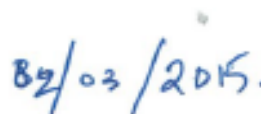


1. Overview

Market Development Facility (MDF) East Timor	2011-2017	
Audit visit dates	8- 12 December 2014	
Overall final ratings ¹	MUST	423/450 = 94%
	RECOMMENDED	90/100 = 90%
Coverage	Agribusiness, Processing and Rural Distribution Greenfield Industries	
	All control points checked	
DCED Standard	Version VI, January 2013	

Signed:

MDF East Timor Mujaddid Mohsin, Country Representative

Date, place:



Auditor

Mihaela Balan

19 February 2015

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¹ 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 has a perfect measurement system.

Acronyms

AAR	Annual Aggregation of Results
BA	Business Advisor
DCED	Donor Committee for Enterprise Development
EIA	Early Impact Assessment
FY	Financial Year
IA	Impact Assessment
IG	Intervention Guide
M4P	Making Markets Work for the Poor
MDF	Market Development Facility
MP	Monitoring Plan
MRM	Monitoring and Results Measurement
QA	Quality Assurance
PDD	Programme Design Document
RM	Results Measurement
WEE	Women's Economic Empowerment

2. Key Audit Findings

Articulating the Results Chain	
Results chains are articulated for each intervention. There is evidence supporting the logic of the results chains that show how the interventions are expected to lead to impact. Staff can describe results chains covering their work and give examples how they are used or are going to be used. There is a system for reviewing results chains during six monthly sector review meetings, with changes documented in the logbook. Key partners can describe the logic of the intervention. Staff can explain why displacement is unlikely to happen.	For a few interventions, there are inconsistencies in the results chains. Key assumptions underlying the logic of the RC are not documented in some cases. Documentation is not always being consistently updated. Sometimes the documentation is not updated in light of new experience. When crowding in or copying is not expected, an explanation is not always given why not.
Defining Indicators of Change	
There is at least one indicator for each change described in the results chains. The indicators are relevant and explicit in many cases. The universal impact indicators are included. Implementation staff understand the indicators and how they illustrate programme progress. The Intervention Guides include some indicators of sustainability at key levels. Expected results are projected, including for the universal impact indicators. Supporting calculations are included, with some assumptions explicitly outlined.	In some interventions, a few of the indicators need clarification or reformulation. There are some mistakes in calculation of projections for a few interventions. Some projections lack assumptions or sources of assumptions.
Measuring Changes in indicators	
There are plans to collect baseline data for interventions. Baselines are being collected as	Results of periodic monitoring activities are not always reflected in the Intervention Guide.

planned. Detailed measurement plans exist to collect information for each intervention and are mostly in line with good practice. Qualitative information is collected on reasons behind changes in behaviour.	There were issues with the sample size for one intervention, which is small given the need for further stratification.
Estimating Attributable Changes	
A plan for estimating attributable changes is included in the Intervention Guide for each intervention. In general staff can explain the methodology used to assess attribution.	Assessment of attribution is mainly at the beneficiary level. Attribution at the level of other stakeholders is not always considered.
Capturing Wider Changes in the System or Market²	
Plans to assess systemic change are included in the measurement strategy as appropriate. The plans include information on how and when the assessment will take place.	The documented plans are not always clear on how information provided by a third party is going to be checked.
Tracking Programme Costs	
All costs are tracked annually and cumulatively. The direct costs are tracked for each sector and intervention.	
Reporting Results	
There is a documented system to aggregate results across interventions, sectors and countries. The system takes overlap into account within and across sectors. Other contributors are acknowledged. MDF disaggregates key data on results by gender and also has conducting a poverty and gender study in 2013.	There is a minor typographical mistake in the Annual Aggregation of Results (AAR) for Feb 2014. The quality assurance system for aggregation is not fully implemented.
Managing the System for Results Measurement	
There is a system in place to share and discuss information on results regularly. RM is integrated with the management of the program. There are sufficient human and financial resources to support the results measurement system. All staff are able to clearly and accurately describe their results measurement tasks and responsibilities. Staff have had formal and informal training on results measurement tailored to MDF. Staff can provide specific examples of results measurement activities they have undertaken recently.	Sometimes it is not clear who is responsible for updating the documentation.

