Pacific RISE Achievements and Lessons Learned 2016-2019

June 2019
**Basic activity information**

<table>
<thead>
<tr>
<th>Project name</th>
<th>Pacific RISE</th>
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<tbody>
<tr>
<td>Activity number</td>
<td>65315/10</td>
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<tr>
<td>Description</td>
<td>Pacific Readiness for Investment in Social Enterprise (Pacific RISE) is a pilot innovation of the Australian Government Department of Foreign Affairs and Trade (DFAT). The purpose of Pacific RISE is to demonstrate how impact investments in Pacific island countries can be made. Through its activities it also captures and shares knowledge about the investment process and the Pacific ecosystem to increase capital flows into regional markets. Pacific RISE works with investors and financial intermediaries to develop understanding of the potential for impact investment in the Pacific region. It provides funding for intermediaries to seek and assess investment opportunities and to provide investment readiness support to Pacific enterprises to raise capital. Traditionally, a lack of access to finance limited the growth of many enterprises, particularly those with a social impact. Pacific RISE is diversifying access to appropriate capital for these enterprises. Pacific RISE commenced in 2016 and, in this first phase, aimed to secure A$5 million in investment for the Pacific and increase long-term investment in Pacific enterprises by private investors, especially investors that understand the value of investing in women. The initiative uses a gender lens across all investment decisions. Following the mid-term review, the program has been extended to July 2021 and has an updated goal of A$10m.</td>
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<tr>
<td>Delivered by</td>
<td>Coffey International Development manages the facility and activities are implemented through various private sector partners.</td>
</tr>
<tr>
<td>Key dates</td>
<td>Project design document: August 2016</td>
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<td>Commencement: October 2016</td>
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<td>Mid-term review: August 2018</td>
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<td></td>
<td>Completion: 31 July 2021</td>
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<tr>
<td>Initial Stage Approved costs</td>
<td>A$5.949 million</td>
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<tr>
<td>Initial Stage Actual costs</td>
<td>A$5.4 million</td>
</tr>
<tr>
<td>Form of aid</td>
<td>Competitive grants to the private sector administered by contracted delivery agent (managing contractor).</td>
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Cover image: Courtesy of Real Impact
### Glossary of impact investing terms

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<th>Term</th>
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<tr>
<td><strong>Gender-lens investing</strong></td>
<td>Gender-lens investing incorporates a gender analysis into financial analysis to achieve better outcomes. Gender lens investors use gender as a category of analysis when making investment decisions using one or more of three primary investment objectives or ‘lenses’ including investments that increase access to capital for women entrepreneurs and businesses that have women in leadership positions; investments that promote gender equity in the workplace by investing in private sector companies with leading gender policies that also extend across their supply chains; and investments that increase the number of products and services that benefit women and girls by directing capital to socially responsible businesses that develop and offer these products and services.</td>
</tr>
<tr>
<td><strong>Gender lens investors</strong></td>
<td>Individuals and firms that allocate capital with the expectation of a financial return and include the use of a gender lens to assess social impact and financial impact. Gender lens investors may also look for a specific gender impact or provide capital in a particular sector.</td>
</tr>
<tr>
<td><strong>Intermediary</strong></td>
<td>Agents who recognise themselves as intermediaries or provide intermediary services. Intermediaries are the market makers responsible for developing pipeline opportunities, structuring the deals and bringing together the best mix of impact investors from their networks. In all other regions, whether in developing or developed countries, an impact investment market will not grow without strong intermediaries and facilities such as this to fund their work.</td>
</tr>
<tr>
<td><strong>Investor</strong></td>
<td>A person, who commits capital with the expectation of a financial return.</td>
</tr>
<tr>
<td><strong>Social enterprise</strong></td>
<td>A social enterprise or business with a central social mission that intentionally uses business model and its profits to achieve a social purpose.</td>
</tr>
<tr>
<td><strong>Social impact investment</strong></td>
<td>Impact investments are those that look beyond financial return. They also aim to deliver measurable social and environmental impacts with positive development outcomes.</td>
</tr>
<tr>
<td><strong>Social impact investors</strong></td>
<td>Individuals and firms that allocate capital to social impact investments that intentionally target specific social objectives along with financial return and measure the achievement of both.</td>
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Executive summary

Introduction

Pacific RISE (Pacific Readiness for Investment in Social Enterprise) is a pilot innovation of the Australian Government to demonstrate impact investments in the Pacific and deepen knowledge about the investment process and the Pacific investment ecosystem.

Designed and established in 2016, Pacific RISE’s initial goal was to leverage at least A$5 million of new private investment capital into the Pacific by June 2019 and to promote greater investment into social enterprises that deliver women’s economic empowerment. Pacific RISE used a range of approaches to demonstrate how investments could be made in the Pacific and whether impact investment was a useful subset of investment in this context.

Pacific RISE was managed by Coffey International in partnership with Pacific Trade Invest Australia and the Criterion Institute and this Report covers the period August 2016 to June 2019.

Following the mid-term review, Pacific RISE has been extended to July 31 2021 and has a new goal to leverage at least A$10 million of new private investment capital into the Pacific. DFAT key stakeholders and the Program team refreshed the program design in August 2019 based on the achievements and lessons learned in the first 3 years of operation, as summarised in this report.

The Pacific investment context

Investment for economic and social impact plays an important role in Pacific island countries. External sources of finance are important for capital formation but relative to global amounts, inflows of capital are small, except for Papua New Guinea where there is investment in large resource projects.

Despite the important role of investment in the Pacific, there are significant barriers for investors, particularly foreign investors, to invest in the Pacific. Additionally, foreign investment has a poor track record in stimulating economic growth in the region.¹

Impact investment is a subset of the global investment market and the Global Impact Investment Network (GIIN) has estimated the market is worth over US$500 billion in assets under management as at April 2019. Impact investment has been driven by the desire of many asset holders to see social impact from their investment. This includes in the area of gender equality. A growing number of wealth-holding women are creating the need to find investments that create social impact and investments that create positive impact for women.

Early discussions with impact investors found interest from fund managers in investing in the Pacific tempered by perceptions of a high level of risk.

Pacific RISE achievements 2016–2019

Pacific RISE worked with a range of stakeholders: with intermediaries, investors, Pacific networks and enterprises to provide knowledge, tools and funding to support investment readiness for 18 Pacific social enterprises, predominantly in agriculture, tourism and creative arts sectors, in 6 countries (Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu).

As at June 2019, Pacific RISE had secured A$285,000 in new private investment for 3 enterprises against a goal of A$5 million for 20 enterprises. A further A$9.6 million (196%) of potential

investment was assessed for 15 other enterprises in stages of investment readiness support and capital raising.

Pacific RISE focused on working in the following 4 areas:

1) Working with intermediaries

Pacific RISE focused on incentivising impact investment intermediaries to work or expand their work in the Pacific and provided financial and technical support for investment readiness and capital raising activities with Pacific social enterprises. Pacific RISE identified 22 experienced intermediaries (55% Australian and 45% from US, Singapore, Vietnam and New Zealand) with interest in the Pacific. Intermediaries with experience using a gender lens were also targeted. Pacific RISE funded 22 scoping missions in Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu with 12 of the 22 intermediaries. Some intermediaries focused on specific sectors (creative arts, fisheries, cocoa), although most were sector agnostic.

Intermediaries brought connections to different types of capital including: venture capital, private equity funds, crowdfunds, blended finance models, angel investors, and impact-first funding. Intermediaries used a variety of activities and partnerships to identify Pacific social enterprises, to conduct investment readiness and capital-raising activities which included using accelerators, social enterprise design, one-on-one capacity building support or designing pitch fests. A set of intermediaries specifically designed finance products or models for the Pacific—these intermediaries were considered more likely to work sustainably in the Pacific in the long term.

Pacific RISE provided a range of tools and research to intermediaries to help them understand the Pacific investment market, gender context and navigate the legal and regulatory frameworks, and introductions to networks. Intermediaries and investors viewed this support positively.

2) Fit within existing networks and programming in the Pacific

Pacific RISE partnered with Pacific Trade Invest Australia to help identify investment ready enterprises and to engage with investors, and with the Criterion Institute to provide support to intermediaries and investors with a gender lens focus and engage with global investor networks. Both partnerships were highly valued by Pacific RISE and stakeholders.

Pacific RISE also worked as a broker and introduced intermediaries and investors to a range of Pacific networks to inform their scoping exercises, find enterprises, provide gender advice and cultural context, and provide legal and regulatory advice to invest capital. Pacific RISE helped a range of Pacific networks and organisations develop a better understanding of impact investment and the roles of intermediaries.

As a focus area of capacity building, Pacific RISE provided specialised training in gender-lens investing through the Criterion Institute to intermediaries, investors, donor-funded programs, banks, women’s networks, gender organisations and menstrual health enterprises.

3) Demand: Identifying and building readiness of enterprises

During scoping, intermediaries—with the support of Pacific Trade Invest Australia and Pacific networks—identified and assessed 259 Pacific enterprises. A majority of the enterprises were identified in Fiji, Samoa and Solomon Islands and in the agriculture, agribusiness or food processing sectors in line with investor interest and market growth areas.

Of the 259 enterprises scoped, 35 (14%) were considered to have the potential to move into investment readiness. Enterprises were screened based on their risk profile, and their ability to attract and manage investment. From this, 18 (7%) enterprises received investment readiness support.
Pacific RISE also focused on enterprises and social issues that impact on women in the Pacific and partnered directly with 15 Pacific and regional menstrual health social enterprises to identify market constraints, barriers to investment and proposed a tailored trade finance vehicle could provide capital to enterprises in this market.

Enterprises provided positive feedback as intermediaries understood the importance of the financial performance and health of the enterprise and understood and valued the impact that the enterprise creates. Investment readiness was defined by the intermediaries and the enterprises depending on the type of capital they were seeking. For example, an investment using foreign private equity required a business to restructure their board and update the shareholder registry, whereas an investment from a crowdfunding platform required the intermediary to be pre-vetted and outlined a minimum viable business model for informal enterprises. Investment readiness support from Pacific RISE helped enterprises to apply for bank loans, reflect on strategy, understand their social impact and be informed about a range of new types of finance.

Investors, with Pacific RISE support, invested A$285,000 via equity and debt to 3 enterprises and provided an additional A$50,000 in grants to 3 enterprises.

For every $1 dollar of Pacific RISE grant funding, $1 of investment has been raised through 3 initial investments to date - a conversion rate of 1:1. At June 2019, the remaining 12 enterprises in the investment pipeline are larger size investments, this should increase to 1:5 as this work progresses. Further analysis will be undertaken during the 2nd stage of Pacific RISE to 2021.

4) Supply: Investor engagement

Pacific RISE found that intermediaries required support to engage with investors.

In late 2018, Pacific RISE and the Criterion Institute designed an investor engagement strategy to move capital with a gender lens into the Pacific and to learn about different investors and their motivations and potential to invest in Pacific enterprises. Pacific RISE engaged 56 investors through regular meetings, training sessions on using a gender lens, tool development such as the gender-based violence due diligence tool and capital mapping, and to identify connectors and networks within investor communities to engage further.

Initial activities introduced a range of investors to a Fijian enterprise, supported a New Zealand angel investor network to identify the type of investors who would engage with Pacific enterprises and A$1.5 million in capital was committed from 3 investors to fund a trade finance vehicle to support the purchase of raw materials for menstrual health enterprises.

Early evidence of longer term impact

A Pacific impact investment market is a long-term ambition. There is some early evidence of changes that contribute to longer term impact from Pacific RISE. This includes:

- Intermediaries began to adapt their broader business model to include and strengthen their work in gender-lens investing.
- At least 2 intermediaries were on their way to working sustainably in the Pacific; and 3 require additional time and/or funding but have potential to be sustainable partners for Pacific social enterprises.
- Pacific RISE contributed to a better understanding of social impact and impact investment in the Pacific through the provision of investment readiness support and working with Pacific networks.
- Pacific RISE and Criterion Institute engaged 56 investors to increase investor understanding and interest in Pacific investment opportunities.
Lessons learned

The following lessons are relevant to the design of future initiatives:

Pacific RISE needed to put the Pacific first
Impact investment initiatives should examine which intermediaries and investors are the right fit for the Pacific and engage more with local advisory, local networks and more Pacific investors to create the basis for a Pacific impact investment market.

An impact investment market that truly reflects enterprises in the Pacific should focus on the capital needs of enterprises at different stages, levels of risk, and investment sizes
Many types of social enterprises, at all different stages of development, exist in the Pacific. These enterprises may or may not be suitable for mainstream impact investment models and will have different levels of risk associated.

Pacific enterprises need access to a variety of capital including domestic sources and innovative models that support smaller and/or multiple investments
Pacific enterprises need access flexible capital types: innovative financial instruments, domestic finance and models that allow smaller investments (typically less than A$250,000) to a wider range of enterprises. There should be less emphasis on the type of investor and equity investment as the default; and finance should be based on the needs and interests of the enterprises.

Investment readiness support was missing in the market and has been useful for enterprises
Social enterprises benefited from the investment readiness work of intermediaries and the variety of finance options. This type of business advisory services was otherwise missing from the local market. Building local capacity and providing additional post-investment support will be required to ensure success of investments.

Pacific RISE’s role as a connector and information source was valued
Pacific RISE provided funding, training, tools and support on gender-lens investment, research and information to intermediaries and investors to understand the Pacific, connecting them to networks of investors, intermediaries and enterprises in the process. There are opportunities to improve this role. A gender lens across activities in Pacific RISE has engaged intermediaries and investors and highlighted where investments can have a better outcome for women.

Using local networks in the Pacific in a more meaningful way can build the capacity of investors
Local Pacific networks are valuable not only for identifying opportunities, but for understanding local context, building relationships, providing long-term support to enterprises and building a sustainable market. Pacific enterprises need more than finance—they also need advisory, legal and accounting support, and mentorship. There are existing programs that support these areas, however gaps remain in their understanding of investment, impact investment and the conditions for investment readiness which is a role that Pacific RISE can play.

An opportunity exists to be more strategic and create a legacy in the Pacific
Further time should allow Pacific RISE to build learnings into more strategic activities and build on its current profile in the market.

The future of Pacific RISE

In March and April 2019, Pacific RISE held a range of stakeholder discussions with intermediaries, investors, Pacific networks, core operating partners and Pacific enterprises, and conducted a literature review of Pacific RISE and other programs (reviewing annual reports, annual plans and the mid-term reviews) to inform the creation of these lessons. The review also identified where strengths and work in progress of Pacific RISE could continue to support the strategic objectives of the facility and provided a range of strategic options to support impact investment in the Pacific in future.
1 Introduction

Pacific RISE is a pilot innovation of the Australian Government to demonstrate impact investments in the Pacific and deepen knowledge about the investment process and the Pacific investment ecosystem.

