2012 and provide part scholarships for up to 100 students per year to those who would not have the opportunity to receive higher education.



CAGAYAN DE ORO HANDMADE PAPER – PHILIPPINES

Grant value: A\$ 407,139

Cagayan de Oro Handmade Paper used an ECF grant to expand their handmade paper manufacturing and craft making facilities, and develop a supply chain sourcing raw abaca fibres to make paper products from the indigenous peoples of Claveria, Misamis Oriental. Over 300 farmers are working to grow and harvest more abaca. The project has established a buying station and a larger market for the abaca fibre and is expanding into small community development and poverty alleviation programs.



CARNIVAL – VANUATU

Grant value: A\$ 805,000

The Carnival Australia cruise company has been operating in Vanuatu for over 75 years. It carries more than 150,000 passengers to the Pacific Islands each year. Carnival used an ECF grant to upgrade facilities on three remote islands (Champagne Bay, Wala and Mystery Island) to strengthen and extend markets for locals and Carnival Australia. Carnival trained local traders in tourism services and the development of local trade initiatives to maximise income generated from the increased tourist trade.



C-CORP – SOLOMON ISLANDS

Grant value: A\$ 1,155,000

The commodity company C-Corp has been involved in cocoa plantations and redevelopment for almost 5 years. C-Corp used an ECF grant to rehabilitate and redevelop 280 hectares of Horokiki cocoa and 60 hectares of new cocoa plantations in collaboration with local landowners in the Solomon Islands. The improved supply has enabled C-Corp to purchase additional wet beans from communities, increase marketing and work towards developing a recognised cocoa brand for Solomon Islands.



DIDAO – SOLOMON ISLANDS

Grant Value: A\$ 680,000

Didao, a nationally owned company in the Solomon Islands, used an ECF grant to develop a fish processing and export project. Construction of the processing facility, transportation has begun and the first fishing trip to the community of Lau Lagoon has been made. The project will support sustainable fishing practices for reef (pelagic) fish species from offshore waters of Lau Lagoon by artificial island people in the heavily populated island of Malaita.



EMIRAU MARINE PRODUCTS – PAPUA NEW GUINEA

Grant value: A\$ 996,000

The Papua New Guinea owned company Emirau Marine operates in Kavieng and uses small quantities of processed coconut oil as an alternative fuel. Emirau used an ECF grant to construct a processing facility and has begun purchasing copra and whole coconuts from local communities for the production and export of a number of products, from coconut oil to processed husks. Emirau also promotes rehabilitation of senile coconut plantations by local communities in order to secure a reliable supply chain.



FUTURE FORESTS – FIJI

Grant value: A\$ 190,000

Future Forests Fiji was established to develop a social and environmentally friendly teak plantation business in Fiji. It used an ECF grant to expand and modernise seed germination and nursery facilities, and develop sustainable and equitable partnership models with landowners to expand plantation operations. Over 90,000 seedlings can now be germinated in 12 months in the new ECF funded hot houses. Future Forests launched on the Fiji stock exchange in 2012 to fund a second stage of processing operations.



MAINLAND HOLDINGS – PAPUA NEW GUINEA

Grant value: A\$ 453,745

National agribusiness company Mainland Holdings used an ECF grant to establish a processing plant that will convert fresh green vanilla pods into desiccated, fermented and dried products to international standards. Mainland has developed a supply chain of 200 vanilla farmers able to supply green vanilla pods for processing and has given technical support in crop management, disease control and overall management of supply operation to growers.



MARINE CONSULTANCY SERVICES – VANUATU

Grant value: A\$ 750,000

Marine Consultancy Services provides scheduled services between Santo and the capital Port Vila and underserved islands north of Santo, carrying general merchandise, agricultural products and passengers. Marine Consultancy used an ECF grant to obtain a second vessel to transport goods and passengers to and from the poorly serviced Banks and Torres island groups. The new reliable transport service is travelling bi-monthly and linking the communities to commercial centres in Santo and Efate.



MASURINA – PAPUA NEW GUINEA

Grant value: A\$ 183,166

Masurina developed as a cooperative in Milne Bay province in Papua New Guinea to support agricultural development in the area. Masurina used the ECF grant to develop two locations as resource centres (Kwato and Bwasa in Normanby Islands) to facilitate the sustainable harvesting of timber as well as expanding into boat building by using the existing skills of workers in the region.



NATURE'S WAY – FIJI

Grant value: A\$ 263,321

Nature's Way Cooperative has 160 shareholders who are growers and exporters, with the vast majority being small farmers. Nature's Way used an ECF grant to expand Fiji's quarantine treatment capacity for the export of fruit and vegetables through increasing and expanding existing infrastructure; improving handling and treatment systems; and obtaining organic produce certification for the facility.