² MDF is currently developing an original definition and framework for systemic change; given that this was a work in progress at the time of the audit, it could not be audited as such. Comments and scoring therefore focused on copying and crowding in, where appropriate.

Final ratings

“Must” control points:

Percentage	Description	Programme Rating
91-100	Strong results measurement system	√
81-90	Reasonable results measurement system	
71-80	Moderate results measurement system	
61-70	Moderate results measurement system with notable weaknesses	
51-60	Weak results measurement system	
41-50	Weak results measurement system	
31-40	Weak results measurement system	
21-30	Weak results measurement system	
11-20	Weak results measurement system	
0-10	Weak results measurement system	

“Recommended” control points:

Percentage	Description	Programme Rating
81-100	Results measurement system with strong additional features	√
61-80	Results measurement system with some additional features	
41-60	Results measurement system with some additional features	
21-40	Results measurement system with few additional features	
0-20	Results measurement system with few additional features	

3. Brief Review of the Programme and Measurement System

Focus of MDF

The Market Development Facility (MDF) is funded by the Government of Australia and managed by Cardno Emerging Markets (Pty). MDF commenced operations in Fiji in 2011; it is now also operational in Timor-Leste and Pakistan, with Country Teams in each country. It is scheduled to conclude in June 2017. The Facility is committed to implementing a market systems approach to poverty reduction.

In Timor-Leste the facility is active in the Agribusiness, Processing and Rural Distribution as well as Greenfield Industries (Construction, Manufacturing and Tourism).

Objectives of MDF

MDF aims to:

- Create additional employment and income earning opportunities for poor women and men through broad-based and sustainable pro-poor growth.
- Make rural and urban sectors of the economy in which the poor are involved as producers and workers, more competitive and grow.
- Trigger lasting, 'systemic' changes in the market systems around these sectors to reduce constraints to growth and to increase their capacity to innovate and deal with competitive, regulatory, social and environmental pressures, so that the benefits for the poor will sustain and expand in time.

Key elements of the RM System

MDF is mandated³ to use the Donor Committee for Enterprise Development (DCED) Standard for Results Measurement. The results measurement system in MDF is built into its implementation and management process. The key purpose of MDF's results measurement system is learning, which is why there is a very strong link between monitoring, measuring and aggregating results, learning and decision making, and revising intervention and sector strategies. This learning is used to maximise the results of the Facility. MDF uses its results measurement system to learn what works, what doesn't and why- making adjustments along the way to improve and maximise results for each country.

In each country, MDF starts with a sector study and the subsequent sector strategy. Once the strategies are finalized, the MDF team focuses on identifying partners, and generating and designing intervention ideas that would increase sector competitiveness and stimulate growth - from which the poor will ultimately benefit as entrepreneurs or employees. MDF works with partners on developing and agreeing a partnership agreement outlining each party's role and responsibilities and contribution brought to the partnership.

Once the partnership is signed, all information regarding each intervention is included in an Intervention Guide (IG). The IG includes key information about the intervention, including strategy, results chain and measurement strategy. Once the intervention activities have started, the MDF team focuses on monitoring those activities and measuring outcomes and impact. Data are collected and result aggregated and exported. A system of learning and improving underpins this system. Six-monthly sector meetings are a forum for discussion, to learn from what worked well and what not.

MDF aggregates its results across its sectors and interventions and reports them through six-monthly and annual reports to its donor. Regular monitoring is conducted by MDF staff and its partners.

³ Use of the DCED Standard for Results Measurement was called for in the Programme Design Document.

Baseline studies are also conducted for each intervention or for a group of interventions. Early Impact Assessments are conducted after about one year of implementation and Impact Assessments usually after two years.

MDF reporting

At the Facility level, MDF produce Semester Reports, Annual Strategic Plans and Annual Aggregations of Results. These documents include overall aggregated information as well as breakdown information by country and, when required, by sector. The Annual Aggregation is publicly available. In each country, at the Sector level, MDF produces Six-Monthly Review Reports, Sector Assessment and Strategy Reports, Sector Guides and Case Studies. At the Intervention level, Intervention Guides and Case Studies are produced.