Established in 2016, Pacific RISE works with investors and intermediaries to promote interest in the Pacific and in investment opportunities that have both a social and financial return. Pacific RISE identifies investment opportunities in a range of Pacific enterprises and works with enterprises to access investor deal flows.

Pacific RISE focused on accessing the growing global impact investment market from 2016-2019. Globally, impact investment has grown rapidly, however, Pacific island countries are not seeing similar levels of growth relative to this trend. For impact investors, the Pacific is an opportunity to enter new territory and contribute to a range of social impact initiatives in areas such as climate change adaptation, agriculture supply chains and tourism.

Philanthropy and grants are a large part of how social impacts were achieved in the Pacific to date. Impact investing, however, creates opportunities to partner other forms of capital and create blended finance solutions. Enterprises regularly tackle social and environmental issues in the course of their operations and the Pacific is fertile ground for innovative ideas.

1.1 Goal and long-term outcomes

A$5 million investment into the Pacific

Pacific RISE’s initial goal was to leverage at least A$5 million of new private investment capital into the Pacific by June 2019 and promote greater investment into social enterprises that deliver women’s economic empowerment. Following the mid-term review in 2019 the goal was updated to A$10 million and the program extended to July 2021.

The long-term program outcomes are to:

1. create and strengthen relationships between Pacific enterprises and impact investors
2. increase long-term investment in Pacific enterprises by private investors, including investors that understand the value of investing in women’s enterprises
3. increase social impact and growth of Pacific enterprises by securing investment
4. improve economic outcomes for women in the Pacific by improving the capacity for gender-lens investing, creating income earning opportunities and/or improving services.

1.2 Design and request for initiative 2016

The Ministerial Statement to promote private sector led growth informed the initial design

In 2015, the Australian Government released the Creating Shared Value Through Partnership, a ministerial statement on engaging the private sector in aid and development. All new investments in aid and development would explore innovative ways to promote private sector led growth in achieving development outcomes. Coffey International Development, with impact investment intermediary Social Outcomes, designed the Pacific RISE program in response to this Ministerial Statement.
The design process involved consultations with investors, intermediaries, DFAT funded programs, Pacific networks and DFAT officers. It found a demonstration of potential investments—a pipeline—was needed to entice investors to place capital. Subsidising intermediaries to enter the Pacific market, work with enterprises to become investment ready, and seek capital from investors were the recommendations of the design process.

The Initial Design Document was submitted on 31 July 2016 and Pacific RISE commenced implementation in August 2016.

1.3 Relevance of Pacific RISE

Alignment with Australian Government foreign policy objectives

The Pacific RISE goal and long-term outcomes align with Australia’s national interests and are consistent with the Australian Foreign Policy White Paper 2017 and the DFAT Pacific Regional Aid Investment Plan 2018. An independent mid-term review in September 2018 verified this.

Pacific island countries rely on external sources of investment for much of their capital formation. Currently, capital inflows are relatively small, except for Papua New Guinea where there is investment in large resource projects. In addition, the structure of capital and the type of intermediaries engaged effects how capital flows. Consequently, there are gaps in access to finance for small and medium-size Pacific enterprises and particularly those operated by, and impacting on, women.

These contextual conditions suggest the primary goal of Pacific RISE to leverage at least A$5 million of private investment capital into the Pacific and outcomes, remains relevant.

1.4 Implementation

Pacific RISE provided knowledge, tools and funding to intermediaries and investors to seek and assess investment opportunities and through intermediaries to provide investment readiness support to Pacific enterprises to raise capital. Through its activities, Pacific RISE worked on both the supply side (capital providers/investors) and demand side (building investment ready pipeline).

In partnership with the Criterion Institute—a US think tank specialised in gender-lens investing—Pacific RISE incorporated a gender-lens investing approach to create better investments in the Pacific and improve outcomes for women. This included supporting intermediaries and investors to use a gender lens in scoping, selecting enterprises, evaluating investment readiness, due diligence, enterprise support and measuring outcomes.

Pacific RISE operated in 4 areas with different stakeholders:

1. Working with intermediaries

   Pacific RISE worked with impact investment intermediaries, identifying those with strong experience in impact investment, gender and/or the Pacific and incentivising them to enter into the Pacific market. The intermediary’s role is to build the capability of social enterprises so they are ready to receive capital, and to connect enterprises and investors. Intermediaries act either on the supply side—to develop a pipeline for a fund—or the demand side—preparing enterprises for investment.

2. Fit within existing networks and programming in the Pacific

   Pacific RISE acted as a broker and convenor between investors and intermediaries and Pacific networks and enterprises.
3. **Demand: Identifying and building readiness of enterprises**

   Given the early stage of the impact investment industry in the Pacific, Pacific RISE acted as a broker, introducing intermediaries and investors to social enterprises.

4. **Supply: Investor engagement**

   Pacific RISE identified a network of investors and conducted baseline interviews to understand which investors are investing in the Pacific and which have an interest in the Pacific and the work of Pacific RISE. This network of investors formed the basis for the investor working group which commenced in 2019 and the investor engagement process conducted prior to this.

Pacific RISE focused on the core function of the investment market—stimulating and subsidising the demand for capital from enterprises (and for impact investment this meant enterprises with a social intent or ‘social enterprises’) and supply of capital from investors. Pacific RISE and intermediaries performed a variety of support functions and fostered the rules and norms as per Figure 1 that are needed in a functioning impact investment market. This included provision of advice on the legal and regulatory frameworks, support to understand the Pacific context through partnerships with networks and gender-focused organisations, and funds for intermediaries to undertake enterprise support, brokerage and impact measurement.

Figure 1: Core and support functions of impact investment market
Pacific RISE was implemented as a learning program to increase knowledge on investing in the Pacific

Pacific RISE was designed to increase knowledge of impact investing in the Pacific for DFAT and for the Pacific. As well as the movement of funds and services between actors, information was shared in the following ways and tracked through the Pacific RISE monitoring system:

- Pacific RISE advised and provided brokering services to investors and intermediaries
- Pacific RISE and Pacific Trade Invest Australia introduced intermediaries to Pacific enterprises, business networks and gender organisations and to DFAT
- Pacific RISE, with other DFAT investments, identified and developed a pipeline of investable opportunities to attract capital to the Pacific
- Pacific RISE established an Approval Committee that was succeeded by an Investment Committee in mid-2018 and informed by a Technical Advisory Group. Both mechanisms included Pacific regional and investment expertise to make informed support decisions.
- Pacific RISE and Criterion Institute developed tools to support using a gender lens in evaluating investment readiness and understanding the impact of gender-based violence on investments
- Pacific RISE developed research to understand and navigate the Pacific investment context and uncover domestic Pacific sources of capital.

After enterprises take on investment:

- Pacific RISE should support intermediaries to collect data from enterprises and target populations and monitor and evaluate the social impacts from any investment
- Pacific RISE should demonstrate how impact investment can occur in the Pacific and will share information on how this happens.

Figure 2 shows the actors involved with Pacific RISE and how they interacted.

Figure 2: Pacific RISE actors and interactions
2 Setting the scene: The Pacific impact investment market

Despite the important role of investment in the Pacific and the range of capital available, there are significant barriers to investing in the Pacific

Investment for economic and/or social impact, plays an important role in Pacific island countries. External sources of finance are particularly important for capital formation and the potential to contribute to economic development.

Pacific island countries face barriers to attracting foreign investment including the limitation of domestic finance, limited resources and low growth markets and geographic isolation. There are also particular policy barriers to investment including discrimination against foreign investors and institutional weakness that impede both domestic and foreign investment.2

Foreign investment has been found to perform relatively poorly in stimulating economic growth in the Pacific.3 Individual Pacific island countries face different challenges in increasing private sector investment, but there are often common causes: top-heavy and inefficient state-owned enterprises, comparatively poor infrastructure, and a labour force with insufficient capacity for innovation and enterprise. Other issues facing both investors and enterprises include inefficient state-owned enterprises, comparatively poor civil infrastructure (roads, electricity, water and sanitation), and a limited labour force including low levels of human capital and innovation capacity.4 Political stability in some countries is also a risk foreign investors keenly feel and the bureaucracy and cost involved in capital transfers in and out of country are also a strong disincentive.

Frontier Innovators (2017) and the Asian Development Bank (ADB) Business Investment Facility design and program reports (2015–2017) note that:

* the logistical constraints, coupled with an increasingly precarious climate, fragile enterprise environment, and human resource constraints, mean that:
  * pathways to scale are slower or growth potential is limited,
  * the risk profile of the majority of investments is relatively high,
  * investment cash flow returns are relatively low, and take several years to be realized, and
  * profitable exits can be difficult in the small Pacific economies.

These factors exist in the Pacific but there are signs of progress. Pacific governments are working to make their business environments more attractive to foreign investors.5 A range of reforms to the regulatory and policy environments infrastructure financing, climate resilience, government efficiency and private sector investment are underway in many countries with support from a range of donors. National governments are also designing programs to support small-medium enterprise growth and to improve conditions for investment and doing business in their economies.

Impact investment is a US$500 billion global pool of underinvested capital

Impact investment is a subset of the global investment market and GIIN estimated that the market is worth over US$500 billion in assets under management as at April 2019.6 Much of this global pool of finance is invested in climate bonds and a growing number of alternative investments in sustainable

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5 Milne et al
agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education. The impact investment market offers opportunities for investors to have an impact on social and environmental issues, generate a financial return, and partner with other sources of finance—particularly government.

Capital can be provided in several forms including via secured loans, unsecured loans, social impact bonds, quasi-equity and equity. Private sector investment can be partnered with direct grants in the early stages of enterprise development; however, there is an ongoing role for philanthropy to enable blended returns to investors. Whereas institutional investors have a fiduciary duty to deliver market returns to their shareholders and to enable their participation, philanthropic foundations and trusts may co-invest to allow for lower returns, shown in Figure 3.

**Figure 3: Spectrum of impact investment types**

![Impact Investing Spectrum](image)

The Australian impact investment market is in early stages of development and lacks the infrastructure to organise investors. Insurance and superannuation funds are the 'first movers' in impact investment in Australia. Many of the Australian impact investment products require a market rate of return and are structured not dissimilarly to traditional finance. Other countries such as the United States have a large philanthropic sector recruited into impact investment and use philanthropic contributions to offer lower cost or no cost investments.

In addition, 'impact-first' funds are being established. These are funds that prioritise social impact and set an expectation on financial return that may be below market rate. These funds can be established by charitable organisations such as NGOs that redirect their donations to investment, for example. World Vision and Care International designed and are testing impact first funds focused on South and South East Asia. Impact-first funds ensure that the social outcomes they and their asset holders expect are at the forefront of the investment decision and can also partner with other forms of finance in an impact investment opportunity.

Impact investors see potential in partnerships with government and donors. Given the funding is seeking similar outcomes, there is opportunity to collaborate. This led to the creation of new forms of finance, such as social or development impact bonds and guarantee structures.

Investors claim there are insufficient social impact or impact investments to invest in given the size of capital that is available and the high cost of developing this pipeline. Investors expressed their value for the range of investment ready products Pacific RISE created to test different risk and return profiles. However, there is also a mismatch between the type of businesses (scale and maturity) that are prevalent in the Pacific compared to the expectations of investors financial and social return profiles.

7 [www.impactinvestingaustralia.com](http://www.impactinvestingaustralia.com)
The need for traditional wealth managers to find gender-lens investing products for their clients is driving the emerging and growing market of gender-lens investing globally. Using a gender lens during the investment process alongside a financial analysis allows investors to assess the gender risk and opportunity in the investment more clearly. This also contributes to improving the impact of the investment.

**A map to identify capital sources and movement for the Pacific**

Pacific RISE, in partnership with Criterion Institute and Brightlight Advisory, designed a capital mapping project to understand what capital was available, who was providing it, what their intentions were, and how capital was moving. The map was designed in 2019 to identify new sources of capital that could be used in impact investment and how capital could move more productively (e.g. blended finance solutions).

Literature reviews, stakeholder consultations and a roundtable discussion with domestic and foreign investors informed the creation of the map. Stakeholders indicated that *why* and *how* capital moves was more important to them to understand than the volume that moved. It was noted that volumes can change, but the players on the map and the reasons they move money are less likely to change over time.

As the map was developed, it identified a range of different capital flows. The process identified the asset holders, intermediary, finance structures, processes that are used to move capital, enterprises receiving capital and economic activity underpinning the flow.

Broadly the map showed that capital volume is not an issue, there is plenty of capital flowing in and throughout the Pacific. There is lack of capital structures for innovative finance and despite asset holders desiring a social impact for their capital, there are few impact investments. Intermediaries provide either grants without investment for social impact or investment, without a social focus, primarily to national governments or large corporations. The capital map showed that:

**Asset holders seek social impact.** A majority of asset holders moving money (e.g. Pacific islanders investing and remitting capital, foreign governments, large corporations, development banks and global people giving money) have both a social and economic intent for moving capital, although the social impact is often highly targeted, often at a family, village or district level.

**There are a number of intermediaries moving capital.** Most of the capital is moving through formal intermediaries using formal structures with only an economic intent (e.g. banks, provident and sovereign wealth funds, multi-lateral banks). These intermediaries have limited reach and are often under-invested due to high minimum investment thresholds, requirements to invest in fund structures or large formal enterprises, limited sectors, need for market rate returns and complex application forms which create barriers to investment.

The remaining capital flows in smaller amounts through non-traditional organisations—usually from many asset holders to many enterprises (many to many distribution systems)—including charitable giving through NGOs, crowd funding, churches, corporate social responsibility and personal remittances. These intermediaries often only have a social intent. These intermediaries have broad reach and are able to provide money in more flexible ways through different vehicles and instruments to different sectors and both the formal and informal sectors.

**Most capital is formal and seeking investment returns.** Therefore, it is invested in safe investments such as property, infrastructure, larger enterprises, cash or land. There is a large amount of capital available to large enterprises from a range of intermediaries (banks, multilateral, trusts, donor funding and NGO funding). There is a major gap in financing for small-medium enterprises with a lack of accessible loan products, complex applications and requirements and a lack of recognition of assets to use as collateral. Investors note the high cost associated with investing in smaller enterprises limit
returns and therefore create disincentives to investing. Investors were interested in the potential to design products that aggregates investment in a number of smaller enterprises which can reduce costs and lower risk to investors. The map noted large numbers of small transactions transferring capital to Pacific people and to community organisations through intermediaries from different funding sources (thousands of people remitting funds that can be gifts or investment motivated, multiple different types of grants from donors, NGOs and church groups).

The mapping exercise revealed that there is significant capital available in the Pacific and much of this could be invested for impact but many intermediaries do not have an impact investing mandate and non-traditional intermediaries do not have an investing mandate. It showed that asset holders want to see investment for a social return, therefore the pipeline of investment ready opportunities Pacific RISE developed is highly relevant. There is also potential in examining: how Pacific traditional intermediaries (such as provident and investment funds) could be more socially-motivated and how non-traditional intermediaries (such as NGOs and churches) could be more investment motivated. Changing the way intermediaries operate could change the market. This could be a future focus of Pacific RISE’s investor engagement to capitalise on Pacific RISE’s work in creating investment opportunities on the demand side.

