

Indo-Pacific Trade Finance Vehicle for Women Micro, Small & Medium Enterprises (TFV 2.0)

Design Requirements & Recommendations

Executive Summary

The Indo-Pacific Trade Finance Vehicle for Women Micro, Small & Medium Enterprises (“TFV 2.0”) transcends and includes our previous work in providing trade finance through the [Trade Finance Vehicle \(TFV\) for Menstrual Health Enterprises](#).

TFV 2.0 both scales up the size and sophistication of our trade finance and facilitation services, while narrowing the scope of the Vehicle to focus exclusively on the facilitation of Trade Finance.

Structured as a hybrid organisation - constituting an operational Organisation based in Fiji, and a separate Fund based in Singapore - TFV 2.0 is a member-governed economic development initiative that aspires to be fully self-supporting within a decade.

Significantly, TFV 2.0 will support and further leverage the efforts of a regional ecosystem of funds, philanthropists, impact investors, economic development agencies, and entrepreneurial support organisations in order to ensure

that WMSMEs can effectively and efficiently connect to the right resources at the right time to enhance and scale their operations.

This is a complex undertaking, involving multiple countries, cultures and contexts, with our initial focus countries being Fiji, Indonesia, Papua New Guinea, Samoa, Solomon Islands, Timor Leste, Tonga and Vanuatu. With at least ten languages and eight currencies, TFV 2.0 will not only operate as a demand aggregator, but a foreign exchange de-risker, permitting participating WMSMEs to pay a predictable invoice in their local currency, rather than being subject to the variability in value their domestic currency will inevitably experience against our core trade currency of USD.

TFV 2.0 will launch in July 2024. Over the first five years, TFV 2.0 requires \$7 million in varying flavours of impact finance for the Fund, and \$3 million in working capital for the Organisation.

TFV 2.0 Design

Purpose

TFV 2.0 empowers Indo-Pacific women micro, small & medium enterprises (WMSMEs) to increase market power & better meet community needs for their goods & services.

Theory of Change

What We Do: TFV 2.0 provides trade finance and facilitation services to WMSMEs in the Indo-Pacific region.

Short Term Outcomes: WMSMEs have inventory, services, & equipment for their businesses available to them when they need it, on better terms.

Long Term Outcomes: WMSMEs in the Indo-Pacific increase their market power & commercial success.

Impacts: WMSMEs deliver increased benefit to their communities through their goods & services, as well as employment opportunities.

Design Principles

We have chosen to embrace the simplicity of Responsible Design:

- Design is rooted in human-centric design
- Respect supports people's identity, safety, privacy, wellbeing and development
- Equity adopts a collective perspective and celebrates diverse points of view
- Sustainability is mindful of natural resources, and the full life cycle of businesses

Additionally the design of TFV 2.0:

- puts WMSMEs first, i.e. what is easiest for them, what do we need to do accommodate where they are at now
- puts as much risk as possible onto Capital vs the WMSMEs, i.e. insurance, defaults
- aspires to deliver a pathway to long-term commercial viability while delivering high-impact for WMSMEs

Designing For Context

TFV 2.0 has been designed to accommodate a number of contextual realities for WMSMES:

1. Climate impacts on business continuity will only increase over time
2. Cultural obligations often make a higher priority call on available cash
3. Gender-based violence will be experienced by many of the members accessing trade finance

All 3 of these elements require TFV 2.0 to:

- a. accommodate higher deferrals and defaults
- b. insurance trade finance supplies through to payment of final invoices

Structure & Governance Model

TFV 2.0 consists of two elements: 1. a new Pacific-based and owned organisation; 2. a Fund

Organisation

A member-governed not-for-profit entity (likely a Company Limited by Guarantee) based in Fiji

- a. ensures the Vehicle and Fund serve WMSMEs now and into the future
- b. provides all WMSMEs who use TFV 2.0 with a say in important decisions
- c. facilitates mutualism, cooperation, and opportunities for peer support
- d. retains revenue within the organisation to ensure long-term viability to pursue its purpose