Intervention Guides keep track of what is taking place in each intervention within a sector. They are internal working documents which are constantly updated with monitoring information and plans for future monitoring based on MDF's work and changes in the market. Information from these documents is also used in developing the Sector level and Facility level reporting documents

Cross-Cutting Themes

MDF has two crosscutting themes that it incorporates in its programming:

- *Women's Economic Empowerment (WEE)*. MDF has actively pursued a focus on gender and WEE. It commissioned a study on gender and poverty in each country to better learn where the issues are, and has committed to continue in this way by incorporating a M4P WEE approach into its operations and assessing progress in WEE.
- *Environment*. MDF considers the risks to the environment in each of its interventions.

Portfolio Maturity

MDF East Timor had 10 interventions that have been approved, at the time of the audit; of these, one has not started. 6 have been started in 2014, and three in 2013. However only 1 had reached an appropriate stage to measure beneficiary level impacts at the time of the audit. So the great majority are still early in implementation This had implications for the sample selected for the audit and the level of assessment (DCED Standard compliance criteria) that the auditor was able to do.

Management Structure

A team Leader heads the team responsible for implementing MDF. Each country has a Contractor representative. One RM Manager and Operation Manager cut across all countries. Each country has a number of business advisors (BA), sector coordinator (not all) and RM Specialists. A function of accounting and administration also exists in each country. Each BA works in more than one intervention and they have RM responsibilities as well as other responsibilities related to managing interventions.

Managing the System

MDF uses a series of management structures to share information within the team; apart from meetings, MDF also uses the software Mangoapp to help with sharing. Teams have weekly and monthly meetings where they discuss progress of activities. A six-monthly sector review meeting is held in which the entire sector team gathers and reviews the progress of the sector.

History of Applying the DCED Standard

The tender documents for MDF required alignment with the DCED Standard, and project has been working towards compliance since inception.

4. Summary of the audit process

This audit was a full audit. It covered active interventions selected from both sectors active in East Timor. The process followed was:

1. From the total of 10 (all interventions in Timor), one was eliminated as it had not started yet, and one because it was very different (a support intervention)
2. 4 interventions were selected at random from the remaining 8, leading to the following identified for audit:

1. Agribusiness, Processing and Rural Distribution	1. TLABI1 Acelda Unipessoal Lda. Assisting in sourcing, processing and marketing of local products to local markets
	2. TLABI5 Farmpro: Establishing a district-based input selling and output marketing horticulture business.
	3. TLABI3 Timor Global: Establishing appropriate infrastructure to enable safe local sourcing of maize and soy
2. Greenfield Industries	1. TLGFI1 (Balibo Fort Hotels) Establishment of a well-managed tourist facility in Balibo, Bobonaro.

For each intervention, the auditor reviewed the results chain, results measurement plan, supporting calculations, impact calculations, sector guides, relevant sector-level baselines, early impact assessments and impact assessments (where available). The audit considered the sector strategy, the sector guide, and the intervention progress reports and other studies. For MDF as a programme, the audit reviewed the Results Measurement manual, six-monthly and annual progress reports, job descriptions, the organizational chart, background research and various thematic studies, the list of interventions and the aggregation system. A full list of the documents reviewed is included in Annex 3. Interviews were held with senior managers, the country representatives, and business advisors. The list is provided in Annex 4.

5. Detailed scoring of the Control Points

The program scored 423/450 points for the MUST control points and 90/100 for the RECOMMENDED control points. The maximum scores have been adjusted to exclude the “Not Applicable” compliance criteria. All compliance criteria were verified.

Control Point	M/R	Max. Score	Rating	Justification
Section 1: Articulating the Results Chain				
1.1 An appropriate, sufficiently detailed and logical results chain(s) is articulated explicitly for each of the interventions.	M	30	27	<ul style="list-style-type: none"> • A results chain has been established for each intervention, linking activities to changes at impact level. • For some interventions, the results chain is not adequately comprehensive or sufficiently clear.
1.2 Each results chain is supported by adequate research and analysis.	M	30	25	<ul style="list-style-type: none"> • Each results chain is supported by documented research and analysis underlying the logic of the results chain.