**Case study: NASFUND members invest for social impact but not through NASFUND**

NASFUND is a Papua New Guinean wealth fund that provides superannuation for the private sector and represents over 550,000 members who work for over 2,500 employers. This represents the majority of the formal sector.

NASFUND invests to maximise risk-adjusted returns and is predominantly investing in domestic commercial property, domestic banking and finance, and domestic companies. They have a strategic target of 30% offshore assets (currently at 15% due to PNG’s tight currency restrictions) with offshore investments predominantly in Australia and Pacific (NASFUND has part ownership in hotels in Fiji and Solomon Islands).

NASFUND members are average middle class, white collar Papua New Guinean people with a large subset of high net-worth individuals who are directors of landowner companies and who invest for social impact mostly through larger NGOs in PNG. Given that high net-worth individuals’ personal impact investing performed poorly previously, an aggregated impact investment platform, or an impact fund with a strong track record, could present a valid market opportunity for individuals with investible assets.
Achievements in 2016–2019

This section outlines what Pacific RISE achieved against its goal and long-term outcomes and in the 4 areas it operated. Key insights from Pacific RISE’s work in this period are highlighted in boxes that inform the broader lessons from Pacific RISE that are discussed in Section 6: Lessons learned.

Pacific RISE reached A$285,000 of the A$5 million program goal with A$9.6 million of potential investment in stages of investment readiness support and capital raising

As of June 2019, Pacific RISE achieved A$285,000 in investment, which is 5% of the initial target. Based on ongoing investment readiness work, there is the potential for up to A$9.6m of investment (196% of target) of additional investment to be placed over the next 6–12 months.

Over half of the A$9.6m relates to a single, high-risk investment in a commercial laundry in Fiji. Aside from this investment—the average investment size is A$595,000 and investments raising capital are either:

- Large scale investments in a small number of mature and growth stage social enterprises (typically A$250,000–750,000). The investment usually to be a combination of local debt and or equity that will result in employment or additional supply to smallholders (e.g. coconuts, coffee).

- Smaller investments in a large number of early stage or informal small to medium enterprises either through guaranteed local bank debt finance or Kiva crowdfunding that supply to an aggregator enterprise (typically A$10,000–50,000 per enterprise) that have a large impact on the enterprise and their supply networks.

Pacific RISE’s design set four long-term outcomes. Aside from the first goal (creating and strengthening relationships), they are more at the impact level than outcomes and unlikely to be realised within the pilot period.

1. **Create and strengthen relationships between Pacific enterprises and impact investors:** Pacific RISE focused on working with intermediaries who held a relationship between enterprises and investors. While relationships between Pacific enterprises and intermediaries were strengthened, Pacific RISE only increased efforts to engage investors directly in 2019 following the development of initial investment opportunities. Pacific RISE learned that Pacific enterprises require many different types of finance, and so working with a variety of investors (local, foreign, commercial, private, and philanthropic, etc.) is required.

2. **Increase long-term investment in Pacific enterprises by private investors, including investors that understand the value of investing in women’s enterprises:** As Pacific RISE experienced, materialising demonstration investments in the Pacific is slow. Pacific RISE expects that any long-term attributable increases in investment would only be evident after a significant portfolio of investments is made as a demonstration, and it continues to support investor engagement and education.

3. **Increase social outcomes and growth of Pacific enterprises by securing investment:** This relies on investments being made and at least 1–2 years of investment implementation to realise and capture growth. It is therefore too early to attribute.

4. **Improve economic outcomes for women in the Pacific by improving the capacity for gender-lens investing, creating income earning opportunities and/or improving services:** This relies on investments being made and 1–2 years of investment implementation to realise and capture changes. It is therefore too early to attribute.
3.1 Working with intermediaries

Pacific RISE identified a large number of different intermediary models across multiple countries and sectors. Pacific RISE pre-selected intermediary partners based on their experience in impact investment, closing deals and supporting investment in developing contexts, with preference given to those with Pacific experience. Pacific RISE identified 22 intermediaries eligible to apply to Pacific RISE,\(^8\) as listed in Table 1. Twelve of these intermediaries successfully applied for and received funding for scoping.\(^9\) Of these 22, 12 intermediaries (55%) had previous Pacific experience.

The intermediaries were self-selected. Thus, Pacific RISE was only able to work with and test the existing business models of the intermediaries that were interested in exploring work in the Pacific, or were already working in the Pacific. Most of the intermediaries were Australian-based (55%), with the others spread between New Zealand (10%), Vietnam (5%), Singapore (5%) and the United States (25%). None were Pacific intermediaries as the selection criteria prioritised those with experience in impact investment including previously closing deals.

As of June 2019, 12 intermediaries undertook 22 scoping missions, costing a total of A$1,570,250 in Pacific RISE funding. Countries scoped included: Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu as per Figure 4 and Table 2. While some scoping work was sector focused (creative arts, fisheries, cocoa), most were sector agnostic.

Figure 4: Number of times countries were included in scoping or investment readiness work

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\(^8\) Another 7 intermediaries were not eligible as they were not intending to operate in the Pacific or did not have sufficient experience in impact investment or closing deals.

\(^9\) Five of the eligible intermediaries were not successful in scoping applications as their proposals were too broad, had limited understanding of the Pacific or were not sufficiently linked to capital.
Table 1: Overview of Pacific RISE eligible intermediaries as at 2019

<table>
<thead>
<tr>
<th>No.</th>
<th>Intermediary name</th>
<th>Location</th>
<th>Type</th>
<th>Skills</th>
<th>Attended Pacific RISE funded Toolkit training</th>
<th>Approved and completed scoping work in Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Impact investment</td>
<td>Gender</td>
<td>Pacific</td>
</tr>
<tr>
<td>1</td>
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<td>New Zealand</td>
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<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2</td>
<td>Development Ventures</td>
<td>US</td>
<td>Demand side</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>3</td>
<td>Enterprise Angels</td>
<td>New Zealand</td>
<td>Supply side</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>4</td>
<td>Feed the Hunger</td>
<td>US</td>
<td>Supply side</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>5</td>
<td>Good Return</td>
<td>Australia</td>
<td>Both supply and demand</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>6</td>
<td>Hatched.io</td>
<td>Australia</td>
<td>Demand side</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Impact Academy</td>
<td>Australia</td>
<td>Demand side</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>IIX</td>
<td>Singapore</td>
<td>Both supply and demand</td>
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<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>9</td>
<td>Lotus Impact</td>
<td>Vietnam</td>
<td>Both supply and demand</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>One 10 Ventures</td>
<td>Australia</td>
<td>Demand side</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>REAL Pacific Impact</td>
<td>Australia</td>
<td>Demand side</td>
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<td>✓</td>
<td>✓</td>
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<td>12</td>
<td>Social Impact Hub</td>
<td>Australia</td>
<td>Demand side</td>
<td>✓</td>
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<td></td>
</tr>
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<td>13</td>
<td>Social Outcomes</td>
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<td>Demand side</td>
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<td>✓</td>
<td>✓</td>
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<td>14</td>
<td>Spark Strategy</td>
<td>Australia</td>
<td>Demand side</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>15</td>
<td>TDi</td>
<td>Australia</td>
<td>Demand side</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>16</td>
<td>Wise Foundation</td>
<td>Australia</td>
<td>Supply side</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>17</td>
<td>YGAP</td>
<td>Australia</td>
<td>Both supply and demand</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Eligible intermediaries that did not apply to Pacific RISE**

<table>
<thead>
<tr>
<th>No.</th>
<th>Intermediary name</th>
<th>Location</th>
<th>Type</th>
<th>Skills</th>
<th>Attended Pacific RISE funded Toolkit training</th>
<th>Approved and completed scoping work in Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>Fish X</td>
<td>US</td>
<td>Demand side</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>19</td>
<td>Monica Jain Consulting</td>
<td>US</td>
<td>Demand side</td>
<td>✓</td>
<td>✓</td>
<td></td>
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<tr>
<td>20</td>
<td>Palladium</td>
<td>Australia (global programs)</td>
<td>Demand side</td>
<td>✓</td>
<td>✓</td>
<td></td>
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<tr>
<td>21</td>
<td>Unreasonable Institute</td>
<td>US (global programs)</td>
<td>Demand side</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Village Capital</td>
<td>US (global programs)</td>
<td>Demand side</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

<sup>10</sup> Unreasonable Institute and Village Capital attended Toolkit training at their own cost.
Table 2: Outline of the scoping missions Pacific RISE funded in 2015–2019

<table>
<thead>
<tr>
<th>Pilot: 2015</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TDi</td>
<td>Fiji</td>
</tr>
<tr>
<td>2</td>
<td>Social Outcomes and Wise Foundation</td>
<td>Samoa</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Round 1: 2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>IIX</td>
<td>Fiji</td>
</tr>
<tr>
<td>4</td>
<td>Feed the Hunger Foundation</td>
<td>Fiji, Samoa, Vanuatu</td>
</tr>
<tr>
<td>5</td>
<td>Lotus Impact</td>
<td>Vanuatu</td>
</tr>
<tr>
<td>6</td>
<td>Real Pacific Impact</td>
<td>Fiji, Solomon Islands, Vanuatu</td>
</tr>
<tr>
<td>7</td>
<td>Social Outcomes</td>
<td>Papua New Guinea</td>
</tr>
<tr>
<td>8</td>
<td>TDi</td>
<td>Vanuatu</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Round 2: 2017</th>
<th></th>
<th></th>
</tr>
</thead>
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<tr>
<td>9</td>
<td>Spark Strategy</td>
<td>Solomon Islands</td>
</tr>
<tr>
<td>10</td>
<td>Social Outcomes</td>
<td>Fiji</td>
</tr>
<tr>
<td>11</td>
<td>Social Outcomes</td>
<td>Papua New Guinea</td>
</tr>
<tr>
<td>12</td>
<td>Akina Foundation</td>
<td>Solomon Islands</td>
</tr>
<tr>
<td>13</td>
<td>Good Return</td>
<td>Solomon Islands</td>
</tr>
<tr>
<td>14</td>
<td>TDi</td>
<td>Samoa</td>
</tr>
<tr>
<td>15</td>
<td>Lotus Impact</td>
<td>Fiji</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Round 3: 2016</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>TDi</td>
<td>Fiji &amp; Vanuatu</td>
</tr>
<tr>
<td>17</td>
<td>YGAP</td>
<td>Fiji, Samoa, Solomon Islands, Papua New Guinea</td>
</tr>
<tr>
<td>18</td>
<td>Enterprise Angels</td>
<td>Samoa</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Round 4: 2017</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>TDi</td>
<td>Fiji</td>
</tr>
<tr>
<td>20</td>
<td>Good Return</td>
<td>Solomon Islands, Tonga</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Round 5: 2019</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>TDi and Enterprise Angels</td>
<td>Samoa</td>
</tr>
<tr>
<td>22</td>
<td>Good Return</td>
<td>Tonga, Papua New Guinea</td>
</tr>
</tbody>
</table>
As of June 2019, Pacific RISE received 13 investment readiness applications from 8 different intermediaries. The Investment Committee\(^\text{11}\) approved 8 investment readiness applications, totalling A$1,429,894 in Pacific RISE funding (see Table 6 for more detail). Investment readiness is being implemented in Fiji, Papua New Guinea, Solomon Islands, Tonga, and Vanuatu.

**Pacific RISE introduced a variety of intermediaries that use different models and different types of capital for impact investment in the Pacific**

Pacific RISE partnered with intermediaries that connect to different types of capital including venture capital (Lotus), private equity funds (TDi), crowdfunding (Kiva), blended finance (Good Return), angel investors (Enterprise Angels), impact first funding (YGAP) and those that provide a range of different types of capital such as IIX or Social Outcomes—usually consulting groups focused on building impact investment products.

As intermediaries worked on Pacific RISE, they were introduced to other intermediaries that had access to different types of capital and partnerships formed. For example, Enterprise Angels is working with TDi alongside a Pacific diaspora network, Pacific Enterprise and Sports Entrepreneur supported by Pacific Trade Invest Australia. These partnerships aligned when supply and demand-side intermediaries partnered.

Intermediaries also used a range of different models to provide investment readiness and capital raising activities including one-on-one mentorship and support, accelerators, pitch-events and social enterprise development. These provided lessons on how well each model developed relationships, raised capital and secured investment.

Intermediaries that had or created a presence in the Pacific—either through their own organisations or through partnerships with Pacific networks—were more likely to design a new finance product or approach.

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\(^{11}\) The Investment Committee included DFAT, Coffey International and 1 technical advisory position from Pacific Trade Invest Australia and 1 from Benefit Capital.
Case study: How Pacific RISE intermediaries designed specific finance products for the Pacific

**YHER designed a Pacific accelerator to consider the specifics of the Pacific ecosystem.** YGAP adapted their YHER accelerator program for the Pacific to consider the cultural, social and other influences affecting entrepreneurship. YGAP recruited local staff and Australia-based Pacific islanders to facilitate the accelerator and undertook research to map the social entrepreneurial ecosystem of the Pacific.

**Real Impact became a Kiva intermediary to facilitate finance for creative arts.** Real Impact partnered directly with community-based creative arts enterprises to provide capacity building and technical support on design, finance as an intermediary for Kiva funding in the Pacific and a market for products created.

**Good Return designed a social impact product for the Pacific.** Good Return established a long-term impact investment project targeting firstly Solomon Islands with the intention to scale up across the Pacific. Good Return designed a social impact investment model product—a guarantee on local bank credit facilities—based on feedback from Pacific enterprises and examining the finance needs of small-scale farmers. The approach leverages Australian capital through funds from private ancillary funds to guarantee local bank loans gives the following key advantages:

- It provides high leverage on funding. From a raised amount of A$20,000, they can leverage up to A$100,000 in debt funding for the enterprise.
- It stimulates local banks to invest in local enterprises, promoting sustainable financing for small to medium enterprises long-term.
- It facilitates a conducive relationship between the entrepreneur and the bank, enhancing the possibility of continuing engagement after Good Return funding (sustainability and multiplier effect).
The type of capital, its size and speed all played a role in the type of relationship formed between enterprises and intermediaries. For example, TDi initially developed a pipeline of opportunity in the Pacific for private equity, however, they have diversified to seek new forms of capital and have undertaken a range of investor engagement activities.

Intermediaries that had an impact-first focus, such as IIX and Social Outcomes, were more open to different types of enterprises as long as they created social impact and provided a range of capital options. Social Outcomes formed a partnership with a Fijian enterprise and NGO to design an enterprise providing a range of water and sanitation solutions to Fiji including a commercial laundry. This involved engagement with a range of different types of investors and capital types.

