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Table of contents

1 Executive summary ........................................................................................................................................1
2 About Pacific RISE ......................................................................................................................................3
3 Update to Pacific RISE’s impact logic .........................................................................................................6
4 Activity highlights ........................................................................................................................................9
5 Output highlights .........................................................................................................................................22
6 What’s next in 2019 ......................................................................................................................................28
7 What we have learned ..................................................................................................................................30

Annexes

Annex A Highlights from the Pacific RISE investment thesis

Cover photo: Three winners of the YHER Pacific accelerator Donna Marie Wait, Jonina Saili and Moira Solvalu: Source YGAP

www.pacificrise.org
1 Executive summary

Pacific Readiness for Investment in Social Enterprise, or Pacific RISE, is a pilot innovation of the Australian Government Department of Foreign Affairs and Trade (DFAT). Pacific RISE demonstrates impact investments in the Pacific and aims to deepen the knowledge about the investment process and the Pacific investment ecosystem.

Pacific island countries rely on external sources of investment for much of their capital formation and have relatively small capital inflows, with the exception of Papua New Guinea. Lack of access to finance has limited the growth of many businesses, particularly those with a social impact.

Pacific RISE works with investors and financial intermediaries to develop an understanding of the potential for impact investment in the Pacific region. Pacific RISE provides funding for intermediaries to seek and assess investment opportunities and to provide investment readiness support with Pacific businesses in order to raise capital. Pacific RISE aims to secure A$5 million in investment for the Pacific and increase long-term investment in Pacific businesses by private investors, especially investors that understand the value of investing in women.

Pacific RISE reflects the Australian Government’s recognition of the essential role that the private sector plays in meeting social and economic development challenges in the region and moving from relationships based on aid grants to economic partnerships based on creating access to finance.

In 2018, Pacific RISE built on the scoping work undertaken in 2017 and progressed towards achieving its outcomes by testing investment readiness grants. 2018 has provided several case studies of how impact investment can occur in the Pacific.

Activity and output highlights

As of December 2018, 20 scoping missions and seven investment readiness grants have been approved. This has led to a pipeline of investment ready opportunities, with the potential to receive A$9.6 million in investment, a return on investment ratio in the order of 4:1.

During scoping, intermediaries assessed 208 businesses with 36 businesses identified as having the potential to move to investment readiness and investment. Businesses were screened out primarily due to perceived high risk, concerns regarding their ability to get capital elsewhere or that businesses were not interested or ready to take on investment.

Of the 36 businesses identified, Pacific RISE funded investment readiness assistance for 16 businesses with the potential to invest capital before June 2019. An additional 13 businesses with investment potential continue to work with intermediaries and could submit investment readiness applications in the future.

Figure 1: Pacific RISE achievements as of December 2018
After completing investment readiness technical assistance in 2018, two businesses are investment ready, investors have approved the investment and these businesses are waiting for the transfer of funds. This includes A$250,000 (further capital raising is still being raised) of investment in Vanuatu-based Coconut Oil Production Santo Limited (COPSL) and a US$15,250 investment in Papua New Guinean business Cwakama Arts and Crafts. In addition, Fijian fashion business 8 Mountains was awarded A$25,000 in investment funding through an accelerator initiative that occurred during scoping work in 2018.

As additional investment readiness activities are completed in early 2019, investors will be approached to undertake due diligence processes and to invest in a further 14 businesses in Fiji, Papua New Guinea, Samoa, Solomon Islands and Tonga. The benefit of having actual investment ready businesses and structured deals to show potential investors will build momentum to create interest in the Pacific with investors globally. Pacific RISE has identified 72 global investors with diverse types of finance that are investing or may be interested in investment opportunities in the Pacific.

**What’s next in 2019?**

Pacific RISE is implementing an approved work plan of activities in 2019 to support investment readiness activities, engage with investors, secure capital and demonstrate what impact investment can look like in the Pacific by June 2019. What we learn from the process provides a good basis for scaling up Pacific RISE beyond June 2019.

In 2019, Pacific RISE will use the remaining grant funding for additional investment in the current pipeline of investment ready businesses, new investment readiness activities with the potential to invest capital by June 2019 and for supporting investor activities. Pacific RISE will take an active role in investor engagement through an investor engagement strategy, commission research into the relevant policy, legal and regulatory framework relevant to moving capital in the Pacific, develop gender lens investing tools to educate intermediaries and investors and share lessons learned and good practice through partner networks and relevant DFAT investments.

**What have we learned?**

Pacific RISE will adjust its processes in 2019 to better support the investment readiness and movement of capital to reflect the lessons learned from investment readiness activities in 2018. These lessons can help to establish an impact investment market beyond 2019.

Intermediaries found a range of sectors and businesses where impact investment was appropriate and needed in the Pacific. Intermediaries also found constraints affecting how impact investment could be accessed including limited capacity of businesses, particularly women-owned businesses and the informal sector, and legal and regulatory barriers to investment.

Pacific RISE attained a greater understanding of different types of potential partner intermediaries, examining the characteristics and skills of successful intermediaries, how they partner with Pacific networks, the models they use (accelerators, pitches, direct one-to-one engagement and social enterprise development) and how different models lead to different types of relationships and finance, including the speed and size of capital invested.

Pacific RISE gained deeper understanding of the benefit that using a gender lens brings to investment and businesses in the Pacific as well as using a gender lens to uncover investment opportunities in undervalued markets such as menstrual health and creative arts where women predominantly participate.
2 About Pacific RISE

Pacific RISE is a pilot innovation of the Australian Government to demonstrate impact investments in the Pacific and deepen the 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. Pacific RISE identifies investment opportunities in Pacific businesses and works with businesses to access investor deal-flows.

Globally, impact investment has grown rapidly, however, this has yet to significantly include Pacific island countries. For impact investors, the Pacific is an opportunity to break new ground and contribute to a range of social impact initiatives in areas such as climate change adaption, agriculture supply chains and tourism.

Philanthropy and grants have been a large part of investment in the Pacific to date, however, opportunities for other forms of capital remain largely untapped. Businesses regularly tackle social and environmental impacts in the course of their operations and the Pacific is fertile ground for innovative ideas.

Pacific RISE objectives

A$5 million investment into the Pacific

Pacific RISE’s goal is to see at least A$5 million of impact investments funded in the Pacific by June 2019 and to promote greater investment into businesses that deliver women’s economic empowerment.

The long-term program outcomes are to:

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

Partners

Pacific RISE partners with finance intermediaries with strong experience in impact investment, gender and/or the Pacific to provide funds for scoping and investment readiness capacity building with Pacific businesses. Pacific RISE provides knowledge and advice on the Pacific investment environment, gender lens investing, legal and regulatory support and investor engagement.

Pacific RISE works with Pacific Trade Invest Australia to identify investment opportunities and investors to support the impact investment market in the Pacific. This partnership complements Pacific RISE funding to introduce intermediaries to the Pacific Trade Invest Australia network of businesses seeking investor and their investor engagement activities.
Gender lens

A gender lens on investment leads to better outcomes for women

Wherever possible, Pacific RISE will promote greater investment in businesses that deliver women’s economic empowerment.

Pacific RISE works with the Criterion Institute\(^1\), a think tank specialised in gender lens investing, to show how a gender lens can be applied during the investment process alongside a financial analysis and supports finance intermediaries and investors in implementing a gender lens. This has led to intermediaries changing how they see value in businesses that have an impact on women’s economic empowerment and the market overall. A gender lens has also uncovered the hidden value of markets where women in the Pacific predominantly participate, such as creative arts and menstrual health, as well as looking at social issues affecting women such as gender-based violence.

Pacific RISE supports intermediaries and investors to use a gender lens in scoping, selecting businesses, investment readiness, due diligence, enterprise support and measuring outcomes. Pacific RISE uses Criterion Institute’s expertise to link with global opportunities to attract investors and support from others committed to finance as a tool for gender equality. This way, Pacific RISE can work with investors to showcase how a gender lens produces better investment returns, stronger impact and at times uncovers innovation or opportunities that may have otherwise been overlooked.

Implementation

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

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\(^1\) [www.criterioninstitute.org](http://www.criterioninstitute.org)
Pacific RISE facilitates the movement of capital and knowledge in the Pacific

Pacific RISE provides the opportunity to deepen knowledge about the impact investment process and the Pacific investment ecosystem. As well as the movement of funds and services between actors, information is shared in the following ways:

- DFAT and Pacific RISE advise and provide broker services to investors and intermediaries
- Pacific RISE and Pacific Trade Invest Australia introduce intermediaries to Pacific businesses, business networks and government organisations and to DFAT
- Pacific RISE, working with other DFAT investments, identifies and develops a pipeline of investable opportunities to attract capital to the Pacific
- Pacific RISE and Criterion Institute develop tools to support using a gender lens in investment readiness and understanding the impact of gender-based violence on investments
- Pacific RISE develops research to understand and navigate the Pacific investment context and uncover Pacific sources of capital
- Pacific RISE supports intermediaries to collect data from enterprises and target populations and monitor and evaluate the social impacts from any investment
- Pacific RISE demonstrates how impact investment can occur in the Pacific and will share information on how this happens.

Mid-term Review

The need to demonstrate effectiveness of the pilot

In July 2018, DFAT undertook an independent mid-term review of Pacific RISE. The review found that the original strategic intent and long-term outcomes set out in the DFAT terms of reference and investment design document remain relevant but Pacific RISE has not yet demonstrated to be effective or efficient. The recommendations were 1) Pacific RISE is extended to be a 5-year pilot (ending June 2021); 2) Pacific RISE explore, and where useful adopt, new pathways to impact; 3) Pacific RISE focus on delivering the $5 million investment target by June 2019; and 4) specific contracting recommendations to share risk in delivery are adopted.

A Pacific RISE workplan for the period of October 2018–June 2019 was developed in response to the review and its recommendations.

Alignment with Australian Government foreign policy objectives

The Pacific RISE goal and long-term outcomes align with Australian national interest and are consistent with the Australian Foreign Policy White Paper and the DFAT Pacific Regional Aid Investment Plan. This was verified by the independent mid-term review completed in October 2018.

Pacific island countries rely on external sources of investment for much of their capital formation and have relatively small capital inflows, except for Papua New Guinea where there is investment in large resource projects. Both these contextual conditions suggest the Pacific RISE goal to leverage at least A$5 million of private investment capital into the Pacific and the long-term outcome to increase long-term investment in Pacific businesses by private investors, including investors that understand the value of investing in women’s businesses, remain relevant.

