

## 1. Overview

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Program	Market Development Facility – Timor Leste	
Audit visit dates	23 April – 27 April 2017	
Overall final ratings <sup>1</sup>	MUST	500/540=93%
	RECOMMENDED	217/245=89%
Coverage	Agribusiness, Processing and Rural Distribution sector and Greenfield Industries	
	All control points were checked.	
DCED Standard	Version VIII, April 2017	

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*Signed:*

Country Representative:



Shariful Islam

Date / place

Dili, 16/8/17

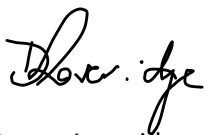
Auditors:



Phitcha Wanitphon

Date / place

Bangkok, 17/8/17



Donna Loveridge

Date / place:

Melbourne, 17/08/17

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<sup>1</sup> An overall rating of 100% implies that the project meets the compliance criteria and has a strong measurement system of acceptable quality within the boundaries of what the programme has set itself to measure, not that it is has a perfect measurement system.

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## Acronyms

AUD	Australian dollar
BA	Business Advisor
BHT	Balibo House Trust (intervention)
CBS	Café Brisa Serena (intervention)
CPB	Concrete Product Business (intervention)
DCED	Donor Committee for Enterprise Development
DFAT	Department of Foreign Affairs and Trade
EIA	Early impact assessment
IA	Impact assessment
IG	Intervention guide
MDF	Market Development Facility
MRM	Monitoring and Results Measurement
RC	Results chain
RM	Results measurement
TL	Timor Leste
WEE	Women's Economic Empowerment

## 2. Summary of the Programme and Results Measurement System

### 2.1 Summary of MDF

The Market Development Facility (MDF) is a multi-country market systems development programme funded by the Australian Department of Foreign Affairs and Trade and implemented between 2011 and 2017. MDF commenced in Timor-Leste (TL) in 2012/13.

MDF supports private and public sector organisations to innovate, invest and/or undertake reforms in such a manner that small farms and firms benefit from better access to production inputs, services and end markets. This, in turn, is expected to make them more productive and grow and ultimately creates jobs and increases income for poor women and men.

In Timor-Leste, MDF works in three sectors (or strategic engagement areas), two of which were the focus of this review.

As outlined in the 2015/16 strategic plan, and in the **Agribusiness, Processing and Rural Distribution sector**, MDF aims to better connect farmers to markets, so that existing demand from urban consumers and institutional buyers is met through local production rather than imports. MDF also aims to better position farmers to invest in production inputs to cultivate in a more productive and commercial manner. This will involve:

- Connecting farmers to demand (upstream linkages and local processing, value addition);
- Connecting farmers to production inputs and services (downstream linkages, distribution); and
- Overall reduction of transaction costs in the system (increasing market transparency so that demand and supply can align better; reducing risks associated with adverse government interventions into the market).

MDF's second sector focuses on **Greenfield Industries** or 'first-of-their-kind' investments in non-agricultural sectors such as construction, manufacturing and tourism. The desired outcome of this focus is to help diversify Timor-Leste's economy, create jobs outside of agriculture and help address Timor-Leste's trade imbalance by encouraging more local manufacturing and value addition. As with the Agribusiness, Processing and Rural Distribution sector, MDF will apply a mix of systemic enterprise development, systemic market development and regulatory reform to make this happen.

#### Key features of the results measurement system

As per the original tender requirements, MDF's results measurement system is based on the DCED Standard. [An audit of the DCED Standard in Timor-Leste was conducted in 2014.](#)

MDF's results measurement system has been developed for the facility (which covers five countries), then rolled out at the country level. The facility provides overall guidance and management of the results measurement system. There is flexibility to implement results measurement according to the intervention needs although all interventions track aggregated common impact indicators.

