



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
Aid Programme

Supporting sustainable development in developing countries in order to reduce poverty and contribute to a more secure, equitable and prosperous world

Partnerships for International Development Fund Pacific Private Sector Window (PPSW)

[PPSW webpage link](#)

Application Guidance Notes

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1. Overview of the Pacific Private Sector Window

Sustained economic growth and job creation is the engine of sustainable economic development. A strong private sector finances investment, creates jobs, contributes to public revenues, and makes markets work to deliver goods and services that people want. A vibrant and well-performing private sector is critical to poverty reduction and shared prosperity in developing countries.

The New Zealand private sector can contribute to prosperity in developing countries through innovation, expertise and capital that stimulates local production and value addition, integrates local firms into global markets and supply chains, and builds in-country knowledge and capability.

The Pacific Private Sector Window ('PPSW') is a contestable window within the New Zealand Partnerships for International Development Fund (Partnerships Fund¹) available for New Zealand businesses working with in-country partners.

The PPSW aims to **achieve development impact** in Pacific Island countries **by catalysing New Zealand private sector investment of knowledge, capital resources, and expertise in these countries**. It offers a co-investment in **business ideas** (ventures) that will have **positive economic and social impacts** in Pacific Island countries and that are expected to be **commercially sustainable**.

A strong partnership with an in-country partner is considered critical to success – in utilising local business knowledge, skills and resources and in maximising local benefits. The PPSW has its own specific criteria and process. See Section 2 for details of which Pacific countries and sectors are eligible for funding.

The Ministry of Foreign Affairs and Trade's (MFAT's) return on investment is the wider social and economic impacts to the local economy including increased investment in priority sectors, increased knowledge and skills, more jobs created locally, increased exports from Pacific countries and broad based economic participation and opportunity, including for women and youth.

Who is the PPSW for?

The PPSW may interest New Zealand businesses seeking to:

- Grow their existing Pacific operations through a new approach that increases local development impact
- Source from Pacific producers and/or bring those producers into global supply chains or
- Make an investment in Pacific Island countries for the first time

¹ Overarching Partnerships Fund Guidelines are available [here](#)

(building on a good track record of delivery).

MFAT is seeking to work with responsible businesses². These are enterprises that maximise positive impacts and avoid adverse impacts. Enterprises can create or be involved with: **positive** impacts (for example through job creation, human capital development, raising investment and fostering innovation) or **adverse** impacts (for example related to human rights, workers conditions, the environment, bribery, disclosure and consumer rights).

What the PPSW offers

The PPSW provides an opportunity (for the types of businesses described above) to apply for funding that will assist with overcoming some of the hurdles (and reduce the risks) of doing business in a developing Pacific country. MFAT assistance may, for example, enable a PPSW applicant to make a venture commercially viable, which in turn should facilitate social or economic benefits in the designated Pacific country.

New Zealand businesses will also be able to access MFAT networks including our staff in-country, and our development expertise to help deliver broader benefits to the local economy (development impacts).

How does the PPSW work?

The PPSW is a contestable fund for ventures that leverage New Zealand business ideas, partnerships, skills, experience, resources and investment. It:

- Provides grant³ funding that will **contribute towards** the actual and reasonable costs of:
 - business plan development (including feasibility testing and market research) and
 - implementing commercially sustainable business ventures in the Pacific (deemed viable and likely to have development impacts as a result of the feasibility testing and business plan).
- Has four steps (see page 9) – The Idea, Initial Research, Application and Getting Started.
- Has a staged approach to due diligence (i.e. applicants do not need to undertake the Partnerships Fund 'accreditation' prior to applying).
- Has no cap on the total value of the venture.

² The OECD's *Responsible Business Conduct Matters* Guidelines for Multinational Enterprises which can be found at <http://mneguidelines.oecd.org/responsible-business-conduct-matters.htm> provides information on responsible business conduct. The OECD encourages small and medium-sized enterprises to observe the *Guidelines* to the fullest extent possible although they may not have the same capacities as larger enterprises.

³ Grant funding is provided via a series of payments based on delivery of milestones. It is not an upfront injection of cash into a business.