The Australian Government’s desire to support the growing alignment between business and development is based on recognising the essential role the private sector plays in meeting social and economic development challenges in the region. This also supports moving from relationships based on aid to economic partnerships.
3 Update to Pacific RISE’s impact logic

An impact logic is the core of the Pacific RISE monitoring, evaluation and learning framework and defines the data that is collected for Pacific RISE to base decisions on.

In November 2018, Pacific RISE redesigned the program logic to reflect updates in its strategy and activities to facilitate investment by June 2019 and to integrate recommendations from the mid-term review—see Figure 3.

Pacific RISE’s activities will focus on facilitating initial investments to demonstrate and learn about the range of possibilities in the Pacific for impact investment, rather than building an impact investment market. This shift accounts for the analysis and lessons since August 2016 and the status of the Pacific impact investment ecosystem.

Pacific RISE will continue to focus on demonstrating investment against the target of A$5 million, although this will not be realised by June 2019. Alongside, Pacific RISE will build knowledge on the type of investments that would be possible in the Pacific, identify gaps in the Pacific impact investment market and develop case studies.

Pacific RISE will use these examples to identify new activities that can impact on market development in 2019.
Figure 3: Impact logic for Pacific RISE

Impact

A0
- Pacific women and men benefit through social, economic or emotional support from social enterprises

A5
- Social Enterprises Improve business growth, investor returns and social outputs

Outcomes

A7
- Social enterprises receive investment from impact investors

A9
- Investors and Social Enterprises agree on investment and outcomes

Outputs

A17
- Intermediaries provide TA to SDs

A18
- Investors are interested in the social enterprise investment and have the capital to invest

Activities

A6
- Intermediaries provide investment readiness assistance to selected Pacific social enterprises

A5
- Pacific RISE funds investment readiness support for selected opportunities through intermediaries

A4
- Intermediaries assess the opportunities and design intervention readiness support for each opportunity

A1
- Intermediaries identify opportunities for investment through existing, relevant research, and methods

A3
- Pacific RISE conducts and shares market research on the regulatory and legal environment for impact investing in the Pacific

A14
- Pacific RISE introduces investors directly to Pacific investment opportunities in its portfolio

A12
- Investors are interested in investing in the Pacific

A10
- Pacific RISE engages a network of intermediaries, educating them on the Pacific, demonstrating investment opportunities and understanding their interests and motivations

A5
- Local networks provide social enterprise referrals and stimulate local interest in impact investment

A6
- Pacific RISE maps capital flows in the Pacific to identify sources of local capital

A7
- Pacific RISE develops a Pacific Investor Working Group to involve stakeholders in investor engagement

A8
- Pacific RISE develops a Pacific Investment Thesis to guide how it engages with and identifies the interests of potential investors

A9
- Pacific RISE identifies partner intermediaries

A11
- Pacific RISE identifies and engages with social enterprises

A16
- Pacific RISE conducts and shares market research on the regulatory and legal environment for impact investing in the Pacific

A13
- Investors are interested in investing in the Pacific

A15
- Pacific RISE funds investment readiness support for selected opportunities through intermediaries

A17
- Intermediaries provide TA to SDs

A18
- Investors are interested in the social enterprise investment and have the capital to invest
Updates to the logic in 2018 include:

- new activities and outputs around investor engagement to reflect Pacific RISE’s increased brokering role between investors to opportunities in the Pacific and to capture learning about how to best engage investors in the Pacific
- breakdown of steps within the investment process to measure how an opportunity moves from investment readiness through to the actual receipt of funds. For example, how investors show interest, how they agree to fund, how instruments and investment terms are designed and agreed, and how capital flows in practice.

Data collection will commence from December 2018 for the new boxes in the impact logic.

Progress against indicators

Table 1 outlines progress against a selection of Pacific RISE indicators as at December 2018 compared with December 2017. These indicators relate to scoping and investment readiness work as well as number of enterprises who are involved in investment readiness work.

Compared to 2017, in 2018, scoping missions assessed more enterprises, and there was an increase in intermediaries applying for and successfully granted investment readiness funding with businesses. Following the completion of investment readiness activities, intermediaries have approached investors to secure investment capital.

Further details on activities and outputs are outlined in Sections 4 and 5 respectively.

Table 1: Pacific RISE progress against indicators in 2018 and historical at 2017

<table>
<thead>
<tr>
<th>Pacific RISE indicators</th>
<th>December 2018</th>
<th>December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity level indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of enterprises assessed during scoping missions</td>
<td>208</td>
<td>73</td>
</tr>
<tr>
<td>Number of scoping missions funded by Pacific RISE</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>Number of enterprises identified by intermediaries as potential investment opportunities</td>
<td>36</td>
<td>14</td>
</tr>
<tr>
<td>Number of investment readiness applications approved for investment readiness funding</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Number of enterprises approved for investment readiness funding</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Output level indicators</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of enterprises completing investment readiness assistance</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Number of enterprises for which investment has been approved (by investors)</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Number of enterprises receiving investment</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

2 This increase in number of enterprises assessed is largely due to the accelerator for female-led enterprises run by YGAP as a scoping activity in 2018 that assessed 55 enterprises and selected 13 to attend the accelerator with three selected to receive a combination of grants and investment post workshop.
4 Activity highlights

2018 has seen Pacific RISE transition from a scoping phase to testing investment readiness processes with intermediaries and, in a small number of cases, demonstrating impact investments. These activities can be used as examples to build momentum and create interest within the global impact investment industry.

Partnership with 12 finance intermediaries to identify investment opportunities in the Pacific

Pacific RISE pre-selects intermediary partners based on their experience in impact investment, with closing deals and with supporting investment in developing contexts with preference to those with Pacific experience. To date, Pacific RISE has identified 22 intermediaries eligible to apply to Pacific RISE, with 12 of these intermediaries have applied for and been successful in received funding for scoping.

Pacific RISE provides knowledge and advice on the Pacific investment environment, gender analysis, legal and regulatory support and funding to look for investment opportunities. Pacific RISE also identified two new intermediaries, Giving Architect and Social Ventures Australia, who have expressed interest in partnering with Pacific RISE in 2019.

In July 2018, Pacific RISE commissioned Bessi Graham and Joy Anderson to attain a greater understanding of the different types of finance intermediaries and understanding their capacity and role. The characteristics of successful intermediary partners include those with both demand and supply side skills, and those with strong networks in the Pacific. Australian and New Zealand intermediaries had more advantage being closer and having stronger local networks that understand the Pacific. More analysis on intermediary partners is included in Section 7.2.

This research also outlined several 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 has developed internally-managed work plans to support intermediaries with investor engagement, gender lens investing and communications. Pacific RISE commissioned research into the legal and regulatory environment for investment in the Pacific, and tools, and will play a stronger brokering role to introduce investors to opportunities. The ability to combine scoping and investment readiness with a strong investor engagement process will lead to a more diversified pipeline that meets the interest of a wider range of investors. Pacific RISE has received expressions of interest from other DFAT funded programs to access this research and share the analysis.

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3 Another seven 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.

4 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.
Use of broad range of intermediaries’ Pacific networks to find investible businesses

Pacific RISE partners with Pacific Trade Invest Australia to help identify investment ready businesses and to engage with investors. Pacific RISE also partners with the Criterion Institute to provide support to intermediaries and investors with a gender lens and to engage global investor networks.

In 2017, Pacific RISE planned to identify and introduce intermediaries directly to businesses 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, in 2018, Pacific RISE instead focused on a role as a broker. Pacific RISE introduces intermediaries and investors to Pacific networks that could inform their scoping, find businesses, provide gender advice and cultural context and learn how to invest capital.

Pacific RISE engages with networks such as Pacific Trade Invest Australia, business councils, DFAT Posts, Market Development Facility, Strongim Bisnis, Pacific Horticultural and Agricultural Market. Access Program, Australian Business Volunteers, other intermediaries and gender networks and organisations in the Pacific. Pacific RISE briefs organisations on what impact investment is, what Pacific RISE does and then introduces intermediaries to these networks. Intermediaries, particularly those with experience in the Pacific or looking at a particular sector for investment, also use their own networks.

Table 2 outlines Pacific networks that intermediaries used in 2018 through scoping and investment readiness work, showing networks that were used by most intermediaries and those that were uncovered.
Table 2: List of Pacific partners and networks consulted by intermediaries during scoping work in 2018 (based on scoping report feedback 2018)

<table>
<thead>
<tr>
<th>Organisation Name</th>
<th>Country of Work</th>
<th>Akina Enterprise Angels</th>
<th>Good Return</th>
<th>IIX</th>
<th>Real Impact</th>
<th>Social Outcomes</th>
<th>TDi</th>
<th>YGAP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government and UN</strong></td>
<td></td>
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</tr>
<tr>
<td>Pacific Trade Invest Australia and New Zealand and trade commissioners in country</td>
<td>Pacific wide</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>DFAT Pacific business support programs (e.g. MDF, PHAMA, Strongim Bisnis)</td>
<td>Pacific wide</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Pacific Government agencies (Ministry of Commerce, Ministry of Trade, Fiji Arts Council)</td>
<td>Pacific wide</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>DFAT Post and global programs</td>
<td>Pacific wide</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Export Council of Australia</td>
<td>Australia</td>
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<tr>
<td>NZ Government</td>
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<td></td>
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<tr>
<td>UN agencies (e.g. UNDP CoLab, UN Women)</td>
<td>Pacific wide</td>
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<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
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<tr>
<td><strong>Business networks</strong></td>
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</tr>
<tr>
<td>Local investment bodies (e.g. Invest Fiji)</td>
<td>Pacific wide</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</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 business support and consultants</td>
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<td></td>
<td>✓</td>
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<td></td>
</tr>
<tr>
<td>Other Pacific regional bodies (e.g. SPC, PIPSO)</td>
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<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Large corporate businesses (e.g. Carnival, Exxon Mobil)</td>
<td>Pacific wide</td>
<td></td>
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</tr>
<tr>
<td>Investors and funds (e.g. Benefit Capital, Small Giants, Root Capital, South Pacific Business Development, Kiva, Katalyst, Global Innovation Fund)</td>
<td>Australian, Pacific and Global</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
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<td>✓</td>
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<tr>
<td>Other intermediaries (e.g. TDi, Good Return, IIX, Akina)</td>
<td>Australian, NZ, Singapore</td>
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<td></td>
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<td>Investing network (e.g. Responsible Investment Association Australia)</td>
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<td>Development Banks (e.g. ADB, Tonga Dev Bank, BSP)</td>
<td>Pacific wide</td>
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<td>✓</td>
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<tr>
<td><strong>Banks, finance and investment networks</strong></td>
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<td>Entrepreneur networks (e.g. Entrepreneur academy, Kumul Game Changers, Fiji Entrepreneur Magazine)</td>
<td>Pacific wide</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
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<td></td>
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<tr>
<td>Gender Networks (e.g. Melanesian women today, Pacific women network, WISE)</td>
<td>Pacific wide</td>
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<td></td>
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<tr>
<td>Youth Networks (e.g. YESCI, youth employment entrepreneurs)</td>
<td>Pacific wide</td>
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<td><strong>Sectoral networks</strong></td>
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<tr>
<td>International NGOs (e.g. World Vision, Red Cross)</td>
<td>Pacific wide</td>
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<td></td>
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<tr>
<td>Volunteer associations (e.g. Australian Business Volunteers, British Council)</td>
<td>Pacific wide</td>
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<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
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</tr>
</tbody>
</table>
20 scoping missions across six countries assessed 208 Pacific businesses for investment potential

Pacific RISE provides two types of grant funding: scoping and investment readiness. Scoping provides funds for intermediaries to identify businesses for subsequent investment readiness work and to understand and learn about the investment environment in the Pacific. Scoping is a funnel to channel stronger investible opportunities towards investment and then ultimately moving into the investment readiness applications to test new approaches.