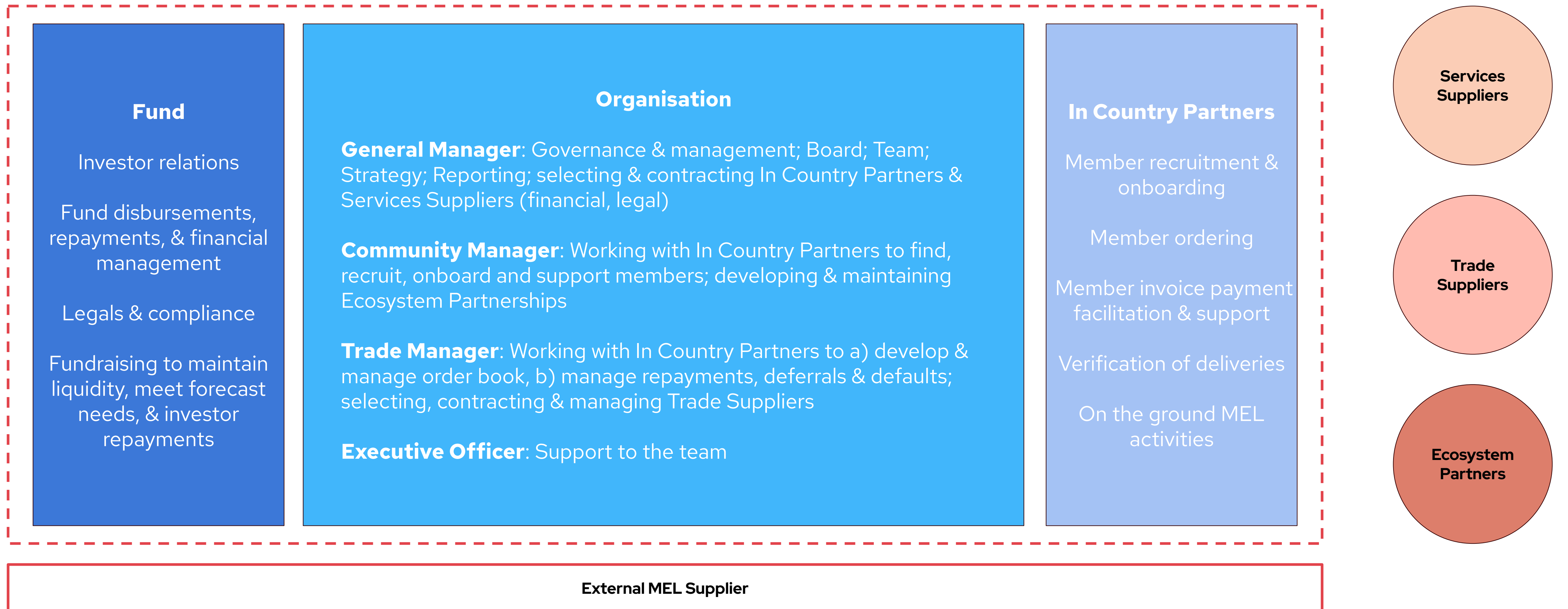
Fund

An investor & WMSME governed Fund based in Singapore

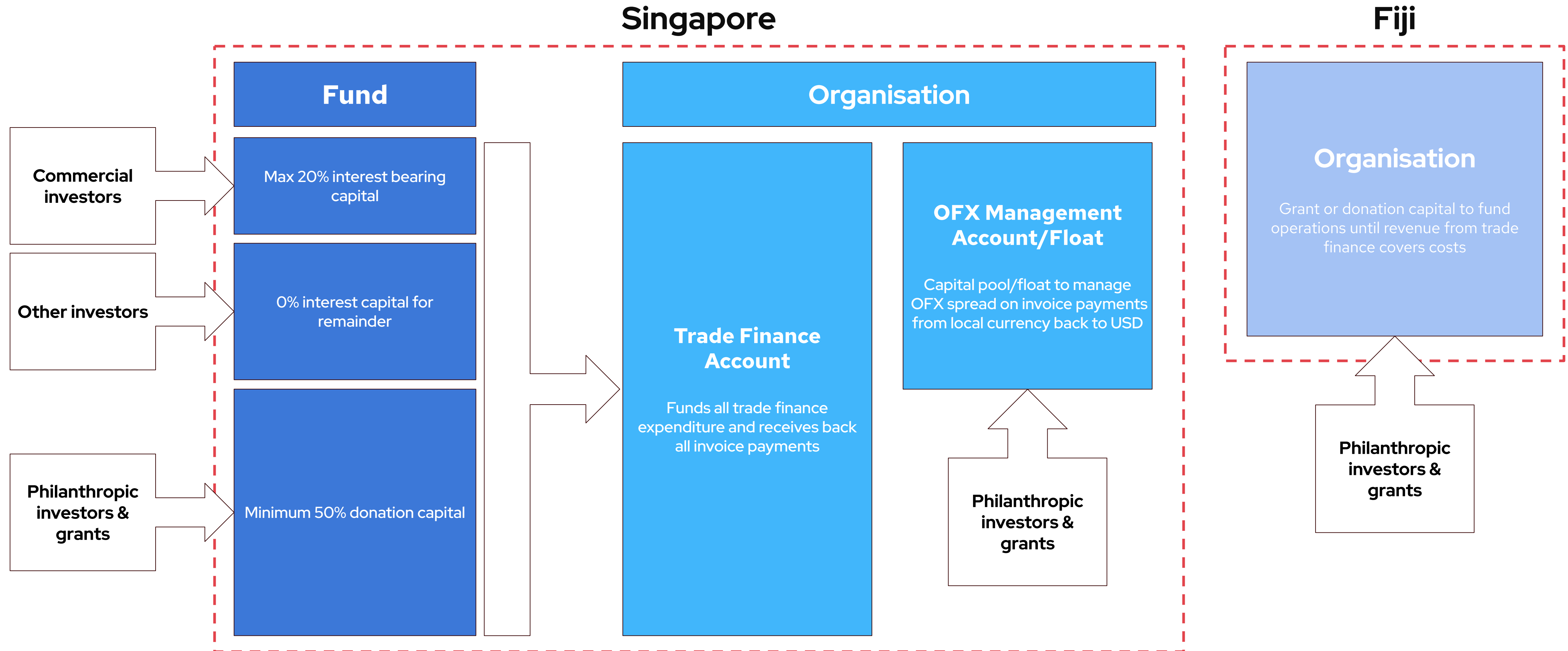
- a. provides maximum flexibility for use of funds
- b. is a familiar location for investors
- c. ensures investors have appropriate governance
- d. includes WMSMEs in the governance process