- Provides for a maximum MFAT grant investment of NZ\$1 million (excluding the business plan costs) and generally it would be unlikely for MFAT to contribute more than 50% of the total value of the venture. Note that MFAT will be looking to invest the minimum required to help make the venture commercially viable and deliver development outcomes.
- Assesses the level of MFAT funding required to enable the venture to proceed, taking into account the proposed wider social and economic benefits for the Pacific Country and its people, potential hurdles/risks and what is required to be commercially viable.
- Requires funding requests to justify the points listed above.

What we take into account in assessing your proposed venture

The PPSW is a contestable fund. The criteria used to assess applications are described in Section 2.

When deciding whether we should fund a for-profit business we need to be able to determine:

- The likely success of the venture.
- Whether the venture is additional to your normal business as usual (i.e. the venture would not proceed without PPSW support).
- The track record of the partners involved including in operating as a responsible business.
- The balance of benefits from the funding that will flow to the private sector partner, relative to the wider development impact likely to be achieved by the venture.
- Why commercial/other sources of funding cannot be used to invest in this venture.
- The level of public funding likely to be required to make this venture commercially viable and ensure positive social and economic impacts. (MFAT is also interested in the level of **cash** the applicant is willing to contribute.)
- Whether/how this venture is likely to impact on potential/existing market competition including the local private sector.

The information you provide in your application should help us assess these points.

2. Pacific Private Sector Window Assessment Criteria

a. Eligibility criteria

All applications must meet the following seven criteria:

Criteria	Additional information or guidance
1. Purpose: The application must be to invest in a commercially sustainable business venture that will contribute to sustainable development in one or more eligible Pacific Countries.	Eligible countries are <u>Cook Islands, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu</u> . Applications that are primarily to supply goods and services (for which an open procurement process would be more applicable) will not be considered.
2. Eligible sectors: The business must be in one or more of MFAT's <u>eligible investment priority sectors</u> .	The eligible sectors are Agriculture, Tourism, Renewable Energy, Fisheries, ICT, Trade/Labour Mobility. More information is available in the <u>NZ Aid Programme Investment Priorities 2015-19</u> .
3. Eligible applicants: The lead applicant must be a private sector, for-profit organisation that is legally established and has a head office or primary place of business in New Zealand. The lead applicant must have a local partner ⁴ in the Pacific country or countries of focus.	The lead applicant is the organisation that will enter into a contractual relationship with MFAT if the venture is approved. The lead applicant is accountable for the delivery of the venture. Ventures can involve multiple partners, as long as the lead applicant is a private sector, for-profit organisation that is legally established and has a head office or primary place of business in New Zealand. Non-Government/Civil Society Organisations, State sector and other business partners can partner with the lead applicant.
4. Value of funding request: The maximum that can be requested from MFAT is NZ\$1 million for implementation. There is no cap on the total	The \$1million MFAT funding cap excludes any funds provided towards business plan development. There is no minimum threshold. However, for small ventures MFAT will consider transaction costs relative to the impact from the venture.

⁴ A partner organisation ('in-country partner') in a developing country. This could be, for example, a government agency, a business, a community group or non-government organisation. It cannot be an individual.

value of the venture.	
<p>5. Applicant contribution - The applicant/s and their in-country partner/s are required to provide matched funding.</p>	<p>The applicant must have a robust argument as to why MFAT investment is needed and to the level being sought compared to their own contribution. An explanation of the origin of matched funds is required. Up to 30% of the matched funding can be measurable in-kind contributions (refer Section 4 for the definition of acceptable in-kind contributions).</p>
<p>6. Due Diligence: All partners must meet the due diligence to MFAT's satisfaction. A staged approach to assessing due diligence is undertaken as applicants progress through the four PPSW steps (i.e. initial checks are done in the early stages with more rigorous due diligence at step 4).</p>	<p>The lead applicant (business) and/or individuals involved should have a proven financial history in business (including current solvency).</p> <p>All partners to the application must be able to pass responsible business and reputation checks.</p>
<p>7. Additionality: The applicant must be able to demonstrate that the venture is beyond business as usual and will result in development benefits that would not occur otherwise, or would occur significantly sooner.</p>	<p>While there are a number of factors considered in additionality, at least one of the following three criteria must hold:</p> <ul style="list-style-type: none"> • the company has insufficient funds to self finance the venture • the company lacks the knowledge or competencies to design and/or implement a business model in a way that maximises poverty reduction or other development impacts • without public funding the company would be unwilling to implement the proposed venture.