As of December 2018, Pacific RISE has funded 20 scoping missions completed by 12 different intermediaries in six countries across the Pacific, as shown in Table 3 and Figure 4. Four of these scoping missions were conducted and completed in 2018 while the other 16 applications were completed in 2017.

Table 3: Outline of scoping missions funded to date

<table>
<thead>
<tr>
<th>Pilot 2015</th>
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<td>1 TDI Fiji</td>
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<td>2 Social Outcomes and Wise Foundation Samoa</td>
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<td>3 IIX Fiji</td>
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<td>4 Feed the Hunger Foundation Fiji, Samoa, Vanuatu</td>
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<td>5 Lotus Impact Vanuatu</td>
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<td>6 Real Pacific Impact Fiji, Solomon Islands, Vanuatu</td>
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<td>7 Social Outcomes Papua New Guinea</td>
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<td>8 The Difference Incubator (TDi) Vanuatu</td>
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<td>9 Spark Strategy Solomon Islands</td>
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<td>10 Social Outcomes Fiji</td>
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<td>11 Social Outcomes Papua New Guinea</td>
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<td>12 Akina Foundation Solomon Islands</td>
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<td>13 Good Return Solomon Islands and Tonga</td>
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<td>14 The Difference Incubator (TDi) Samoa</td>
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<td>15 Lotus Impact Fiji</td>
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<td>16 The Difference Incubator (TDi) Fiji &amp; Vanuatu</td>
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<td>17 YGAP Fiji, Samoa, Solomon Islands, Papua New Guinea</td>
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<td>18 Enterprise Angels Samoa</td>
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<th>Round 4 2017</th>
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<td>19 The Difference Incubator (TDi) Fiji</td>
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<td>20 Good Return Tonga</td>
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5 One further scoping mission has been approved in December 2018 for Round 5 and is approved but not yet contracted.
Scoping work targeted Melanesian countries predominantly due to larger populations and economies as well as countries where the investment environment is more mature such as Fiji and Samoa.

Intermediaries take a pipeline approach to finding opportunities—by starting with a large number of potential businesses, usually sourced from Pacific business or NGO networks (for more information see previous section). Intermediaries meet to discuss interest in investment, assess businesses’ suitability for investment and to undertake initial due diligence assessment.

During scoping, intermediaries vetted or assessed 208 businesses across 10 countries in the Pacific (breakdown by country shown in Figure 4) conducting an initial assessment of their model and their potential for investment and investment readiness support.

Focus sectors for intermediaries were agriculture and agro-processing; aquaculture; creative industries; community development; health and sanitation; information and communication technology; manufacturing; and tourism.

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6 Australian and New Zealand businesses were assessed as they had Pacific operations or supply chain that had a social impact.
Intermediaries sought businesses with a social impact mandate. Impacts were primarily through employment; access to improved health, education or technology products or through involving rural people in supply chain particularly niche agricultural products such as coffee, cocoa, vanilla, coconut oils, ginger and turmeric being those that were considered highly investible.

Many businesses with a 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 a pipeline for larger impact investments in the future. Most of the opportunities identified for future investment through investment readiness support are concentrated in growth stage businesses that are vertically integrated across the value chains predominantly in agriculture and tourism.

From 20 scoping missions, 36 were identified by intermediaries as having the potential to move on to investment readiness and potentially investment. The reasons businesses were screened out is outlined in the break out box with the primary reason as the enterprise was too risky or investment was not needed or able to be sourced locally.

Intermediaries applied for investment readiness funding for 19 businesses with 16 of these businesses approved for investment readiness activities. Pacific RISE is closely tracking another 13 businesses\(^7\) as having potential to move into investment readiness support.

The conversion from businesses identified as potential for investment to investment readiness grant applications is low with 36 identified and 19 applied with 16 approved.

From interviews with intermediaries this is likely due to

1. Intermediaries identify businesses at an early stage and have identified additional steps needed for the enterprise to take prior to applying to investment readiness funding or
2. Intermediaries were optimistic in their scoping reporting and identify opportunities that the intermediaries are not able or willing to pursue.

The current funding round of Pacific RISE requires that intermediaries prove the business can take on investment by June 2019—which is a short timeframe to raise capital in Australia, or even developed markets. This will demonstrate a number of examples how impact investment can occur in the Pacific. Pacific RISE will also provide support to intermediaries and engage more with investors that will provide clearer criteria for ‘potential investment’ in future.

Reasons businesses were screened out by intermediaries (ranked):

- The enterprise or investment was too risky
- Investment was not needed
- Enterprise was able to get local investment
- Investment would have too low a return
- Enterprise was reluctant for debt or equity
- Enterprise needed restructuring or was not in the right legal structure
- Enterprise was 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)

\(^7\) Some have been removed from the pipeline due to indications from intermediaries or Pacific RISE’s own evaluation that they are unlikely to proceed to the investment readiness stage. Some would be activated if Pacific RISE is extended beyond June 2019.
Accelerating female entrepreneurs in the Pacific with YGAP

Australian not for profit, YGAP, works with more than 400 social entrepreneurs around the world, of which over 50 per cent are female. Over the last two years YGAP have gone further with their support of female entrepreneurship designing the YHER program to find and accelerate female-led ventures that aim to improve the lives of women and girls.

With the support of the Australian Government through Pacific RISE, YGAP adapted the YHER program for the Pacific. In June 2018, YGAP advertised through Pacific networks and sought applications from female-ventures across the Pacific and 55 enterprises applied. In September 2018, YGAP chose 13 female founders from five countries to participate in an intensive six-day live in entrepreneurship accelerator in Nadi, Fiji. Participants accessed world class training and a network of international mentors to be able to rapidly improve their ventures making them more scalable, sustainable and impactful.

Following the training, participants were connected to a network of investors, funders, mentors and supporters where entrepreneurs pitched their ideas and A$50,000 in investment and grants were awarded to three enterprises. A fashion house in Fiji, 8 Mountain, who exports to nine countries was approved for A$25,000 in investment, while Marie’s Private Clinic, a private health clinic in Solomon Islands, and Kahuto Investments, a technology enterprise conducting GIS mapping via drone technology, were awarded grants of A$15,000 and A$10,000 respectively to develop their business ideas further.
Investment readiness funding could leverage up to a potential pool of A$9.6 million in investment in the Pacific

In 2018, Pacific RISE transitioned from primarily funding scoping applications to supporting investment readiness applications as intermediaries sought to work more closely with business opportunities identified during the scoping completed in 2017 and early 2018.

In 2018, seven investment readiness grants were approved to work with 16 businesses. These approvals were made between May–July 2018 with investment readiness activities expected for most applications to conclude between January and June 2019.

This has the potential to leverage A$9.6 million in investment a return on investment ratio in the order of 4:1.

Investment readiness work tests the capacity of businesses and the role of intermediaries in moving capital in the Pacific and to date has provided several examples of how to do this including using crowdfunding platform Kiva to seek working capital for suppliers to creative arts businesses and using private ancillary funding to underwrite the risk of providing loans to Solomon Island coconut and ngali nut businesses by Pacific banks. For more examples of investment readiness see Section 5.

Investment readiness work also introduces new forms of social enterprise in the Pacific with the Vinaka Group (see case study below) looking to establish a laundry facility in Fiji to address health outcomes for national hospitals.

Designing a social enterprise to meet health and sanitation needs in Fiji

Pacific RISE funded Australian based intermediary Social Outcomes to establish Vinaka (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. However, it extends to Fijian hospitals, government and development agencies, and hotels who are working to combat the spread of diseases originating and, being shared through, laundry facilities. Through accessing high quality technology, which the current market is unable to provide, the impacts on disease management for the hospitals, health clinics and hotels can be reduced thereby improving these services vital to Fiji’s economic and social well-being.

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

1. Vinaka Laundry Services to provide high-quality commercial scale, barrier laundry services to hospitals, hotels, universities, industry and government departments
2. 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 completed a business plan as investment readiness activities. Vinaka is currently seeking to raise capital of A$4,700,000 in start-up capital from several different investors and impact investment funds. The capital will be a combination of debt and equity, and a major equity partner is currently undertaking due diligence on the deal.
As at December 2018, two of these businesses are classified as ‘investment ready’, investors are interested, and the terms and conditions of finance are being negotiated.

Testing actual deals with investors and exploring how to invest capital in several Pacific Islands, has highlighted structural barriers including:

- in Fiji, the commercial legal framework requires private sector investors and businesses to petition for costly licenses and registration, making smaller investments more expensive or not feasible
- the inability to repatriate funds to overseas investors has led to a number of funds unable to include Papua New Guinea in their portfolio
- investors without experience in the Pacific will invest in Australian or New Zealand entities of a Pacific business which may lower perceived risk and reduce the need to navigate the legal and regulatory requirements of the Pacific
- poor access to local finance for co-funding or top-up purposes. Local finance plays a de-risking role, act as a social guarantor and contribute to monitoring
- many of the sectors with investment potential that intermediaries are targeting have supply chains which cross into the informal sector. Constraints within the informal sector can create a challenge to investment opportunities.