Intervention guides are developed for each intervention or partnership. These include: results chains, results measurement plan; actual (quantitative and qualitative) information relating to results versus projected at the output, outcome and impact levels; calculations for projections and actuals along with assumptions. More recently results chains have also been drafted by MDF business advisors to assist with the preparation of partnership justification documents.

Data relating to common impact indicators is compiled from each intervention to country-level aggregated results, which is then in turn compiled to MDF-wide results on an annual basis.

Most baseline, monitoring and impact assessment activities are conducted in-house in Timor-Leste.

In 2015/16, MDF also sought to integrate women's economic empowerment (WEE) into the results measurement approach. Intervention guides were updated to identify which of the five WEE domains an intervention or partnership was expected to contribute to. Subsequently, data collection tools were amended to collect information on these domains.

MDF also developed a framework for systemic change, with the initial thinking commencing in 2014. The framework consists of six parameters, autonomy, sustainability, resilience, scale, inclusion and WEE, and maps a six-stage pathway from beginning to high states. MDF's role in facilitating systemic change diminishes over time with heavier intervention in the initial and intermediate stages and less at the advanced stage. The mature stage denotes that the change has become the norm.



The results measurement for systemic change has not been fully developed, although aspects of it draw on other processes (such as the WEE framework outlined above).

### Evolution of the results measurement system

The MDF approach to results measurement is guided by the DCED Standard. The initial system was developed in 2011/2012 and last version of the Results Measurement manual updated in 2014. This manual is being replaced by a Strategic Guidance Note covering results measurement (currently in draft form).

In 2016/17, the MDF Team Leader commenced a review of the results measurement system in practice, following issues which arose in another country programme. In summary, MDF overall found that the implementation and results measurement teams were not together as intended but were rather operating, somewhat, in isolation of each other. Some issues were more apparent in some MDF country programmes, the situation in Timor Leste was reportedly less problematic than some others.

The issues identified in 2016 included:

- User-unfriendly results chains, because implementers had stopped using and updating them, as they had become the prerogative of the results measurement specialists;
- Change definitions in results chain 'boxes' for outputs and outcomes got increasingly more generic (shorter, simpler, less precise) while long lists of indicators were generated. The less precisely

defined change meant that implementers and results measurement specialists diverged on the focus of the monitoring and impact assessment activities.

- Rigid, clunky and untimely survey research that grew out of the long lists of indicators, larger sample sizes, lack of qualitative information to help understand the quantitative data.

Changes were implemented, including simplifying results chains, and a reconfiguration of roles so the implementer first drafts the results chains; initially formulating key questions and developing indicators from these); increasing the focus on qualitative information.

A six-month management review meeting (one-week in length) has also been instigated. The six-monthly review meetings were part of the RM process from the start of the programme with the first one beginning from July 2014.

### 3. Summary of the Audit Process

MDF Timor Leste was audited under Version 8, published in April 2017. Since the new version was published very recently, MDF had the option for the audit to be based on Version 7 or 8.

The audit reviewed a representative sample of all current and past interventions of two sectors in the agribusiness, processing and rural distribution (referred to as Agribusiness in this report) and greenfield industries (manufacturing and tourism) (referred to as Greenfields in this report).

MDF TL has three sectors: Agribusiness, Greenfields; and promoting investment and entrepreneurship. The third sector is only at the concept stage so was excluded from the audit.

In the other two sectors, four other interventions were excluded. Two were feasibility studies, another was a one year intervention that had been on hold for the past year and was now under re-design, and the last was a 'pre-condition' intervention, that is an activity, such as a feasibility study, that might lead to an intervention.

As there are two sectors, all are selected.

The number of interventions per sector were selected as follows:

- Agribusiness: eleven interventions. The square root of 11 = 3.3, rounded down =3.
- Greenfields: nine interventions. The square root of 9 = 3.

Each sector was sorted according to the status of early impact assessment of which three status categories were used – yes, no, monitoring visit.

