

# Pacific Innovation Hub

## Application Guide for the Ideas Lab and Viability Gap Fund

### ROUND FOUR

The Pacific Innovation Hub is a MFAT International Development Cooperation initiative. It partners with New Zealand and Pacific businesses to support innovative commercial initiatives to achieve Sustainable Development Goal (SDG) outcomes in the Pacific.

The Pacific Innovation Hub (the Hub) aims to enhance the economic resilience of Pacific Island countries by helping to accelerate the development of new types of products, services and markets and improving productivity within existing industries. It also aims to support the Pacific to connect with innovative New Zealand companies who can help them deliver SDG outcomes.

## OVERVIEW

The Hub offers International Development Cooperation (IDC) support (advice, and resources) to New Zealand and Pacific companies to develop innovative solutions to SDG challenges in the Pacific Islands.

### The Hub offers:

<b>Connections</b>	A team of Engagement Manager to connect businesses into MFAT's programmes, networks and insights.
<b>Ideas Lab</b>	To bring key stakeholders together to test and refine innovative business ideas.
<b>Viability Gap Fund</b>	Small amounts of co-funding for businesses and entrepreneurs to prove concepts and overcome barriers, where alternate funding is not available.

## The Ideas Lab

The Ideas Lab brings together New Zealand and Pacific stakeholders to test and refine early-stage innovations. Businesses who go through the Ideas Lab will be assigned a design consultant who will lead a co-design process with their key stakeholders and customers in the Pacific and New Zealand.

The Ideas Lab co-design process will deliver:

- A deeper understanding of the challenges and/or opportunities from the perspective of key stakeholders' and customers' and test what would need to be true for the initiative to be successful.
- A facilitated workshop in the Pacific to test and refine the initiative's design with key stakeholders and customers.
- A collaborative, action-based plan to guide next steps in implementing the initiative.

MFAT will provide funding for the design consultant and workshop which will likely be held in a Pacific Island Country. An Engagement Manager will participate in the process and will support with outreach to key stakeholders. Please note applicants are expected to attend the workshop, MFAT will not fund this travel.

### The Ideas Lab involves:

The basic steps involved in the Ideas Lab are outlined below, although the specifics of what each step involves will differ between initiatives.

#### Before the Ideas Lab

- Applicant selects a design thinking consultant with their Engagement Manager.
- Applicant works with the consultant to design a bespoke Ideas Lab approach to their initiative.

#### During the Ideas Lab

- Consultant and MFAT Engagement Manager conduct interviews with key stakeholders, customers and the applicant
- Facilitated workshop (in the Pacific Islands), with the applicant and key stakeholders to test and refine the initiative and develop an action-based plan outlining next steps. This information is captured in a report.

Once the Ideas Lab process is complete it is the applicant's responsibility to drive the innovation forward. The Engagement Manager can continue to support with connections and insights as required.

# The Viability Gap Fund

The Viability Gap Fund provides co-funding (grants from \$5,000 up to \$100,000) for initiatives that have funding gaps which cannot be filled by company resources, loans, investors, or other funders/funds. The co-funding is provided to help businesses' prove concepts, to unlock the pathway to scaling the initiative and its benefits.

These initiatives must be ready for implementation and already have proven buy-in from Pacific partners and/or the development beneficiaries. If you need help engaging with Pacific partners or are still determining the viability of your idea, you should first consider applying to be part of the Ideas Lab process, or you can speak directly to an [Engagement Manager](#).

**Applicants who have been through the Ideas Lab process, and who meet the Viability Gap Funding criteria, will be prioritised for grants.**

## What can grants be used for

Grants can be used for expenses directly related to the innovation. This might include, but is not limited to, technical assistance, research, small assets, training. It may not be spent on core business functions (for example wages, energy, rent etc).

Please see [Funding Requirements](#) and [Selection Criteria](#) for more information.

# What countries and sectors are supported?

All sectors are eligible for support.

The Pacific Innovation Hub will consider applications from all Pacific Island countries eligible for Official Development Assistance, as well as the Cook Islands and Timor Leste.

- |                    |                     |
|--------------------|---------------------|
| • Fiji             | • Solomon Islands   |
| • Kiribati         | • Tokelau           |
| • Marshall Islands | • Tonga             |
| • Micronesia       | • Tuvalu            |
| • Nauru            | • Vanuatu           |
| • Niue             | • Wallis and Futuna |
| • Palau            | • Cook Islands      |
| • Papua New Guinea | • Timor Leste       |
| • Samoa            |                     |

## Selection Criteria

The below table outlines which selection criteria are required for the Ideas Lab and Viability Gap Fund.