Pacific RISE will undertake activities to address constraints including commissioning research into the legal and regulatory environment, engaging with investors and, through the investment thesis, showing opportunity for investment in the Pacific including in the informal sector. Section 7 provides more information on the opportunities and constraints identified.
Table 4: Number of investment readiness funding applications approved, description of capacity building assistance provided by intermediary and list of potential investors for each investment opportunity

<table>
<thead>
<tr>
<th>No.</th>
<th>Intermediary</th>
<th>Business</th>
<th>Country</th>
<th>Sector and business description</th>
<th>Capacity building assistance through investment readiness</th>
<th>Potential investment in $A</th>
<th>Potential impact</th>
<th>Status</th>
</tr>
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</table>
| 1   | TDi                | COPSL                         | Vanuatu       | Agriculture. Produces virgin coconut oil.                                                       | 1. Business Model  
2. Investment plans, documents and negotiation  
3. Social Impact Measurement                                                                                             | $980,000 - $250,000 placed: (USD$750,000) | Increased incomes for 100 rural farming families on Espiritu Santo.                                                  | Investment pending                           |
| 2   | Good Return        | Five Solomon Islands enterprises (including Sol Agro, Tupagholua Cocoa) | Solomon Islands | Agriculture. SolAgro: Sells local ngali nuts to the international market. Tupagholua: Women-owned business which produces, buys and processes cocoa beans for export. | 1. Financial management  
2. Strategic Planning  
3. Investment plans, documents and negotiation  
4. Other: gender analysis and action plan                                                                                                    | $500,000            | Various – typically increase income for women and rural households.                                                  | Investment Readiness Fund grant awarded          |
| 3   | Social Outcomes    | Vinaka Group                  | Fiji          | Water Sanitation and Hygiene. Establishment of the Vinaka Group a company to improve health outcomes for all Fijians and visiting tourists through the provision of laundry services that prevent disease, clean water through portable water treatment units and improved sanitation and safe domestic energy though biodigestors. | 1. Governance  
2. Legal  
3. Human Resources  
4. Financial management  
5. Business model  
6. Strategic planning  
7. Operations model and processes  
8. Business processes  
9. Social impact model and measurement  
10. Investment plans, documents and negotiation | $4,700,000         | Improved health outcomes, access to stable employment and environmental benefits of reduced plastic.                | Investment Readiness Fund grant awarded          |
<p>| 4   | Real Impact        | Six creative arts SME (including Cwakama Arts and Crafts) | Solomon Islands Papua New Guinea Tonga | Creative Industries. Acts as aggregator for linking domestic artisans to overseas markets, providing training and support, access to working capital, as well Focus on: 1. Other: technical skill capacity building to handicraft SMEs. 2. Investment plans, documents and negotiation. Others could include: 3. Governance 4 Legal | $68,000 (USD$50,000) | Increase income for rural handicraft producers working under 6 SMEs.rength.                                                                 | Investment pending and IRF work ongoing to scale up to other enterprises |</p>
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<tr>
<th>No.</th>
<th>Intermediary</th>
<th>Business</th>
<th>Country</th>
<th>Sector and business description</th>
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<th>Potential investment in $A</th>
<th>Potential impact</th>
<th>Status</th>
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<tbody>
<tr>
<td>5</td>
<td>IIX</td>
<td>Bula Coffee</td>
<td>Fiji</td>
<td>Agriculture. Sources local coffee beans and produces coffee for domestic and international markets.</td>
<td>5. Financial management 6. Operations model and processes 7. Social impact model and measurement</td>
<td>$800,000</td>
<td>Increase income for 150 – 1,000 women picking and selling coffee cherries.</td>
<td>Investment Readiness Fund grant awarded</td>
</tr>
<tr>
<td>7</td>
<td>TDi</td>
<td>Essence of Fiji</td>
<td>Fiji</td>
<td>Health and Beauty products. Essence of Fiji 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. Business model 3. Social impact model and measurement 4. Investment plans, documents and negotiation</td>
<td>$1,900,000 - $2,250,000 (FJD $3m - $3.5)</td>
<td>Access to employment opportunities for women and increase income for women suppliers in remote areas.</td>
<td>Investment Readiness Fund grant awarded</td>
</tr>
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</table>
Investing in the menstrual health market in the Pacific

Menstrual health remains an undervalued market in the Pacific. It is not recognised as legitimate or investable due to a variety of factors including stereotypes and negative taboos associated with menstruation, a male-dominated investor market with limited understanding of scope of the problem, and the belief that menstruation is a ‘woman’s issue’. Within DFAT, menstrual health was raised to prominence by the ‘Last Taboo’ research and championed by the DFAT Gender team and Pacific Women. Pacific RISE was approached by several intermediaries interested in solving investment problems for individual enterprises producing menstrual products in the Pacific, but enterprises are in early stages, reliant on donations with an unclear business model.

In September 2018, with the support of DFAT to advance the next steps of the ‘Last Taboo’ research, the Criterion Institute and Pacific RISE arranged a four-day workshop. The workshop brought together a diverse range of social and business actors focused on improving menstrual health management in the Asia-Pacific region to understand and explore investment opportunities.

During the workshop, it became clear that investment needs to be targeted and appropriate to both the enterprises and the market. Market growth potential exists, and for investment to be effective, investors should invest in ecosystem collaborations to expand the ability for several local enterprises to effectively and efficiently meet the menstrual health needs in their local communities.

From the workshop, three opportunities with significant potential were identified:

1. investment in coordination and market formation including setting up communities of practice and information sharing hubs
2. investment to support aggregate import of materials which make up 80 per cent of production costs for enterprises
3. identifying business model characteristics that could be aggregated to attract investment into multiple social enterprises.

Each requires investment of private and public resources to build the capacity of the local actors to transition to a formed and functional market economy, which can create both financial and social returns for individuals and investors. Pacific RISE is committed to testing how finance can be used to develop the menstrual health market in the Pacific and will invest in research into the business case for investment and directly work with investors and intermediaries to place capital into enterprises and provide ongoing advice to market actors making this happen.
Sharing Pacific RISE’s success and lessons with investors and other stakeholders

Pacific RISE uses communications to promote the work of the program and the work of intermediaries in the Pacific. The goal is to interest investors in the Pacific and the work of Pacific RISE as well as informing stakeholders such as development networks, Pacific business networks and DFAT on Pacific RISE and impact investment. Communications activities focus on three areas: outreach, knowledge management and public diplomacy.

In 2018 many activities involved direct engagement with investors and intermediaries to:

- target content to appeal to an impact investor audience focused on an impact area - for example, International Women's Day or the 16 Days of Activism against Violence
- raise the profile of Pacific as a place to invest through investment focused media including the Pacific RISE Investment Thesis
- promote Pacific RISE activities through case studies, e-newsletters and blogs distributed through the website and to over 200 stakeholders. Use social media to promote Pacific RISE with key influence partners such as IIX, The Difference Incubator (TDI), Criterion Institute and DFAT
- provide consistent language and messaging through talking points about Pacific RISE designed to appeal to investors
- release a gender lens investing case study featuring (TDi) examining how their internal work has been influenced by Pacific RISE’s gender lens investing training and support and how this can influence investment. In early 2019 case studies from Good Return and IIX will also be designed.

In 2019, communications will focus on showing the tangible outcomes of Pacific RISE such as the gender-based violence due diligence tool, investment opportunities in menstrual health and the opportunities in the Pacific RISE pipeline. When capital is committed and transferred to enterprises in the Pacific, Pacific RISE will work closely with DFAT and other stakeholders to raise awareness of this work with the aim to showcase the Pacific as a market for impact investment.
5 Output highlights

Investment readiness leads to two businesses awaiting approved investment

Pacific RISE outputs and outcomes focus on intermediaries working with enterprises to become investment ready, investor’s interest, negotiation of terms and transfer of capital. In 2018, two companies have been deemed investment ready\(^8\) and are awaiting finalisation of capital transfer. In addition, one further company is undergoing due diligence for presentation to the investment committee in early 2019.

The three opportunities are outlined below.

Coconut Oil Production Santo Limited partnership with The Difference Incubator (TDi)

Coconut Oil Pacific Santo, Ltd. (COPSL) produces coconut oil for export, by buying coconuts and coconut oil from local communities in Espiritu Santo, Vanuatu.

**Potential impact of investment:** Low income women and men on Espiritu Santo Island will benefit by selling more coconut and virgin coconut oil to COPSL. One hundred families are expected to earn an additional A$300,000 per annum total. Because of women’s role in making virgin coconut oil, they are expected to benefit from training support and purchases by COPSL.

**Investment readiness work:** TDi worked with COPSL to improve in six main areas: mission, model, measurement, management, blended value, and investment nous. By the end of the support, TDi assessed that COPSL made improvements primarily in model, measurement, blended value and investment nous. Some main highlights include:

- **Blended value:** COPSL have a stronger understanding of blended value and the opportunities for blended value.
- **Business model:** COPSL better understand trends in the VCO market and potential customers; as well as understanding the existing organic supply from the region; and have explored and adopted a new supply chain model for virgin coconut oil.
- **Investment plans, documents and negotiation:** COPSL has proposed an attractive offer for Genesis Impact Fund which has resulted in a successfully approved investment deal. Negotiations are underway.

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\(^8\) It is important to note that ‘investment ready’ is defined by the investor – while intermediaries often conduct investment readiness activities such as business modelling, financial analysis, and social impact analysis and understanding capital process, different investors require different levels of scrutiny. Where investors are arm’s length, which is mostly the case, given the early stage of the Pacific, risk assessment and mitigation are common in investment readiness.
• **Social impact measurement:** Further work has been identified for COPSL to measure their social outcomes and use that information to continually identify opportunities for blended value, establish their new VCO supply chain, develop succession plans, and establish investment reporting. However, in some cases TDi will continue to provide this support, through their relationship with Genesis Impact Fund, and in other cases the business has the capacity, resources and incentives to continue to work on these areas.

TDi has helped COPSL to become investment ready. They have facilitated A$250,000 impact investment, the first tranche of investment needed to establish the VCO operations. TDi are currently raising the second and third tranches of investment.

**Size of investment:** A$980,000 (USD$750,000)

**Type of investment:** Equity

**Purpose of investment:** The investment will be used to launch two new products – bottled Virgin Coconut Oil and bottled organic oil – providing the necessary investment in equipment, infrastructure and working capital.

**Status of investment:** Terms and conditions of investment still being negotiated between investor and business in relation to the structure of shareholder arrangements as investor risk appetite is higher than anticipated.

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**Cwakama Arts and Craft partnership with Real Impact**

Cwakama Arts and Craft buys and sells handwoven baskets and bilum from communities in Ialibu province, a remote area in the Southern Highlands of Papua New Guinea.

**Potential impact of investment:** Increased income for current 20 weavers based in Ialibu Province, potentially expanding the number of employees and the number of weavers.

**Investment readiness work:** Cwakama has received the following investment readiness assistance from Real Pacific.

- **Other technical skill capacity building to handicraft SMEs:** Real Pacific worked with Cwakama’s weavers in Ialibu province to develop a new product (stool) and train them in the production of the new product that will be sold on Real Pacific’s platform.