				<ul style="list-style-type: none"> • In some cases, the documentation does not give enough evidence of likely supply and demand in the business model and thus how changes along the results chain are expected to be sustainable. • In some cases, not all key assumptions that support the logic are documented.
1.3 Mid and senior level programme staff are familiar with the results chain(s) and use them to guide their activities; key partners can explain the logic of interventions.	M	30	30	<ul style="list-style-type: none"> • Staff are able to describe the results chains and how they have used them or will use them to guide their activities. • Key partners can describe the logic of the intervention as articulated in the results chain.
1.4 The results chain(s) are regularly reviewed to reflect changes in the programme strategy, external players and the programme circumstances.	M	20	16	<ul style="list-style-type: none"> • The results chains are reviewed at least every six months during sector review meetings. • Changes are not always documented.
1.5 The results chain(s) include the results of broader systemic change at key levels.	REC	10	4	<ul style="list-style-type: none"> • Results chains sometimes include crowding in and/or copying appropriately. • For TLGF1, the results chain does not include systemic change. • In other interventions, the reasons for not including crowding in are not consistently documented.
1.6 The research and analysis underlying the results chain(s) take into account the risk of displacement.	REC	10	10	<ul style="list-style-type: none"> • Risks of displacement are considered and documented in the Intervention Guide.
Section 2: Defining Indicators of Change				
2.1 There is at least one relevant indicator associated with each key change described in the results chain(s).	M	20	19	<ul style="list-style-type: none"> • Indicators are established for all changes in the results chains. • Most of the indicators are relevant and appropriate. • A few indicators could be defined more precisely.
2.2 The universal impact indicators are included in the relevant results chain(s).	M	10	10	<ul style="list-style-type: none"> • The universal impact indicators are included.
2.3 There are specific Indicators that enable the assessment of sustainability of results.	M	20	19	<ul style="list-style-type: none"> • There are appropriate indicators to assess the sustainability of results. On one occasion, however, qualitative indicators of sustainability for the partner were not included.
2.4 Mid and senior level programme staff understand	M	20	20	<ul style="list-style-type: none"> • Mid- and senior level staff can describe indicators and have used them to

the indicators and how they illustrate programme progress.				inform implementation.
2.5 Anticipated impacts are realistically projected for key quantitative indicators to appropriate dates.	REC	30	28	<ul style="list-style-type: none"> The impacts are projected for key quantitative indicators to appropriate dates with supporting calculations. There appear to be some mistakes in the calculations for one intervention. There are targets for copying but not projections with calculations.
Section 3: Measuring Changes in Indicators				
3.1 Baseline information on key indicators is collected.	M	20	19	<ul style="list-style-type: none"> Collection of baseline information on key indicators is planned. For TLAB1 Acelda, the size of the baseline sample was small, given that the sample was split into strata.
3.2 Information for each indicator is collected using methods that conform to good research practices.	M	40	36	<ul style="list-style-type: none"> A detailed measurement plan is in place to collect information for each intervention. It specifies methods, timelines and who does what. Most aspects of the research are in line with good research practice There is an incomplete plan for one intervention. While some data can be found elsewhere, the time-based measurement plan seems to be missing. For TLAB1 Acelda, the size of the treatment sample was small, given that the sample was split into strata. Some aspects of quality control in the assessment of this intervention could be improved (e.g. translation on the spot, insufficient quality assurance for data entry).
3.3 Qualitative information on changes at various levels of the results chain is gathered.	M	20	19	<ul style="list-style-type: none"> Qualitative information is collected across various levels in the results chains. Qualitative information gathered is sometime not adequately documented in the measurement plan.
3.4 Reported changes in indicators that are extrapolated from pilot figures are regularly verified.	REC	N/A	N/A	<ul style="list-style-type: none"> Not applicable.
Section 4: Estimating Attributable Changes				
4.1 Attributable changes in all key indicators in the results chains are estimated using methods that conform	M	30	28	<ul style="list-style-type: none"> A plan for estimating attributable changes exists for all interventions. It is not clear how attribution is assessed at the partner level in some