	Criteria Description	Ideas Lab	Viability Gap Fund
IMPACT	Idea must align with at least one of the Pacific Innovation Hub's outcomes 1) Enhance economic resilience in the Pacific through increasing innovation and diversification in the Pacific Private Sector and by identifying and commercial opportunities with development outcomes.	✓	✓
	2) Provide a platform to better leverage the New Zealand private sector's willingness and resources to deliver Sustainable Development Goal outcomes in the Pacific		
	Pacific Island Country, in which the initiative will be completed, is eligible.	✓	✓
	The initiative must meet a demonstrable need in the Pacific that is currently not being met.	✓	✓
	The initiative must have the potential to scale over time, so that the benefits continue to impact more people.	✓	✓
	The short-term outcomes from the initiative are credible and align with the Sustainable Development Goals. <i>Value and likelihood of outcomes assessed.</i>	✓	✓
	There are potential medium term and long-term outcomes that align with the Sustainable Development Goals. <i>Value and likelihood of outcomes assessed.</i>	✓	✓
	The initiative must be innovative; for example a new technology/product/service/process/business model/industry/approach to development outcomes.	✓	✓
	The initiative contributes to inclusivity in the Pacific (not compulsory but is beneficial).	✓	✓
FUNDING	Additionality - no other known funding available. Applicant has tried all other known options to secure funding.		✓
	Co-funding is available to match MFAT's grant (50:50). <i>A case can be made to reduce co-funding to 30% (30:70) - but this will be considered higher risk and the initiative must show it has the potential for exceptional and compelling development outcomes</i>		✓
	The applicant must be able to finance their proportion of the co-funding and manage ODA funding appropriately.		✓

<b>PACIFIC INNOVATION HUB SERVICES ARE THE RIGHT FIT</b>	Ideas Lab or Viability Gap Fund is a good fit for the project – there is a clear ask of the Pacific Innovation Hub, and it is best placed to fill this role.	✓	✓
	Additionality: No other known programme, NZ Inc agency or other donor better placed to support.	✓	✓
	Applicant can commit the time and resource required to be part of the Ideas Lab process.	✓	
	Key stakeholders are bought into the idea and willing to be part of the Ideas Lab process	✓	
<b>ABILITY TO DELIVER</b>	Commercial entity and key decision makers are of good character – i.e., their behaviour and values align with IDC and MFAT values and policy requirements.	✓	✓
	Commercial entity is licenced to operate in Pacific Island Countries and New Zealand or has a plan to become so (if necessary).	✓	✓
	The Social Lean canvas is well considered, shows clear understanding of the market, and knowledge of gaps/barriers.	✓	✓
	The business model is, or has the potential to be, commercially sustainable.		✓
	Team Quality – Team has sufficient expertise and experience.	✓	✓
	Application notes key risks and has well considered mitigations.		✓
<b>OTHER</b>	Applicant is health and safety in work-place compliant.		✓
	Safeguarding risks identified and mitigations align with MFAT minimum requirements.	✓	✓
	Supporting this idea wont disadvantage others in the market.		
	<i>The Hub won't provide grants, or ideas lab support, to a commercial entity providing similar products/services that another organisation is already providing.</i>	✓	✓

## Application and Assessment Process

TYPE	TIMEFRAMES	ELIGIBILITY	ASSESSMENT
<b>EXPRESSION OF INTEREST (EOI)</b>	Open always  Responses within 15 working days of submission	Open to all commercial entities based in ODA eligible Pacific Island Countries and New Zealand.	<ul style="list-style-type: none"> <li>• Meet eligibility criteria</li> <li>• First round due diligence</li> </ul> <p>Successful applicants will be invited to apply to the Ideas Lab or Viability Gap Fund and advised on information and evidence to provide.</p> <p>Invitations to apply expire after 6 months. Applicants can resubmit an EOI after this date, if necessary, with updated information.</p> <p>If Engagement Managers identify other MFAT partners who could provide support, they will connect the applicant to them.</p>
<b>IDEAS LAB Application</b>	Quarterly assessments  Decisions made within 8 weeks of round closing.	Those who have received an Invitation to Apply.	<ul style="list-style-type: none"> <li>• Engagement Manager assesses application against the selection criteria, conducts due diligence (including speaking with experts) and requests more information as necessary.</li> <li>• Those who meet the selection criteria are recommended to an MFAT selection panel.</li> <li>• The selection panel picks up to 2 applications.</li> </ul>
<b>VIABILITY GAP FUND Application</b>	Quarterly assessments  Decisions made within 8 weeks of round closing.	<ul style="list-style-type: none"> <li>• Those who have received an Invitation to Apply.</li> <li>• Those who have been through the Ideas Lab.</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement Manager assesses application, completes due diligence (including speaking with experts), and requests more information as necessary.</li> <li>• Those who meet the selection criteria are recommended to the selection panel.</li> <li>• Those who have been through the Ideas Lab get priority.</li> <li>• The selection panel picks up to 3 applications</li> </ul>

Selections are made based on the value and likelihood of the impact, the level of risk involved, as well as ensuring we are taking a portfolio approach across sectors, countries, and the types of outcomes.

