



PacificRISE

Pacific Readiness for
Investment in Social Enterprise

Our first six months

January 2017



Background

Pacific Readiness for Investment in Social Enterprise, otherwise known as Pacific RISE is a pilot initiative of the Australian Government to pioneer and facilitate a social impact investment market in the Pacific. Pacific RISE will work with investors and intermediaries to develop interest in the Pacific by identifying investment opportunities in Pacific businesses and working with social enterprises to access investor deal-flows.

Wherever possible, Pacific RISE will promote greater investment in social enterprises that deliver women's economic empowerment. Incorporating the practices of gender lens investing into the design and implementation of Pacific RISE will increase the ability of the program to attract and invest in female entrepreneurs and in products and services that benefit women and will support the investment approaches that will increase women's empowerment.

Why Invest in the Pacific?

The Pacific offers opportunities for investors to help break new ground and contribute to impact investing on a much larger, wider level than previous found in other investment markets.

While philanthropy and grants have to date, been a large part of the investment in the Pacific, opportunities for investing with a social impact and even mainstream investment are largely untapped. Pacific businesses regularly tackle governance, social and environmental impacts as part of their usual operations and the Pacific is fertile ground for innovative ideas.

There are economic reasons why investment in the Pacific is of interest. In times of global uncertainty and downgraded

economic forecasts in many of the larger developed countries, a number of Pacific economies are forecasting growth reflecting stronger than expected performance in tourism, fisheries, and construction¹.

Pacific RISE is supporting the development of an impact investment market in the Pacific and therefore must support and consult with actors both in the supply and demand side of investment to make this work.

- Supply side actors to determine what investors are looking for in the Pacific and in their investments; and
- Demand side actors to understand what market exists and what is needed to improve the market for investment.

Finding good businesses to invest in

Given the early stage of the impact investment industry in the Pacific, a natural role for Pacific RISE was as a broker, helping to introduce intermediaries and investors to social enterprises. Self-identified social enterprises are rare but many businesses in the Pacific create social impact by working with communities, creating solutions to environmental challenges and investing back into the community. Pacific RISE networks have identified 27 good businesses to profile. Pacific RISE will continue to identify good businesses to link with intermediaries and investors.

Recommendations from networks reveal businesses with good reputations and this will help Pacific RISE better understand potential opportunities in the Pacific to involve the right intermediaries and investors.

Who are the investors?

The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education².

Gender lens investing

Pacific RISE also incorporates the practices of gender lens investing, creating a framework to incorporate gender analysis into financial analysis in order to get better investments³. The practices of gender lens investing have been incorporated into Pacific RISE to demonstrate how finance can be part of a strategy of women's economic empowerment, and overcome existing biases within the investment community by proving that focusing on gender increases the value and the impact of the investment rather than diminishing it.

Incorporating this gender lens when reviewing investors, Pacific RISE has investigated their experience or interest in the Pacific Islands and investment experience and interest. To date, 20 investors (or groups) have expressed interest; 13 from Australia, three from USA and one each from PNG, the Philippines, Singapore and Vietnam. Nine are social impact investors, five are philanthropic investors, two are gender-focused funds, two are institutional investors, one a venture capital investor and one a crowd-sourcing investor.

Pacific RISE will use investor and impact investment networks to amplify the activities and impacts of investing in the Pacific. In addition, the following have been identified as target investors for Pacific RISE:

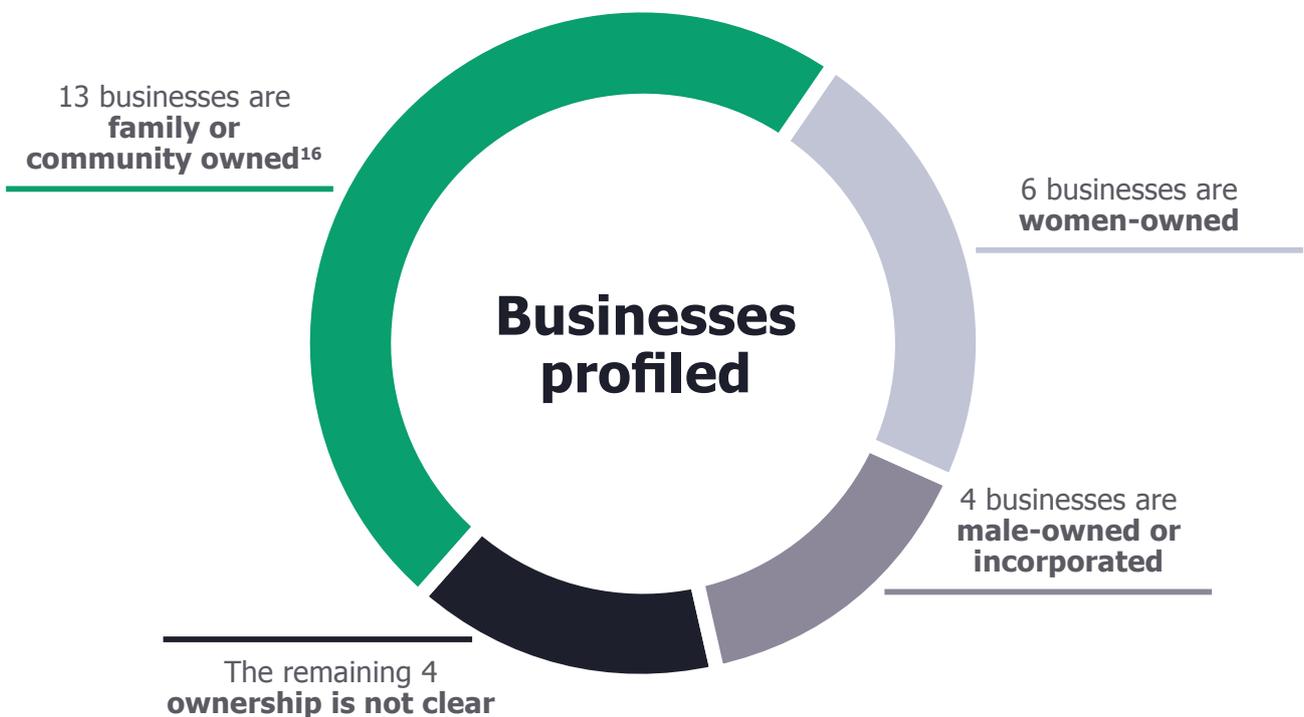
- Investors with existing funds covering the Pacific;

¹ <https://www.adb.org/sites/default/files/publication/188684/pem-july-2016.pdf>

Breakdown of profiled businesses

Pacific RISE has completed 27 profiles¹⁵ of businesses, including those referred by PHAMA, ABV, MDF, Fish 2.0 and DFAT with eight businesses contacted directly by the program. The remaining 19 were completed using knowledge of the referring group or publically available information.

Of the 27 businesses:



In addition:

15 have women in management positions; however, decision-making practices within the businesses is unknown.

Out of the 15 that have female management:

- 6 are woman-owned

- 7 are family or community owned

- in 2, the ownership structure is not clear

¹⁵ Because a business has been profiled does not guarantee it is suitable for Pacific RISE. It is expected that at least 2-3 are unlikely to be appropriate partners either because their business structure is not conducive to investment or they have not proven self-sufficiency through a proven revenue stream.

¹⁶ Exact ownership, structure and business registration was not provided for all businesses. Therefore, classification of ownership and management is based on only available information.

The goal of Pacific RISE is to introduce at least AUD5 million of new private investment capital into the Pacific, and promote greater investment into social enterprises that deliver women's economic empowerment.

- Investors with personal connections to one country in the Pacific;
- Philanthropists who may support hybrid financing through a combination of grant funding and investment to reduce risk and increase potential returns for investors;
- Investors with a gender focus e.g. funding women's empowerment or women's rights; and
- Banks active in the Pacific and interested in supporting the debt component of impact investment financing or with interest in funding through their foundations. Banks may also invest alongside investors in Pacific to provide the debt component as a blended finance with equity investment. This can be good for the bank and be a proxy for a credit rating.

