

## Good Return Impact Investment Fund

### Investor Half Year Report - July to December 2022



*At Good Return, we bring the excluded into the economy to create a more equitable world. Our focus is providing responsible finance to local entrepreneurs, as well as education and business training to women and other excluded groups to build confidence and financial capability. The result is a growing generation of empowered entrepreneurs, taking control of their finances, their livelihoods and their futures. By supporting our work, you are supporting generational change and a more equitable world.*



## Investment Fund Model

In 2020, Good Return launched an Impact Investment Fund to address a critical investment gap across the Asia Pacific for small to medium sized enterprises requiring capital of between \$5,000 to \$100,000 in order to grow - these enterprises are often referred to as the 'missing middle'.

The Fund enables socially-minded investors to contribute to a pool of funds that target this investment gap, thereby supporting enterprise and employment growth in low-income communities.

**Overall objective:** Leverage raised capital to generate income and employment for people living in poverty through enterprise investment and growth.

**Social return:** Stimulate SME growth that creates employment and income for 1,000 low income people in the Asia Pacific region (outside Australia), with a focus on women and creating gender equitable practices. This is expected to benefit 5,000 family members.

**Financial return:** Maintain the raised capital and provide a positive financial return to investors that is similar to a cash deposit with an Australian Bank.

The main operational tool of the Fund is the loan guarantee model - providing a limited loss guarantee to partner Financial Service Providers (FSP) for loans to qualifying clients. The loan guarantee mitigates risk for lenders by covering a portion of losses on loans where the customer is seen to be high risk.

AUD\$1 million guarantee capital was raised and the Fund fully subscribed. The capital raised is held in trust by Good Return until June 2025. The funds are held in deposit with an Australian bank and used to back guarantees to FSP partners. Income of the Fund (comprising interest earnings less any losses on investments and bank charges) will be distributed to Senior Investors.

## Governance

The Fund is administered by Good Return's management team. Investment decisions are made by an Impact Investment Committee comprising internal and external expert advisers, with oversight provided by the Good Return Board of Directors.

The Investment Committee is tasked to review and approve:

- Documented partnership agreements with recommended FSP partners
- The Fund's exposure to such partners, and contingently their clients
- The portfolio and propose changes to address identified risks
- Any requests to issue a Standby Letter of Credit to partners



## In-Country Financial Service Provider Partners

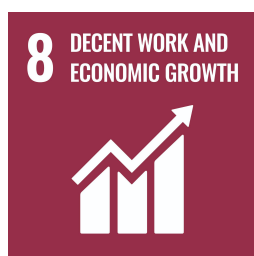
Good Return has agreements with two Financial Service Providers:

- CROWDE - an innovative agriculture-focused fintech company in Indonesia. CROWDE provides an online financing platform to assist small and medium sized entrepreneurs to access market and employment opportunities and investment capital. Funding can frequently be cashless: in the form of direct farming inputs rather than money to avoid leakage.
- Chamroeun Microfinance - a Cambodian microfinance institution. Chamroeun provides access to financial services and socio-economic services to improve the livelihoods of marginalised communities, including women and people with disabilities in urban and rural areas in Cambodia.

## Impact

The fund is proving to be a low risk, high impact and catalytic investment that stimulates inclusive financing and improves lender confidence. Investments are made where they can create maximum impact on sustainable and inclusive economic growth. Impacts are maximised through the provision of training and technical assistance to partner Financial Service Providers and their clients, alongside the guarantee (refer Annex). This assistance is funded through a Capacity Building fund that is supported by investors and donors.

The Good Return Impact Investment Fund and Capacity Building Fund directly address the United Nations Sustainable Development Goals below. The following are some achievements to December 2022.



- As at 31 December 2022:
  - **443 SMEs** in **aquaculture, chilli, maize, rice, cucumber, tomato and cabbage farming** accessed **AUD \$3.75 million** in loans from Chamroeun and CROWDE using Good Return's loan guarantees.
  - **388 (88%) of these loans were disbursed to women.**
  - These support jobs and income for **3,467 people.**



- With support from Good Return and UN Women, Chamroeun in Cambodia developed an introductory training on gender equity for new staff induction.



- Following discussions held with CROWDE senior management, and research on gender barriers faced by women in agricultural communities, in CROWDE and other organisations, Good Return trained trainers on Promoting Gender Equality and Prevention of Sexual Exploitation, Abuse, and Harassment (PSEAH).
- 124 CROWDE staff were trained from June to December 2022 - these include 26 master trainers at the head office, 25 master trainers from the field and 5 facilitators to lead the training of Master Trainers in Gender Equality and PSEAH. Further, we developed a 3 hour training module on Gender Equality and PSEAH and a 2 day module which are ready to be used by CROWDE Master trainers.