While only telling in the long term, early evidence indicates that at least two (IIX, YGAP) intermediaries are on their way to work sustainably in the Pacific having secured additional funding to continue their work. Three intermediaries (Good Return, Real Impact, Enterprise Angels) require additional time and/or funding to prove out their models but show potential to be sustainable partners for Pacific social enterprises.

**Key insight:** Intermediaries with an understanding of and access to a range of different types of capital were more likely to design Pacific-specific financial products and are more likely to be sustainable post-Pacific RISE.

Pacific RISE provided tools and research to intermediaries to help them understand the Pacific investment market, gender context and navigate legal and regulatory frameworks

Pacific RISE provided tools to engage investors such as the investment thesis12, research to map the types of capital flowing in and around the Pacific, gender analysis research and introductions to a range of Pacific gender organisations that were able to provide specific advice.

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12 Pacific RISE Investment Thesis 2018 available at [www.pacificrise.org](http://www.pacificrise.org)
Case study: Using a gender lens to find the investors for Essence of Fiji

When intermediary TDI completed investment readiness work with Fijian enterprise Essence of Fiji, they explored several investment options including equity, a local joint venture and debt from a local bank. The investment needed to feel right for owner and founder, Debra Sandraud. Debra is very dedicated to the company’s social mission and is seeking investors who also care about that mission and are dedicated to the impact that the company creates for Fijian women.

While there was interest from Kontiki Capital (venture capital fund in Fiji) and a young Australian entrepreneur, TDI also began testing an idea of seeking investment from ‘unconventional’ sources. TDI thought about what types of investors would be interested in becoming part of Essence of Fiji’s story. It looked at gathering a group of women investors who want to be part of Essence’s journey and possess a passion for women’s economic empowerment. TDI brainstormed a few potential investors including:

- Debra’s network of Spa Academy alumni, some of whom have gone on to start their own enterprise in New Zealand and Australia
- enterprise women and philanthropists in spa and wellness
- Pacific enterprise women in spa and wellness and/or related areas
- women consumers
- angel investors from Enterprise Angels network in New Zealand.

Debra was very excited by this unconventional thinking, as she wanted to find an investor who understood Essence of Fiji’s model and was not purely revenue driven. This work sourced at least 4 finance options for Debra’s enterprise although the prospect of local debt and a local joint venture was more appealing for Debra.
Examples of where Pacific RISE supported intermediaries:

- Pacific RISE worked to understand the core skills and capacity gaps in intermediaries, particularly regarding access to different sources of capital and in their understanding of the Pacific legal and regulatory environment. To address these capacity gaps, Pacific RISE developed internally-managed work plans to support intermediaries with investor engagement, gender-lens investing and communications.

- Pacific RISE undertook a number of strategic partnerships with Pacific networks including Australian Enterprise Volunteers and Pacific Trade Invest Australia to provide additional support to intermediaries as they proceeded, which intermediaries valued highly. Both organisations since instituted impact investment activities within their core activities.

- Pacific RISE used its limited resources in communications to promote the work of the program and the work of intermediaries in the Pacific. The aim was to generate investor interest in the Pacific and in the work of Pacific RISE, as well as informing stakeholders of development networks, Pacific business networks and DFAT on Pacific RISE and impact investment. Tools to achieve this included featuring Pacific RISE work in global investment blogs such as Impact Alpha; promoting Pacific RISE activities through case studies, e-newsletters and blogs distributed through the website and to over 200 stakeholders; and using social media to promote Pacific RISE with key influence partners such as IIX, TDi, Criterion Institute and DFAT.

- Pacific RISE worked with the Criterion Institute to support intermediaries in using a gender lens in scoping, selecting enterprises, investment readiness, due diligence, enterprise support and measuring outcomes. This led to some intermediaries changing how they see value in enterprises that impact women’s economic empowerment and the market overall. A gender lens also uncovered the hidden value of markets where women in the Pacific predominantly participate, as well as looking at social issues affecting women such as gender-based violence. While the impacts of investments made under Pacific RISE will only be evident in the medium to long term, Pacific RISE still believes that applying a gender lens will promote greater investment in enterprises that deliver women’s economic empowerment.

**Key insight:** The role that Pacific RISE played as facilitator to introduce intermediaries to high-quality networks that were found in the Pacific was useful and resulted in a number of longer-term relationships. This also influenced Pacific networks to contribute to the impact investment market outside of Pacific RISE.

**Key insight:** Using a gender lens helped intermediaries to identify investment opportunities in under-valued markets like menstrual health and creative arts.
Intermediaries provided insights into the constraints and opportunities for impact investment in the Pacific

Pacific RISE invested in scoping work with intermediaries to learn about the operating environment for impact investing in the Pacific. It also enabled Pacific RISE to provide more support and tools to inform stakeholders. The scoping found that:

- Impact intermediaries and investors had limited understanding of the role that domestic capital plays in investing with impact. Impact investment as a market is relatively new and while much Pacific capital flows to create social impact, it is not considered an ‘impact investment’. Investors were keen to partner foreign and domestic capital, seeing this as an opportunity to invest with a partner on the ground who could play a mediation role if needed and provide local context. Pacific RISE, in partnership with Brightlight Advisory, mapped capital within the Pacific and identified both foreign and domestic capital flows and their intent to support intermediaries.

- Many of the sectors that intermediaries targeted with investment potentially have supply chains that cross into the informal sector. Constraints within the informal sector can create challenges for investment opportunities. Constraints include: limited enterprise literacy; infrastructure constraints (such as low levels of connectivity), high logistical costs, access to market; use and availability of market information; and the role of intellectual property in traditional knowledge and expressions of culture. Pacific RISE explored more structured research with investors into ways of investing in the informal markets, learning from other contexts.

- A number of intermediaries had limited networks in the Pacific. Pacific RISE provided introductions to networks and incentives for intermediaries to partner with local organisations. Some intermediaries took steps to build the capacity of local advisory services, but more can be done.

- While regulatory and legal barriers are often cited as constraints to impact investing in the Pacific, few examples are given as to what specific aspects and in which countries are constraining investment activity. It is unclear through intermediary reporting whether the regulatory and legal frameworks have been thoroughly evaluated. Pacific RISE commissioned research on the legal and regulatory environments to share with intermediaries and investors.

Key insight: Pacific RISE worked as a knowledge broker. Intermediaries participated in the development of these knowledge products and in many cases will use and benefit from their development.  

Key insight: There is the need for additional support to local Pacific intermediaries and a better understanding of their skills and capacity.

Case study: Pacific RISE develops tools to help intermediaries navigate the legal and regulatory frameworks

In 2019, Pacific RISE commissioned research into the policy, legal and regulatory framework relevant to moving capital in the Pacific and identifying enablers who can support moving capital. Where barriers exist, the research identifies how to navigate these barriers and who can support in order to create a useful document for financial intermediaries and an overview of relevant partners.
3.2 Fit with existing networks and programming in the Pacific

Pacific RISE initially planned to identify and introduce intermediaries directly to enterprises in the Pacific. Given the early stage of the investment market in the Pacific and the considerable number of existing high-quality networks in the Pacific, from 2018, Pacific RISE instead focused on a role as a broker and introduced intermediaries and investors to Pacific networks that could inform their scoping, find enterprises, provide gender advice and cultural context and learn how to invest capital.

This included networks such as Pacific Trade Invest Australia, business councils, DFAT posts, Market Development Facility, Strongim Bisnis, Pacific Horticultural and Agricultural Market Access Program (PHAMA), Australian Enterprise Volunteers, other intermediaries, gender networks and organisations in the Pacific (see Table 3).

Intermediaries engaged with a range of networks. For example, Good Return used enterprise referrals from Pacific Trade Invest, PHAMA, Strongim Bisnis and the Solomon Island Rural Development Program; and TDi leveraged the work Market Development Facility and Pacific Women in investment readiness for Essence of Fiji.

Pacific RISE played a facilitation role to brief organisations on what impact investment is, what Pacific RISE does and to introduce intermediaries to these networks. Intermediaries, particularly those with experience in the Pacific or those looking at a particular sector for investment, also used their own networks and uncovered variety of networks including those from home countries and the Pacific (see Table 4). Intermediaries with a specific sector focus were able to go deeper in uncovering new networks; and supply side intermediaries (those with connections to capital) often used other investors and investor networks to inform their work. Intermediaries consistently noted the complementary work of Pacific Trade Invest Australia and their ability to provide external facilitation, a high level of in country support, introductions to investors and an understanding of the Pacific enterprise environment. Pacific Trade Invest Australia and their Pacific network were able to provide support navigating the legal and regulatory environments in country and had high-level contacts to support investment. Pacific Trade Invest Australia also developed an impact investment stream within their work plan for the Pacific.

Pacific networks used the time with intermediaries to improve their understanding of impact investment in the Pacific. Both Market Development Facility and Strongim Bisnis are now undertaking activities to complement impact investment and Pacific RISE.

Finally, Pacific RISE used a gender lens to identify the need to strengthen Pacific gender organisations as partners for intermediaries in the scoping and investment readiness work. Gender organisations were able to inform using a gender lens, access gender trends in the Pacific and to support the scoping of social issues. Pacific RISE provided training for 22 participants from gender organisations in Fiji, Samoa and Vanuatu on using finance for social change. Following the training, organisations were introduced to intermediaries to participate to the scoping and investment readiness work. To date, a few intermediaries worked directly with these organisations and the network remains available to provide future support in the Pacific.

Annex D of this report outlines a full list of networks and organisations with their capacity built through engagement with Pacific RISE.
**Key insight:** Networks that understood both the commercial and social impact requirements were able to provide introductions to the enterprises that were more likely to become investment ready. Networks with a physical presence in country acted as a relationship manager between the enterprise and the intermediary.

**Key insight:** Pacific Trade Invest Australia was the right partner for Pacific RISE with both DFAT funded programs complementing the work of intermediaries, investors and the development of the Pacific impact investment market.

### Table 3: Organisations Pacific RISE consulted and provided advice on impact investment in the Pacific from 2016–2019

<table>
<thead>
<tr>
<th>No.</th>
<th>Organisation name</th>
<th>Country of work</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Australian Enterprise Volunteers</td>
<td>Australia</td>
</tr>
<tr>
<td>2</td>
<td>Australian Council for International Development</td>
<td>Australia</td>
</tr>
<tr>
<td>3</td>
<td>Aspen Network of Development Entrepreneurs</td>
<td>Global</td>
</tr>
<tr>
<td>4</td>
<td>Australian Pacific Technical College</td>
<td>Pacific</td>
</tr>
<tr>
<td>5</td>
<td>Australian Women’s Donor Network</td>
<td>Australia</td>
</tr>
<tr>
<td>6</td>
<td>Australian Volunteers International</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>7</td>
<td>Asian Venture Philanthropy Network</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>8</td>
<td>Bridge Asian Finance</td>
<td>Asia Pacific</td>
</tr>
<tr>
<td>9</td>
<td>Business for Development</td>
<td>Australia</td>
</tr>
<tr>
<td>10</td>
<td>Business Investment Facility</td>
<td>Global organisation with Pacific programs</td>
</tr>
<tr>
<td>11</td>
<td>CARE</td>
<td>Global organisation with Pacific programs</td>
</tr>
<tr>
<td>12</td>
<td>Papua New Guinea – Centre for International Private Enterprise</td>
<td>Papua New Guinea</td>
</tr>
<tr>
<td>13</td>
<td>Fairtrade</td>
<td>Global organisation with Pacific programs</td>
</tr>
<tr>
<td>14</td>
<td>Femili - Papua New Guinea</td>
<td>Papua New Guinea</td>
</tr>
<tr>
<td>15</td>
<td>Fiji Women’s Fund</td>
<td>Fiji</td>
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<tr>
<td>16</td>
<td>Frontier Innovators</td>
<td>Pacific</td>
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<td>17</td>
<td>Giving Architects</td>
<td>New Zealand</td>
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<tr>
<td>18</td>
<td>Global Fund for Women</td>
<td>Global</td>
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<tr>
<td>19</td>
<td>Good Pitch Pasifika</td>
<td>Pacific</td>
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<tr>
<td>20</td>
<td>i2i development</td>
<td>Australia, Papua New Guinea</td>
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<tr>
<td>21</td>
<td>International Finance Corporation - Pacific</td>
<td>Pacific</td>
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<tr>
<td>22</td>
<td>International Finance Corporation – Tourism</td>
<td>Global organisation with Pacific programs</td>
</tr>
<tr>
<td>23</td>
<td>Impact Investing Australia</td>
<td>Australia</td>
</tr>
<tr>
<td>24</td>
<td>Investment Fiji</td>
<td>Fiji</td>
</tr>
<tr>
<td>25</td>
<td>International Organisation for Migration</td>
<td>Global organisation with Pacific programs</td>
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<tr>
<td>No.</td>
<td>Organisation name</td>
<td>Country of work</td>
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<tr>
<td>26</td>
<td>International Women’s Development Agency</td>
<td>Global organisation with Pacific programs</td>
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<tr>
<td>27</td>
<td>M Parker</td>
<td>Fiji</td>
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<tr>
<td>28</td>
<td>Miller Centre for Social Development</td>
<td>Global</td>
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<tr>
<td>29</td>
<td>Market Development Facility</td>
<td>Multiple countries in Asia Pacific (Fiji, PNG)</td>
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<tr>
<td>30</td>
<td>Overseas Private Investment Corporation</td>
<td>US funded global program including the Pacific</td>
</tr>
<tr>
<td>31</td>
<td>Pacific Connect</td>
<td>DFAT funded Pacific</td>
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<td>32</td>
<td>Pacific Women’s Network</td>
<td>Pacific</td>
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<tr>
<td>33</td>
<td>Pacific Enterprise and Sports Entrepreneurs</td>
<td>Australian based Pacific diaspora</td>
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<tr>
<td>34</td>
<td>Pacific Horticultural and Agricultural Market. Access Program</td>
<td>Pacific</td>
</tr>
<tr>
<td>35</td>
<td>Pacific Islands Private Sector Organisation</td>
<td>Pacific</td>
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<td>36</td>
<td>Papua New Guinea Emerging Leaders</td>
<td>Papua New Guinea</td>
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<tr>
<td>37</td>
<td>Reserve Bank of Australia</td>
<td>Australian government department partnering with Pacific reserve banks</td>
</tr>
<tr>
<td>38</td>
<td>South Pacific Enterprise Development</td>
<td>Fiji, Samoa</td>
</tr>
<tr>
<td>39</td>
<td>Swires Shipping</td>
<td>Papua New Guinea</td>
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<td>40</td>
<td>Strongim Bisnis</td>
<td>Solomon Islands</td>
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<td>41</td>
<td>United Nations Development Program– Youth CoLab</td>
<td>Global organisation with Pacific programs</td>
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<tr>
<td>42</td>
<td>Urgent Action Fund for Asia and Pacific</td>
<td>Pacific</td>
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<tr>
<td>43</td>
<td>USAID</td>
<td>Global</td>
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<td>44</td>
<td>World Vision</td>
<td>Global</td>
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<tr>
<td>45</td>
<td>Youth Change Agents</td>
<td>Australian – plans to expand to Pacific</td>
</tr>
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</table>
Table 4: Pacific partners and networks consulted by intermediaries during scoping work in 2016–2019