to established good practice.				cases, e.g. TLGF1 Balibo Fort and TLAB3 Timor Global.
Section 5: Capturing Wider Changes in the System or Market				
5.1 The results of systemic change at key levels in the results chain(s) are assessed.	REC	20	19	<ul style="list-style-type: none"> • There are plans in place to measure systemic change at the intervention level. The plan includes information on how, when and what. • The plans are not always clear on how information provided by a third party on copy-ers is going to be verified.
Section 6: Tracking Programme Costs				
6.1 Costs are tracked annually and cumulatively.	M	20	20	<ul style="list-style-type: none"> • All costs are tracked annually and cumulatively.
6.2 Costs are allocated by major component of the programme.	REC	20	20	<ul style="list-style-type: none"> • The direct costs are tracked for each sector and intervention.
Section 7: Reporting Results				
7.1 The programme produces a report at least annually, which clearly and thoroughly describes results to date.	M	30	28	<ul style="list-style-type: none"> • MDF has a documented system to estimate and report results. When aggregating, the system takes overlap into account within and across sectors in each country. No overlap is expected between countries. • One small typographical mistake was spotted in the FY2013 aggregation report. • There does not seem to be a sufficient quality assurance system for the overall aggregation to overcome mistakes such as the one noted above.
7.2 Contributions of other publicly funded programmes and private contributions are acknowledged.	M	10	10	<ul style="list-style-type: none"> • The report recognizes the contributions of MDF partners and other organisations, as appropriate.
7.3 Reported changes in key indicators are disaggregated by gender.	M	10	10	<ul style="list-style-type: none"> • MDF disaggregates results by gender across the 3 universal indicators.
7.4 Results of systemic change and/or other indirect effects are reported.	REC	N/A	N/A	<ul style="list-style-type: none"> • Not applicable. No results from systemic change are anticipated yet.
7.5 Results are published.	REC	10	10	<ul style="list-style-type: none"> • The Annual Aggregation Report has been made publicly available.
Section 8: Managing the System for Results Measurement				
8.1 The programme has a clear system for results measurement through which findings are used in programme management and decision-making.	M	40	40	<ul style="list-style-type: none"> • The programme has a clear system for results measurement through which findings are used in programme management and decision-making. • The Results Measurement manual guides staff on how to implement the Monitoring and Results Measurement

				<p>(MRM) system. It is available to all staff.</p> <ul style="list-style-type: none"> • Staff are able to explain how they use or will use the results of the RM system to inform management decision-making.
8.2 The system is supported by sufficient human and financial resources.	M	30	29	<ul style="list-style-type: none"> • Sufficient resources are available. • The MRM manual documents roles and responsibilities appropriately. • Staff can accurately describe their roles and responsibilities related to RM although sometimes it is not clear who is responsible for updating the documentation.
8.3 The system is integrated with the management of the programme.	M	20	20	<ul style="list-style-type: none"> • The RM system is institutionalized in MDF; monthly and six monthly strategic review meetings take place, job descriptions contain RM responsibilities, performance is reviewed on those responsibilities, etc. • Staff are trained periodically in RM. • Staff consider result measurement tasks as part of their jobs.

6. Summary of areas with potential for improvement

Articulating the Results Chain

Ensure that assumptions in the results chain are explicit and documented. Update the results chains, and Intervention Guides in general, regularly, ensuring that each change is documented.

Defining Indicators of Change

Include projections for all key indicators, with documented and evidenced key assumptions.

Measuring Changes in Indicators

Ensure robust practices on data collection are followed, particularly to increase sample sizes where stratification is required.

Estimating Attributable Changes

While assessing attribution, the attributable changes in partners need to be considered when that is a key part of the results chain.

Reporting Results

Enhance the Quality Assurance system to support the aggregation process at programme, country etc. levels. The final results should be reviewed by more than one person.

Managing the System for Results Measurement

In the coming years, when scale of results increases ensure that sufficient financial resources are allocated for RM related activities. As data collection is done in-house issues might arise later when sample size is bigger and number of interventions increases.

Annexes

1. Overall and market specific ratings
2. Sector specific findings
3. List of documents reviewed
4. Schedule of meetings