- Good Return and Chamroeun continued running peer learning sessions to review the aquaculture value chain and barriers for women to access finance and markets in Cambodia.
- In Indonesia, Good Return and CROWDE ran peer learning sessions to review the responsible investment principles. We also exchanged monitoring and evaluation frameworks and practices and shared lessons learned in disability inclusive programs in Cambodia.

## Portfolio Snapshot as at December 2022

|                                       | Cambodia  | Indonesia   |
|---------------------------------------|---|---|
| # of loans to SMEs (cumulative)       | 35  | 408   |
| # loans to SMEs (current)             | 34  | 238   |
| Total value of loans (in million AUD) | \$1.93 m  | \$1.82 m  |
| # of loans disbursed to women         | 10 (29%)  | 378 (93%)   |
| # of jobs (employees + owner)         | 166   | 3,301   |
| Provinces                             | Kandal, Kampong Cham, Kampong Thom, Battambang, Pursat, Siem Reap | West Java, Central Java, South Sumatra, Banten, Lampung |
| Agricultural Value Chains             | Aquaculture   | Chilli, Paddy Rice, Maize, Cucumber, Tomato, Cabbage    |

## Case study: Innovation brings opportunity to more in Indonesia's chilli sector

Chilli is one of the most important ingredients of Indonesian cuisine, and demand in the crop grows every year in line with increasing population and industrial need. At least half a million households grow chilli in Indonesia, with over 50% coming from Java.

In a recent evaluation visit to the Tasikmalaya region, Good Return interviewed farmers and confirmed the findings of academic reports: that there are many challenges with the cultivation of chilli crops. Difficulty in accessing capital and increasing productivity through efficient use of fertilisers and pesticides is front of mind for many farmers. Once a crop is in place, the chilli sapling is vulnerable to pest attacks and changes in climate. Once harvested, chilli has a short shelf life.

Through our Impact Investment program, Good Return and local partner CROWDE are working to tackle each of these obstacles, using innovative solutions to make the chilli industry more viable for farmers, particularly women. The following three projects show this work in action.



*Looking after seedlings in the nursery.*

## Protecting seedlings

CROWDE has built three nurseries for raising seedlings for planting purposes in West Java. The nurseries are designed to suit the local climate, so the two structures in Tasikmalaya and Bogor have higher ceilings than the third structure in Sukabumi, where it is cooler. The closed-system nurseries protect the seedlings from climate factors such as rain and excessive sunlight and against unwanted pests and pathogens. After growing for 14 days, the seedlings are taken by CROWDE's loan recipients for planting on their own land.

This reduces the chances of crop failure tremendously at the early age of plantation. The nurseries also support local employment - there are 4 full time employees and 10 part time ones hired during plantation season in the Tasikmalaya nursery.



*Chilli farmers harvesting crops.*

## Building technical skills for all

Women make a huge contribution to chilli farming in West Java, but lack formal inclusion and access to training. CROWDE has helped to facilitate 'gender hubs' - physical spaces in local villages where women can gather together and share knowledge on farming practices. The hubs are also used to build other skills, such as turning farming waste into woven products like baskets, or simply as a supportive place for women to gather.

Farmers - both men and women - are regularly visited by field agents, who provide technical assistance, consultation and information. Good Return has worked closely with CROWDE staff to strengthen their gender inclusion practices in a culturally appropriate manner, so they understand and respond to the needs and contexts of women farmers and business owners.

### **Making the most of the harvest**

Fresh chillies are at their prime for just three or four days after harvest and there is pressure on farmers to transport their yield quickly to buyers. CROWDE facilitates storage and sales for its clients by negotiating a price for the chilli as part of the client's loan repayment. As soon as the crop is harvested, the farmer can bring the product to the CROWDE storage facility where it is sorted and 'bought back'.

Innovative farming practices have been extended through a new solar drying dome. Traditionally smallholder farmers dry their crops by the roadside, leading to contamination and a product loss of 30-50%. The dryer dome's parabolic shape enables efficient drying via solar radiation, and allows rainwater to run off easily. Polycarbonate sheets used to cover the dome create a greenhouse effect as it is coated with a UV protection layer. Reducing UV exposure results in higher value final products as agricultural produce keeps its vibrant colour and valuable nutrient values. The dryer also mitigates hygiene risks caused by livestock, dust or water contamination.



*A dryer dome used in the process of chilli farming.*

These examples show how a combination of innovation, skill building and access to responsible capital is used to enable sustainable and inclusive growth in Indonesia's chilli sector. As opportunity grows, more people will benefit from stable incomes, economic security and generational change.