<table>
<thead>
<tr>
<th>Organisation name</th>
<th>Country of work</th>
<th>Akina</th>
<th>Enterprise Angels</th>
<th>Good Return</th>
<th>Feed the Hunger</th>
<th>Lotus</th>
<th>Spark Strategy</th>
<th>IIX</th>
<th>Real Impact</th>
<th>Social Outcomes</th>
<th>TDi</th>
<th>YGAP</th>
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<td><strong>Government and UN</strong></td>
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<tr>
<td>Pacific Trade Invest Australia and New Zealand and trade commissioners in country</td>
<td>Pacific wide</td>
<td>✔️</td>
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<tr>
<td>DFAT Pacific enterprise support programs (e.g. MDF, PHAMA, Strongim Bisnis)</td>
<td>Pacific wide</td>
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<tr>
<td>Pacific Government agencies (Ministry of Commerce, Ministry of Trade, Fiji Arts Council)</td>
<td>Pacific wide</td>
<td>✔️</td>
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<td>DFAT Post and global programs</td>
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<td>Export Council of Australia</td>
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<td>New Zealand Government</td>
<td>NZ</td>
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<td>UN agencies (e.g. UNDP CoLab, UN Women)</td>
<td>Pacific wide</td>
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<td><strong>Enterprise networks</strong></td>
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<tr>
<td>Local investment bodies (e.g. Invest Fiji)</td>
<td>Pacific wide</td>
<td>✔️</td>
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<tr>
<td>Chambers of Commerce</td>
<td>Pacific wide</td>
<td>✔️</td>
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<tr>
<td>Pacific enterprise support and consultants</td>
<td>Pacific wide</td>
<td>✔️</td>
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<tr>
<td>Other Pacific regional bodies (e.g. SPC, PIPSO)</td>
<td>Pacific wide</td>
<td>✔️</td>
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<tr>
<td>Large corporate enterprises (e.g. Carnival, Exxon Mobil)</td>
<td>Pacific wide</td>
<td>✔️</td>
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<tr>
<td>Investors and funds (e.g. Benefit Capital, Small Giants, Root Capital, South Pacific Enterprise Development, Kiva, Catalyst, Global Innovation Fund)</td>
<td>Australian, Pacific and Global</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Other intermediaries (e.g. TDi, Good Return, IIX, Akina)</td>
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<td>✔️</td>
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<tr>
<td>Investing network (e.g. Responsible Investment Association Australia)</td>
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<tr>
<td>Development Banks (e.g. ADB, Tonga Dev Bank, BSP)</td>
<td>Pacific wide</td>
<td>✔️</td>
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<tr>
<td><strong>Sectoral networks</strong></td>
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<tr>
<td>Entrepreneur networks (e.g. Entrepreneur academy, Kumul Game Changers, Fiji Entrepreneur Magazine)</td>
<td>Pacific wide</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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</tr>
<tr>
<td>Gender Networks (e.g. Melanesian women today, Pacific women network, WISE)</td>
<td>Pacific wide</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Youth Networks (e.g. YESCI, youth employment entrepreneurs)</td>
<td>Pacific wide</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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<td><strong>NGO and volunteer networks</strong></td>
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<tr>
<td>International NGOs (e.g. World Vision)</td>
<td>Pacific wide</td>
<td>✔️</td>
<td>✔️</td>
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<tr>
<td>Volunteer associations (e.g. Australian Business Volunteers, British Council)</td>
<td>Pacific wide</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
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</tbody>
</table>
3.3 Demand: Identifying and building readiness of enterprises

Intermediaries identified and assessed 259 enterprises in the Pacific during scoping. The identified enterprises were primarily in Samoa, Solomon Islands and Fiji (see Figure 5) and in the agriculture, agribusiness or food processing sector. Investors and intermediaries felt more comfortable investing in these sectors and they are the predominant industries in most of the Pacific island countries.

Figure 5: Number of enterprises identified by country

Intermediaries identified 35 enterprises (14%) as having the potential to move to investment readiness and investment as defined in their final reports—primarily in Fiji (32%), Solomon Islands (18%) and Tonga (18%), then Papua New Guinea, Vanuatu, Samoa.

About 40% of these were agricultural enterprises, with aquaculture (16%), creative industries (11%), health, community development, manufacturing, tourism, and technology rounding out the picture.

Enterprises were screened out primarily due to perceived high risk, concerns regarding their ability to get capital elsewhere or that enterprises were not interested or ready to take on investment.

Enterprises were also screened out if intermediaries were looking for particular types of investments to fit their mandate or capital. For example, YGAP screened out mature enterprises from their early stage female accelerator and TDi screened out

Reasons that intermediaries screened out enterprises (ranked):

- The enterprise or investment was too risky
- Investment was not needed
- Enterprise was able to get local investment
- Investment returns would be too low
- Enterprise was reluctant to take on debt or equity
- Enterprise needed restructuring or was not in the right legal structure
- Enterprise was assessed as not ready for investment
- Enterprise was too early stage for investment (for the investor)
- Enterprise was too mature (for an early stage investor)
- Enterprise was not impact investment (did not have a social impact or gender impact)
early stage enterprises when looking for mature equity investments for the Genesis Impact Fund. As noted above, the type of capital that intermediaries were connected to was a determinant and limited the types of enterprises that intermediaries could work with. Clearer profiles of intermediaries, their business model and the types of capital they worked with would have been useful for Pacific networks who were engaged to find enterprises for intermediaries and also for the enterprises themselves.

Intermediaries identified enterprises with an intentional social impact—primarily employment or income and livelihoods. Many enterprises with an intentional social impact (or social enterprises) are in the seed or early growth stage and need to focus on working capital and scaling funding initially but could become opportunities for larger impact investments in the future. Most of the opportunities identified for investment readiness support are concentrated in growth-stage enterprises that are vertically integrated across the value chains predominantly in agriculture.

Of the 35 enterprises identified, Pacific RISE funded investment readiness assistance for 18 enterprises as per Table 5.

Table 5: Table of investment readiness opportunities identified and funded 2016–2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of opportunities identified (% women owned or managed)</th>
<th>Number of opportunities funded</th>
<th>Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiji</td>
<td>12 (67%)</td>
<td>4</td>
<td>Agriculture and agro-processing, tourism, aquaculture, water and sanitation, community development, technology and manufacturing.</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>4 (25%)</td>
<td>2</td>
<td>Agriculture and creative industries.</td>
</tr>
<tr>
<td>Samoa</td>
<td>2 (100%)</td>
<td>0</td>
<td>Agriculture and agro-processing, manufacturing of beauty products, tourism and creative industries.</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>7 (43%)</td>
<td>7</td>
<td>Agriculture, water and sanitation and creative industries.</td>
</tr>
<tr>
<td>Tonga</td>
<td>7 (43%)</td>
<td>4</td>
<td>Agriculture and agro-processing and creative industries.</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>3 (0%)</td>
<td>1</td>
<td>Agriculture and agro-processing and aquaculture.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>18</strong></td>
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</tr>
</tbody>
</table>
There were 17 enterprises that applied for and not approved for funding. The reasons for this varied: timeframe for investment beyond June 2019; the grant to investment ratio was considered too high; the business model did not demonstrate potential for investment; or the investment committee felt there was not a strong enough link to investment.

An overview of the 18 enterprises that received investment readiness support is outlined in Table 6.

**Key insight:** The explicit intent for social impact is not currently built into formal mission statements (if these exist) of most Pacific enterprises and/or they do not formally track or measure social or environmental impact. The support intermediaries provided enterprises to refine the social impact model and measurement was important for increasing the understanding and perception of social enterprises in the Pacific.

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13 During the 2018–2019 funding round, an additional eligibility criterion was added that the investment needed to occur before June 2019. Given that investments take up to 25 months, this considerably limited the pool of potential investments for Pacific RISE.
Designing a social enterprise to meet health and sanitation needs in Fiji

Australian-based intermediary Social Outcomes is working with partners in Fiji to establish the Vinaka Group (Vinaka means ‘thank you’ in Fijian), a new Fijian company focused on both delivering the latest technology to address Fijian water, sanitation and health needs, and providing supported employment opportunities for residents of Fiji’s informal settlements.

Water and sanitation issues are most acute in Fiji’s informal settlement communities and rural areas but are also experienced by hospitals, government and development agencies, and hotels who struggle to access high quality technology and services due to limited market capacity. This impacts on the quality of hospitals, health clinics and hotels: services vital to Fiji’s economic and social wellbeing.

Vinaka will provide employment opportunities for Fijians having trouble accessing the formal employment market, with a special focus on opportunities for women in informal settlements.

Vinaka will include:

- Vanguards Laundry Services Fiji to provide high-quality commercial scale, barrier laundry services to hospitals, hotels, universities, industry and government departments
- Vinaka Water and Vinaka Energy to provide sanitation and energy outcomes using portable water and biodigesters which convert human and other waste into biogas for cooking.

To date, Vinaka has secured anchor contracts, is negotiating a joint venture opportunity, and has completed a business plan as part of its investment readiness activities. Vinaka is currently seeking to raise A$4.7 million in start-up capital from several different investors and impact investment funds.
Table 6: Outline of the investment readiness funding applications approved for 18 enterprises

<table>
<thead>
<tr>
<th>No.</th>
<th>Intermediary</th>
<th>Enterprise(s)</th>
<th>Country</th>
<th>Sector and enterprise description</th>
<th>Capacity building assistance funded through investment readiness program</th>
<th>Potential investment</th>
<th>Potential impact</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Good Return</td>
<td>5 enterprises: in consideration are Tupaghotua Cocoa Products, Didds Fishing, SolAgro, EnerGaia (1 other pending decision)</td>
<td>Solomon Islands</td>
<td>Sector: Agriculture. SolAgro: Sells local ngali nuts to the international market.&lt;br&gt;Tupaghotua: Women-owned enterprise which produces, buys and processes cocoa beans for export.&lt;br&gt;Didds Fishing: households that source and sell fish for domestic consumption.</td>
<td>1. Financial management&lt;br&gt;2. Strategic Planning&lt;br&gt;3. Investment plans, documents and negotiation&lt;br&gt;4. Other: gender analysis and action plan</td>
<td>A$500,000 (target for all five)</td>
<td>Various – typically increase income for women and rural households.</td>
<td>Investment readiness activities in progress. No investments made.</td>
</tr>
<tr>
<td>3</td>
<td>Social Outcomes</td>
<td>Vinaka Enterprise</td>
<td>Fiji</td>
<td>Sector: Water and sanitation. Seeks to deliver new, high quality, cost-efficient technology to meet the WASH needs of Fijians. It will deliver quality hygiene, water, sanitation and energy products including: barrier laundry services (Vinaka Laundry); clean water products (Vinaka Water); and biodigester waste management and energy generation products (Vinaka Biodigester)</td>
<td>1. Governance&lt;br&gt;2. Legal&lt;br&gt;3. Human Resources&lt;br&gt;4. Financial management&lt;br&gt;5. Business model&lt;br&gt;6. Strategic planning&lt;br&gt;7. Operations model and processes&lt;br&gt;8. Enterprise processes&lt;br&gt;9. Social impact model and measurement&lt;br&gt;10. Investment plans, documents and negotiation</td>
<td>A$4.5 million</td>
<td>Through its different products, Vinaka will create: Improved infection control and WASH in healthcare facilities; Access to improved WASH in rural areas and urban settlements; and Increased employment for people from informal settlements.</td>
<td>2 investment readiness contracts awarded, 1 still in progress. No investments made.</td>
</tr>
<tr>
<td>No.</td>
<td>Intermediary</td>
<td>Enterprise(s)</td>
<td>Country</td>
<td>Sector and enterprise description</td>
<td>Capacity building assistance funded through investment readiness program</td>
<td>Potential investment</td>
<td>Potential impact</td>
<td>Status</td>
</tr>
<tr>
<td>-----</td>
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<td>---------------------------------------------------------------------</td>
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</tr>
<tr>
<td>4</td>
<td>Real Impact</td>
<td>Target of 6 small enterprises (2 PNG, 2 Solomon Islands, 2 Tonga). Current progress with 5 enterprises in PNG: - Cwakama Arts and Crafts - Pacific Primitive Art - Kirane Women Community Weavers - Jiji Designs - MAS Apma Carvers</td>
<td>PNG</td>
<td>Sector: Creative Industries. Real acts as aggregator for linking a range of domestic artisans to overseas markets, providing training and support, access to working capital, as well as market access to artisan producer groups.</td>
<td>1. Governance 2. Legal 3. Financial management 4. Operations model and processes 5. Social impact model and measurement 6. Investment plans, documents and negotiation 7. Other: technical capacity building to small-medium enterprises.</td>
<td>Up to A$68,000</td>
<td>Increase income for rural handicraft producers working under 6 primarily community-based enterprises.</td>
<td>2 investments approved. Cwakama (US$15,000, A$12,000 disbursed), Pacific Primitive Arts (US$10,000, A$6000 disbursed). 3 enterprises completed the accelerator and the Kiva loan application is process.</td>
</tr>
<tr>
<td>7</td>
<td>TDI</td>
<td>Essence of Fiji</td>
<td>Fiji</td>
<td>Sector: Health and beauty products. Runs a beauty and spa school and produces a skincare range locally, expanding into sea grape skin and health products.</td>
<td>1. Financial management 2. Enterprise model 3. Social impact model and measurement 4. Investment plans, documents and negotiation</td>
<td>A$1.2 million (F$360,000 equity and F$1.4 million debt)</td>
<td>Access to employment opportunities for women (1000) and increase income for women suppliers in remote areas (100 to double income).</td>
<td>Investment readiness complete and capital raise underway. No investments made.</td>
</tr>
<tr>
<td>8</td>
<td>Good Return</td>
<td>Nishi Trading Heilala Vanilla</td>
<td>Tonga</td>
<td>Sector: Agriculture. Heilala Vanilla purchases green vanilla beans from a network of smallholder farmers. The company processes the beans to export dry to New Zealand where the company makes vanilla products.</td>
<td>1. Financial Management (for supply chain) 2. Investment plans, documents and negotiation 3. Other: technical skill training (incl. supply chain)</td>
<td>A$250,000 (target for both)</td>
<td>Local jobs, particularly for women and support for vanilla farmers (e.g. training in farming practices). Currently employs 7 people in Tonga.</td>
<td>Investment readiness activities in progress. No investments made.</td>
</tr>
</tbody>
</table>
Pacific RISE funded a range of investment readiness outcome areas

Pacific RISE asked intermediaries to work with their investors to specify their criteria to evaluate an enterprise as ‘investment ready’. It also funded intermediaries to provide a wide variety of activities to enable enterprises to be investment ready. As a starting point, all enterprises needed investment plans, documents and negotiations. Pacific enterprises most needed social impact models and measurements; business models; financial management systems; and capacity for strategic planning, governance, legal, human resource support, operations models, enterprise processes, and production of other technical content.

