

> Climate change evolution in MSD: lessons from the Market Development Facility

23 October 2025



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Market Development Facility

Climate change evolution in MSD: lessons from the MDF





The Market Development Facility (MDF) is an Australia multi-country initiative that promotes inclusive economic development in Fiji, Timor-Leste, Sri Lanka, Samoa, Vanuatu and Tonga. MDF is implemented by Palladium and Swisscontact.



2011

First established
in Fiji



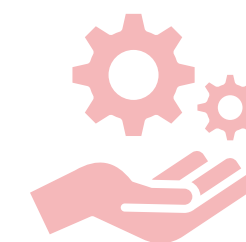
6

Partner
countries



125

People employed
across the Indo-Pacific



217

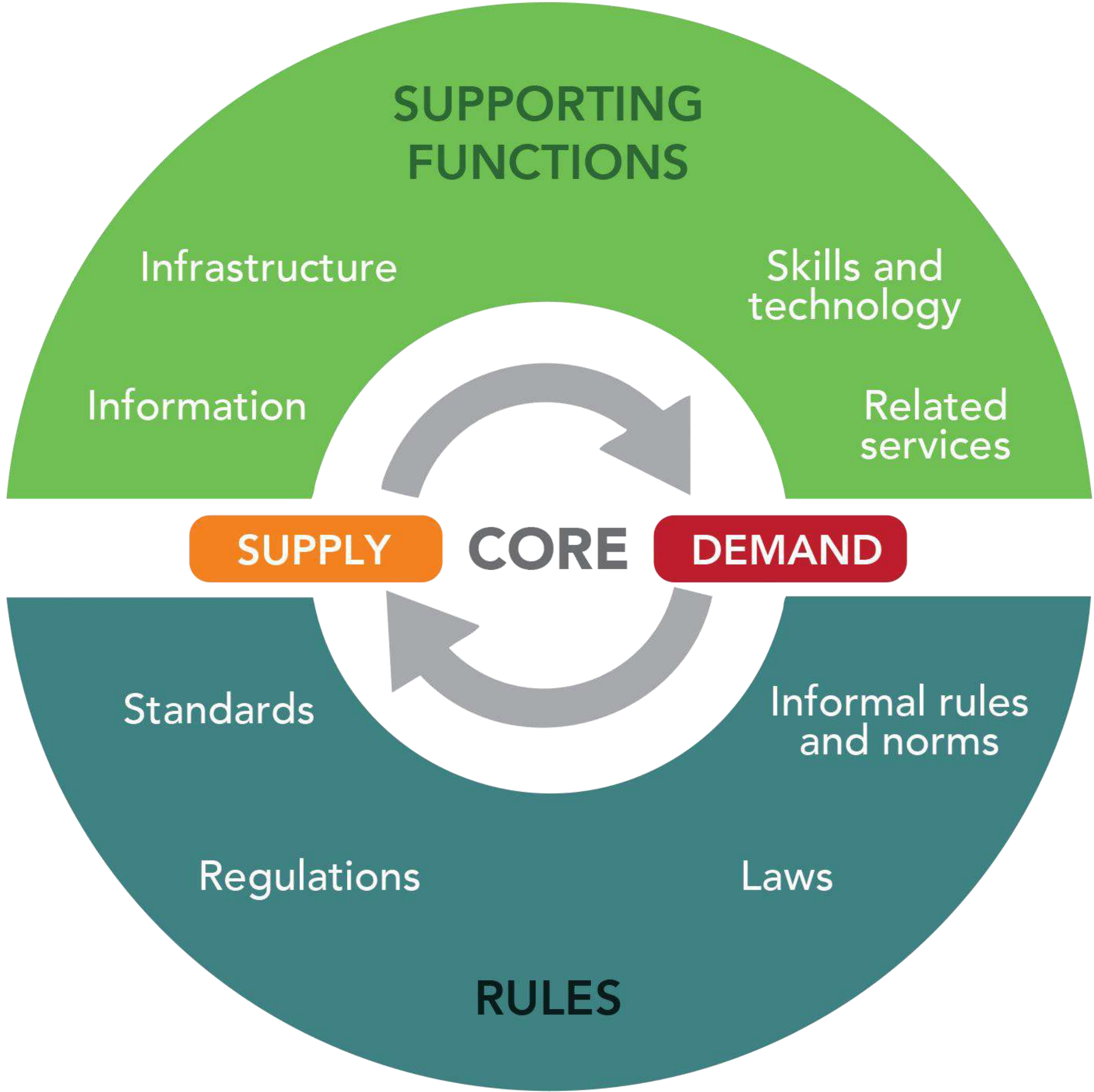
Active or monitored
investments



50%

Budget eligible for
climate finance

Climate change and market systems



Source: M4P Operational Guide (2015)

