Investment Thesis

Pacific RISE supports the development of a new impact investment market in the Pacific, connecting investment funds and managers to investible businesses that have a measurable social impact. An Australian Government-funded initiative, Pacific RISE applies a gender lens across all activities to ensure that finance and the understanding of how people interact – gender and social analysis – are brought together to improve our investment decisions.
Climate change is a threat for the future of the Pacific. And, it is. But resilience is an asset, now and in the future. Resilience in the face of climate change can be found in industries such as agriculture and fisheries; manufacturing; transportation and supply chain logistics; tourism and financial inclusion. Companies are demonstrating proactive resilience, therefore not only being more prepared for climate change, but thriving because of their attempt to slow or adapt to its impact.

RESILIENCE IN THE FACE OF CLIMATE CHANGE

“The investments we’re seeing aim to diversify their business to future proof against natural disaster” The Difference Incubator (TDi) – Australian impact investment intermediary

Regional players are investing in resilience. One of many examples: The Asian Development Bank climate change operational framework for 2017–2030 is investing US$6 billion. The first $4 billion is for climate change mitigation through enhanced investments in renewable energy, energy efficiency, sustainable transport. A further $2 billion is for adaptation in building resilience both in the agriculture and the urban sectors.

Investment opportunity: Women in Business Samoa (WIBDI), started in 1991, provides support to vulnerable families by establishing markets for locally produced products. WIBDI uses methods that honour indigenous tradition; they understand how the traditional patterns of resilience can help stabilise supply chains. WIBDI facilitates trade in coconut oil, cocoa, dried fruits and tea with global partners—such as The Body Shop, All Good Organics, Ethique and C1Espresso—to ensure the stable supply of quality products even in the face of natural disasters. Today, WIBDI is developing supply lines in other Pacific countries and is exploring micro-insurance to speed recovery.

Impact companies, product or service, low-tech or high-tech, almost regardless of sector or industry, look to the informal sector for resilience.
The Pacific’s future is stable decentralisation. Multiple political economies in the region are autonomous and changes to one do not necessitate changes to others. What looks like isolation can continue to play out as a quarantine. Regardless of political changes, daily life and economics in the Pacific is and will continue to be influenced by a broader set of factors including traditional structures of governance (kastom) and individual economics that come together or pull apart from political structures.

Australia and New Zealand commit to increase stability in the region addressing illegal fishing, transnational crime, human security, cyber-crime and disaster response.

Investment Opportunity: Papua New Guinea Agricultural Company (PNGAC) is being established under the leadership of the PNG Cocoa Board as part of their goal to increase national cocoa production (some of the finest quality cocoa in the world) ten-fold by 2030. The International Cocoa Organization has predicted a world cocoa shortage of 100,000 tonnes by 2020. PNGAC is a commercial approach to syndicate semi-formal farmers’ cooperatives in East New Britain to increase yields and prices for cocoa beans and capture value throughout the cocoa supply chain. PNGAC will also give farmers an opportunity to own shares in the corporate entity. Additional initiatives include planting new, higher yielding cocoa trees, increasing the density and improving farming practices. The PNGAC are projecting that 20,000 farming families will be engaged by 2021. Informal governance, tied to local communities and reinforced by the Cocoa Board, supports economic stability in the face of political shifts.

Australian Government investment of A$23 million and NZ Government investment of NZ$11 million in PACER Plus – a free trade agreement between Pacific Island Countries and Australia and New Zealand creating MOUs to facilitate value chain “hubs” and other opportunities to integrate the economies of the Pacific. The Pacific is worth A$26 billion in trade with Australia – these initiatives will increase trade and investment in the region.
The next decade will transform connectivity in the region. The isolation that has affected the potential for scale will change as significantly improved market conditions encourage investment by the private sector. Investment in undersea cables supporting broadband access to the region is rolling out over the coming decade, the ability for the Pacific to transform is right here.

The Pacific Regional Infrastructure Facility (PRIF) is a US$1.7 billion multi-donor coordination mechanism aimed at delivering improvements to the economic infrastructure in the Pacific – this includes utilities and services, energy, transportation (road, aviation, maritime), telecommunications, water, sanitation and waste.

This year, the Philippines’ largest call centre operator, ADEC Innovations, is setting up a call centre in Samoa.

The World Bank – Information and Communication Technologies (ICT) for Jobs in the Pacific highlights the potential for Pacific island countries—in particular Fiji, Tonga and Samoa—to participate in the global outsourcing services market, in areas such as accounting, content development, programming, data processing and 24/7 call centres. This is driven, in part, by internet infrastructure through submarine cables, satellite services and government reforms that improve connectivity in terms of speed, quality and cost.

Flying-ships are on the horizon. The World Food Program is already conducting feasibility studies of fast, flying-ships that skim the water’s surface and can reduce travel times between islands from days to hours, and hours to minutes. Flying-ships offer real potential to increase sea cargo weights and introduce high speed distribution of products between Pacific Islands, making local supply chains affordable and feasible and providing competition and a viable alternative for the current inefficiencies of airplanes.
RESHAPING VALUE CHAINS

The Pacific Islands are home to some of the most unique ecologies and highly valued product in the world. This results in specialised high quality products – no point in competing with high-scale, low-end manufacturing from other countries in the region. Future value is in high quality products (cocoa, coffee, seafood, timber and coconut oils) with companies increasing value-added processing in-country. Unique experiences in tourism and eco-tourism increasingly supplied by the domestic supply chains will service the increase appetite for regional tourism from Asia.