- **Investment plans, documents and negotiation:** Real Pacific also worked to get Cwakama onto the Kiva platform, completing Kiva requirements and preparing the business profile to be posted. Additional assistance may be provided in other investment readiness outcome areas once investment is received and production begins.

**Investor approving investment:** Individual crowd-funded investment raised from 540 individual lenders and 166 lending teams through Kiva.

**Size of investment:** A$20,908 (USD $15,250)

**Type of investment:** Debt

**Purpose of investment:** Cwakama Arts and Crafts will use the loan to invest in product design and increase production to meet demand from the international buyers in REAL Impact's network.

**Status of investment:** Disbursement of the Kiva funding is set as 24 December 2018 and will be made in tranches according to milestones agreed with Real Pacific.
One further company is in early stage negotiations around a A$25,000 loan following their ‘awarding’ during the YGAP accelerator. YGAP had also proposed two other investments of A$15,000 and A$10,000 into Solomon Islands and Fiji but on reflection the cost of managing these as investments was too high and they opted to provide these as grants instead.

8 Mountains is the winner of the YGAP YHER accelerator in Fiji

8 Mountains is a clothing manufacturer in Fiji exporting to nine countries. A unique brand of Pacific fashion, 8 Mountains also works with disadvantaged women to provide employment and skills.

**Potential impact of investment:** Employment of new women from squatter settlements.

**Investment readiness work:** YGAP provided general business support through their accelerator but in particular:

- **Social impact model and measurement:** technical advice on boosting employment through entrepreneurship.
- **Investment plans, documents and negotiation:** YGAP is working with 8 Mountains on the investment documentation and term sheets.
- **Business model and Human Resources:** supported through ongoing business mentoring for six months post accelerator.

**Investor approving investment:** Not yet approved.

**Size of investment:** Not yet approved (A$25,000 anticipated).

**Type of investment:** Not yet approved (debt anticipated).

**Purpose of investment:** To support 8 Mountains is seeking investment to build a production house to employ new women from squatter settlements.

**Status of investment:** YGAP plan to approach their investment committee to secure A$25,000 in seed funding through a debt structure over the next few months.
Good Return creates a new model for impact investment in the Solomon Islands with Kokonut Pacific

Kokonut Pacific Solomon Islands (KPSI) is a social enterprise aiming to raise the well-being of rural coconut farmers and their communities through the production of premium-grade virgin coconut oil and other coconut products at village level virgin coconut oil (VCO) processing mills. Kokonut Pacific’s network of VCO producers were seeking investment to expand their operations, with one producer looking for investment to fund the construction of a new factory with five Direct Micro Expelling (DME) units that will create new job opportunities in a rural location and save farmers hours and hours of arduous work to producing copra, by instead producing VCO using KPSI’s DME units.

To become investment ready, Good Return:

- provided gender analysis to KPSI to highlight positive existing gender equitable practices supporting efficient DME mill operations (which could be replicated/built upon) as well as opportunities to encourage and support women leaders in the value chain
- negotiated the loan alongside KPSI with Pan Oceanic Bank
- Good Return also acted as an investor using funding from private ancillary funds to underwrite the loan from Pan Oceanic Bank providing a leverage of 1:10
- provided negotiation to the bank and loan guarantee underwritten by private ancillary funding.

Good Return had been discussing ideas with KPSI for a number of months prior to introduction to Pacific RISE and were in the final stages of establishing this investment model. Pacific RISE provided funding to complete the gender analysis. KPSI’s network of DME producers received access to a A$50,000 loan with potential to leverage up to A$500,000 in loan capital for village-based enterprises from Pan Oceanic Bank underwritten by Good Return.

Good Return are using Pacific RISE funding to replicate and scale up this model. They are looking at two further enterprises within Solomon Islands and are in discussion with local banks. They are also looking at how to adapt this model in other countries in the Pacific starting in Tonga. Good Return are also planning to establish an impact investment fund, pooling private ancillary funding to continue to invest in these models in 2019.
Global and local investors engage in impact investment opportunities

In 2018, Pacific RISE and intermediaries have identified 72 investors that may be interested in opportunities in the Pacific. Investors are primarily from Australia, but there are also global investors from United States, United Kingdom, New Zealand, Papua New Guinea, Philippines, Singapore, Vietnam and Switzerland.

Several investors interviewed as a part of Pacific RISE’s design and initial implementation phase are actively investing in the Pacific, including:

- QBE Insurance, Ocean Assets Institute, (impact or blue bonds)
- Scale Investors, Enterprise Angels, Christian Super (large scale sector-focus investments)
- Benefit Capital (Pacific focused social impact fund)
- Kontiki Capital and Day One Investments (Pacific investment companies)
- English Family Foundation, Wise Foundation, GSMA Foundation (foundation and grants)
- Good Return, Kiva (crowdfunding).

Many investors active in the Pacific are philanthropic and corporate foundations and tend to invest with grants or into micro-enterprises (through crowdfunding) indicating that the broader impact investment market is under serviced.

Figure 6: The spectrum of impact investing

There is a spectrum of investment types within impact investing, however by definition they all must create a financial return and a social return. Partnering with other forms of investment or capital in blended finance where different appetites for risk and return can be brought together can be a useful approach. Philanthropy and grants often play a part in supporting social ventures with the intent to catalyse investment and main stream investing can often unlock social impact potential.

Other forms of investment in the Pacific—both domestic and international capital flows—are also important for investors to be aware of, to complement and strengthen investments in the region overall. These include: market rate investors (Pacific and global); corporate social responsibility; private investors; institutional investors; philanthropic supporters; (offshore) wealth management funds; remittances; and others. These other forms of finance may not have a social intent but could be brought into an impact investment if it satisfied their expected rate of return. Pacific RISE lists capital flows alongside the Pacific RISE investment thesis (see Annex A) to show where impact investment could catalyse other investment.

An area to explore further is the potential role for local capital that may be available but not be ‘impact investment’ and may also come with strategic advantages to de-risk other investors as well as provide local context, support and monitoring.
Pacific RISE was arm’s length from investors, focusing on support for intermediaries to work with enterprises and broker investments. This assumes that intermediaries have good links to capital and that they are finding enterprises and investments that fit with impact investor mandates. However, this is not the case with all intermediaries and there is a need for Pacific RISE to take on an investor engagement role.

In 2019, Pacific RISE is designing an investor engagement strategy (see Section 6) including investor trainings, research into capital flows, establishing a working group of investors to actively learn from investors needs and engage investors in the current deal pipeline.

**Where else could public finance support an impact investment market in the Pacific?**

*Investors have identified the following ways that government and donors could reduce the risk for investors, stimulating more interest in impact investment in the Pacific:*

1. Underwriting funds: provide public finance to underwrite the risk of funds to reduce the risk of bank lending. This compliments a capacity building program like Pacific RISE.
2. Subsidise fund management: contribute to fund management costs through grants or co-funding could increase the internal rate of return for the investor.
3. Insurance: explore opportunities such as crop or agribusiness insurance, which could reduce some of the major risks associated with the agribusiness sector.
4. Tax incentives: offer tax breaks for private investors investing in the Pacific, like the incentives offered for investment in innovation.
5. Investor education: provide education and engagement on the opportunities for impact investment in the Pacific to promote the region.
6. Support to introduce local investors into investments: local capital can reduce the perceived risk for an international investor providing assurance over the local market analysis, providing on the ground support and monitoring.
7. A blended capital strategy: provide grant or government funding in sectors where there are social impacts to mitigate the risk of private finance. Design grant funding mechanisms in the Pacific with investors on the design panel.
8. Guarantees or first loss capital: underwrite risk by providing guarantees or taking a first loss position.
6 What’s next in 2019

An approved work plan of activities will be implemented in 2019 to support investment readiness activities, engage with investors, secure capital and demonstrate what impact investment can look like in the Pacific. What Pacific RISE learns from the process will provide a good basis for scaling up beyond June 2019.

2019 work plan highlights

- Pacific RISE will use the remaining grant funding for additional investment in the current pipeline, new investment readiness activities with the potential to invest capital by June 2019 and support investor activities.

- Pacific RISE will take an active engagement with investors through an investor engagement strategy. Pacific RISE will convene a working group for investors in the Pacific, engage with investors around social opportunities such as menstrual health or gender-based violence, and provide research to uncover relevant Pacific capital, Pacific capital available for early stage investment, and capital from public sources that can provide reduced cost finance for enterprise.

- Pacific RISE will commission research into the relevant policy, legal and regulatory framework relevant to moving capital in the Pacific and enablers who can support moving capital in-country. The research will have a gender lens and identify relevant gender patterns and/or barriers. The research will equip intermediaries and relevant partners with the knowledge they need to navigate the legal and regulatory environment and who can support. The aim is to create a useful document for financial intermediaries and an overview of relevant partners.

- Pacific RISE will develop gender lens investing tools to educate intermediaries how to use a gender lens across their work and engage with investors who have a gender focus. The tools in development include the gender lens investment reference tool, the investment readiness tool and the gender-based violence due diligence tool – and will be piloted with investors and intermediaries in early 2019.

- Pacific RISE continues to work with Pacific networks and will design a program to engage with networks around impact investment. In 2018, intermediaries noted that when Pacific RISE had briefed a network on prior to discussions, such as Market Development Facility (MDF), Strongim Bisnis, or Pacific Horticultural Agricultural Market Access Program—then the networks were better able to engage and find investible enterprises. A learning program, initially with a select number of DFAT-funded private sector and business support programs, could support a pathway for businesses in the Pacific from grants to investment.

- Pacific RISE will share lessons learned and good practice through partner networks.
Understanding the risk of gender-based violence on investments

Pacific countries have some of the highest rates of gender-based violence in the world.

Pacific RISE partners with the Criterion Institute—a leading think tank in gender lens investing—to design a gender-based violence due diligence tool to help investors assess how the incidence and consequences of gender-based violence pose a set of risks to an investment.

Across all countries, gender-based violence exists in society and therefore creates market risk for a company. It can be facilitated by the practices in an industry or a sector and therefore creates sector risk; and, it is shaped by the practices in a company, therefore creates enterprise risk. Being able to assess risk as an investor from each of these vantage points aims to support investors make better decisions and lead to better impact outcomes.

The tool lays out the factors, including policy, practices, and norms, that affect the incidence of violence in countries or communities, in sectors or industries, and in the company themselves; indicators that can be incorporated into an investor’s existing due diligence process and provides a set of recommendations for terms to incorporate into the structure of the deal and approaches post-investment that could mitigate additional risks.