Making the business case for climate-related investment



Physical Risk

Damage to physical assets/equipment resulting from climate impacts



Price Risk

Climate change impacts on the prices and availability of raw materials and commodities



Liability Risk

Stakeholders seek compensation from a company for losses suffered due to company's alleged contribution to the problem of climate change or their failure to adapt their practices



Regulation Risk

Potential business impacts resulting from the actions governments take to combat climate change



Reputation Risk

Public perceives a firm's or industry's actions as harmful or inadequate in the context of climate change



Turning risks into opportunities



Physical Risk

Investments in reducing loss and damage (e.g. disaster resilient infrastructure)



Price Risk

Diversifying supply chains to reduce price risk (e.g. sourcing vanilla from markets beyond Madagascar)



Liability Risk

Firms and countries may increase financing for adaptation and DRR to avoid the risk of liability



Regulation Risk

Climate change services to maintain market access (e.g. traceability, carbon verification).



Reputation Risk

Taking advantage of changing consumer preferences marketing green products (e.g. green tourism)





Case Studies

MDF Sri Lanka Agriculture and Tourism



Agriculture in Sri Lanka



~26%
of labour force

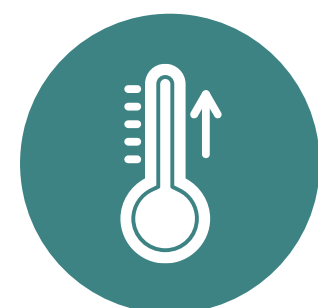


~7-8%
of GDP



~80% of food production
by **1.65m** smallholders

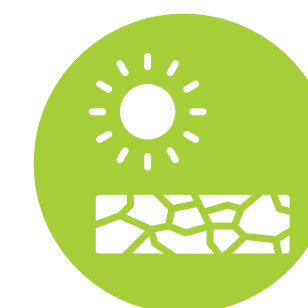
Climate Change Risks in Agriculture



Rising Temperature



Erratic Rainfall



Drought & Dry Conditions

Pattern shift: **'wet gets wetter, dry gets drier'**



Reduced Productivity (Quality & Yield)