Note: Unsuccessful applicants cannot resubmit their idea to a subsequent round.

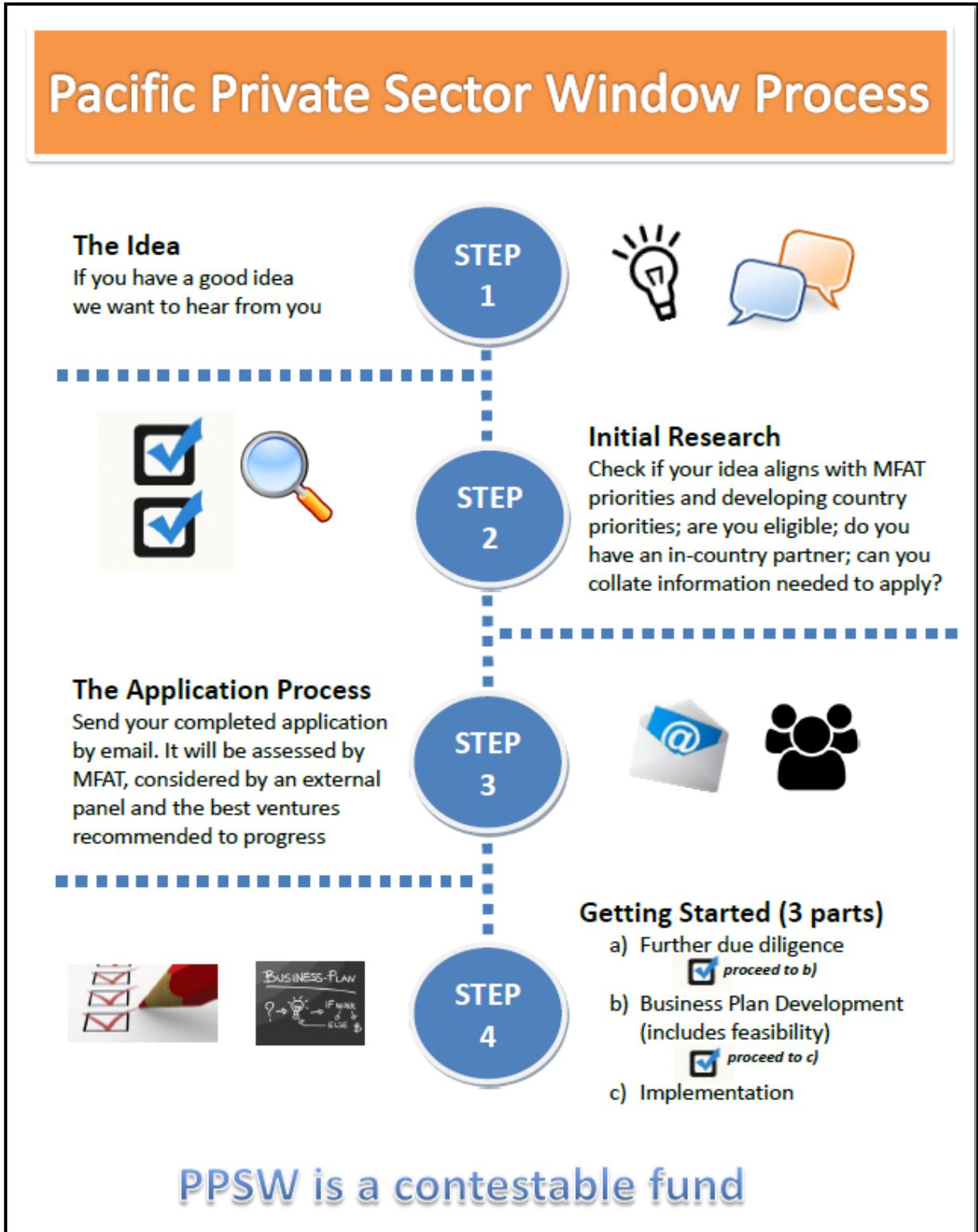
b. Selection criteria

Eligible applications will be scored using the following selection criteria. Note that the contestable nature of the PPSW means that applicants are competing against other ventures in each of these criteria. The application must score at least 60% on each category to be considered for selection.