The tool highlights that raising issues of gender-based violence in a due diligence process is complex and also showcases examples of best practices for addressing this complexity to ensure that asking questions about gender-based violence does not lead to unintended consequences.

The tool will be rolled out in 2019 with intermediaries and investors partnering with Pacific RISE and will enable Pacific RISE to learn how addressing gender-based violence in the investment process impacts on decision making and ultimately on investment outcomes.
7 What we have learned

The following section summarises learnings from the Pacific RISE scoping and investment readiness work with intermediaries, work with Pacific networks, and from its own research throughout 2018 to build on lessons from the whole program.

What works within Pacific RISE?

Design elements that have been found valuable include:

- Pacific RISE identifies intermediary partners that have expertise in the Pacific, which leads to clearer and more tangible applications. For those with gender skills, this leads to a high percentage of the investment pipeline impacting women’s economic empowerment in the Pacific.
- Work with a variety of intermediaries, and time for self-analysis, enables Pacific RISE to learn which intermediaries are better at which stage in the investment readiness process.
- Work with different models for investment readiness that includes accelerators, pitches, one-on-one analysis and social enterprise design, to understand how different models impact on the size of investment and longer-term relationships.
- Pacific RISE introduces intermediaries to Pacific networks, which increases the Pacific network’s understanding of impact investment and provides intermediaries with access to better sources for finding enterprises and contextual information about the Pacific. A partnership with Pacific Trade Invest Australia allows Pacific RISE to benefit from their skills and networks to business.
- A gender lens investing approach results in tangible examples of where a gender analysis alongside a financial analysis can find new opportunities.
- Partnership with the Criterion Institute enables Pacific RISE to be innovative and try innovative approaches within gender lens investment and provides a global platform to amplify Pacific RISE’s work.
- Pacific RISE’s adaptive and flexible design enables the team to explore new markets, new opportunities and be innovative.
- Pacific RISE uses staged payments and links performance to milestones to understand how the investment process is progressing.
Lessons on constraints and opportunities for investment in the Pacific highlight the challenging legal and regulatory framework

The Pacific Islands are a diverse multi-country grouping that has been traditionally overlooked by investment markets due to perceived risks around fragmentation, the small-scale of economies and distance to markets. Pacific island countries mostly rely on external sources of investment for much of their capital formation due to their small populations and revenue basis.

As intermediaries scoped opportunities in the Pacific, they documented both the opportunities arising and the constraints and risks affecting investment as summarised below.

Opportunities arising in the Pacific

Pacific RISE intermediaries found several opportunities for impact investment within the Pacific:

- The Pacific has a range of economic opportunities with each country, market or sector exhibiting environmental and economical strengths. Intermediaries have found seven opportunities to pursue investment readiness funding with 16 companies in agribusiness, creative arts, and health, water and sanitation that will provide a demonstration of impact investment to deepen knowledge on the Pacific investment ecosystem.
- Sectors that have the most potential for impact investment are in enhancing accessibility to education, agriculture, marine/aquaculture and healthcare.
- The types of businesses with the most potential impact are those that can effectively mobilise labour, domestic and international agro-trade and efficient services within a supply chain with an opportunity to diversify and adopt a technological component to the business.
- Many businesses in the Pacific have a social or environmental focus by their nature and their deep connections to the community. In the Pacific culture, wealth is perceived as a collective possession where it is ‘generated for the common good’. If wealth is produced, it is expected that it contributes to the community. (YGAP scoping report 2018)
- Pacific businesses link to supply chains and customers in rural areas, have community focus and often look at opportunities to develop environmentally sensitive approaches given the high potential for climate related impacts on businesses.

Constraints identified in the Pacific

Pacific RISE intermediaries also documented constraints to developing an investment pipeline, to attracting investors, to moving foreign capital and a number of constraints to attracting finance for women owned enterprises.

There is a lack of an investment ready pipeline with sufficient businesses that can carry finance, and which lack the capacity to attract and manage investment.

The specific capacity constraints within businesses include:

- small scale of business limits profit potential and potential returns, and generates high transaction costs
- human capital is weak
- absence of collateral for debt
• absence of impact measuring and reporting
• limited understanding of equity investor expectations and work/commitment needed to be investment ready
• lack of business models that can carry capital
• sometimes business practices clash with local cultural practices, limiting the success of some enterprises
• limited data and transparency regarding market opportunities both domestically and internationally with which to make informed business decisions (Solomon Islands in particular) reducing competitiveness and increasing the cost of doing business.
• obstacles exist for women preventing them from growing their businesses. There are real constraints on women’s abilities to build and operate successful businesses and women also face a perception bias in investment communities that women’s businesses and the women’s market are less valuable. Women are less able to access markets that command a higher price.

In 2018 and 2019, Pacific RISE core activities build capacity to address these constraints including by using a gender lens to uncover opportunities within investments to benefit women in the Pacific.

**In times of climate crisis (e.g. cyclone), women’s income generating activities are relied upon to support the family while crops are re-established. Women are also brought in to help re-establish the farms, increasing their workloads. There did not appear to be a decrease or redistribution of unpaid care responsibilities during these events.**

Many of the sectors with investment potential that intermediaries are targeting have supply chains which cross into the informal sector. Constraints within the informal sector can therefore create a challenge to investment opportunities, and include:

• limited business literacy, including the understanding of business processes that are standard requirements within the targeted industry sector
• infrastructure constraints such as connectivity, high logistic costs, access to market
• use and availability of market knowledge (trends) that informs what products to sell and to whom
• intellectual property of traditional knowledge and expressions of culture can constrain the commercialisation of artistic skills and would need to be addressed.

In 2018, Pacific RISE identified the informal sector as an investment opportunity as outlined in the Pacific RISE investment thesis. The informal sector is also where more women operate. Supporting intermediaries to target investment to the informal sector and improving investor understanding of the potential for investment in the informal economy will benefit businesses in the Pacific.

Many investors and businesses have a high-risk perception of doing business in the Pacific. Some examples include:

• perceived risks related to governance and role of government in government-supported entities
• risk that required cultural change is too big to surmount
• risk around degree of certainty that a company could secure a supply chain (concern over volumes to meet business plan)
• risks associated with natural disasters
• political risk
• lack of infrastructure and high cost of doing businesses (exacerbated by small market size, geographical distance to markets and high taxes on imported materials)

In 2019, Pacific RISE will engage with investors through an investor engagement strategy and using the investment thesis outline the opportunities for investment and highlight where companies are mitigating commonly associated risks making these potential investment opportunities.

Accessibility to basic infrastructure such as internet connectivity, education, funding or capital investment and facilitation of confidence for women were popular convictions shared amongst our partners concerning gaps affecting the ecosystem10.

The legal and regulatory environment within the Pacific is challenging for investment11; specific challenges identified so far include:

• Pacific wide: poor access to local finance for co-funding or top-up purposes (local finance can also play a de-risking role, act as a social guarantor and contribute to monitoring)
• Pacific wide: despite the range of commercial banks and financial providers across the Pacific, the ease of getting credit for business is low
• Pacific wide: lack of case studies for successful capital investment, limited data capture and opportunities to measure and identify market potential and over-reliance of government grants offered across various industries especially agriculture.
• Pacific wide: Some investors will invest in Australian or New Zealand entities with a Pacific business which may lower perceived risk and reduce the need to navigate the legal and regulatory requirements of the Pacific.
• Fiji: The commercial legal framework requires private sector investors and businesses to petition for costly licenses and registration, making smaller investments more expensive or not feasible.
• Samoa: Some administrative hurdles to taking out foreign funds, although smaller amounts of A$20,000-A$50,000 are generally straightforward.
• Papua New Guinea: Inability to repatriate funds to overseas investors.
• Solomon Islands: Unregistered (informal sector) small-medium enterprises make up 50 per cent of businesses.

10 YGAP Scoping Report 2018
11 While the regulatory and legal environments are often cited as constraints to impact investing in the Pacific, during scoping, intermediaries prioritised investment identification as opposed to research on the legal and regulatory environment. Intermediary reporting provided few examples on specific aspects or countries or constraints to potential investments in the pipeline. Therefore, Pacific RISE will be undertaking research on the legal and regulatory environments in five Pacific countries, to share with intermediaries and investors.
In 2019, Pacific RISE will commission research into the legal and regulatory environment for investment in five Pacific countries to help intermediaries and investors navigate the investment process.

Characteristics of successful intermediaries in the Pacific include having both demand and supply side capabilities, Pacific skills and networks

Pacific RISE provides ongoing support to intermediaries to achieve the investment readiness activities. Alongside regular reporting and interviews, Pacific RISE funded in-depth analysis with 10 of 12 intermediaries in July 2018 to better understand how Pacific RISE engages with investors and intermediaries 1) assessing the challenges and obstacles facing intermediaries, 2) identifying key capacity gaps in intermediaries that could be bridged with targeted support, and 3) identifying how specific shifts to Pacific RISE’s processes and procedures could improve overall functionality and efficiency to invest capital to the Pacific with a gender lens.

Figure 7: The Actors of the Impact Investment Industry

Intermediaries working with Pacific RISE display the following characteristics:

**Demand- and supply-side:** Intermediaries are categorised as demand-side and supply-side, representing those intermediaries that primarily work on identifying or building enterprise investment opportunities (demand-side) versus those that primarily work to connect investors to those opportunities (supply-side), who have much stronger links to capital and tend to be much more arm’s length or hands-off.

Pacific RISE worked primarily with organisations on the demand-side of the network or those acting on both demand- and supply-side as one of the primary barriers to investors was the lack of pipeline in the Pacific. Intermediaries with both demand- and supply-side capabilities tended to provide better scoping and investment readiness applications given their existing links to capital.

All intermediaries were pre-selected as all having experience in closing deals and in impact investment in developing countries with some having had experience in the Pacific. Both demand and supply side intermediaries had previously facilitated investment, the type of investors may not have been broad, so investor engagement was an area of additional support.
Geographic focus: Pacific RISE attracted interest from global intermediaries but predominantly from Australia and New Zealand due to the closer proximity, existing business and network connections between home country and Pacific Islands. Intermediaries also brought links to Australian and New Zealand investors more familiar with the Pacific and often partnered with local networks such as Pacific Trade Invest Australia, Plan International and Oxfam to use their in-country networks to find investment opportunities. Intermediaries from Europe and the United States were interested in working with Pacific RISE but found the cost to explore the Pacific too high and Pacific RISE funding cap too low. In addition, the Pacific is of much lower interest than larger markets such as South East Asia.