**The value of impact** is assessed based on factors including, the breadth of the short and long-term outcomes, feedback from Pacific partners and beneficiaries, the likelihood that the outcomes would be realised, the degree of innovation. Impact Scores are outlined in the application form.

**The level of risk** is determined based on what risks exist, how likely they are to occur and the severity of the impact if they do. Risks can include political, reputational, financial, and safeguarding risks. If we become aware of any additional risks while assessing your application, e.g. through due diligence processes, we will ask for your comment on them before taking them into account within our assessments.

**A portfolio approach** will be taken, where MFAT will support a variety of applications across various sectors, countries and impact types, as well as varying degrees of risk within the innovations. Information on what has been approved so far is on the Pacific Innovation Hub's website - for more information please contact your Engagement Manager.

Being accepted into the Ideas Lab does not guarantee you will receive viability gap funding. It does give you priority for funding if you meet the funding criteria.

After the assessment phase the successful applicants will sign a Grant Funding Contract with MFAT and agree to reporting for MERL purposes.

# Funding requirements for the Viability Gap Fund

## Additionality

The Viability Gap Fund is designed to fill funding gaps. The Hub will need to see which alternate funding or financing options have been investigated; for example loans, investment, other grants.

## Commercial viability

Applicants must show that the business model is, or has the potential to become, commercially viable. The Social Lean Canvas and Ideas Lab report will inform this assessment. If applicants have not been through the Ideas Lab, we will ask to see market research / feasibility studies and/or letters of support from customers and suppliers.

## Co-funding

The commercial entity must match MFAT's grant 50:50. Exemptions can be made to reduce this to 30:70 in exceptional circumstances. If you need to explore this, please speak with an Engagement Manager.

Co-funding can come from one commercial entity or a collective of stakeholders/companies directly involved in the initiative. It cannot include other grants.

Co-funding must directly contribute to the successful delivery of the initiative. This can include future investment in the initiative, but not previous investment. Co-funding must be spent after a Grant Funding Contract is signed.

## Access to co-funding amount

The applicant must be able to finance their proportion of the co-funding. Applicants will need to show at least one of the following:

- Cash in the bank – a bank statement in the organisation/applicant's name.
- Capital investment (internal) - shareholder declaration supported by evidence of cash or liquid assets available.
- Capital investment (external) - a signed term sheet supported by a cashflow forecast demonstrating when funds will be received or a letter of intent from a potential investor.
- Expected revenue – provide profit and loss statements and balance sheet for year to date and previous year. As well as a cashflow forecast for next 12 months.

## In-kind contributions

Applicants can claim in-kind contributions within their co-funding, in line with the following requirements.

- The only in-kind contributions allowed are the actual and reasonable cost of skills/labour.
- In-kind contributions can be up to 30% of the applicant's co-funding.
- In-kind contributions must directly contribute to the delivery of the proposed initiative and its development outputs and outcomes.
- In-kind contributions must be for services that would otherwise need to be sourced from a competitive market.
- The acceptance of in-kind contributions is at the discretion of MFAT.
- In the reporting required to release grant payments, approved applicants may only include the in-kind contributions agreed to in the project and costed workplan, unless previously agreed with MFAT.
- MFAT can disallow claimed, or disapprove proposed, in-kind contributions if MFAT determines the risks of allowing such funding are not mitigated to MFAT's satisfaction.

The cost of skills/labour will be valued at pro-rata direct salary costs, inclusive of leave entitlements and ACC (if any), as long as these reflect reasonable market rates.

In-kind contributions will not include:

- Time spent on the initiative by volunteers.
- Services or goods donated, or funded, by any other government or government-funded agency, NGO, philanthropist or investor.
- Costs or expenses already incurred.

In-kind contributions can be provided by the primary private sector Pacific and New Zealand partners involved in the application, at the discretion of MFAT.

### **Appropriate use of ODA funds**

The Hub must be satisfied that:

- providing a grant to the commercial entity would not bring the reputation of the Ministry, the Government, or the IDC programme into disrepute.
- funding will be spent on delivering the proposed initiative and agreed outcomes.
- that the delivery team has the necessary expertise, partnerships, skills and experience to deliver the outcomes in the proposal.