For agribusiness, there was only one intervention with a monitoring visit so this was included in the sample. The randomiser website was then used to generate numbers for the other groupings across both sectors

*Table 1: Selected interventions*

Sector	Code	Intervention name	Total Budget	Start date	Expected end date	Intervention status
Agribusiness	TL AB I9	Café Brisa Serena (CBS)	46,555	May-15	Mar-16	Activities Completed & Monitoring On-going
Agribusiness	TL AB I3	Timor Global	170,630	Jul-14	Jan-17	Active
Agribusiness	TL AB I1	Acelda Unipessoal Lda	87,800	Nov-13	Dec-17	Active
Greenfields	TL GF I5	Concrete Product Business (CPB)	13,190	Mar-15	Jun-16	Activities Completed & Monitoring On-going
Greenfields	TL GF 12	Boneca de Atauro	52,850	Oct-16	Dec-17	Active
Greenfields	TL GF I1	Balibo House Trust (BHT)	468,720	Jul-13	Oct-15	Activities Completed & Monitoring On-going

Acelda, Timor Global and Balibo House Trust were included in the audit conducted in 2014.

## 4. Summary of Findings

MDF East Timor scored 93% (500 out of a possible 540 points) for 'must' compliance criteria and 89% (217 out of possible 245 points) for 'recommended' compliance criteria.

The maximum 'must' and 'recommended' scores have been adjusted to exclude the compliance criteria that were not scored.<sup>2</sup> **Table 1** summarises the scores for each section of the DCED Standard. Detailed scores are outlined in Annex 1.

*Table 2: Score by DCED Standard Section (disaggregated mandatory and recommended compliance criteria)*

		Total maximum	Total actual	%
Section 1: Articulating the results chain	Must	80	77	96%
	Rec	15	15	100%
Section 2: Defining indicators and other information needs	Must	80	69	86%
	Rec	50	44	88%
Section 3: Measuring attributable change	Must	145	125	86%
	Rec	80	76	95%
Section 4: Measuring systemic change	Must	-	-	-
	Rec	50	42	84%
Section 5: Tracking costs and impact	Must	55	55	100%
	Rec	20	20	100%
Section 6: Reporting results and costs	Must	50	50	100%
	Rec	30	20	67%
Section 7: Managing the results measurement system	Must	130	125	96%
	Rec	-	-	-
Totals	Must	540	500	93%
	Recommended	245	217	89%

The following sub-sections outline the scores for each control point and summarise the findings according to the strengths and weaknesses of each section. More detailed findings for each sector are outlined in **Annex 2**.

<sup>2</sup> Compliance criteria that were not scored were: 3.3.1, 3.3.2 and 3.3.3 covering impact assessments since they were not due to be implemented and had not been done; and 4.2.5, 4.2.6 and 4.2.7 since the systemic change assessment had not been applied.

## 4.1 Section 1: Articulating the results chain

Table 3: Score: Articulating the results chain

No.	Control points	Must/ Rec	Std max. score	Actual score
1.1	An appropriate, sufficiently detailed and logical results chain(s) is articulated explicitly for each intervention.	M	20	19
1.2	Each intervention results chain is supported by adequate research and analysis	M	15	13
1.3	Mid and senior level programme staff are familiar with the results chain(s) and use them to guide their activities.	M	25	25
1.4	The intervention results chain(s) are regularly reviewed to reflect changes in the programme strategy, external players and the programme circumstances.	M	20	20
1.5	Each intervention results chain is supported by adequate research and analysis on gender.	R	5	5
1.6	Each results chain is supported by research and analysis that considers the risk of displacement.	R	10	10

Strengths	Weaknesses
All interventions have an individual RC; and most are logical and sufficiently detailed.	Some RC have minor discrepancies in terms of logic.
Staff have a good understanding of intervention RC and use them in their work, including drafting them as part of the partnership justification.	In a few cases, there are critical risks missing from the partnership justification.
The partner justifications include external risks. Most risks identified relate to assumptions in the logic underpinning the RC.	Partnership justifications explain the logic of the interventions. However, for some interventions, at times MDF do not provide sufficient evidence on the viability of proposed business model e.g. clear partner's incentives or profitability analysis, as well as critical assumptions. For example, the CPB business case is unclear and appears to be initially based on how many cook stoves the CPB could produce rather demand.
Regular reviews are undertaken of RCs and they are revised accordingly.	
WEE domains of change (e.g. economic advancement, decision-making) have been identified for each intervention and in 'markers' placed the RC diagram.	
Displacement has been considered for all interventions.	