Feedback from the enterprises was that the investment readiness assistance was valuable because it helped them:

• Prepare a proposal for a bank loan, for the first time.
• Reflect on their company, where it came from, how it works, its internal processes and business model and how to structure things to move forward and to get to the next level.
• Gain helpful third-party perspective and feedback, as enterprises can get caught up in what they are doing and not step back to reflect. This is especially helpful when intermediaries do not provide answers but ask the right questions and support the enterprise to find its own way.
• Understand the impact of the enterprises better, and how the enterprise’s unique story can attract investors.
• Get introductions to new types of finance.

Enterprises viewed the work of intermediaries positively as intermediaries understood the importance of the financial performance and health of the enterprise, as well as the value the impact the enterprise creates and their unique story.

There were some areas of negative feedback, which included where an intermediary proposed a loan product that the entrepreneur did not view as ideal given the enterprise’s stage; and the long and time-consuming process, which many Pacific enterprises would find challenging to continue to engage with.

The enterprises also noted other support that would be needed as part of the investment readiness process or in conjunction with it, including:

• Product and market expansion support.
• A support system to work through the investment readiness processes and carry on business as usual at the same time, otherwise there can be shifting priorities which can lead the enterprise’s attention away from the investment readiness process.
• Introductions to new investors.
• A long-term commitment—while the investment readiness process gets the enterprise started, it does not end there, and enterprises would like a long-term commitment of support and facilitation to ensure stable growth and impact.

**Key insights:** Enterprises require a range of business support and advisory services in addition to capital to develop and expand. A range of private sector development initiatives operating in the Pacific are seeking to provide this support.14

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14 Similar findings were found in many other programs including DFAT’s Enterprise Challenge Fund, IXC’s Frontier Innovator and ADB’s Business Investment Facility. A range of business advisory programs exist including market development programs, export facilitation programs and recently New Zealand piloted and scaled up the Enterprise Linkages Program.
With Pacific RISE support, investors have invested close to A$285,000 and provided an additional A$50,000 of philanthropic funding for impact enterprises in the Pacific

After 3 enterprises completed investment readiness technical assistance, investors approved the following investments:

- A$250,000 of investment in Vanuatu-based COPSL
- A$20,675 investment in Cwakama Arts and Crafts
- A$13,629 investment in Pacific Primitive Art.

Partial funds were disbursed to Cwakama (A$12,149 (60%) with A$2,000 repaid) and Pacific Primitive (A$6,000 (45%) received, A$0 repaid to date). Both enterprises also received grant funding for community development in addition to the investment.

Fijian fashion enterprise 8 Mountains also gained approval for A$25,000 in investment funding through an accelerator initiative that occurred in 2018—though the actual disbursement will likely be in a grant form. Two other enterprises—Mere Care in Solomon Islands and Kahuto Investments in Fiji—received grants of A$15,000 and A$10,000 respectively following their successful completion of the YHER YGAP accelerator.

Four enterprises in Fiji have completed investment readiness capacity building and were fundraising at June 2019: Essence of Fiji, Bula Coffee, Ranadi Plantations, and Vinaka Enterprises. An additional 2 enterprises were fundraising through Kiva. COPSL in Vanuatu was also planning additional fundraising. Support continues with the remaining four to build capacity and identify suitable finance.

In addition, Pacific RISE engaged directly with a range of Pacific enterprises in the menstrual health sector to understand their business models and capital needs. While some enterprises are at sufficient scale to take on investment, most are small, and capital is not as important as reducing their cost of raw material inputs. This could potentially be facilitated through trade finance, allowing the enterprises to pool together across the sector and countries to negotiate with suppliers. (See Case study: Securing A$1.5 million for menstrual health in the Pacific).

Key insight: Enterprises currently undergoing investment readiness support have a variety of capital needs. It is important to note that in all cases to date, capital requirements upon completion of investment readiness support were reduced from initial investment targets identified at the application stage. While this is not surprising, (because at the investment readiness application stage, investment is based only on early assessments), it is important for Pacific RISE to adjust its own targets and expectations.

Key insight: Enterprises in the Pacific require a long lead time before moving into investment readiness support, and investment readiness support has taken more time and more work than originally expected. Based on experience so far— it has taken a minimum of 20 months between the identification of an opportunity (post scoping) and securing an investment and in most cases, 25 months or more.

Have Pacific RISE subsidies been efficient? An early assessment

At June 2019, the total cost of identification-to-investment cannot be calculated for all 18 enterprises under investment readiness support as some enterprises are still raising capital. Based on all of the enterprises who completed investment readiness support from intermediaries (COPSL, Ranadi Plantation, Bula Coffee, Cwakama, Pacific Primitive Art), the average cost of identification-to-investment to date is A$101,532 per opportunity. Table 7 outlines relative cost of grant funds to investment dollar which is close to 1:1.

Larger investments are expected to achieve more investment for grant funding (closer to 1:5 conversion rate if investments occur as planned) however, they may lack the ability to scale up. This

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15 Based on proportionate cost of scoping and investment readiness grants for the 5 listed enterprises.
would require returning to the scoping activities after each investment. Grant subsidy support from Pacific RISE or other organisations is likely to be needed in future to continue to build the market and support the investment readiness of enterprises.

Table 7: The relative cost of grant funds to investment dollars for Pacific RISE

<table>
<thead>
<tr>
<th>Enterprise</th>
<th>Proportionate cost of scoping</th>
<th>Proportionate cost of Investment readiness funding</th>
<th>Total cost</th>
<th>Investment disbursed</th>
<th>Conversion rate (grant to investment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>COPSL</td>
<td>0</td>
<td>174,236</td>
<td>174,236</td>
<td>250,000</td>
<td>1 : 1.5</td>
</tr>
<tr>
<td>Ranadi Plantation</td>
<td>49,213</td>
<td>95,000</td>
<td>144,213</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Bula Coffee</td>
<td>49,213</td>
<td>95,000</td>
<td>144,213</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Cwakama</td>
<td>5,000</td>
<td>17,500</td>
<td>22,500</td>
<td>20,908</td>
<td>1 : 1</td>
</tr>
<tr>
<td>Pacific Primitive Art</td>
<td>5,000</td>
<td>17,500</td>
<td>22,500</td>
<td>14,241</td>
<td>1 : 0.5</td>
</tr>
<tr>
<td>Averages</td>
<td>21,685</td>
<td>79,847</td>
<td>101,532</td>
<td>95,049</td>
<td>1 : 1</td>
</tr>
</tbody>
</table>
Case study: Securing A$1.5 million for menstrual health in the Pacific

Menstrual health is a market and social opportunity for investors and donors alike. With a market size of US$42.7 billion (by 2022) and 1.2 billion women globally lacking access to menstrual hygiene products to adequately manage their menstrual cycle, investments in the sector can dramatically improve the social, economic and educational outcomes of women and girls, whilst also providing economic livelihood opportunities for community-based enterprises.

Menstrual health is an example of a normal market in which predominantly early-stage, and community-based enterprises are the primary actors. Like many community-based enterprises in informal economies, menstrual health enterprises face a variety of challenges in securing the financial backing necessary for their growth.

Globally there have been few attempts to explore how innovative financing could improve the scalability and viability of early-stage finance provision for menstrual health enterprises and other enterprises that operate in informal markets. The workshop found that while some enterprises are growth companies and have capacity to take on investment to expand their enterprise, most of the enterprises want to retain their smaller size and focus on their local communities—but all enterprises are looking to reduce the cost of their raw materials. Innovative financing to access material was actually what enterprises needed and could be used to invest at an eco-system level to consolidate the supply chain, reducing material costs and ensuring that, as a collective, the enterprises have greater bargaining power in negotiating terms and deals.

Through Pacific RISE, the Criterion team used trade finance—a tool that makes it easier for importers and exporters to transact enterprise through trade—to create a product for these enterprises. In this deal, financial capital could be pooled into a financial intermediary (such as a platform or broker) who would then offer a set of different ways to access finance to all menstrual health enterprises such as trade credit insurance, pre-shipment capital, factoring and export credit. In such a context, trade finance is a vehicle to invest in multiple enterprises in multiple ways to provide working capital and capital expenditure financing into the enterprises whose need is to minimise raw material costs, reduce the cost of their products and maximise the distribution of reusable pads in their local area to women and girls.

This approach could drastically improve the sustainability of the supply chain and enable growth within the menstrual health market in the Pacific.

This investment opportunity was tested with a multitude of Australian and global investors and as a result 2 investors and 1 wealth manager expressed significant interest in moving this opportunity forward—in fact to date A$1.5 million has been committed to the investment—it just needs to be built. The next step is the recruitment of a financial intermediary to design the full specifications of the deal and decide who could be the best to manage the platform.

What Pacific RISE and the Criterion team found is that the menstrual health market is an example of a variety of informal markets whereby trade finance could be used to deliver considerable financial and social returns. This opportunity will provide learnings to be able to apply and scale such an investment to other informal economies both in the Pacific and beyond.

16 https://www.researchandmarkets.com/research/9nnpv6/world_feminine
17 https://www.wsscc.org/2017/03/08/womens-rights-are-human-rights-period/
3.4 Supply: investor engagement

It was always envisioned that Pacific RISE would work on both the demand and supply side of capital in tandem to ensure that the pipeline of investment-ready enterprises had an engaged set of investors interested. During the early stages of Pacific RISE, the facility worked at arm’s length from investors and focused on support for intermediaries to work with enterprises and broker investments. This assumed that intermediaries had strong links to capital and that they were finding enterprises and investments that fit with impact investor mandates. However, Pacific RISE found that many of the investors were not offering the right sort of capital for the Pacific, and Pacific RISE needed to take on an investor engagement role.

Since 2016, Pacific RISE and intermediaries identified 72 potential investors in the Pacific. Investors were primarily from Australia, but there were also investors from the United States, the United Kingdom, New Zealand, Papua New Guinea, the Philippines, Singapore, Vietnam and Switzerland.

Pacific RISE engaged with investors through regular communications, events and participation in national and international conferences such as Social Capital Markets (SOCAP) conference (where Pacific RISE had the much sought-after opportunity to participate on a panel and where it launched its investment thesis), Impact Investment Summit Australia (where the Australian Foreign Minister announced the first investment of the Genesis Impact Fund into Samoan enterprise Samoan Coconut Cluster) and Gender Smart Summit in United Kingdom where Pacific Trade Invest Australia Trade Commissioner, Caleb Jarvis, presented on Pacific RISE’s investor engagement using a Pacific investment thesis that Pacific RISE designed. Pacific RISE also used a range of tools to promote the Pacific to investors such as the investment thesis, videos on using a gender lens and impact investing, plus content to share lessons and insights into Pacific RISE events such as the menstrual health workshop and training for Pacific gender organisations in using finance for social change.

A number of intermediaries are working on both demand and supply sides such as Good Return, who are developing a number of investment opportunities and designing and launching a A$1 million Social Impact Fund for their work. This will enable their enterprises to access finance quicker and investors to invest at the right time for them. Pacific RISE also explored ways to directly engage with investors or supply side intermediaries as part of the investment readiness work, including funding supply side intermediary, Enterprise Angels to scope in Samoa engage their network on impact investment and the Pacific. Enterprise Angels is also launching an impact investment fund and will open part of this funding to Pacific investments.
**Case study: Engaging with angel networks to design an impact investment fund**

Enterprise Angels is the largest angel investor network in New Zealand with 212 members, 3 funds and an online investment platform investing NZ$42.1 million in over 79 companies.

Enterprise Angels undertook scoping work in Samoa with Pacific RISE in 2018 and identified a number of potential enterprises that may be appropriate for their network to invest in. Based on the nature, size and needs of these social enterprises, Enterprise Angels determined that there could be interest on the part of their members in investing into the Pacific Islands.

Pacific RISE provided additional funding and technical support to Enterprise Angels to design an investor engagement approach with their network of investors and with broader diaspora network to ‘empathy’ test what it would take for angels to invest with impact and to invest in the Pacific.

As at June 2019, Enterprise Angels have completed 25 interviews and surveyed 45 members to gather insights into their membership. Enterprises Angels found that many angels were interested in impact investment, particularly where this correlated with their existing expertise, investments or personal philanthropy. Enterprise Angels also ran an investor event with Pacific enterprises end of August 2019 to showcase real examples to the angel networks.

With approved funding from DFAT in 2018, and with support from the Criterion Institute, Pacific RISE designed an investor engagement strategy to move capital with a gender lens into the Pacific and to learn about investor engagement.

The engagement strategy focused on where Pacific RISE could add a distinct value and would not duplicate or overlap with intermediary functions. Therefore, it focused on relationship management, empowering intermediaries as investment brokers, seeking a broad range of capital and looking at where without a market, other approaches needed to be taken. The strategy noted there are ‘significant power dynamics in investor engagement’ and Pacific RISE and intermediaries initially focused engagement on ‘impact investors,’ who typically use direct investment in high growth companies with private equity. This type of intermediary influenced the facility’s design and approach to finding ‘investable’ enterprises. The investor engagement strategy was subsequently designed to broaden out the types of capital that could be used for impact investment in the Pacific.

A gender lens over the engagement strategy also highlighted 2 critical lessons: first to pay attention to power dynamics between investors, intermediaries and enterprises; and second to see who is at the table and who is not. Activities within the investor engagement in 2018–2019 included:

- Since late 2018, Pacific RISE and Criterion Institute directly engaged with 56 investors through regular meetings, trainings, and developing relationships.

- Where necessary, Criterion Institute provided support to individual intermediaries to support their capital raising and investor engagement. For example, Pacific RISE showcased Good Return’s best in class gender-lens investing work to foundations and philanthropists in our network—this proved useful when they later engaged with private ancillary funds. In addition, Pacific RISE worked closely with Enterprise Angels to attend to the power dynamics of engaging their members. This helped identify the right type of angels to present impact investment opportunities from the Pacific.

- Criterion Institute designed and ran a number of pilot convening opportunities to educate investors about the Pacific. This included a gender lens training using examples of Pacific
investment opportunities and introduced wealth holders to opportunities with Essence of Fiji and trade finance. In addition, through 2 workshops with investors and networks for the design of the capital mapping research, Criterion Institute was also able to raise investor interest in the trade finance platform for menstrual health.

- Criterion Institute provided a gender and power lens on the capital mapping. This highlighted the power that investors have and how this is used, and ensured that domestic and non-traditional finance was considered alongside more accessible types of finance on the map.

