Investing in informal markets in the Pacific using trade finance:
A Menstrual Health Case Study

This case study explores a trade finance investment opportunity supporting the work of Pacific menstrual health enterprises to provide affordable menstrual health management products and education to the women and girls of the Pacific.

The case study presents the learnings of over a year of concentrated efforts by the Criterion Institute and Pacific RISE. It synthesises the investment insights gathered from 41 community-focused social enterprises spread across the Pacific Islands who face a number of collective challenges, primarily the sourcing of raw materials. Until ecosystem investment barriers are overcome, these individual enterprises will be a high-risk, low value investment, even if the capital was available. Throughout the year, the Criterion Institute has been exploring a number of different financing options that can move financial capital to support industry wide growth and sustainability. A combination of trade finance vehicles is proving to be the simplest, yet effective mechanism and one that is gaining interest within the global investment community.

These findings have been shared, and-road tested, with other menstrual health product providers, intermediaries, non-government actors and of course, investors.

The Opportunity

Menstrual health poses a market and social opportunity for investors and donors alike. With a market size of $42.7 billion (by 2022)\(^1\) and 1.2 billion women globally lacking access to menstrual hygiene products to adequately manage their menstrual cycle\(^2\), investments in the sector can dramatically improve the social, economic and educational outcomes of women and girls, whilst also providing economic livelihood opportunities for community-based enterprises.

Menstrual health in the Pacific is an example of a normal economy whereby predominantly early-stage, and community-based enterprises, are the primary actors within the market. Like many community-based enterprises in informal economies, menstrual health enterprises face a variety of challenges in securing the financial backing necessary for their growth. As Spark Strategy found when working with Solomon Island business MJ Enterprises (who produce Kaleko Steifree), barriers to investment included; the high cost of raw materials and distribution to remote areas to produce the products within the Solomon Islands; the lack of customers being able or willing to pay for a product which would save them money overtime but considerable initial cost and the inherent bias against women to access finance – many banks accept only collateral which is typically only available for males.

Globally there have been few attempts to explore how innovative financing could improve the scalability and viability of early-stage finance provision for menstrual health enterprises and other enterprises that operate in informal markets. Many local enterprises are community focused, fit for purpose, and serve multiple needs in the community, including sustainable employment (and are often women-led).

In order to identify potential opportunities for innovative financing in the Pacific, Pacific RISE facilitated a workshop which Criterion designed and led. The activity brought together a range of different actors in the Pacific-based menstrual health ecosystem including non-government organisations, intermediaries, DFAT funded programs like Pacific Women Shaping Pacific Development and a large number of menstrual health enterprises such as Mana Care in Samoa.

The workshop found that while some enterprises, like Mana Care are growth companies and have the potential to take on investment to expand their business, many of the enterprises want to retain their smaller size with a focus on their local communities. what was uncovered were barriers to supply chains such as sourcing the right materials at the right cost, product distribution and a lack of knowledge about menstrual health management. Therefore enterprises financing needs are not for investment in individual businesses, but investment at an ecosystem level to consolidate supply chain, alleviate the pressure of material and accessibility costs and ensure that, as a collective, the enterprises have greater bargaining power in negotiating terms and deals.

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1. [https://www.researchandmarkets.com/research/9nnpv6/world_feminine](https://www.researchandmarkets.com/research/9nnpv6/world_feminine)
The Case for Trade Finance in the Pacific

Trade finance makes it easier for importers and exporters to transact business through trade. The primary function of trade finance is to introduce a third-party to transactions to remove payment and supply risk. For example, trade finance involves the pooling of investors’ capital within a financial intermediary. An individual makes loans to the intermediary who pools the capital to be able to then provide loans to enterprises. The difference in trade finance is that the loan is tied primarily to a transaction that happens in the process of trade, like the pre-purchasing of materials for production.

In this deal, financial capital could be pooled into a financial intermediary (such as a platform or broker) who would then offer a set of different ways to access finance to all 41 menstrual health enterprises such as trade credit insurance, pre-shipment capital, factoring, export credit. In such a context, trade finance is a vehicle to invest in multiple enterprises in multiple ways to provide working capital and capital expenditure financing into the enterprises whose need is to minimise raw material costs, reduce the cost of their products and maximise the distribution of reusable pads in their local area to women and girls.

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

Next steps

This investment opportunity was tested with a number of Australian and global investors with positive responses regarding the potential for its delivery. As a result of investor engagement in Australia, two investors and one wealth manager expressed interest in moving this opportunity forward – and committed to more than 100% of the investment – it just needs to be built. The next step is the recruitment of a financial intermediary to design the full specifications of the deal and decide who could be the best to manage the platform.

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

Mana Care

Samoan-based menstrual product producers Angelica and Isabell have called their business Mana Care. Fabric for them is also impossible to source locally so they travel to New Zealand and Australia to buy their fabrics. Due to the range available in these areas they have been able to position their business around the materials they buy with the designs reflecting their brand. They choose materials that will appeal to women and add a little joy to their menstrual cycle, such as their limited edition Wonder Woman range which sold out in two weeks. These materials though, come at a price, so their buyers have traditionally been women who can afford their pads. Recently the founders of Mana Care have been able to develop other, more affordable, products to lower-income women, although the fabric and material challenges still remain, making these products inaccessible to most women in rural communities.

Caption: Isabell and Angelica from Mana Care