**Impact on Agri
Businesses:**



Reduced
revenue



Higher
operating costs



Supply & cash-flow
volatility

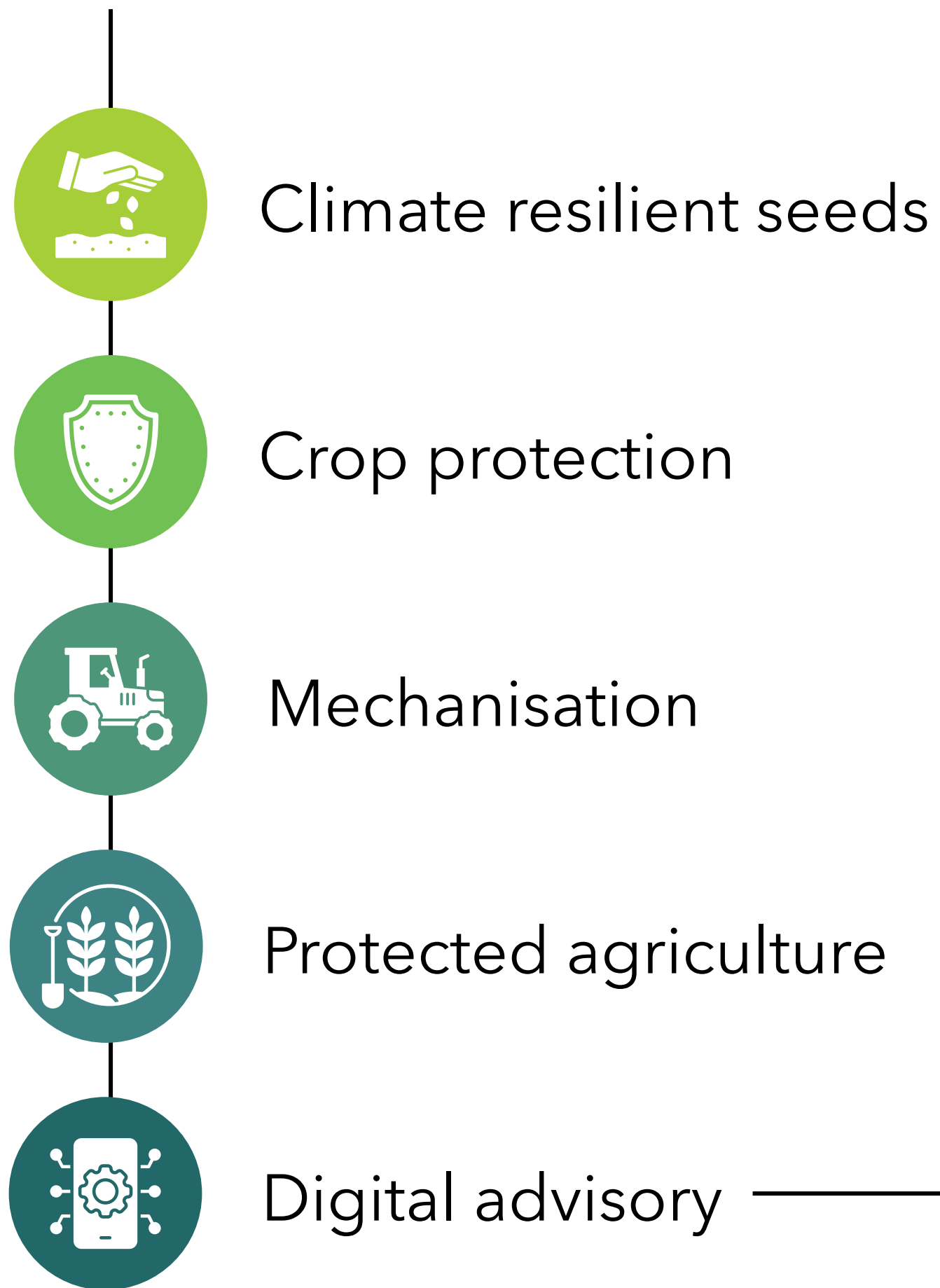


Lower margins;
higher credit risk

Physical risk | Price Risk | Reputational Risk | Regulation Risk

Business opportunities

Levers for change



High performing fertiliser



Why Now:

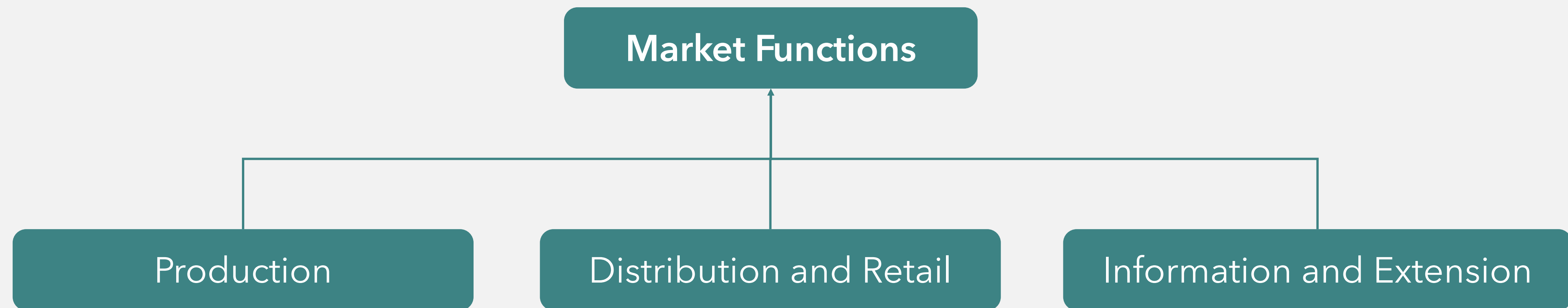
- Effectiveness drops with heavy rain/ drought/poor soils
- Overuse harms soils
- Policy/market shifts enable better products & efficient use



The intervention



Market systems approach to shift behaviour and build resilience



Improving availability, access, and productivity



Identified key firms – first movers and scale players



Expanded last mile distribution and retail to reach smallholders



Drove adoption: demos, trainings, samples/discounts, targeted marketing



Built extension/advisory capacity; supported local value addition (machinery)

Results



Commercial traction with climate and income gains

Early signs indicate:

- Significant increase in adoption of improved products
- Stronger farmer-firm engagement
- More private sector competition: increased varieties of improved products being introduced
- Increase in harvests and soil health
- Reduced chemical fertiliser use; reduction in emissions

Case Study: **Sassrika Lanka**



8×

sales increase



83%

higher harvests



88%

higher income

- Reached 12,000+ farmers in person; 400,000+ via digital outreach
- 37% less phosphorus fertiliser
- Observed stronger roots, greener/longer-lasting foliage, thicker stems, more stalks

“

We observed more and stronger stalks. Plant growth was clearly visible within the first month of BSP [fertiliser] usage, and the greenery was sustained throughout.

A. Jameen,

paddy farmer in Sri Lanka using Sassrika's product



Climate change risks in Tourism



Temperature

Increasing temperatures impact experience (e.g. damaging coral reefs and impacting wildlife).



Rainfall

Shifting rainfall patterns, coastal areas often get inundated by flood-waters from the highlands



Natural disasters

Increasing severity of cyclones (N/E), frequency & intensity of droughts and floods damage infrastructure and impact experience.



Sea level changes

Slow onset of sea level rise, salinisation of soils and ground water in coastal zones where tourism infrastructure is located.