Operating Model

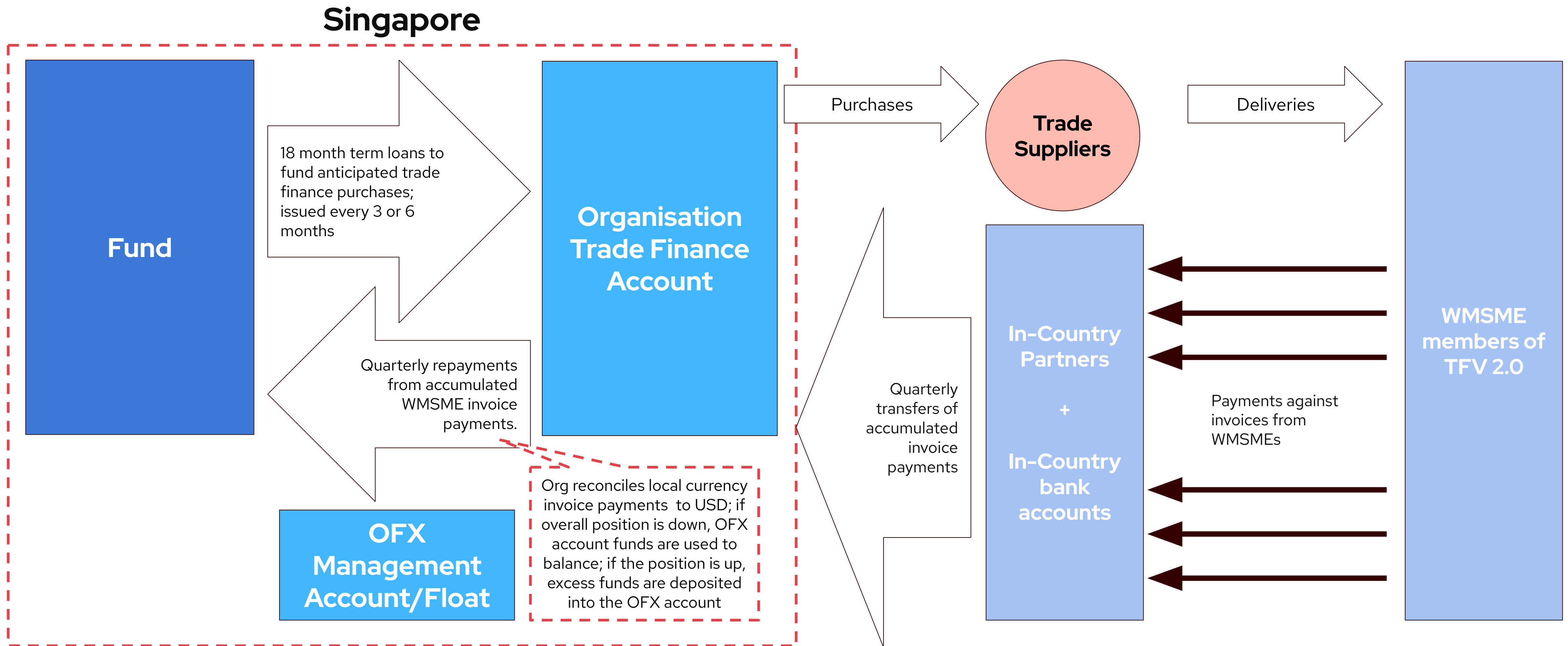
Vehicle



Capital Structure & Sources



Vehicle Capital Flows



(Initial) Eligibility Criteria

WMSME ELIGIBILITY

WMSMEs must:

- be based in a focus country: Indonesia, Timor Leste, Papua New Guinea, Solomon Islands, Vanuatu, Fiji, Samoa or Tonga
- have a minimum 51% woman ownership stake
- have a woman in a senior leadership position
- be value-adding in a Focus Country
- have less than USD 1,000,000 in annual sales
- have less than 100 employees

WMSMEs won't:

- be a subsidiary of an organisation outside of the focus countries
- be a franchisee

We are using the [2X Global Criteria](#) as a guide.

TRADE FINANCE ELIGIBILITY

Goods and services can include:

- inventory and/or equipment that is:
 - used to make or produce a good or service in-country prior to final sale to a customer
 - provided by another member
- services, such as insurance, that can be aggregated across members
- goods and services that can be repaid from revenues within one year

Goods and services won't include:

- wholesale items that are solely for retail sale, such as phones, soft-drinks, books etc
- items that harm and/or exploit women and girls
- items that have a demonstrated negative environmental impact