PURITAU LIMITED – PAPUA NEW GUINEA

Grant value: A\$ 170,000

Puritau Limited is a family owned company involved in agricultural products since 1987. Puritau used an ECF grant for the Paradise Spice project – establishing a processing facility in Port Moresby to produce pure vanilla, oleoresins and other spices. Agricultural extension workers are working with 621 vanilla producing households in the target area and have begun purchasing vanilla beans from households. Puritau is also producing spices, coffee and bottled water from the production facilities.



PUPUK ALAM – CAMBODIA

Grant value: A\$ 873,100

Pupuk Alam is a Malaysian based manufacturer of protein baits for fruit fly made from organic materials to replace traditional pesticides. It used an ECF grant to develop a training program and supply chain for organic fruit fly baits. The baits are cheaper, reduce use of pesticides in crop production, and increase crop yields by reducing spoilage. Pupuk Alam agreed with a local beer manufacturer to establish a production facility using beer waste to produce fly baits - and contribute to the sustainability of the project in Cambodia.



REDDY FARMS – FIJI

Grant value: A\$ 149,900

Reddy Farms is a 100% locally owned Fijian company, breeding and supplying ducks for sale to restaurants, supermarkets and hotels. It used an ECF grant to construct a hatchery for Pekin day-old ducklings that has doubled the capacity for hatchings. Reddy Farms is working with 15 farmers to provide ducklings along with feed and technical support. Once the birds reach optimum weight, Reddy Farms purchases them at an agreed net price per kilo. ECF funding also supported Reddy Farms to build a new slaughter house with a cold storage facility and a refrigerated truck for transport of processed birds to domestic buyers.



SARAMI – VANUATU

Grant value: A\$ 1,1375,000

Sarami Plantation has been breeding cattle in Vanuatu for 30 years and was the first property in Santo to introduce cross Brahman bulls on their 2,000 hectare breeding property. Sarami used an ECF grant to work with small holder cattle farmers to improve beef production in Vanuatu, increasing their incomes by purchasing cattle at higher average prices. The funds also developed improved pastures and silage to improve the quality of cattle for sale. A planned genetic improvement program will also develop the perfect cattle genotype to suit island climatic conditions.



SAMIC/MEADA– CAMBODIA

Grant value: A\$ 198,450

SAMIC Limited is a microfinance institution providing credit and savings options to poor and low-income Cambodians. SAMIC developed Measure for Economic and Accelerated Development for All (MEADA) – a specific insurance product that protects the financial debts in case of death of the income earner. SAMIC has launched two insurance products including credit risk and basic life to over 11,000 clients protecting more than US\$2 million in loans for small businesses.



SUNLABOB – LAOS

Grant value: A\$ 526,682

Sunlabob is an innovative company that provides electricity at affordable and competitive prices in remote villages. Founded in 2000, Sunlabob has grown from a small team of technicians to the leading company in Laos for renewable energy solutions in remote off-grid areas. Sunlabob used an ECF grant to design and install a mini hydro-power plant in remote villages, providing electricity to 350 households who do not currently have a consistent, reliable source of electricity. This supports the Government of Laos plan to electrify 90% of Laos by 2020.



TEAMWORKZ – LAOS

Grant value: A\$ 227,030

Teamworkz operates a tourism website in Laos and received an ECF grant to expand to include the remote and less visited provinces of Luang Namtha, Champasak and Xieng Khaung, where tourism was constrained by the absence of online information and booking services. The project has developed websites for 86 tourist destinations in these provinces (including accommodation and tours) and will help to make travel and sightseeing in these provinces, and in Laos in general, more accessible.



VOLCANIC EARTH – VANUATU

Grant value: A\$ 190,000

Volcanic Earth has established a new production and export handling facility in Port Vila by expanding its processing plant to produce bulk supplies of skin care products for wholesale and retail export markets and virgin coconut oil. The project also works more closely with village suppliers to increase supply of locally sourced raw materials such as coconut oil and tamanu nuts and to provide technical support for first stage processing by local suppliers.



WILDERNESS LODGE – SOLOMON ISLANDS

Grant value: A\$ 110,000

Wilderness Lodge is an ecological bungalow style resort in protected Morovo Lagoon. It used an ECF grant to expand existing facilities to double guest accommodation and expand site infrastructure using environmentally sustainable methods. The project has undertaken extensive training and strengthening of the human resources of the business, including hospitality training of staff in conjunction with other ecotourism operations.



WING– CAMBODIA

Grant value: A\$ 1,500,000

WING is a provider of mobile phone payment services and allows customers to transfer, store and cash-out their money using a mobile phone. WING was awarded an ECF grant to support expanding these services to rural provinces of Cambodia. WING used the ECF funding to create a strong network for rural customers, developed specific targeted marketing campaigns and embarking on financial literacy campaigns for rural users.