Resource scarcity

Widespread water scarcity in dry zones.



Transition risks

- Changing customer demand
- Higher compliance cost relating to new regulations
 - Threat to foreign exchange earnings
 - Reputation risk

Impact on Tourism Businesses:



Reduced revenue



Increase in operating/
mitigating costs



Reduced competitiveness
regionally/globally



Sectoral survival threat

Physical Risk | Reputation Risk | Regulation Risk

Tourism and climate change

With recovery at full swing, players are considering new innovative business models to tap into emerging travel segments

Consumer preferences:



65% of travelers feel better staying in accommodations with sustainable certifications.



59% want to filter booking options to show only eco-certified properties.

Willingness to pay:



43% of travelers are willing to pay more for sustainable travel options, despite rising costs.



Authenticities is committed to develop Sri Lanka's first commercial low carbon tour



Product Testing

Partner tested out an itinerary with electric vehicles, e-bikes during COVID



Scientific Proof

MDF and Authenticities agree to scientifically measure the carbon savings of the new tours



Supplier Training

Authenticities will closely work with their supplier base on an ongoing basis to reduce their emission levels



Product Launch

Two low carbon tours will be launched in the UK market targeting the eco-conscious niche segments



Promotional Strategy

Authenticities' climate journey will be communicated timely to the respective segments



Sustainability

Authenticities sustainability team will be formed inhouse undertaking new initiatives focused on carbon measurement, verification and reporting

Thema group conducted carbon calculations and verifications for 14 properties. 1st hotel chain in Sri Lanka to be verified.

Steps taken post verification:

- ➔ Solar installation
- ➔ Training of over 20 staff
- ➔ New carbon analyst appointed
- ➔ Group sustainability strategy created
- ➔ Improved Marketing material
- ➔ Year-on-year improvements and monitoring



National Cleaner Production Centre (NCPC) - scale up intervention to cover hotels across the island

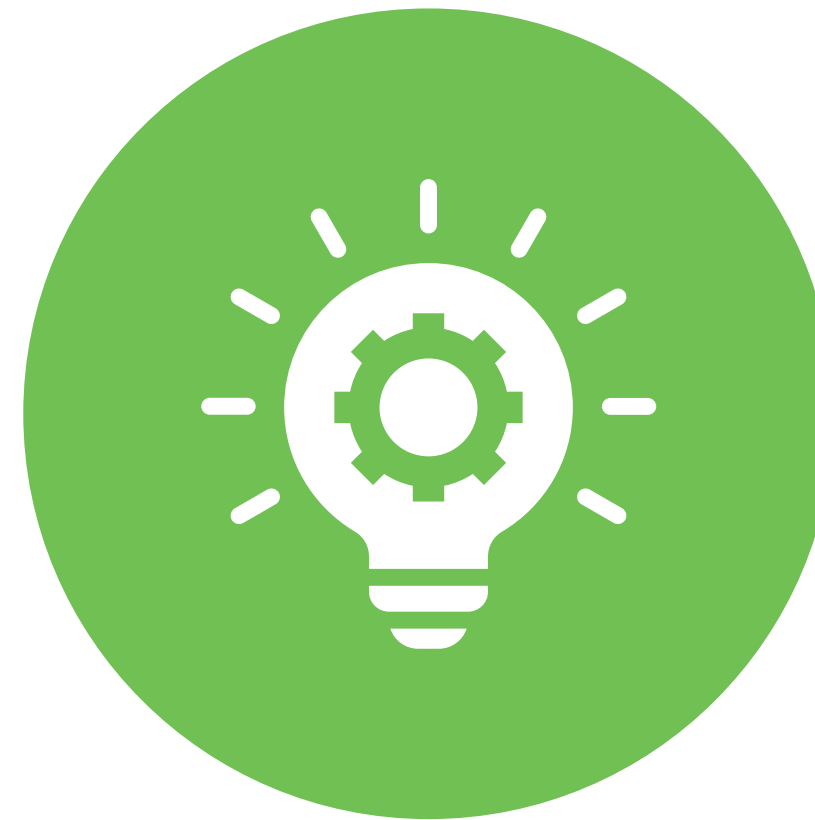
- ➔ Supporting 10 hotels with investment grade reports in energy, water, waste, technology and carbon calculations
- ➔ Sustainability training for over 30 hotels
- ➔ Diversity and inclusion training for over 20 hotels
- ➔ Linking participating properties to access finance for investments

Climate change and the program cycle



1. Analysis and strategy development

Clarity over vagueness: Define what climate risk means for your sectors.



2. Intervention design

*Don't sell climate:
Help businesses solve problems
and unlock opportunities.*



3. Measurement and learning

*Measure what matters:
Not everything needs
a carbon calculator.*

Thank you



www.marketdevelopmentfacility.org



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