Utilise & Build A Vibrant Ecosystem

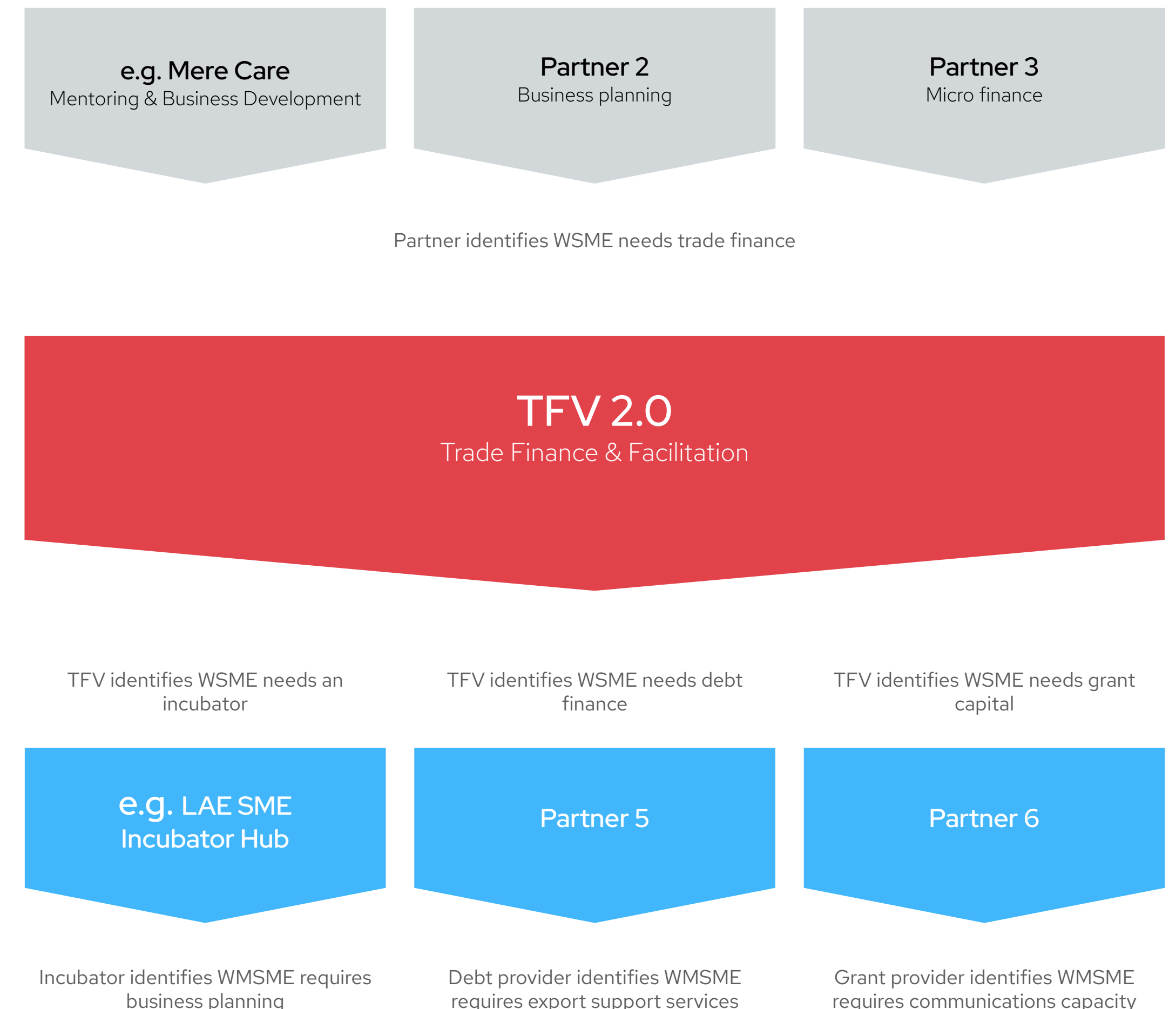
Our evaluation of TFV 1.0 demonstrated that, while access to trade finance was generally considered to be the highest priority for WMSMEs, not all were sufficiently prepared for this form of capital, and those that were discovered they had a need for a broader set of support and services.

This recognition aligns with DFAT's previous work with its Frontier Innovators program. This program focused on growing entrepreneur support organisations and systems, supporting innovators delivering impact through market-based models, and thereby helping to create opportunities for private sector capital to be invested in ways that contribute to development outcomes.

We believe that WMSMEs and other stakeholders in TFV 2.0 will be best served by addressing the demonstrated need for trade finance, while simultaneously investing in being a connector throughout the Indo-Pacific social value chain.

