



Dear Senator

Many Rivers Microfinance (Many Rivers) is currently implementing a microfinance service supporting enterprise development. Our target market is people, communities and people groups who for various reasons are marginalised and excluded from Government and commercial services. Our current work primarily targets Aboriginal people and communities in regional and remote areas. Our five year plan is to see 40 to 50 field officers operating in 20 regional locations across Australia. We currently have 25% of a national rollout implemented. At full operation this would result in establishment and support to 600 to 750 businesses each year.

An objective of our organisation is to stimulate the market place and economy at a grass roots local level by identifying and supporting the involvement of non participating people and communities, i.e. growing the private sector from the ground up. This is a generational approach. Our sister organisation Opportunity International who helped establish Many Rivers is a global leader in microfinance. Opportunity International has seen generational impact and transformation in communities where they have been working, in some cases for 30 years. It is this kind of mindset, culture and approach that Many Rivers believes is needed in Australia to address disadvantage, particularly where that disadvantage is generational.

In a recent telephone conversation with Richard Grant I apologised for not having the time and resources to write a submission. All our staff are focused on implementation and are quite stretched as we endeavour to meet our current commitments and contracts. Never the less, Richard requested that I write a brief response in point form. Hence this email.

Please find attached an overview of our background, strategy and current roll out. Also attached is a profile of the organisations who we work with to financially make this work possible. As a specialised microfinance organisation, Many Rivers is well positioned to both implement and leverage private sector financial and non financial support with an attractive and viable business model. Our long term goal is to build infrastructure that is relevant and sustainable in relation to the ongoing demand for micro business loans.

Please see below our response to the questions.

Sincerely

Leigh Coleman

Chief Executive Officer • **Many Rivers Microfinance**

LOCAL ENTERPRISE DEVELOPMENT • **PRACTICAL** BUSINESS SUPPORT
• **ACCESS** TO FINANCE • **JOURNEY** WITH PEOPLE

Inquiry into Finance for Social Organisations

(a) the types of finance and credit options available to not-for-profit organisations, social enterprises and social businesses, the needs of the sector and international approaches;

- The transaction costs in meeting the needs of our clients are not recoverable from commercially based interest rates.
- Many Rivers and Westpac have designed and structured a fully commercial pipeline of real business loans to our clients. In order to build a business model that covers all our direct and indirect costs Many Rivers has had to identify and sell the development and running costs of our infrastructure to industries where long term benefits will accrue. Westpac is also one of the corporates who support the running costs of Many Rivers. (see attached)

(b) the role and current activity of financial intermediary organisations and how these can be strengthened;

- For a good overview of Many Rivers as a financial intermediary please see the attachments provided.
- Many Rivers and organisations like ours can have full and unlimited access to loan capital for our clients from current financial markets if we maintain a good repayment rate on our loans, incorporate a bad debt provision that is fully funded in our business model and keep our costs at a reasonable and low level.
- Many Rivers and other financial intermediaries like ours would be strengthened by partnering with larger Industries and Government sectors who would realise a direct net benefit over the intermediate and long term from the result of our work.

(c) strengthening diversity in social business models;

- Many Rivers current focus is on marginalisation and exclusion among Aboriginal people and communities. Our methodology and IP has significant potential and relevance in being applied to refugees, recently arrived immigrants, people from non English speaking backgrounds, long term unemployed, and people who generally cannot access the formal financial markets for capital to develop and grow their businesses.
- Strengthening and supporting organisations like Many Rivers could see the development of a much wider diversity in social business models.

(d) the development of appropriate wholesale and retail financial products and services;

- See attached

(e) government actions that would support the potential for social economy organisations involved in the delivery of government services to access capital markets;

- Contribute a share of the ongoing operating costs of social sector organisations with a proven track record that can work with people that are marginalised and financially excluded to bridge into the formal economy
- Establish a supportive policy and regulatory framework that encourages and supports such organisations

(f) incentives to support investment in the sector;

- See above

(g) making better use of the sector's own financial capacity, including practices relating to purchasing of products and services and use of reserve capital;

- No comment in relation to our current operation and experience.

(h) making better use of the corpus of philanthropic foundations and trusts to make investments in Australia's social economy organisations, expand socially responsible investments and impact investments and any current barrier to their investment;

- See attached. We believe that supporting initiatives like Many Rivers, that have a proven ability of attracting philanthropic foundations and trusts will increase the attractiveness of these sectors to invest and help develop structures for increased investment into the sector.

(i) policies, practices and strategies that affect the availability of capital markets for social economy organisations on social innovation, productivity, growth and workforce issues in these sectors; and

- Capital markets and formal lenders have little or no appetite for businesses needs of less than \$100K. In order to meet this gap products and mechanisms need to be tested, developed and made available. A well designed and run equity product would leverage and allow significant loan capital to flow into the sector from current financial markets. Government could consider participating with current providers like Many Rivers and philanthropic foundations and trusts or even financial institutions to develop these products and mechanisms.
- The development of appropriate microinsurance and hire purchase products would have relevance

(j) any other related matters.