## 4.2 Section 2: Defining indicators of change and other information needs

Table 4: Score: defining indicators of change and other needs

No.	Control points	Must/ Rec	Std max. score	Actual score
2.1	There is at least one relevant indicator associated with each change described in the results chain(s).	M	10	9
2.2	Qualitative information on how and why changes are occurring is defined for each intervention.	M	30	22
2.3	A small number of indicators at the impact level can be aggregated across the programme.	M	20	20
2.4	There are specific indicators that enable the assessment of sustainability of results.	M	10	8
2.5	Mid and senior level programme staff understand the indicators and how they illustrate programme progress.	M	10	9
2.6	There are specific indicators that enable the assessment of gender differentiated results.	R	15	15
2.7	Anticipated impacts are realistically projected for key quantitative indicators to appropriate dates.	R	35	29

Strengths	Weaknesses
<p>All interventions have indicators linked to each box in the RC. In most cases, indicators refer to quantitative data. Mostly, they are relevant, specific and measurable. For each intervention, questions have also been developed for quantitative and qualitative information needs.<sup>3</sup> Boneca has sound qualitative questions regarding the how/why of change.</p>	<p>However, in some cases indicators are not sufficient to measure the change related to the stated output or outcome. Sometimes, indicators are not relevant and in other cases key aspects of the output or outcome have not been covered (e.g. Timor Global) in the indicators or questions.</p> <p>In most cases, indicators relate to qualitative information and questions are expected to cover qualitative information needs that will help the programme understand the reasons for change and how change is occurring. However, the use of how and why questions and quality of questions are inconsistent</p>

<sup>3</sup> The development of questions is part of the MDF RM system in order to also capture the need to understand why changes are occurring or not. Developing questions to articulate information needs is not a specific requirement of the Standard. However, it is considered good practice.

	across interventions. For instance, Timor Global, BHT and CBS have very few qualitative questions to support the aim of understanding why changes are occurring.
Common impact indicators are defined for all interventions.	
All interventions have some indicators to assess the sustainability of outcomes/impact. The primary sustainability indicator the businesses is sales volume and value. MDF sets the timeframe for monitoring changes and in some cases plans include tracking this data is for three years past MDF support. A similar approach is used at the beneficiary level e.g. net income is tracked for three years to assess the likelihood of sustainability.	While indicators relating to sales volume and value of the partner are used to assess sustainability of the market actor business, other key indicators / questions relating to costs, profit, business viability, likelihood of sustainability are not often included. This limits the ability to assess the sustainability of interventions. In some cases, MDF has information that could enhance assessments of sustainability, e.g. some businesses provide profit and loss statements, but this information is not used for RM purposes.
For common impact indicators (jobs, income, outreach), data is disaggregated by sex; participation in events like training is also disaggregated. Key questions may also cover the WEE domains, e.g. changes in women's workloads.	
Projections have been developed for interventions.	Calculations, assumptions and source of information, for projections are largely not documented. In a few interventions, the projections of some key quantitative indicators are also missing.