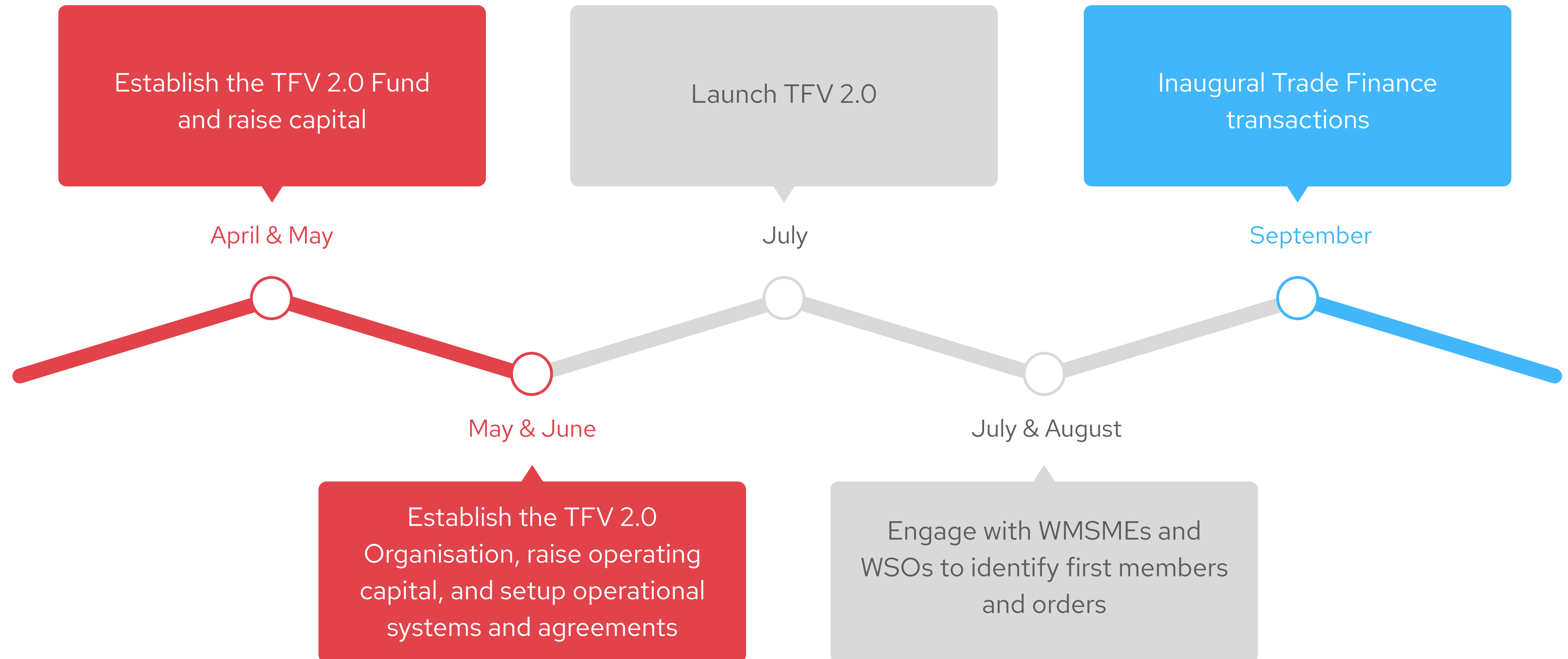
Rather than delivering the below services, TFV 2.0 will engage other ecosystem partners to serve its members needs:

- other forms of capital, including loans, startup funding, investments and grants
- multi-year finance, especially for vehicles, plant and equipment
- business support services, including business plans, marketing plans, export plans, and leadership coaching



TFV 2.0 Design Implementation

Key Early Milestones (2024)



High Level Implementation Planning

[Slide 7](#) describes the operating model for TFV 2.0 -> it will take some time for the Vehicle to achieve that state. We anticipate this could be achieved by Year 3 (FY27).

Red Hat Impact intends to provide technical assistance and support to TFV 2.0 for up to 24 months, with a clear intention to exit after building, launching and equipping the TFV 2.0 team.

Capitalisation of the Fund and Organisation are primary initial concerns.

Engaging a General Manager and Founding Members of the Organisation are also key requirements between now and July.