Pacific skills: Pacific RISE sought and attracted intermediaries who were already experienced with the Pacific. This included Good Return who were working in the Solomon Islands; YGAP who had (under Spark) had run an accelerator program in Papua New Guinea; and Wise Foundation – the foundation arm for the Body Shop who supply raw materials from Samoa. Intermediaries with Pacific experience had stronger applications with more tangible workplans.

Gender skills: Pacific RISE also sought intermediaries with gender and gender lens investing skills in order to bring these approaches to the Pacific to uncover opportunities to advance women’s economic empowerment. This focus brought new attention from foundations, accelerators and other large international intermediaries who would bring their skills to the Pacific context.
**A Good Return on gender investment**

Good Return is a social purpose organisation. Good Return works in the Asia-Pacific with low-income households, financial service providers, social enterprises, NGOs, governments, and social investors to research, design, and implement game-changing initiatives to support financial inclusion.

To inform their innovative investment model (outlined in Section 5) Good Return has a strong gender focus at the core of their business and undertakes in-depth gender value chain analysis when assessing investments. This creates the opportunity for investment where women and men work productively side by side with mutual respect and a common goal to increase production and bring in greater incomes for their families. By working with companies to create new job and income generation opportunities for women and men in their communities, this reduces internal migration and empowers rural, low-income communities in an equitable and sustainable way.

Pacific RISE supports Good Return with funding to undertake gender analysis and with advice the Criterion Institute to enhance gender analysis activities to support partners to improve productivity, performance and brand image both internally and externally, as well as strengthening Good Return’s gender approach across their programs.

This has supported Good Return in their investment model introducing Private Ancillary Funding to underwrite negotiated loans with local banks. This financing mechanism includes both a gender and financial analysis and has been demonstrated as effective. With additional funding from Pacific RISE, Good Return is testing this with new companies and new countries to achieve scale across the Pacific.
Intermediaries form new partnerships in the Pacific leads to transfer of knowledge and sustainability of activities

Intermediaries worked with a variety of local networks through their scoping and investment readiness work (see Table 2) and were introduced to Pacific networks through Pacific RISE and or sourced their own networks. Intermediaries are finding opportunities to work directly with networks independently of Pacific RISE and are also starting to work in partnership between different types of intermediaries (predominantly supply side and demand side) to propose scoping or investment readiness. Analysis of the way that intermediaries partnered with Pacific networks finds:

- Intermediaries consulted with and used a variety of networks. Those with more experience in Pacific consulted much more widely within the countries they scoped.
- Intermediaries were introduced to networks by Pacific RISE including DFAT Post, Pacific programs and gender networks. Networks that had been informed by Pacific RISE were better able to help intermediaries in their scoping work.
- Intermediaries used networks from their home countries.
- Intermediaries with a specific focus on sectors or types of enterprises went much deeper in uncovering networks as their target enterprises were usually informal and less connected to formal networks. For example, YGAP ran an accelerator for Pacific women entrepreneurs and therefore used entrepreneur networks and youth networks.
- Supply-side intermediaries used investor networks and intermediaries as partners to find investment opportunities like TDi, Australian Business Volunteers or Good Return.
- Intermediaries looking for medium to large-size businesses for one-on-one investments tended to focus on identifying large-scale mature businesses and used fewer networks, preferring to work with highly connected organisations like Pacific Trade Invest Australia.

As a by-product, the introduction of intermediaries and Pacific networks allowed some networks to better understand the role of intermediaries and impact investment in country, for example:

- The MDF in Fiji asked two intermediaries to conduct staff information sessions on impact investment.
- Good Return works with Strongim Bisnis to find enterprises for their investment model and Strongim Bisnis provides hotdesking space to Good Return staff in Solomon Islands.
- Pacific Trade Invest Australia designs investment missions around the work of intermediaries funded by Pacific RISE and provides strategic introductions to businesses and investors. Pacific Trade Invest Australia also organised a 'pitch session', while Enterprises Angels showcased 14 businesses in Samoa to the intermediary to test what investors look for in a pitch.
- YGAP invited a broad range of organisations such as Westpac, Pacific Islands Private Sector Organisation (PIPSO) and MDF to their high tea in Nadi, Fiji to showcase their work with Pacific women entrepreneurs, to participate in the pitch and decide where investment should be placed.

These have the potential to lead to longer term partnerships. For example, Pacific Trade Invest Australia have signed partnership agreements with IIX and are planning a formal partnership with Good Return.
Investment readiness using direct one-to-one advisory and social enterprise building is likely to lead to larger and more effective investments

During scoping and investment readiness, intermediaries used a variety of approaches to find investible businesses and providing investment readiness support, such as:

- **Accelerators** choose applicants through a selection process, usually targeted at a sector or applicant type, and provide business advice and mentorship and often result in seed funding for one or more enterprises.
  - YGAP designed the YHER accelerator to provide business support and mentorship to women entrepreneurs at early stage of business. The accelerator will provide seed funding to the peer-review winner of the accelerator of A$25,000.
  - Real Impact designed the ‘Considered by Real’ accelerator to guide creative arts enterprises into a minimum viable business model and secure working capital funding by Kiva – a crowdfunding platform – of between A$10,000 and A$25,000.
  - Australian Business Volunteers worked with IIX to provide support through their Your Enterprise Scheme (YES) program during initial scoping. IIX also provided remote access advice on social impact measurement. No capital was provided, this was business advice in order to provide analysis for IIX in pursing investment readiness work.

- **Pitches** are arranged by networks and are used to expose investors to a range of businesses seeking investment and bring investors into the investment readiness process. This can result in crowd-funding or possibility of funding down the track.
  - Pacific Trade Invest Australia arranged a ‘pitch event’ in Samoa during the scoping work of New Zealand-based angel network, Enterprise Angels. The investor networks identified four businesses with the potential for investment.

- **Direct one-to-one support** with larger businesses where demand-side intermediaries provide in-depth business advice, mentoring and guidance through the capital raising process.
  - TDI pre-selects a shortlist of medium to large businesses during scoping using a business canvas mapping tool and deep dive methodology to understand business mission, model and management. Businesses then progress to investment readiness based on the needs assessment from the in-depth analysis in scoping. Businesses are seeking $250,000-$1.5m in funding.
  - IIX is working with two medium to large enterprises in Fiji designing business plans, social impact frameworks and facilitating the introduction to investors. IIX is seeking with larger scale of investment up to A$800,000 from a variety of investors such as working capital (likely through Kiva), capital expenditure through low interest debt options and potentially equity.
  - Good Return works with Pacific banks and small to medium enterprises (SMEs) that meet its social investment criteria including gender impacts through supply chains. It also acts as a facilitator between banks and enterprises, and acts as an investor with a credit guarantee over the bank loan. Good Return has already piloted this model in Solomon Islands providing a A$50,000 loan with the potential to leverage up to A$500,000 in loan capital for one enterprise and is looking at scaling this up to two further enterprises in the Solomon Islands as well as two enterprises in Tonga.

- **Social enterprise building** starts with identifying a social need and designing enterprises and structures to solve the issue or need. Typically, enterprise building takes a lot of time, investment and is very risky but has the potential to have a risk return profile that is more than favourable.
Social Outcomes is building a new enterprise in Fiji called the Vinaka Group to address the gap in health and sanitation enterprises in the country. Centred on a laundry that employs people from disadvantaged backgrounds, the Vinaka Group will also introduce new technology such as water purifiers and bio-digesters into Fiji.

Although it is too early to talk about the effectiveness of different models, with investment yet to occur, there are key characteristics to each model:

- **Accelerators** are intermediary-led with a defined selection criterion with support including business support, mentorship and links to networks and access to small working or seed capital. Accelerators work best where there is a case for business support because of limited access to business support for women entrepreneurs or creative artisans. Where the accelerator also provides a clear pathway to business growth (such as access to a supply chain by Real impact) plus working capital to scale up supply, this is likely to be a good model for scaling up. Of note, YGAP’s YHER Pacific will run again in 2019 but will be funded by corporate donations rather than Pacific RISE.

- **Pitches** need to be well managed to make sure that the enterprises meet the expectations or mandates of the attending investors. Very few enterprises secure funding through pitch events. Pre-selection and capacity building with businesses about pitching to investors should be part of the pitch framing to not waste businesses or investor time and providing a realistic expectation around the event. A pitch can be used for investors to engage and introduce to a small percentage of those that pitch.

- **Direct one-on-one support** is costlier and more time consuming as it is used when the capital raise is higher and therefore investors require a much greater level of analysis and due diligence. In all cases, intermediaries had a better connection to capital and investors with a clear idea on who the intended investor was for each opportunity. Ensuring that the investors are impact investors and that the intermediary looks at the social impact as a clear criterion is important to distinguish this from traditional investment.

- **Social enterprise building** is costly, time consuming and risky and is a long-term approach requiring understanding of the specific country context. It is unlikely that Pacific RISE is the right initiative to fund enterprise building.

Both accelerators and pitches do not provide sufficient time for gender analysis and have been traditionally designed without a gender lens. Both can be informed by gender data if sufficient planning is completed. Use of a gender lens through the one-on-one or in-depth approach has been much stronger – Pacific RISE continues to work to address the power and gender dynamics in one-on-one approach. By designing an investment readiness tool for intermediaries to support them to incorporate a range of analysis in the investment process. Similarly, social enterprise design can also incorporate gender by identifying a social issue that predominantly affects women, like menstrual health, and seeking to design an enterprise to solve this.

Where approaches have led to investment, there is already discussions around replication and scale up.

- ‘Considered by Real’, the accelerator approach by Real Impact, provides Kiva working capital loans to creative arts enterprises that meet its minimum viable business criteria and can be scaled in multiple countries across the Pacific. Real Impact is currently looking at two new enterprises in Tonga.

- Good Return is replicating its initial investment in Solomon Islands with two other businesses as well as partnerships with other Pacific banks. Good Return is also looking to expand into Tonga using a similar model through local Pacific banks. In addition, Good Return is setting up its own investment fund to pool private ancillary funding so it can invest in larger scale investments.
• Social Outcomes is in conversation with the International Finance Commission (IFC) to create a debt facility that will scale Vinaka to ten different countries.
• YGAP's YHER Pacific will be run again in 2019.

Gender lens investing provides new understanding of risk and return and access to new types of capital dedicated to gender

Pacific RISE uses a gender lens to tap into the global field that is moving capital with a gender lens. Pacific RISE has been innovative and received interest from several stakeholders globally. The investor engagement strategy designed in 2019 will lead to tangible investments. As Pacific RISE works with intermediaries, the pipeline of businesses up for investment expects to have an impact on women's economic empowerment. Pacific RISE has identified and supports investment in several undervalued markets where women benefit such as the creative arts and menstrual health. Additionally, Pacific RISE researches ways to invest that have an impact on gender-based violence through using due diligence to assess the impact of investments and to find areas where direct investments can have a direct impact.