Employment of new staff in the business, July 2012

Project	Beneficiary group	Male	Female	Total number of (full time equivalent) workers
Bright Hope (Cambodia)	Teaching staff including faculty specialist	20	7	27
Cagayan de Oro (Philippines)	Head office staff	2	5	7
Didao (Solomon Islands)	Employment of factory workers (20 workers planned)	0	0	0
Marine Consultancy Services (Vanuatu)	Boat crew and freight handlers	18	1	19
Pupuk Alam (Cambodia)	PA extension officers and trainers	11	5	16
Puritau (Papua New Guinea)	Employment of factory workers in Port Moresby	2	2	4
SAMIC (Cambodia)	Insurance officers	15	3	18
Sarami (Vanuatu)	Contractors for plantation management	19	1	20
Sunlabob (Laos)	Head office staff including engineers and finance staff for Nam Kha project	1	1	2
Teamworkz (Laos)	Hotel and tourism operator employees in three remote provinces	19	76	95
Teamworkz (Laos)	Head office staff including travel writers and website designers	4	4	8
Volcanic Earth (Vanuatu)	Employment of factory workers	3	5	8
WING (Cambodia)	Call centre and WING management staff	27	28	55
WING (Cambodia)	WING pilots – sales agents that promote WING to community members	21	0	21
TOTAL		162	138	300

Employment and contracting of poor workers and labourers, July 2012

Project	Beneficiary group	Full time equivalent additional jobs for poor people			Casual work and contracts for poor people			Total benefits to poor people 2011–12 A\$	Relevance to the national poverty line
		Male	Female	Total	Male	Female	Total		
Cagayan de Oro (Philippines)	Paper makers from surrounding villages of Cagayan de Oro		12	12	-	-	-	A\$9,129	197%
Cagayan de Oro (Philippines)	Craft workers from surrounding villages of Cagayan de Oro	55	0	55	-	-	-	A\$41,121	193%
Cagayan de Oro (Philippines)	Home based workers from surrounding villages of Cagayan de Oro	0	45	45	-	-	-	A\$99,883	573%
C-Corp (Solomon Islands)	Employees for field maintenance, planting in Horokiki	10	6	16	11	5	16	A\$34,278	69%
Emirau Marine Products (Papua New Guinea)	Employment of factory workers in Kavieng	22	3	25	-	-	-	-	
Future Forests (Fiji)	Casual labour in fields and nursery workers in Ra province	10	0	10	8	4	12	A\$106,522	366%
Mainland Holdings (Papua New Guinea)	Employment of factory workers on casual basis in Lae	-	-	-	0	12	12	-	
Mainland Holdings (Papua New Guinea)	Seasonal extension workers in Lae	3	-	3	-	-	-	-	
Masurina (Papua New Guinea)	Workers in resource centres working on sawmilling and labour in Milne Bay	6		6	-	-	-	-	
Nature's Way (Fiji)	Employment of workers in factory for packing and grading	6	6	12	-	-	-	A\$32,609	206%
Pupuk Alam (Cambodia)	Women contracted to supply baits in local communities in rural Cambodia	0	5	5	-	-	-	A\$279	27%
Reddy Farms (Fiji)	Employment of local community members in the hatchery in Lautoka province	8	2	10	-	-	-	A\$13,859	119%
Sarami (Vanuatu)	Villagers work in casual weeding in Santo	0	15	15	-	-	-	A\$19,580	293%
Sunlabob (Laos)	Village grid technicians providing basic maintenance of turbines in Nam Kha	2	0	2	-	-	-	A\$1,766	371%
Wilderness (Solomon Islands)	Hotel staff employed from local villages around Morovo Lagoon	6	8	14	4	4	8	A\$ 25,482	327%
TOTAL		128	102	230	23	25	48	A\$384,509	249%