Assessment criteria and key assessment questions.	Weighting
<p>1. <i>Likely commercial viability of the idea and capacity/capability of the applicant and partners to implement the venture successfully.</i></p> <ul style="list-style-type: none"> • Is the business venture likely to work? • If this venture works, could it be expanded? • Are the critical success factors, risks and challenges adequately identified? • Do the lead applicant and their partners have a proven ability to deliver in this sector and understand the country context? Do they have the required skills, systems, capacity, and resources to succeed as well as to manage risks and health and safety requirements, and to overcome challenges? • Is this application evidence-based using sound technical analysis of the market and context? 	33%
<p>2. <i>Likely development impact of the venture and business responsibility</i></p> <ul style="list-style-type: none"> • Are there likely to be positive economic and social impacts for the Pacific Country and its people, and are these sustainable? Will it lead to key results the PPSW is seeking (see appendix 1)? • Has there been adequate engagement with stakeholders in-country? • Will this venture have a positive impact on women, girls and youth? Are there any risks for women and girls, human rights, or the environment from the venture, and are these adequately addressed? • Is there evidence to support the points above or is it appropriate for the applicant to investigate further during the business planning process? • Does the venture align with the Pacific Country's 	33%

<p>policies, strategies and/or priorities?</p> <ul style="list-style-type: none"> • Does the venture align with MFAT priorities? • Is there evidence that the applicant and their partners can act as 'responsible businesses' i.e. maximising positive impacts and avoiding adverse impacts from doing business? 	
<p>3. <i>Value for money. Should MFAT be investing in this idea and if so how much?</i></p> <ul style="list-style-type: none"> • Is the venture likely to be commercially sustainable beyond MFAT funding? Will this commercial sustainability be only for the New Zealand business, or is commercial sustainability likely in the Pacific? • Is funding a business to undertake this venture the best option to achieve the proposed development impact? • Why does the applicant need MFAT support? Have other sources of funds been sought and what was the outcome? • How is MFAT funding likely to impact existing and future competition in the market including the local private sector? • Is the venture additional to the applicant's normal business operations? • Would/could the development impacts be achieved without this venture and would MFAT funding increase the development impact? • Are the expected quantity/quality of the development impacts commensurate with the level of MFAT funds requested (taking into account the likely benefits to the applicant when the business is commercially sustainable). • What level of cash is the applicant willing to contribute? • Does the New Zealand applicant provide a clear value-add to the venture (i.e. is not acting merely as a conduit for MFAT funds)? 	33%

3. Pacific Private Sector Window Process



Step 1 – The Idea

If you have a good idea we want to hear from you. Email it to us at nzpfid@mfat.govt.nz We will be able to let you know the best way to progress your idea.

Step 2 - Initial Research

This step involves checking whether your idea aligns with MFAT priorities and developing Pacific Country priorities, and whether you are likely to be eligible for PPSW funding. You will need to ensure that you have genuine in-country partner options and be able to collate the information required for the application. Please contact us at nzpfid@mfat.govt.nz to get feedback prior to filling in the full application.

Step 3 – The Application Process

MFAT will also provide high level feedback on your draft application. For this, your draft needs to be submitted to nzpfid@mfat.govt.nz by **Friday 18 August 2017 at 12 noon NZT**. Note: High level feedback is no guarantee of approval.

The application form can be downloaded from [here](#) ready to be completed and sent to us as a word document by email at: nzpfid@mfat.govt.nz

Applications close on **Friday 15 September 2017 at 12 noon NZT**. Your application will be assessed against the assessment criteria (see pages 5-8) by MFAT in Wellington and by our staff in relevant Pacific Countries.

Applications and MFAT assessments are considered by a panel independent to MFAT called the International Development Selection Panel (IDSP). IDSP recommends the best ventures for approval by the Chief Executive of MFAT to be invited to move to Step 4.

IDSP may invite applicants to present their proposed business venture directly to the panel. In this instance you would be notified at least one week before the IDSP selection meeting. Note: Presenting to the panel does not guarantee approval. Applicants must meet their own costs of preparing for/attending a presentation if requested.