Who are the intermediaries?

With the emergence of impact investment markets around the world, intermediation has been important. Pacific RISE has to date found 14 quality intermediary partners to apply for and implement Pacific RISE, with 11 meeting the proposed selection criteria. There are three types of intermediaries:

- Impact investment fund managers, providing supply side services;
- Consulting firms, providing services by working directly with social enterprises and advising on transactions to investors and recipients; and
- Accelerators, working with established start-ups or early-stage enterprises for a short, predetermined times (usually 90 days to four months) or Incubators, focusing on growing start-ups.

Intermediaries are interested to work with Pacific RISE to build their experience and pipelines in new markets with new partners, adapt existing programs and apply them in the Pacific, to find a means to help them build networks in the region and to leverage Pacific RISE for deal-making. Most intermediaries had limited exposure to gender lens investing but were interested to learn from Pacific RISE.

Initial Pilot Scoping Round

To capitalise on the initial interest, Pacific RISE ran a pilot scoping round in November 2016 with six intermediaries identified through the design consultations. The purpose of the pilot was to:

- Capitalise on initial interest generated by investors and intermediaries in the Pacific and in Pacific RISE during the design and inception activities;
- Test Pacific RISE tools and procedures with a small group of known intermediaries;

- Test assumptions in criteria for selecting intermediaries and scoping proposals, in particular support required for using gender-lens investing; and
- Provide initial partnerships and case studies before full scoping rounds.

The pilot supported intermediaries during the proposal process, including a one-hour Skype call on gender lens investing and links to Pacific businesses and networks. The pilot achieved these aims with five of six intermediaries (two intermediaries in partnership) submitting applications with seven applications received (some intermediaries provided multiple applications). Following the Approval Committee meeting in December, two applications have been approved for funding with a further two requiring further clarification for submission in the next round.

The pilot met its aims to provide some initial partnerships and case studies for Pacific RISE. By funding two initial proposals in Fiji and Samoa, Pacific RISE will start to capture lessons from intermediaries and use case studies to talk to investors about the pipeline of opportunities.

Key activities of Pacific RISE from 2016-2019:



Identify at least 80 social enterprises with investment potential from DFAT and Pacific business and development networks, with a focus on enterprises led by women and target sectors where women's employment and participation is high.



Identify ways to improve social enterprises and the impact-investing network using 'gender-lens' investing principles.



Fund business scoping opportunities to build relationships with investors and intermediary networks. These opportunities will be available for investors to build relationships with Pacific social enterprises and improve understanding, interest and access to the new Pacific Market. Pacific RISE will introduce at least 40 investible social enterprises to intermediaries for review and due diligence.



Funding technical assistance (investment readiness) to establish and build the skills of investible social enterprises to access funds, resulting in at least 20 deals between investors and Pacific enterprises. In addition, Pacific RISE will incorporate a gender lens into designing investment processes and decision-making to ensure outcomes improve women's economic empowerment.

What success could look like in the Pacific by 2020

- **Intermediaries identify existing businesses that could be made investment-ready**
- **Intermediaries identify market opportunities that lend themselves to social enterprise**
- **Intermediaries have the capacity to apply a gender lens to investment and identify market opportunities that improve outcomes for women**
- **New businesses are established and sustained, including new businesses led by women**
- **Businesses are reducing dependency on grants as a percentage of their revenue**
- **Businesses are supported by intermediaries to become investment-ready**
- **New investments are being made**
- **Social procurement contracts are being put in place**
- **Local employment and local economic activity is increasing in targeted locations**
- **Incentives for and access to markets for social enterprises is improving in targeted locations**
- **More funds and market makers are actively entering the Pacific market**
- **Impact investing is recognised and preferred as a business development option**
- **Investing with a gender lens is seen as a benefit to investors and intermediaries, leading to stronger investments, advantageous partnerships and expanded impacts.**

info@pacificrise.org

www.pacificrise.org



Pacific RISE is managed by Coffey, a Tetra Tech company, in association with Australian Business Volunteers on behalf of the Australian Government.