#### 4.3 Section 3: Measuring attributable change

Table 5: Score: Measuring attributable change

No.	Control points	Must/ Rec	Std max. score	Actual score
3.1	Baseline information on all key indicators is collected.	M	60	51
3.2	Monitoring information on all key indicators is collected.	M	60	49
3.3	Impact assessment is conducted to assess attributable changes in all key indicators in the results chains using methods that conform to established good practice.	M	N/A	N/A
3.4	The programme implements processes to use information from monitoring and results measurement in management of interventions and decision making.	M	25	25
3.5	The programme has a system for assessing and understanding differentiated results by gender.	R	60	60
3.6	The programme monitors to identify unintended effects.	R	20	16

Strengths	Weaknesses
<p>Baseline information has been collected for each intervention, and this is largely satisfactory. Gender analysis of workloads and decision making and income have been included in baselines (or early impact assessments and retrospective data collected).</p>	<p>For baseline and early impact assessments, most quantitative data has been averaged. This may create some inaccuracies where there is a small sample and a lot of variation in the data. For instance, in the CPB baseline, there are a lot of variation in data on fuel costs, which has been averaged to determine cost savings. However, MDF did not ask questions to determine the cause for the level of variation or use other data that was collected, e.g. household size, to determine influences on fuel costs and test the accuracy of averaging calculation. Not all data collected has been analysed, suggesting that it was not needed.</p>
<p>Monitoring plans are largely satisfactory.</p>	<p>Critical assumptions are largely not monitored even though they may affect the success of the intervention e.g. the role of and incentives for the aggregators in the Timor Global intervention are not captured for monitoring processes.</p>
<p>Ongoing monitoring at activity level through partner visits and telephone calls is regular and allows staff to monitor progress.</p>	<p>Qualitative information from monitoring activities (meetings, field visits) and early impact assessments is often not compiled in the IG measurement sheet to provide a consolidated view of performance/status.</p>
<p>Staff use the monitoring data that has been analysed to inform their work. For instance, staff managing CPB explained how they were using sales data to amend the intervention to increase sales (via creating incentives for retailers; engaging women's groups and promotional activities). Other staff referred to the six-monthly review process started in July 2016.</p>	
<p>For baseline studies and early impact assessments, basic analysis of quantitative data is undertaken.</p>	<p>More insights could be drawn from data collected (as part of baseline studies, monitoring and early impact assessments) if it was more thoroughly analysed (e.g. analysing quantitative and qualitative data together; examining the relationship across quantitative information) For instance, in relation to the CPB intervention, data was collected through HH interviews, one focus group discussion and CPB interviews but no analysis was completed using all three sources of data.</p>
<p>Attribution has been considered at the partner and beneficiaries levels.</p>	
<p>Where unintended effects have been identified they are reported and discussed in team meetings.</p>	<p>The process for monitoring unintended effects has recently been developed and based on recording unintended effects once a staff sees or hears of a possible unintended effect. Indicators look at expected changes. A few questions (those that are not closed or quantitative) in the RM plan may be useful for identifying unintended effects but their intention to identify unintended effects is not clear.</p>

#### 4.4 Section 4: Capturing wider changes in the system or market

Table 6: Score: capturing wider changes in the system or market

No.	Control points	Must/ Rec	Std max. score	Actual score
4.1	The programme has an overall plan for assessing systemic changes at programme level.	R	10	7
4.2	Systemic changes are assessed at market systems level and beneficiary level using appropriate methods.	R	40	35

Strengths	Weaknesses
<p>The programme has a systemic change framework and a sector systemic change pathway, which shows a beginning and end state. The framework and change pathway are currently used mainly as a 'thinking' tool, that is for the team to conceptualise what systemic change may look like.</p> <p>The measurement of most parameters draws on other data collection activities (e.g. sustainability draws on the sustainability indicators and questions in the RM plan), and therefore appears to be an efficient approach.</p>	<p>While the measurement of most parameters draws on other data collection activities, the process for consolidating data and analysing systemic change has not been developed and therefore the system is not fully operational. It is not clear how some data being collected will be used and for what purpose, e.g. PPI.</p>