Applicants will be notified by **30 November 2017** whether they are selected to proceed to Step 4. [Note: A small number of applicants may be invited to resubmit their application to IDSP following further refinement, taking into account MFAT and/or IDSP feedback (in effect returning to Step 2). An invitation to resubmit a proposal does not guarantee future approval].

Step 4 – Getting Started

Step 4 has three parts:

- a. Further due diligence to ensure that investment of public funds in the applicant/s is a sound decision. This due diligence will determine whether the application can proceed and under what conditions. This assessment also considers New Zealand's international trade obligations in relation to the venture.
- b. MFAT will contribute towards the cost of producing a business plan (including further feasibility and market research if needed) through a contract with the applicant. The business plan will provide information including on expected benefits for the Pacific Country and its people, how these will be measured, how the venture will be implemented, how the applicant will manage the health and safety of workers, and more detailed risk analysis and financial projections. This detail will also enable better analysis of the level of public funds required to enable the venture to proceed. To help selected applicants develop the strongest possible business plan, MFAT will be able to give guidance in Wellington and through our representatives in the relevant Pacific Island Country. The business plan is assessed through an appraisal process and if this meets MFAT requirements, the applicant can progress to part c).
- c. The contract with MFAT will enable **approved** business plans to proceed to venture implementation. Grant funding is provided via a series of payments based on delivery of milestones. It is not an upfront injection of cash into a business. MFAT will require you to report on the progress and impact of the venture during the period of its funding.

4. Additional Information for PPSW Applicants

Funding Parameters

All amounts included in the application should be GST exclusive and in New Zealand dollars. The funding figures in this document are GST exclusive.

Budgets and financial forecasts will be scrutinised through the selection of ventures to ensure that the costs are fair and reasonable and income projections are realistic. Salary costs must be fair and reasonable – not based on consultant charge out rates (unless external consultants are being employed for specific tasks.)

Applicants should seek independent advice on any tax implications of receiving grant funding.

Applicant Contributions

MFAT expects applicants to contribute towards both the business plan development and venture implementation. Generally it is unlikely that MFAT would provide more than 50% of the venture implementation cost.

Up to 30% of the applicant matched funding can be from measurable in-kind contributions. In-kind contributions must directly link to the delivery of venture results and **may include**:

- Use of plant and equipment used directly for the venture (valued at market value)
- Additional overhead costs incurred as a direct result of the venture
- Raw materials (valued at the market value)
- Skills/labour (valued at pro-rata direct salary costs inclusive of leave entitlements, ACC etc, as long as these reflect reasonable market rates)
- Volunteer inputs (usually costed at the minimum wage in the country of delivery).

The in-kind contribution of raw materials, plant and equipment will be valued at the lower of opportunity cost to the owner and market value.

The following **will not** be considered as in-kind contributions:

- Overhead costs or any other in-kind contributions that do not contribute directly to the proposed venture and its results
- Funding from other government sources
- Intellectual property (IP).

It is expected that the business will generate a profit, however expected profit cannot be used as the applicant's contribution to a venture.

Past Performance Information

In assessing a proposal, the IDSP panel and MFAT may assess other factors relevant to the suitability, capacity and qualifications of an applicant organisation and shareholders including but not limited to:

- Checking with nominated referees and with other persons or organisations, the accuracy of information and quality of previous work performed, including the resourcing and funding of previous work; and
- Information obtained from any legitimate, verifiable source, which is relevant to the capacity of the applicants and their track record of financial management, responsible business, health and safety, credit history and management of any previous government funding (subject to applicant authorisation).

Confidentiality

MFAT will treat all information provided by applicants marked as “confidential” as commercial in confidence.

Only MFAT (its staff and consultants) and members of IDSP will have access to an application. It will not be shared more widely without the applicant’s prior permission.

Important Dates

Milestone	Dates
PPSW opens for applications	June 2017
Draft applications submitted for feedback (if desired)	Friday 18 August (midday NZT) 2017
Deadline for PPSW applications	Friday 15 September (midday NZT) 2017
Selected business ideas for stage two notified	30 November 2017
Detailed business plan submitted	Estimated from April 2018
Venture implementation commences	Estimated from third quarter 2018

APPENDIX ONE

Pacific Private Sector Window (PPSW)

GOAL: Sustainable economic growth and job creation in Pacific Island Countries (PICs) through a well-performing private sector