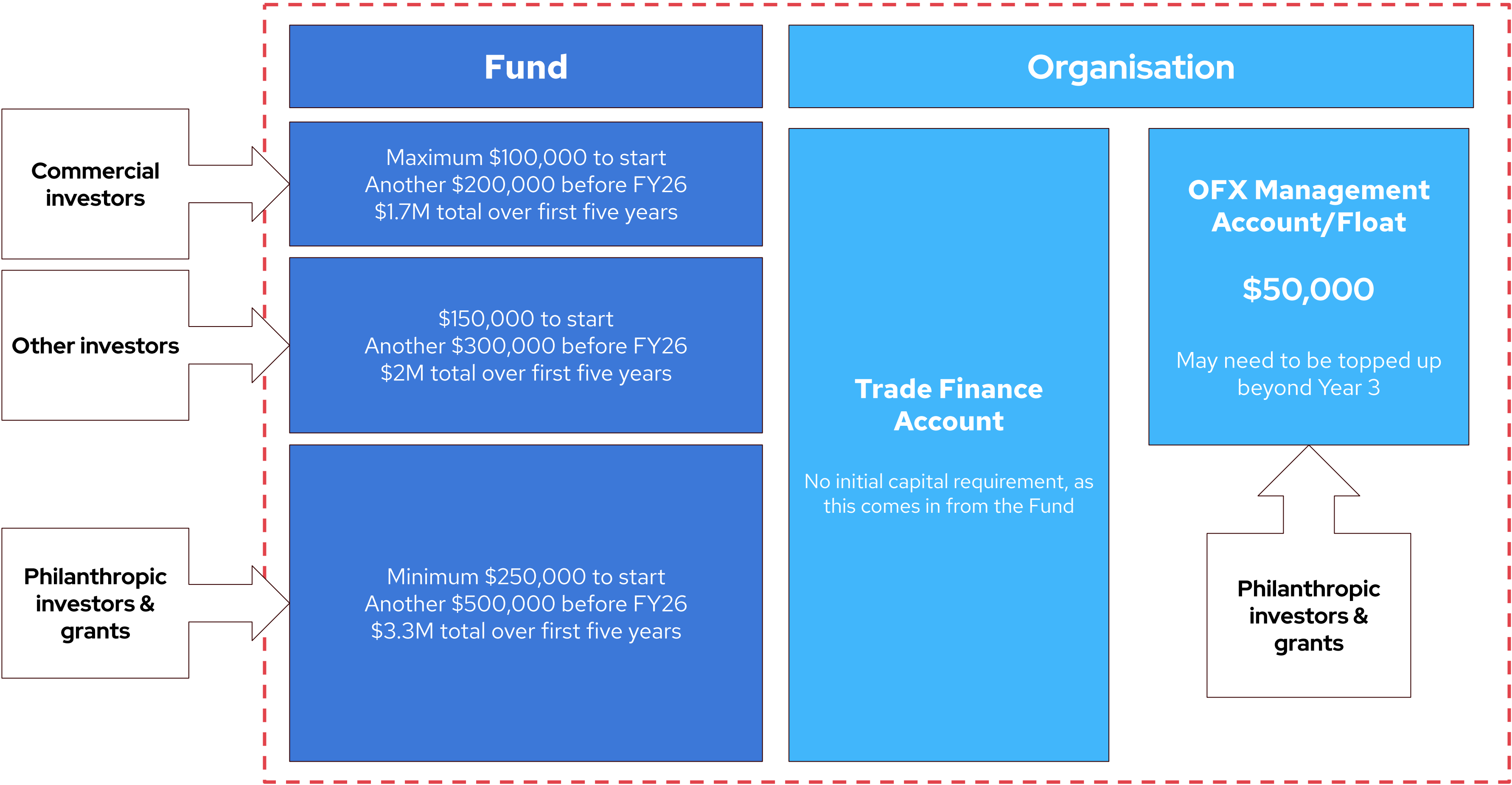
With the Fund & Organisation setup and capitalised, and a GM in place, parallel processes of signing up members and in-country partners are priorities. There are already engaged WMSMEs, WSOs and others from the research and design phases ready to go.

To earn trust and establish momentum, a first round of trade finance transactions should happen before the end of September.