- Pacific RISE benefited from the global presence of the Criterion Institute in the field of impact investing and gender-lens investing. This allowed Pacific RISE activities including menstrual health investment and investment thesis to be promoted at a range of global events. There will also be further opportunities to showcase the work of intermediaries as the impact investment and gender-lens investing field grows in Australia.

- Criterion Institute also identified a range of connected investors—those investors who have a wider network of investors and are able to influence—to attract investors to deals directly such as menstrual health and enterprises funded by Pacific RISE.

These initial activities identified a range of investors able to invest in Essence of Fiji in future, supported a New Zealand angel investor network to identify the type of investors who will engage with Pacific enterprises, and sourced A$1.5 million in capital to fund a trade finance vehicle to support the purchase of raw materials for menstrual health enterprises.

Initial testing of the investor engagement program provides lessons on how to engage different types of investors and develop their understanding and interest in the Pacific; develop a group of influential investors to use as connectors; to find and influence other investors; and in future to explore the potential to identify, engage and connect local capital providers with other investor networks.

**Key insight:** Investor engagement is easier with investors who are already investing in the Pacific and / or want to convene around a learning topic. For example, in the gender-lens investing workshop, 78% of investors had already invested in the Pacific).

**Key insight:** Engagement with a broad range of investors can identify a wide range of different sources of capital that could be used for Pacific enterprises. Investors are tightly networked and using connected or influencer investors can build trust and develop relationships with investors.

**Key insight:** It is important to recognise that investors work from a position of power and that this should not drive the investment process. In addition, many investors have a high-risk perception of the Pacific which can influence whether they invest and how they price their capital.
3.5 Long-term impact and sustainability

Pacific RISE was a pilot and designed to experiment and learn through engaging multiple actors together to influence an impact investment market in the Pacific. This was a long-term ambition and the long-term outcomes attributed to Pacific RISE were unlikely to be realised within a 3-year program. It is important to state here, the impact investment market in the Pacific will not be developed and will not yet be sustainable in the short to medium term—this is a long-term initiative and will take multiple programs and subsidies in order to be achieved.

There is some early evidence of changes Pacific RISE made over 3 years that contribute to longer-term impact. This includes:

- Intermediaries including TDi, Social Outcomes and Good Return are adapting their broader business model to include and strengthen their work in gender-lens investing.
- At least 2 (IIX, YGAP) are on their way to working sustainably in the Pacific; while 3 (Good Return, Real Impact, Enterprise Angels) require additional time and/or funding to prove out their models but show potential to be sustainable partners for Pacific social enterprises.
- Pacific RISE contributed to a better understanding of social impact and impact investment in the Pacific through the investment readiness support and through directly working with Pacific networks.
- Pacific RISE and Criterion Institute engaged 56 investors representing a range of capital and increased investor understanding and interest in Pacific investment opportunities.
4 What worked well and what did not

The below tables summarise what worked well and what did not over the first three year’s of Pacific RISE in each the 4 operating areas:

<table>
<thead>
<tr>
<th>Working with intermediaries</th>
<th>What worked well</th>
<th>What did not work well</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td>Incentivising intermediaries through knowledge, tools and subsidising their technical support costs to work in the Pacific resulted in good relationships between Pacific RISE and intermediaries which they valued.</td>
<td>× Working with a range of intermediaries in the Pacific exposed several capacity gaps, including ability to use different sources of capital and in their understanding of the Pacific legal and regulatory frameworks.</td>
</tr>
<tr>
<td>✓</td>
<td>While slow to start, intermediaries worked well in partnership (predominantly between supply and demand side intermediaries)(^{18}) to propose scoping or investment readiness work for enterprises.</td>
<td>× Intermediaries lacking a physical presence in the Pacific, solid partnerships with local organisations or a range of income streams for their Pacific work resulted in slower turnaround from identification to investment readiness.</td>
</tr>
<tr>
<td>✓</td>
<td>Delivering innovative work on gender-lens investing with related tools, training and advocacy resulted in changes in the way intermediaries approach opportunities and was highly valued.</td>
<td>× Intermediaries using the fly-in fly-out model faced greater cost and challenges building trust and relationships which made them less sustainable and effective.</td>
</tr>
<tr>
<td>✓</td>
<td>Working with intermediaries that use a variety of models (accelerators, pitches, direct one-to-one engagement and social enterprise development) and different sources of capital (venture capital, crowdfunding, private equity, angel investors) helped to test innovation and to learn how different models and capital are appropriate and can be adapted to the Pacific context.</td>
<td>× Intermediaries needed more contractual incentives to achieve investment in their identified opportunities.</td>
</tr>
<tr>
<td>✓</td>
<td>Intermediaries that formed strong local partnerships or had personnel located in the Pacific were better able to develop relationships with a range of Pacific enterprises and to navigate the legal and regulatory environment.</td>
<td>× The contracting process with intermediaries lacked sufficient flexibility that limited responsiveness and ability to fund the wide variety of activities needed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>× Pacific RISE approach excluded working with local intermediaries and international intermediaries made little effort to develop the capacity of locally based intermediaries. Those that did needed additional time and resources.</td>
</tr>
</tbody>
</table>

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\(^{18}\) For example, Pacific RISE partnered Enterprise Angels with The Difference Incubator (TDi) to find investment opportunities in Samoa and to connect TDi’s investment readiness partners to New Zealand to meet with their investor network.
### Fit with existing networks and programming in the Pacific

<table>
<thead>
<tr>
<th>What worked well</th>
<th>What did not work well</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Pacific RISE’s role as a connector - connecting intermediaries to Pacific information, networks and programs was valued.</td>
<td>× Existing Pacific networks with enterprise links (particularly Pacific Trade Invest Australia, Strongim Bisnis, PHAMA and Market Development Facility) were better placed than Pacific RISE to find and make connections between intermediaries and organisations.</td>
</tr>
<tr>
<td>✓ Partnering with Pacific Trade Invest Australia was successful as intermediaries highly regarded their work, networks and advisory support.</td>
<td>× While one-to-one coordination between intermediaries and other programs in the Pacific has worked in some cases, it was inefficient to manage for other the Pacific programs and for intermediaries. In addition, both intermediaries and Pacific RISE have not identified and utilised other program’s complementary skills including local knowledge of enterprises and sectors.</td>
</tr>
<tr>
<td>✓ Intermediaries that collaborated or partnered with Pacific networks were able to form relationships independent of Pacific RISE which is likely to be more sustainable.</td>
<td>× Following the training workshop for Pacific gender organisations, Pacific RISE had difficulty following up and engaging the trainees; and only a few intermediaries worked with the gender organisations during scoping missions.</td>
</tr>
</tbody>
</table>

### Demand: Identifying and building readiness of enterprises

<table>
<thead>
<tr>
<th>What has worked well</th>
<th>What has not worked well</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Scoping work funded by Pacific RISE enabled intermediaries to find investible enterprises which is leading to investment.</td>
<td>× The traditional private equity impact investment model—the initial focus of many intermediaries, investors and Pacific RISE—does not fit the characteristics, needs and desires of Pacific enterprises.</td>
</tr>
<tr>
<td>✓ Investment readiness support was considered to be valuable by enterprises and has led to positive changes in their business models.</td>
<td>× The amount of time and level of support Pacific social enterprises needed before intermediaries were willing to work with them on investment readiness was more than expected. Most enterprises, particularly social enterprises, in the Pacific were not ready to receive investment readiness support and did not understand impact investment or its requirements. In some cases, enterprises disengaged with intermediaries as the requirements for pre-investment readiness were too difficult to undertake alone. Pacific social enterprises need more support before investment readiness. A longer lead time is required.</td>
</tr>
</tbody>
</table>

### Supply: Investor engagement

<table>
<thead>
<tr>
<th>What has worked well</th>
<th>What has not worked well</th>
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</thead>
<tbody>
<tr>
<td>✓ The investor engagement strategy enabled Pacific RISE to identify and build relationships with a wide range of different sources of capital that could be used for Pacific enterprises.</td>
<td>× Pacific RISE underestimated the low level of knowledge and engagement of impact investors in the Pacific.</td>
</tr>
<tr>
<td>✓ An investment thesis for the Pacific enabled conversations with Pacific researchers, DFAT and investors around Pacific RISE and investing in the Pacific.</td>
<td>× Working with intermediaries that were not prepared for the legal and regulatory requirements of investing in the Pacific delayed some investments.</td>
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<tr>
<td></td>
<td>× Both Pacific RISE and its intermediary partners undervalued the range of domestic capital sources including remittances, local investors and philanthropy which may more naturally fit with Pacific enterprises.</td>
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</table>
5 Lessons learned

The following outlines a summary of the lessons from the first 3 years of implementation.

Pacific RISE needs to put the Pacific first

The goal of Pacific RISE and the structure of the Facility puts investors and investment in a position of power. To date, impact investment is a foreign concept in the Pacific and is not the way most enterprises seek growth finance. A number of intermediaries responded to the needs of investors rather than the enterprises, by looking for a particular type of finance that fit the goal of the investors or a specific type of capital rather than being a way to seek what the Pacific enterprises need.

In many cases, enterprises in investment readiness opted for local capital and local investment, whereas most intermediaries were foreign and had limited exposure to the local investment market. Those with more success (e.g. Real Impact, Good Return) designed their product for the Pacific.

Pacific RISE legal and regulatory research also found that local support and in particular a local presence was important to successfully navigate the legal and regulatory environment and that the right partnerships were essential for intermediation and investment.

Intermediaries generally provided a service that was absent in the market but generally did not provide capacity building to support the growth of local advisory services.

In addition, the capital mapping showed the variety of capital flowing in and around the Pacific—particularly domestic capital—that can play a role in impact investment. This form of capital is likely to be more relevant to Pacific enterprises.

Going forward, Pacific RISE should examine where intermediaries and investors are the right fit for the Pacific and engage more with local advisory, local networks and Pacific and domestic investors.

An impact investment market that truly reflects enterprises in the Pacific should focus on the capital needs of enterprises at different stages, levels of risk, and ticket sizes

There are many types of social enterprises in the Pacific, all at different stages, which need finance and other assistance for growth. These enterprises may or may not fit mainstream impact investment models and will have different levels of risk. An impact investment market that truly reflects enterprises in the Pacific would focus on enterprises at all different stages, at all different levels of risk, with different ticket sizes.

Going forward, Pacific RISE should select where and why subsidised support in the form of grants is needed in a market and should segment the different needs of Pacific enterprises, such as:

- Established growth and mature stage enterprises in the Pacific (who tend to be larger) are more likely to have access to a range of capital including grant funding from donors and NGOs. There may also be a limited number of these enterprises in the Pacific who are close to investment ready, have strong growth potential, and strong social impact and intent.
- The majority of socially-driven enterprises who are plentiful, but smaller, less developed or early stage require more time, more additional support and will need less investment capital individually.

Frontier Innovators also noted that ‘entrepreneurship is strong in the region, like most emerging markets, but it is seen in small, informal enterprises. These are numerous but the potential and ambition for growing them is limited’.

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19 At least 3 larger Pacific enterprises in the Pacific RISE pipeline of pre-investment ready enterprises received grants from DFAT and other donors within their time working with Pacific RISE intermediaries.
Pacific enterprises need access to a variety of capital including domestic sources and innovative models that support smaller and or multiple investments

Pacific enterprises need a variety of types of capital—it differs enterprise to enterprise—but the key finance need is flexible capital, innovative financial instruments and models that allow smaller investments (typically less than A$250,000) to a wider range of enterprises. There should also be less emphasis on the type of investor and on equity investment as the default; and finance should be identified based on what matches the needs and interests of the enterprises.

The research mapping Pacific capital found that there is a range of capital flowing into and throughout the Pacific including foreign and domestic sources of capital. Much of this capital has the potential to be used for impact investment.

Pacific RISE, like other programs, found most enterprises prefer debt finance (especially local forms of debt – local finance, personal debt and finance from family and friends) as they need working capital. Few banks in the Pacific are willing to invest in small to medium enterprises; interest rates can be high; and collateral requirements can be difficult (i.e. property guarantee not always feasible in Pacific land ownership context). Many enterprises still need support to get commercial debt finance.

Enterprises that engaged with Pacific RISE were also more comfortable with debt and noted reasons they were uncomfortable with equity, including return expectations, giving up ownership, timelines for repayment and focus on exits, and lack of investor knowledge of local context. Frontier Innovators and ADB research also supported this finding, and further that:

- Investment equates to the relinquishing of some control in exchange for resources but also expectations of growth, without clarity about the associated non-financial support that would be offered to meet these targets.
- The potential for conflicts between investors and leadership about vision and direction, and the ‘trade-offs’ made to prioritise growth and returns over impact.
- Where finance is provided, self-liquidating instruments are preferred to prevent exit issues.

Larger enterprises were also eligible for a range of grant funding. This can be an attractive and autonomous option of financing growth but for some grants are not considered flexible, as it comes with restrictions and does not provide sustainable ongoing support. In spite of perceptions about grant dependence, particularly in the Pacific, revenue from sales was the primary source of funding for enterprises.

Frontier Innovators noted that size of investment most needed in the region would be less than A$200,000 and supported by ADB research which states most enterprises typically demand less than US$300,000 in finance. This can limit the feasibility of foreign investment funds who require investments of a large size or a pool of investments packaged into a portfolio or fund structure to justify their management costs.

It was not surprising that intermediaries, and Pacific RISE investor engagement, found more traction with domestic or foreign investors like local banks, diaspora, foundations with prior work in country, crowd funding via the online Kiva platform, angel investors with interest in the region and high net worth individuals that understand or were connected to the Pacific.

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20 Analysis from Frontier Innovator 2017 program data.
21 The DFAT funded Business Investment Facility was designed to support enterprises in the Pacific to apply for bank finance. Over 3 years, the program supported 23 enterprises raise US$11.51m in finance.
22 Frontier Innovator 2017 program data.
23 Ibid.
Going forward, Pacific RISE should further examine the capital mapping to understand the options for engaging with locally available and domestic capital sources in impact investments as well as how to structure finance that is more appropriate to the Pacific.

**Investment readiness support was missing in the market and was useful for enterprises**

Enterprises (particularly social enterprises) felt they benefitted from Pacific RISE support from intermediaries and Pacific RISE’s focus on building a variety of finance options for Pacific enterprises, and business advisory services that are otherwise missing in the market. However, this can be a comprehensive and long-term endeavour. In addition to investment readiness support, post-investment support will be required to ensure success of the investment.

There is a well-studied gap in the availability and quality of business support services in the Pacific. Pacific RISE and intermediaries are filling a key gap in the market to build the capacity of enterprises generally, and to access investment capital specifically. Other DFAT and donor funded programs,\(^{24}\) are also exploring how to address this gap.