Increased income for poor people from supplying, July 2012

Project	Beneficiary group	Male	Female	Total	Total benefits to poor people 2011–12 A\$	Relevance to the national poverty line
Cagayan de Oro (Philippines)	Suppliers of inputs in surrounding factory area in Cagayan de Oro	13	10	23	A\$13,435	151%
Cagayan de Oro (Philippines)	Farmers in Misamis Claveria	779	779	1559	A\$33,645	6%
Carnival Australia (Vanuatu)	Tourism operators in Mystery Island, Wala and Champagne Bay	150	150	300	Attribution is unclear	-
C-Corp (Solomon Islands)	Landholders in Horokiki	40	0	40	No income yet	-
Didao (Solomon Islands)	Fishermen in Morovo Lagoon (80–100 families planned)	0	0	0	No income yet	-
Emirau Marine Products (Papua New Guinea)	Coconut growers in Kavieng	72		72	A\$48,387	344%
Mainland Holdings (Papua New Guinea)	Vanilla farmers in Papua New Guinea	150		150	A\$29,484	101%
Masurina (Papua New Guinea)	Families in local area supplying wood to resource centres in Milne Bay	16		16	unknown	
Puritau (Papua New Guinea)	Vanilla growers in Rigo selling to Puritau	300		300	A\$15,207	85%
Reddy Farms (Fiji)	Farmers trained in duck out growing and raising; selling ducks to Reddy Farms in Lautoka	10	5	15	A\$13,859	79%
Sarami (Vanuatu)	Cattle small holders in Santo	60	0	60	A\$43,076	115%
Volcanic Earth (Vanuatu)	Nut sellers in Malekula selling to Nuts N Oils used to produce oil sold to Volcanic Earth	200	1,000	1,200	A\$4,351	5%
Volcanic Earth (Vanuatu)	Womens groups in Malekula who peel and dry nuts on contract to NutsNOils.	0	40	40	A\$544	3%
Volcanic Earth (Vanuatu)	Coconut contractor buying coconuts from villagers to supply coconut oil	3	3	6	A\$9,790	69%
Wilderness (Solomon Islands)	Tourism providers in Peava and Moro	210	200	410	A\$53,774	48%
TOTAL		2,003	2,187	4,191	A\$ 265,551	91%
Project	Beneficiary group	Small businesses supporting access to supply chains				
Nature's Way (Fiji)	Cooperative members supplying to Nature's Way throughout Fiji	-	-	160	-	-
WING (Cambodia)	WING Cash express merchants in rural areas of Cambodia	-	-	850	-	-
TOTAL		-	-	1,010	-	-

Increased access to goods and services for the poor, July 2012

Project	Beneficiary group	Access outreach – poor people able to access	Beneficial outreach – poor people taking up goods and services for income benefit			Total net benefit from use of goods /services 2011-12 A\$	Relevance to national poverty line
			Male	Female	Total		
Bright Hope Institute (Cambodia)	Scholarship and dorm students in Kampong Chhnang	166	67	99	166	A\$19,529	15%
Bright Hope Institute (Cambodia)	Students studying full and part time and graduating in Kampong Chhnang	787	152	203	355	A\$208,824	74%
Future Forests (Fiji)	Landowners in Ra province plant and maintain trees	250	125	125	250	A\$81,522	28%
Marine Consultancy Services (Vanuatu)	Households in Banks, Torres, and West Malekula islands	9,000	-	-	unknown	unknown	-
Pupuk Alam (Cambodia)	Farmers using baits in rural areas of Cambodia	5,424	365	156	521	A\$ 51,078	47%
SAMIC (Cambodia)	SAMIC clients in rural areas of Cambodia taking out insurance	11,781	2,682	10,727	13,409	A\$ 35,464	42%
Sunlabob (Laos)	Households in five remote villages in Xieng Khaung province	2,095	1,035	1,030	2,065	A\$ 27,299	5%
Teamworkz (Laos)	Communities around 86 hotels in rural Laos	unknown	-	-	-	A\$9,697	3%
WING (Cambodia)	Customers of mobile banking in rural areas of Cambodia	306,287	14,889	7,670	22,559	A\$231,417	9%
TOTAL		335,790	19,315	20,010	39,325	A\$664,830	28%
Project	Beneficiary group	Small businesses directly accessing goods and services					
Sunlabob (Laos)	Businesses starting up with electricity in five remote villages in Xieng Khaung province	17	-	-	17	-	-
Teamworkz (Laos)	Hotels in rural areas directly provided with access to online marketing and payment facilities	86	-	-	86	-	-
TOTAL		103	-	-	103	-	-

Other companies starting up through opportunities from ECF companies, July 2012

Project	Beneficiary group	Access outreach – poor people able to access	Beneficial outreach – poor people taking up goods and services for income benefit			Total net benefit from use of goods /services 2011-12 A\$	Relevance to national poverty line
			Male	Female	Total		
Crowding in of new suppliers							
Future Forests (Fiji)	Workers with Conservation International planting teak in rural areas	500	250	250	500	A\$38,043	7%
Nature's Way (Fiji)	Workers for 3 new cooperative members in rural areas	25	20	5	25	A\$33,967	117%
WING (Cambodia)	Customers from 30 companies partnering with WING to use services	6,145	4,056	2,089	6,145	A\$109,947	9%
New competitors							
Teamworkz (Laos)	Hotels in rural areas benefiting from online marketing through crowding in of online provider	8	-	-	8	-	-
TOTAL		6,678	4,326	2,344	6,670	A\$181,958	



For more information please visit www.enterprisechallengefund.org



GROWING BUSINESS TO REDUCE POVERTY

The ECF is a competitive opportunity for businesses to obtain grants that assist in commercialising business projects to reduce poverty in ECF participating countries. ECF is an Australian Agency for International Development (AusAID)-led Australian Government initiative.