The applicant will need to provide at least one of the following:

- Financial management practices/policies.
- Financial accounts from the last 3 years
- Evidence that shows the key decision makers have experience managing and funding other commercial entities they own or have had relevant senior management positions in.

### **Payment of Viability Gap Fund Grants**

Grants will be paid after expenses have been incurred, in line with an agreed costed work plan. Where necessary, a case can be made to provide the grant in advance. In this case, the funding may be staged and will be paid against milestones and receipts which will be required before the next set of funding can be released.

MFAT's Viability Gap funding must be spent at the same time as, or after the applicants' funding has been spent to ensure risk is shared equally.

## **Engagement Managers**

The Hub will allocate an Engagement Manager to support applicants through the Ideas Lab and Viability Gap Fund application process. If we need more information in the application, or if anything is unclear, the Engagement Manager will reach out.



## Key Documents

### Expression of Interest

- [Expression of Interest](#)

### Ideas Lab Application

- Application Form Ideas Lab
- Social Lean Canvas

### Viability Gap Fund Application

- Application Form Viability Gap Fund
- Social Lean Canvas
- Risk Plan
- Costed Work Plan

## Social Lean Canvas

Applicants who are invited to apply to the Ideas Lab and Viability Gap Fund must submit a Social Lean Canvas which outlines the business plan for the initiative. The template for the Social Lean Canvas and a guide to completing it can be found [here](#).

The Social Lean Canvas does not need to be fully complete for the Ideas Lab. It needs enough information to show the Pacific Innovation Hub how much the applicant knows about the market and the potential business model and to identify the knowledge gaps that the Hub can help to fill.

### What is a Social Lean Canvas?

A Social Lean Canvas is a strategic planning tool designed to help social entrepreneurs and impact-driven organisations develop, visualise, refine and communicate their business models. It adapts the traditional Lean Canvas or Business Model Canvas to focus on social impact, integrating both business and social components to ensure that the organisation is viable while also fulfilling its social mission.

## Intellectual Property and publishing

All intellectual property held by the applicant remains the property of the applicant.

The Design report is fully funded by MFAT and will be made available to the stakeholders involved in the Ideas Lab (except for the applicant's commercially sensitive information).

Advice, research and reports procured with Viability Gap co-funding will be owned by the applicant and MFAT will be able to use them to inform policy, strategy and future development activities; MFAT may also share the findings, as agreed with the applicant (with the exception of commercially sensitive information).

Successful applications will have their initiative's name and summary published on the Pacific Innovation Hub website (as noted in the application form). Case studies from the Ideas Lab and Viability Gap Fund will also be published on the website, used in promotional material, and in reporting.

## Term Definitions

**Commercial Entities:** Any entity that makes a commercial return, including but not limited to limited corporations, commercial trusts, partnerships, sole traders, start-ups, social enterprises. It does not include NGOs, charities, Government Agencies or Ministries.

**Design thinking:** Design Thinking is a human-centred approach to innovation and problem-solving that involves understanding users' needs, challenging assumptions, redefining problems, and creating innovative solutions through iterative experimentation. It encourages creative thinking and collaborative work to arrive at user-centred solutions, making it applicable across various fields such as product design, business strategy, education, and social innovation.

**Gender outcomes:** The initiative will contribute to gender equality and women's empowerment by ensuring that women have the same rights, opportunities, and access to resources as men. For example, women's health, equal access to jobs and entrepreneurship, access to education, protection from violence and discrimination, access to resources and rights.

**Inclusivity:** ensuring that all individuals, regardless of their gender, race, ethnicity, disability, sexual orientation, or other characteristics, are able to participate fully and effectively in society.

**International Development Cooperation:** International development cooperation involves countries, organisations, and other actors working together to support sustainable development, reduce poverty, and promote economic and social well-being in less-developed regions. It encompasses financial aid, technical assistance, and knowledge-sharing to address global challenges like inequality, health, and environmental sustainability.

**Invitation to Apply:** Applicants will be sent an Invitation to Apply if they meet the criteria in the Expression of Interest. This will be sent in an email from the Pacific Innovation Hub.

**Official Development Assistance (ODA):** Official Development Assistance is a term used to describe government aid that is provided by developed countries to support the economic development and welfare of developing countries

**Sustainable Development Goals:** The Sustainable Development Goals (SDGs) are a set of 17 interconnected global objectives established by the United Nations in 2015 as part of the 2030 Agenda for Sustainable Development. These goals aim to address a broad range of social, economic, and environmental challenges, with the overarching aim of creating a sustainable and equitable world by 2030. [THE 17 GOALS | Sustainable Development \(un.org\)](#).

## Feedback

It is important to our team that the application process is user friendly and based on your feedback we will adjust the service as we go. Please [share your thoughts here](#) and through our monitoring and evaluation process.