The time and effort taken to get enterprises in the Pacific ready for investment is significant. Based on the approach Pacific RISE took using impact investment intermediaries, providing funding for scoping and relationship building, investment readiness and capital raising, it took up to 25 months to get an enterprise ready for investment. On average, investment readiness costed A$101,535 per application (some intermediaries required multiple grants to complete the full investment readiness such as with Vinaka and Essence of Fiji). Investment in larger enterprises have a greater conversion rate—an average of 1:5.9 (1:5 without Vinaka), and aggregated investment in small-medium enterprises and supply chains (Good Return and Real Pacific) have a conversion rate closer to 1:1.

Going forward, Pacific RISE should work with enterprises to provide post-investment support, including general support to improve accountability to successfully navigate the first years of investment; and specific support to ensure enterprise growth and expansion (new products, new markets, quality); support in accounting to increase formalisation and improve reporting to investors; governance support to set up and maintain the right corporate structure; and ongoing impact measurement and reporting.

Lessons from the Asian Development Bank’s Business Investment Facility supports this as it identifies that: *hands on management supervision [by the investor] is required to protect investments, as is the need for external technical support and the adoption of realistic return targets that consider the Pacific environment.*

Longer timeframes and post-investment support and funding should be built into any programs that support private sector development in the Pacific.

**The role of Pacific RISE as a connector and informer about the Pacific and using a gender lens**

Pacific RISE connected, provided funding, training, tools and support on gender-lens investment, and provided research and information to intermediaries and investors to understand the Pacific. There are opportunities to improve how it connects and supports different stakeholders and uses its resources strategically to build an impact investment market in the Pacific.

Intermediaries are filling a major gap in the market by identifying and assessing opportunities; providing investment readiness support; and facilitating investment. However Pacific RISE needs to factor in long-term sustainability of these activities going forward and where possible how to support long-term development of the market which can include investing in local intermediaries, business advisory services and local champions.

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\(^{24}\) The Business Link Pacific program is a New Zealand funded program looking at building capacity of advisory services.
Feedback from DFAT-funded programs and Pacific networks was that Pacific RISE was highly relevant; adds value to other DFAT-funded programs in the region and there is the potential to utilise these networks more including sharing ideas and using intermediaries to support the needs of programs.

Intermediaries had gaps in their skill sets, particularly in meeting the specific needs of the Pacific enterprises, and needed additional support to raise capital and to broaden their network of investors. Pacific RISE was in a unique position to engage with investors on opportunities throughout the Pacific (across intermediaries and countries); to help identify willing investors; and to help educate investors more broadly about the Pacific.

Going forward Pacific RISE should strengthen support to stakeholders, particularly those in the Pacific who are working with a range of enterprises.

A gender lens across activities in Pacific RISE engaged intermediaries and investors and highlighted where investments can produce a better outcome for women

Using a gender lens in Pacific RISE:

• Incentivised new investors and finance with a gender lens to the Pacific. For example, Criterion Institute worked to design an equity fund of women to invest in Essence of Fiji, SheEO recently expanded into Australia and New Zealand and could be interested in the Pacific.

• Created investment in under-invested supply chains that are undervalued as ‘women’s issues’, such as menstrual health or creative arts.

• Led to a number of Pacific RISE investment ready enterprises (Ranadi Plantation, Bula Coffee and Essence of Fiji) that have social impact on women in employment and supply chains in particular.

• Engaged gender organisations in the Pacific to provide training on using finance as a tool for social change and linking them to intermediaries.

Tailored training and one-on-one support in using a gender lens helped a range of stakeholders, including investors, Pacific networks and intermediaries. In some cases intermediaries integrated a gender lens into their broader work. The gender (and power) lens also highlighted the gender dynamics of the Pacific context. Women in the Pacific face particular challenges in operating and managing enterprises as well as social challenges like high rates of gender-based violence. Pacific RISE worked with the Criterion Institute to develop and pilot a due diligence tool that considers how gender-based violence can impact on an investment (see Case study: Pacific RISE designs a tool to examine how gender-based violence affects the investment process).

A power lens (similar to a gender lens) also highlighted power inequities in the Pacific investment context.

Through Pacific RISE and other DFAT-funded initiatives a large amount of practical experience on using a gender lens is being generated.

Going forward, Pacific RISE should continue to use a gender and power lens and share the tools and lessons with partners within DFAT and the gender-lens investing practitioners to strengthen the field.
Case study: Pacific RISE designs a tool to examine how gender-based violence affects the investment process

Gender-based violence is a global epidemic affecting more than 1 in 3 women worldwide, as well as millions of boys, men, and gender-nonconforming individuals. Rates of gender-based violence are higher in Pacific island countries, as high as 75% in some countries, more than double the global average. And the economic costs are high—for example, a World Bank study estimated that domestic violence alone costs Fiji 6.6% of its gross domestic product annually.25

While these numbers are stark, they are changing. The gender norms and inequities that are the root cause of gender-based violence are shifting and national and international government are providing finance and policy directions to support change.

Gender-based violence and the ways this is changing, impacting companies, sectors, and geographies are rarely factored into investment analysis.

During Pacific RISE’s implementation, 80% of intermediaries noted gender-based violence as a risk during their scoping and investment analysis (25% country risk; 25% gender risk; 10% sector risk; and 40% company risk). Intermediaries noted that gender-based violence was being addressed either through the company’s existing procedures (31%); or would need to be addressed using a gender analysis (44%) or with help from Pacific RISE or specific finance. It was clear that gender-based violence was an issue for companies that many were addressing and should be considered as part of investment readiness.

Pacific RISE and Criterion Institute partnered to design a due-diligence tool that examines the policies, practices and norms that affect the incidence of violence at several levels. The risks to a company come not only from the activities of the company, but also from the cultural norms and government policies within sectors, industries, and society.

The due diligence tool builds upon diligence processes that are standard worldwide looking at 4 categories of risk: political, regulatory, operational and reputational risk. Indicators of the extent of gender-based violence are then examined within the context of the country, sector or in the way a company operates.

Initial review and comments from investors indicated a high level of interest in using the tool, and its potential to be used and adapted in other contexts including Australia and South America. Intermediaries are also keen to pilot how the framework is applied to investment as a next step.

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Using local networks in the Pacific in a more meaningful way can build investor capacity

Local Pacific networks are valuable not only for identifying opportunities, but for understanding local context, building relationships, providing long-term support to enterprises and building a sustainable market. Pacific enterprises need more than finance—they need mentorship and advisory, legal and accounting support. There are many Pacific programs which support these areas, but there are gaps.

Pacific RISE developed good relationships across local networks and through these networks introduced intermediaries and investors to potential enterprises. However, many intermediaries reported that a large part of the first 6 to 9 months of scoping, post scoping and investment readiness support is taken up by relationship building between the intermediary and the enterprise.

This is a specific challenge with the use of foreign intermediaries: they are more expensive, lack knowledge of local context, and takes longer to develop relationships. Many programs and networks in the Pacific have a variety of advisors that travel in and out of country with varying levels of success. The intermediaries Pacific RISE sourced primarily had capacity in understanding impact investment but lacked knowledge of local markets or and financial conditions.

There are a large number of initiatives and programs in the Pacific to support enterprise development and growth in the Pacific. Pacific RISE should partner with foreign intermediaries and investors to build the capacity of local networks, stimulating long term market development.

Why Pacific RISE didn’t meet the goal of A$5 million

The initial goal of Pacific RISE to attract A$5 million of investment in the Pacific was ambitious, with only 5% achieved by June 2019. Close to double this value (A$9.6 million) is in various stages of investment readiness support and capital raising.

Progress was slower than expected due to a number of factors and assumptions made about how impact investment could occur in the Pacific including:

- the type of finance that most intermediaries were looking at (private equity or in some cases venture capital) did not easily work in the Pacific in the past
- timeframes required to work in Pacific were longer than expected—on average between 20 and 25 months and while the initial design recommended a 5-year program, only 3 years was able to be contracted
- many social enterprises in the Pacific were early stage, which required more time to reach investment readiness compared to enterprises in the growth and mature phases of enterprise development
- the limited understanding of the legal and regulatory environment of some intermediaries delayed investments, with intermediaries noting they underestimated the cost and time needed to obtain investor licenses, where existing investment platforms were not set up to send funds to the Pacific and a range of governance issues
- the level of pre-existing Pacific-specific knowledge and experience of intermediaries was overestimated
- the misperceptions and lack of awareness that investors had of investment in the Pacific.

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26 According to Frontier Innovators research (2017), there are 11 support providers in Fiji delivering some type of entrepreneurial support; 19 in PNG; 19 in Samoa; and 6 in the Solomon Islands. The top challenges cited by this organisations were: business model viability sustainability (67%), networks partnerships (56%), but also getting products/services to market, sector expertise, investor relations, recruiting mentors, and understanding and addressing gaps in enterprises.

27 In comparison, in Australia timeframes between identification of the enterprise and investment are 12–18 months depending on the pre-existing level of investment readiness.
Additional time would enable more capital will be raised and transferred to the Pacific, as many of the investment readiness grant funds were only funded 12–18 months ago. However, it would also be important to address the other assumptions made that affected the timeline relating to the skills and contextual understanding of intermediaries.

Going forward, Pacific RISE should develop case studies from the investment readiness process that discuss how capital is raised, the types of investors and capital structures that fit the Pacific, and what support is needed to move capital for impact.

**With further time Pacific RISE should be more strategic and create a legacy in the Pacific**

Pacific RISE’s work largely followed the interests and opportunities that the intermediaries themselves identified. Pacific RISE sought to test and strengthen the Pacific investment ecosystem, demonstrate that a pipeline of potential investments could be built, and deploy capital. However, within the short 3-year timeframe it was not feasible to provide more than what amounted to short burst of pilot support.

What Pacific RISE learned from its component parts (scoping and investment readiness grants) is useful, but with a further period of operation, that learning should now feed into more strategic activities that give Pacific RISE the ability to build its current position in the market as well as its legacy.
6 The future of Pacific RISE

In March–April 2019, Pacific RISE held a range of stakeholder discussions with intermediaries, investors, Pacific networks, core operating partners and Pacific enterprises; and conducted a literature review to identify strengths and where to focus on in future.

Three ways to strategically target the work of Pacific RISE in future were considered:

1. **Maximise investments made**

Since the 2018 mid-term review, Pacific RISE focused on maximising investments in the short term based on scoping completed to date and providing funding to get investments over the line. The mid-term review expressed a preference for Pacific RISE to focus on more ambitious targets. This option would focus Pacific RISE on the goal of moving capital and achieving targets for investments made in the Pacific as aligned with the mid-term review targets.

**Possible trade-offs:** Focusing on enterprises close to investment ready are ‘low hanging fruit’. Social impact may be compromised as most Pacific social enterprises are young and require significant support before they are bankable or investment ready. This approach also includes limited work with networks and limited improvement of local capacity and unlikely to contribute to long-term market development if gaps in the ecosystem are not understood or addressed. The investment portfolio will not be representative of the wide spectrum of enterprises in the Pacific.

2. **Pacific RISE as an additive facility to existing programs in the Pacific**

This would focus Pacific RISE as a facility that works alongside existing Pacific programs to build the demand side, rather than independently seeking and developing investment opportunities. The goal of moving capital in the short term and developing an understanding and using DFAT-funded programs to build a more sustainable market in the long term would be the focus of this option. A range of Pacific programs indicated they could learn from Pacific RISE and had enterprises in their work programs that may be interested in investment.

**Possible trade-offs:** This might not fit the business model or objectives of the intermediaries that Pacific RISE currently works with, limiting the number of partners and models. It would be important to explicitly state how capacity building is included and measured in contract documents. Attribution between DFAT programs may also be hard to assess. Investment targets may be limited and additional time and budget would be required to work in country and build capacity of networks first.

3. **Focus on building the Pacific market through a select number of Pacific partners**

A majority of the lessons from Pacific RISE to date highlighted the need to support the development of local and domestic capital supply, given the particular needs of Pacific enterprises. This would require Pacific RISE to take a more facilitative role to influence both demand and supply side of the market, and would see the program focus on research to understand the practical needs of Pacific businesses, intermediaries and investors. This has the most potential for sustainability and could also be piloted in one or two countries initially.

**Possible trade-offs:** This would require a more direct role from the facility, including more in-person time in the Pacific. It would require a change in operating model and resource allocation away from intermediaries and towards smaller catalytic grants and expenditure geared towards building cost-efficient and focused partnerships. Additional time and budget would be required to work in country.
In addition, the following 10 activities were considered Pacific RISE’s strengths and should be continued:

1. **Complete and evaluate work in progress**: Pacific RISE should continue to support the work already funded in investment readiness, the menstrual health work, gender lens tools, and research into capital mapping in the Pacific and the legal and regulatory framework. As well as to assess current intermediaries’ models (e.g. Kiva crowdfunding of small-medium enterprises, Good Return’s loan guarantee scheme). Successful models could be scaled up.

2. **Investor engagement**: Pacific RISE should continue to engage with a variety of investors, building their understanding of the Pacific; helping to guide appropriate investors to Pacific social enterprise opportunities; and increasing understanding of how to effectively move capital to social enterprise which deliver women’s economic empowerment. Pacific RISE should identify the best ways to engage with investors.

3. **Refocus Pacific RISE to respond to the needs of the Pacific enterprises**: Pacific RISE should look at ways to work more closely with Pacific enterprises to explore their capital needs and develop a variety of finance options.

4. **Gender-lens investing**: Pacific RISE should continue to provide training, tools and advice so that enterprises, intermediaries and investors improve their gender practices and contribute to women’s economic empowerment outcomes.

5. **Intensify the connector function**: Pacific RISE should intensify its role as a connector, facilitating opportunities for sharing and partnership between intermediaries; between enterprises undergoing or completing investment readiness; between intermediaries and Pacific stakeholders; and between intermediaries, enterprises and investors.

6. **Increase program-to-program coordination**: Pacific RISE should centralise coordination with other programs and provide an introduction to impact investment, how the various intermediaries’ models work, and what constitutes investment readiness. Pacific RISE can also use programs to evaluate investment readiness applications with specific enterprises, using their country and sector expertise and their knowledge of enterprises and entrepreneurs. Pacific RISE can build a pipeline of referrals from these programs and use knowledge of intermediary’s models and skills to match intermediaries and programs as appropriate.

7. **Improve grant flexibility and speed**: Pacific RISE should ensure its decision-making and contracting processes are efficient, including decision-making functions. To streamline the work flow, Pacific RISE should explore flexible contracting options to facilitate new activities or subsequent capital raises.

8. **Post investment support**: Pacific RISE should consider where further support to enterprises could provide post-investment support and mentorship to ensure that investments are successful.

9. **Measure social impact of investments**: Pacific RISE should assess social impacts of investments made under the program.

10. **Focus on sustainability**: Pacific RISE should consider what building blocks are necessary to ensure that in the future, Pacific social enterprises have access to needed and appropriate finance. Pacific RISE should focus on activities that are more likely to lead to sustainable models, rather than those that require continued funding.