#### 4.5 Section 5: Tracking costs and impact

Table 7: Score: Tracking costs and impact

No.	Control points	Must/ Rec	Std max. score	Actual score
5.1	Costs are tracked annually and cumulatively.	M	20	20
5.2	Programme-wide impact is clearly and appropriate aggregated	M	35	35
5.3	Costs are allocated by major component of the programme.	R	20	20

Strengths	Weaknesses
<p>Costs are tracked annually and cumulatively. The direct intervention costs are allocated to each intervention.</p>	

<p>The system for aggregating common impact indicators is appropriate. Aggregated impact is estimated annually. Adjustments to historical aggregated data is recorded (and highlighted in subsequent AARs). There is no potential overlap in common impact indicators in Timor Leste due to the different geographic locations of each intervention.</p>	
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## 4.6 Section 6: Reporting costs and results

Table 8: Score: Reporting costs and results

No.	Control points	Must/ Rec	Std max. score	Actual score
6.1	The programme produces a report at least annually which describes results to date.	M	50	50
6.2	Results of gender impact are reported.	R	10	10
6.3	Results of systemic change are reported.	R	10	5
6.4	Results are published.	R	10	5

Strengths	Weaknesses
Impacts are reported in the annual aggregation of results report. The report provides information on results, progresses and qualitative explanations on results and progress. Costs are reported in the semester reports.	
Examples of systemic changes are included in the AAR.	The examples of systemic change are embedded in the explanations of progress in the AAR and they are not easily discernible from other information. There is no analysis about the state of systemic change.
Contribution of other programme and actors are acknowledged.	
The report outlines impacts on gender.	
Reports on results are published on the MDF website.	

#### 4.7 Section 7: Managing the system for results measurement

Table 9: Score: Managing the system for results measurement

No.	Control points	Must/ Recommended	Std max. score	Actual score
7.1	The programme has a clear system for using information from the results measurement system in management and decision-making.	M	30	30
7.2	The system is supported by sufficient human and financial resources.	M	50	50
7.3	The system is well managed and integrated with programme management.	M	50	45

Strengths	Weaknesses
There are sufficient human and financial resources to manage the results measurement for the sector. Staff can clearly explain their roles and responsibilities, and those of others, related to results measurement. Roles and responsibilities in results measurement are clearly defined and integrated into job descriptions, staff orientations and performance appraisal.	
Staff have access to sufficient guidance (predominantly provided by staff rather than written) on how to implement the result measurement system.	
Quality assurance processes for each intervention and for aggregation of common impact indicators and DFAT indicators are in place and functional. Outputs, such as analysis and aggregation reports, are reviewed.	There is no periodic internal formal review of the results measurement system. Issues with the RM system arose out of perceived problems on another matter and it was through trying to solve this issue that issues with the RM practices became apparent.

## 5. Summary of key areas for improvement

Outlined below are some key areas for improvement:

- Ensure that partnership justification documents contain clear explanations on the viability of business models and include all key external risks and assumptions;
- Strengthen the indicators/information needs to assess the likelihood of sustainability at the partner level;
- Ensure that sufficient qualitative information needs on how and why changes happen are included in the measurement plan;
- Ensure that the projections follow the logic of the results chain with clear structure, calculations, assumptions and source of assumptions;
- Ensure that key assumptions are regularly monitored and analysis used to reflect on the logic outlined in the RC;
- Ensure that qualitative information collected is compiled and documented in designated places such as the measurement and observation tab in the intervention guide
- Ensure data collection tools collect data on priority needs, so that data that is not needed is not collected or if the data will not be analysed, re-assess the need for the data;
- Analyse data by looking at the relationship between data (whether collected through one data collection method such as interviews, or across different methods).
- Commence periodic internal quality reviews of the results measurement system.
- Depending on RM priorities (since this is a recommended, not mandatory control point), operationalise the approach to assessing progress in promoting systemic changes.

## Annexes

**(separate document)**

1. Overall and sub-sector specific ratings
2. Sub-sector specific findings
3. List of documents reviewed
4. List of interviews conducted