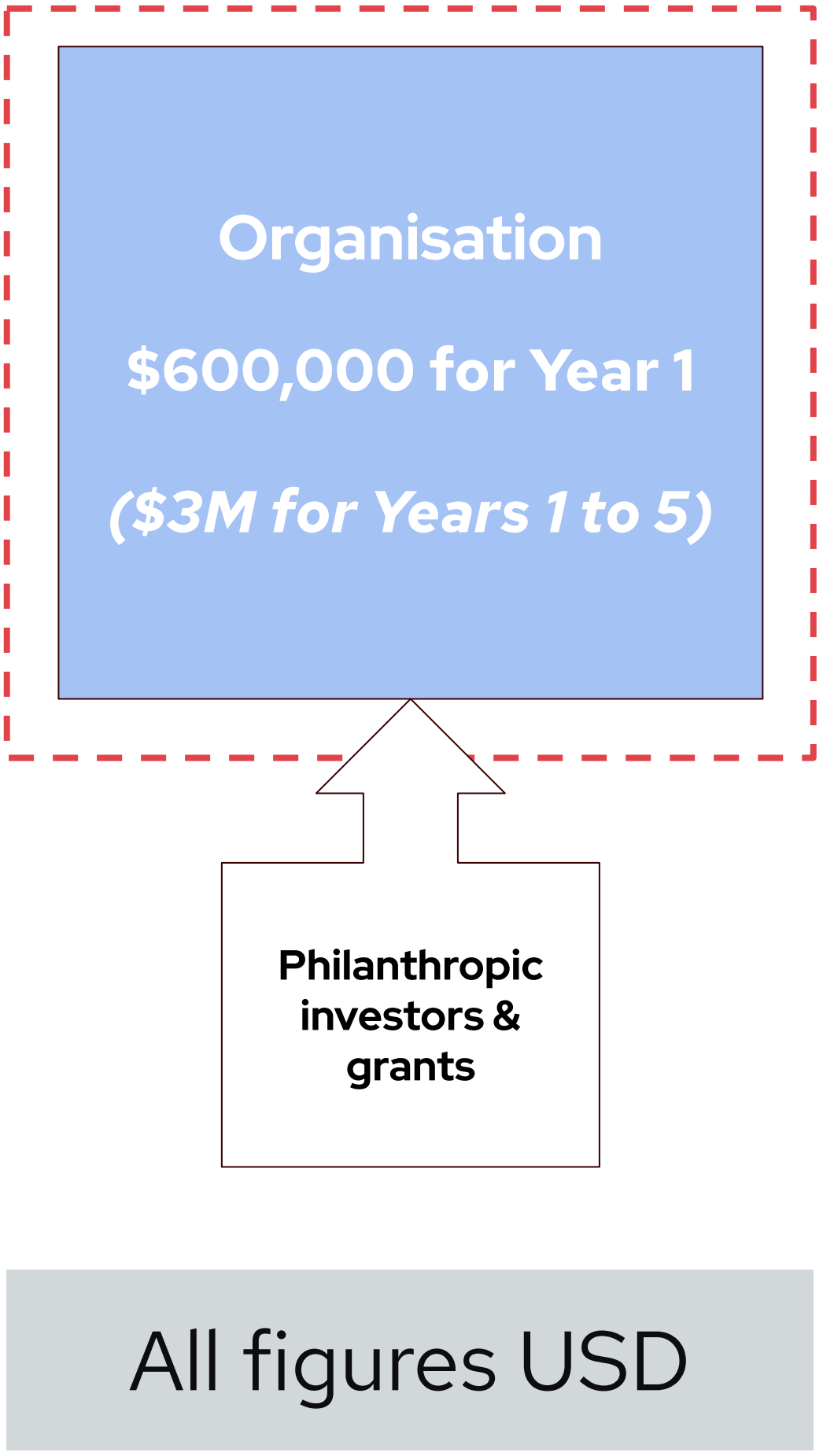
The ability for TFV 2.0 to learn through its early years (and adapt) also requires that the MEL system and supplier is put in place as early as possible.

Vehicle Capital Requirements Summary (Launch + 5 Years)

Singapore



Fiji



All figures USD

Implementation Summary

The accompanying high level financial model sets ambitious 5 year targets:

- \$13.6M of trade finance provided
- to > 500 WMSME members in the Indo-Pacific

While there is a pathway for the Org to long-term commercial viability while delivering high-impact for WMSMEs, this is not likely to be achieved within 5 years.

Revenues from trade finance activities do grow and start to offset grant capital - key to this is ability to generate margin for WMSMEs on their supply, which allows the Org to increase its service fee without increasing invoice value overall.

Achieving a reduction in deferrals and defaults after year 3 is also important, and likely as WMSME membership grows, the support ecosystem matures, and 'top performers' emerge who grow volumes.

A key driver for the longer pathway to revenue covering operations is the cost of in-country partners. The need for them has emerged as crucial. Field work has been essential for the success of [One Acre Fund](#) (10,000 field staff) and [Auxfin Burundi](#) (800 field staff). In the TFV 2.0 context, in-country partners are the frontline for engaging WMSMEs on ordering, their commercial viability, repayments, support and MEL activities. Given digital and literacy challenges, this model is necessary to ensure access and participation beyond 'high resource', urban WMSMEs.

Additional Information

Supporting Documents

- [Financing Inputs for Women-Led SMEs in the Indo-Pacific](#)

ongoing survey inputs from participating WMSMEs and support organisations in the region

- [TFV 2.0 Partners & Networks](#)

a living document of relevant partner organisations and support networks in the region (email us to request the most recent version / this is a snapshot)

- [What Does A Trade Finance Facility For Indo-Pacific Women SMEs Look Like?](#)

final presentation given to potential WMSME participants

- [Stakeholder Convening 25.03.24](#)

- [Stakeholder Convening 03.04.24](#)

recordings of the final sessions conducted with WMSMEs and support organisations

- [Stakeholder Convenings February 2024](#)

recordings and associated materials from our February convenings

Funders & Supporters

Primary Funder



Australian Government
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Research & Design Partners



Armilaria



ICDP International Centre
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TheGrowthDrivers™



Supivaa
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