The following examples are learnings from intermediaries in using a gender lens in the investment process:

• TDi recognises that gender lens investing is opening 'a door to a new way of observing and understanding the world' for their team and is not just looking through a gender lens, but observing, identifying and addressing other biases as well (see case study on the following page). TDi shifted existing practices to address their biases and incorporates this into a reflection process. TDi now engages with the gender lens community, speaks with gender and development experts, which influences new thinking about risk and opportunity and helps them identify underlying drivers of different gendered patterns. TDi may need further discussions with local gender organisations to better understand how they analyse opportunity or risk, but they recognise the value of engaging them to bring a variety of voices to the table.

• Good Return has an existing gender approach. It uses gender value chain analyses and organisational gender self-assessments to draw out the ways in which the power imbalance that exists between men and women has a tangible impact on business. Good Return have explored the impact of gender on various value chains such as virgin coconut oil, vanilla and handicrafts, and from leadership through to farming and production practices. This requires extra work, thinking and planning to engage with women and men locally to conduct interviews, focus group discussions and gather deeper insights. Engaging both men and women in the discussions was an empowering process and allows for diverse perspectives to be shared, and ultimately enhanced the understanding of specific value chains. Good Return is building specific tools to further incorporate gender analysis throughout its work.

• YGAP's YHER accelerator program is designed to target women entrepreneurs. YHER’s design applies a number of gender lens investing principles, including a sole focus on women-led ventures, the goal of getting more capital to these ventures, the use of peer review to allocate capital, and an understanding of how women experience both the accelerator and their entrepreneurship journey differently from men. YGAP works with Pacific RISE to find women networks and to look at the design and approval of accelerators and how they could be adapted to meet the need of women entrepreneurs.
Social Outcomes faces more challenges incorporating a gender lens into its investment readiness work in Fiji, with building Vinaka. Social Outcomes previously applied a gender lens during scoping of the agricultural sector in Papua New Guinea and uncovered transformative opportunities that could be addressed by the business. In Fiji, Social Outcomes are ensuring that women have the same employment opportunities as men in the enterprise, and that the company has flexible employment practices to accommodate both men and women, these are unique within the Fijian business community, with Vinaka spearheading the way for other Fijian businesses to follow. Pacific RISE will uncover more learning from Social Outcomes’ continuation of applying a gender lens during its upcoming debriefs with the organisation. Of particular interest will be its application of gender action planning for the marketing of products, something that it is working with Criterion Institute on. The experience highlights an important lesson on how of applying a gender lens will differ between opportunities.
The Difference Incubator uses a gender lens in investment readiness

TDi used a gender lens on their investment readiness work with Coconut Oil Production Santo Limited (COPSL) who were seeking A$980,000 from in capital investment. TDi set up a process for reflecting and debriefing at different stages of their investment readiness process to identify gender-based, and other, assumptions and biases. A few examples of what this reflection process has uncovered include the following:

1. **Re-imagining the business model and supply chain to incorporate women:** While analysing COPSL’s business model, the team explored the possibility of sourcing coconut oil from women in the community. Many women have been making and selling virgin coconut oil in Santo, however the demand for the oil has been limited to date. TDi and COPSL explored whether it would be possible to purchase the virgin coconut oil to diversify COPSL’s supply chain as well as provide additional income to the community and support women-led micro enterprises by working with these women. This allowed TDi and COPSL to identify opportunities with female suppliers that they might not have otherwise identified.

2. **Confronting bias to recognise cultural relevance:** the process of reflection also helped TDi to identify instances where their team and others may have been projecting Westernised concepts as well as community development perspectives onto the business and thus not recognising the value and experience of the COPSL team. By identifying these potential biases, the team was open to new ideas for refining COPSL’s business model and helped them to more accurately assess the risk of the business and value of the investment.

Using a gender lens has resulted in a refined business model for COPSL that was presented to potential investors. Interestingly, TDi has indicated that the investment committee for Genesis Fund felt that the gender analysis was useful but did not necessarily factor into their decision-making process.
Annex A: Pacific RISE investment thesis for investors

Pacific RISE designed an investment thesis to present the work of intermediaries as a portfolio of opportunities for investors. The investment thesis engages investors who understand the Pacific and provides a platform to learn about their interest and experience. The thesis also engages investors who may be interested in the social issues being addressed such as climate change or gender and use this as an opportunity to learn through an investment in the Pacific.

Pacific RISE originally piloted the investment thesis in 2017 and updated the thesis in 2018. The thesis was used at conferences and global events including SOCAP and the Gender Smart Investment Summit in London where Pacific Trade Invest Australia Trade Commissioner Caleb Jarvis presented on the Pacific RISE investment thesis to a global audience. The investment thesis has also been used to engage with investors in Australia and New Zealand and Pacific RISE held investor workshops to support the design of the thesis.

The following highlights opportunities for investment in the Pacific from the Pacific RISE investment thesis.

Pacific nations and businesses understand how to build in resilience in the face of climate change and natural disasters

Climate change is seen as a threat for the future of the Pacific, however resilience can be found in industries such as agriculture and fisheries; manufacturing; transportation and supply chain logistics; tourism; and financial inclusion. Companies demonstrating proactive resilience are not only more able to mitigate to the risks of climate change, but it is important for their potential to slow or adapt to its impact.

Geographic position

The Pacific is in a unique global position despite the risk in isolation of multiple island nations. Pacific regional collaboration economies, reliant on export and tourism, reinforce the need for stability. Globally there is considerable investment in the Pacific by larger neighbouring economies. Australia and New Zealand are committed to increase the stability of the region by addressing infrastructure, trade, illegal fishing, transnational crime, human security, cyber-crime and disaster response. The Australian Government is currently investing significantly in the Pacific and also in impact investing, using finance as a tool for social change.

Photo 3: South Pacific Regional Environment Program (SPREP) Director General, Kosi Latu (L), Fiji’s Prime Minister Frank Bainimarama (C), and Pacific Islands Forum Secretary-General Dame Meg Taylor (R) at the opening of the Clean Pacific Roundtable in Suva, August 2018
Abundant local supply chains with unique quality

The Pacific Islands are home to some of the most unique ecologies and highly valued products in the world. This results in specialised, low-scale, unique products that are of greater economic value than high-scale, low-end manufacturing from other countries in the region.

The communal element of Pacific’s unique culture can be a great opportunity for impact investment accessing supply chains in sectors that have wide ranging social implications.

Local produce includes fruit, vegetables, fish, meat, coffee, timber, copra, coconut and palm oil and much more, all able to grow in abundance throughout the Pacific. Companies also take advantage of the non-commercial farming procedures to explore environmental practices such as organic and fair-trade certification. The Samoan government is currently exploring the goal to certify 100 per cent organic for the entire country. Thereby anything produced in Samoa would be organic and this is an opportunity for the eco-conscious consumer.

A major challenge is transportation costs for island nations. By reducing transportation costs, the value add of increased production through a local and international supply chain will trigger the rapid growth of highly profitable Pacific markets.

Bula Coffee

Pacific Islands Coffee Institute (“Bula Coffee”) is a bean-to-cup coffee social enterprise pioneering production and promotion of the Fijian coffee industry. Bula Coffee is the only harvester and processor of wild Fijian coffee. They work directly with villagers, particularly women with limited access to employment. Bula Coffee supports its staff through assisting them to obtain organic certification, training them in harvesting processes and increasing their resilience to climate-linked disasters.

Bula Coffee employs 1,200 coffee pickers (about 80 per cent are women) with plans to grow to 2,000—providing them an additional income of US$1,000 per year.

Bula Coffee’s products are sold throughout Fiji and are exporting specialty coffee to New Zealand with plans to establish an international brand.

Bula Coffee is looking to raise up to US$600,000 to expand its processing facility, expand their program to source coffee from across Fiji to increase resilience and develop a coffee plant nursery to increase production.

Photo 4: Bula Coffee poster
Strength in domestic labour and purchasing power

Pacific nations have a young and growing population. The young Pacific islanders aspire for a better life and offer an energised workforce to establish local production at a competitive price, shifting the tendency to keep the value supply chain local, onshore where it returns a business, financial and social benefit to the population. While exports remain critical, the future will bring significant growth in the domestic market.

Value in the informal economy

As highlighted above, a majority of businesses identified by intermediaries had supply chains that crossed into the informal sector. The informal sector provides economic opportunities for communities and is a hidden growth engine. The informal sector produces locally-sourced agricultural goods, sophisticated textiles, creative arts and other tailored products for a growing domestic market. It scales through sophisticated and durable systems that can link together the livelihoods of hundreds, or thousands, of families and communities.

Real Impact in the creative arts sector

The creative arts sector in the Pacific Islands accesses traditional skills and cultural knowledge, an asset often undervalued for its contribution to economic development. Creative artisans are primarily women and dominate the informal economy of which 90 per cent of the Pacific population contributes.

REAL Impact, a ‘profit-for-purpose’ enterprise is establishing a business-to-business market in the Pacific. It creates products by combining the existing skill sets of high-quality artisan producers in the informal economy, with design advice to transform products from handicrafts to designer objects and – through small batch production – provide this to global fashion and interior design markets.

To provide the artisans capital to stabilise production and build viable businesses, REAL is partnering with Kiva – a crowd-funding platform – on a revolving fund providing working capital loans of up to US$50,000. These creative enterprises provide a lens into the value of the informal sector. Real has already raised US$15,250 in investment for one business through the Kiva platform.

Photo 13: Vanuatu Ngua Island weavers
**Connected efficiently through technology and transportation**

The next decade will transform connectivity in the region. Innovations in transport will reduce the isolation and facilitate regional trade and collaboration. Investment in undersea cables supporting broadband access to the region is rolling out over the coming decade, allowing the Pacific to participate in the global outsourcing services market, in areas such as accounting, content development, programming, data processing and 24/7 call centres.

**Kahuto Investments’ technology for the Pacific**

Kahuto investments specialises in providing surveying, GIS mapping and aerial survey services. Kahuto is also training the region’s first commercial female drone pilot.

Based in Suva, Fiji and Honiara, Solomon Islands, Kahuto’s mission is to become the leading company in the Pacific specialising in the collection and transforming of geographical data. Kahuto takes advantage of the increasingly accessible internet connectivity in Fiji to find innovative solutions in this growth area.

Kahuto was one of three winners of a Pacific accelerator program funded by Pacific RISE.

Photo 5: Tonga high speed revolution - Asian Development Bank