Investment Opportunity: Coconut oil traditionally has been used for cooking, but now is increasing in popularity as a beauty product in Western markets. Coconut Cluster, is a Samoan social enterprise founded by local Edwin Tamasese. He started the business on the belief that coconut farmers should get more return for their hard work and that the local community should benefit from one of the largest industries in the country. Coconut Cluster has recently taken on an impact investment to value-add to their model establishing a high-volume production and manufacturing facility for their organic coconut oil.

According to the World Bank, in 2040, transformational tourism opportunities could bring an additional US$1.7 billion in revenue and 116,000 jobs to Pacific Island Countries.

Look for the value the informal economy brings to the value chain, particularly the role of families.

The growth of transformational tourism is sending guests outside of the overcrowded centers to the remote islands where the practices of resilience embedded. Invest to support these practices, not disrupt them.

By capitalising on the growing number of Pacific Islanders with skills and education, new businesses utilising local supply chains for high-end raw materials will be a growth area.
FINDING VALUE IN THE INFORMAL SECTOR

Globally, impact investors are finding value in the informal sector. What would a bet on profitability and sustainability through the informal sector mean? While the future of the Pacific will likely bring increased formal activity, significant value and reduced risk can be found in the informal sector. The informal sector provides domestic agricultural goods, tailored products for a growing domestic market. It scales, through sophisticated and durable systems that link together the livelihoods of hundreds or thousands of the families and communities.

Investment Opportunity: The creative arts sector in the Pacific Islands accesses traditional skills and cultural knowledge, an asset that to date has not been leveraged to provide economic development. Creative artisans are primarily women and dominate the informal economy in the Pacific of which 90 per cent of the Pacific population contributes. REAL Impact, a ‘profit-for-purpose’ enterprise, has identified an opportunity to develop a B2B marketplace (supply and demand) through the Pacific region with a goal to drive development outcomes for creative artisans, communities and cultural associations creating a diverse product range that are on-trend and attractive to global buyers.

REAL Impact will create products by harnessing and aggregating the existing skill sets of high quality artisan producers in the informal economy, provide design advice to transform products from “handicrafts” to designer objects – and through small batch production provide this to global fashion and interior design markets.

The creative industry provides a lens into the value of the informal sector.

Decentralised enterprises can also lower risks of concentrated production stoppage and can accommodate local approaches to resilience.

The Pacific Island region has strong governance outside of the political structure and by using traditional governance structures of communities and cultural associations adds stability to support this type of economic activity.
While exports remain critical, the future will bring significant growth in the domestic market. The population of the Pacific is set to increase into the future along with growing opportunities for higher education youth to study and work overseas. This expands the orientation of brands to seek profits in a global market towards companies that can capture value in local communities.

Investment Opportunity: ALFA Fishing is a family-run business in Vanuatu. ALFA teaches young ni-Vanuatu how to make canoes and reels and how to fish sustainably and maintain quality. The company provides ice and bait and buys 100 per cent of the catch from fishermen at above-market prices providing a consistent source of income. Two major species of fish (60 per cent of the catch) are sold to the large international hotel chains in Port Vila and the remainder is sold to the local women who sell fish directly or in soups, curries or other products. The company has indicated this is a high growth area for their future.

Australia’s 2017 Pacific Labour Scheme supports Pacific workers taking up work opportunities in Australia, increasing the intake of up to 2,000 Pacific Island workers per year building on the 17,000 placements under the Seasonal Workers program. Australia will work to reduce the cost to workers of remitting money back to their families enabling them to remit tens of thousands of Australian dollars per year back to the Pacific.

The growth of domestic economies and the increased number of workers who have international experience will strengthen political stability as workers who live and work in other countries return with higher expectation of government systems.
WHY AN INVESTMENT THESIS FOR PACIFIC RISE?

Pacific RISE is using an investment thesis to engage with investors and broaden the sense of possibilities about what types of opportunities exist in the Pacific. The focus is not to conduct an in-depth analysis of the future of the Pacific. We are focusing on particular trends and ideas for the future which will entice investors into thinking differently about the Pacific. Each future has been informed with a gender lens, drawing on knowledge of gender patterns in the Pacific context and culture.

Find out more email info@pacificrise.org
OUR GENDER LENS ON THE INVESTMENT THESIS

Gender analysis has informed each of these pictures of the future. We drew on knowledge of gender patterns in the Pacific context and culture more clearly to see opportunities and to understand how changing gender patterns would shape our understanding of the future.

Resilience in the Face of Climate Change
How will women's traditional knowledge of climate change and the environment spark innovation in adaptation and recovery?

Political Stability
How can a projected balance in leadership and decision-making influence governance, stability and the investment climate overall?

Connectivity through Technology and Transportation
How can access to technology and connectivity unleash women's untapped purchasing power?

Reshaping Value Chains
Women are hidden influencers in most value chains. Valuing and supporting women's role in the value chain improves productivity and reliability.

Finding Value in the Informal Sector
The informal sector is often undervalued because it is so gendered. What analysis will uncover the value and invest in it?

Finding Value in the Pacific People and Domestic Market
Women as consumers are and will be the drivers in the domestic market. How will gender patterns inform diversification and scale?