



Impact Investment in WA Government Options Paper

Executive Summary

Impact Seed is Western Australia's peak capacity builder for impact investment and social enterprise development. Its role is in market development on both supply and demand sides for impact investment with government, not-for-profits, corporates, foundations and family offices.

Creation of a State Impact Investment Framework is an opportunity for the State Government to take a 'best-practice' policy leadership approach, actively participate in the development the Western Australian impact investment market. This paper outlines a series of opportunities for consideration by the State Government to support private and not-for-profit businesses already undertaking social impact investments and innovating in their businesses models to actively support marginalised and disadvantaged communities in Western Australia.

In this submission to the Treasurer's office, we outline six policy engagement points for the State Government as it considers its approach to Impact Investment. These engagement points consider how private capital can support and release government capital, recognising the importance of collaboration to help solve the complex problems in our community. The six policy points outlined in our submission focus:

- **Social Procurement Strategy**
- **Social Enterprise Accreditation Framework**
- **Social Enterprise Development Strategy**
- **Social Innovation Policy**
- **Direct Impact Co-Investment & Intermediary Capacity Building**
- **Pay-for-Performance Contracting including Social Impact Bonds**

Western Australia's Unique Value in Building an Impact Investment Market

WA is an entirely unique market for impact investment. WA's remoteness and vast landmass combined with richness of resources and unique public policy have given rise to numerous structural strengths and ground-breaking opportunities for impact investment partnerships in 2019. These include:

\$300M

Australia's only remaining public owned lottery – Lotterywest – arguably the state's largest potential **early-stage impact investor**, granting almost \$300M pa into over 700 impact annually. Lotterywest recently established a new investment Framework and is developing Indicators of Wellbeing for Western Australia.

\$4B

A State government, with **procurement** spend of over \$4Billion pa which has in 2019 (following years of advocacy and papers from many organisations, including Impact Seed) signalled intent to develop a social impact investment policy.

\$4B

A WA not-for-profit social services sector comprising hundreds of small to medium WA based and headquartered NFP's with revenues over \$6B annually and approximately \$4B assets in cash, seeking innovation through **impact projects and social enterprises** in 2019.

\$100B

Australia's richest resource sector valued at \$100Billion annually derived from remote and regional areas that are home to hundreds of underserved Aboriginal communities with untapped potential for **social impact bonds** and direct impact investment through **corporate foundations and impact partnerships**.

\$1.3B

Native title settlements including Australia's largest of \$1.3B covering WA's entire South-West. This has created a once in a generation opportunity for commercialisation partnerships and **Aboriginal impact investment** between Aboriginal corporations and the private, public and community sectors.

\$8.6B

WA's agriculture sector is worth over \$8.6B annually and is largely independent from eastern states supply chains with over 80% of produce exported internationally. This combined with considerable State Government policy support for **Regenerative Agriculture** has created an unprecedented industry transformation opportunity through **Impact Investment** to benefit farmers, communities, environment and the WA economy.

\$15B

A vast geographically dispersed energy grid entirely independent from the eastern state's NEM, which remains 100% government owned through trading enterprises, managing assets valued at over \$15Billion. Combined with the world's largest lithium resources this creates Australia's largest **clean energy** 'innovation sandpit' for distributed generation, solar, wind, ocean energies and battery storage to replace gas and diesel generation which currently comprise the vast majority of the State's capacity.

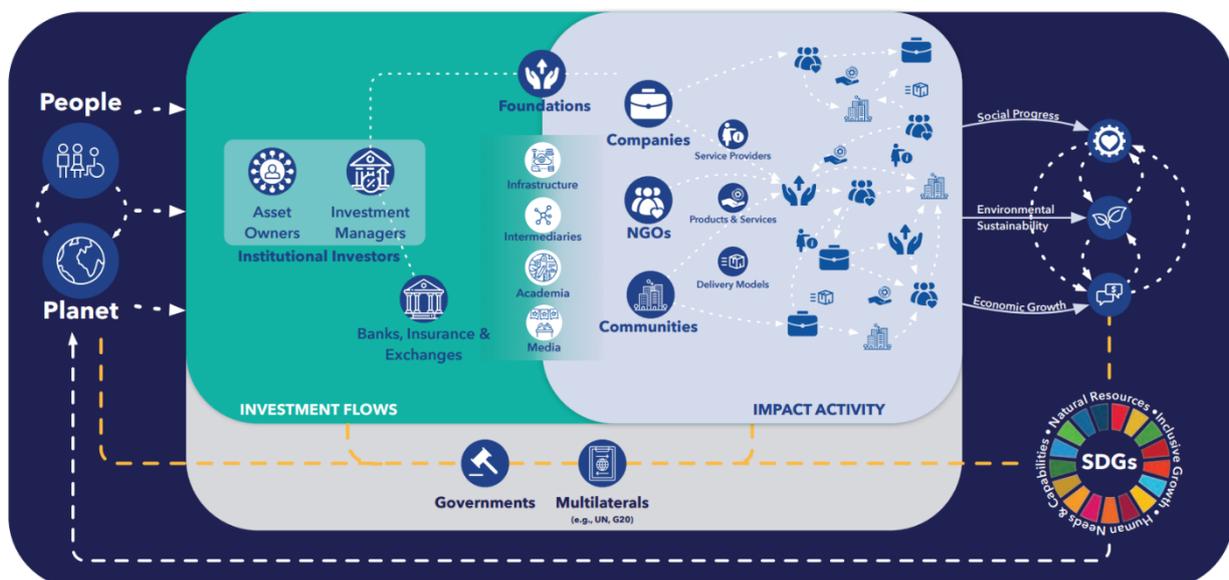
The Role of Governments in Impact Investment Market Development

Adapted from: *Scaling Impact Report – A blueprint for collective action to scale impact investment in and from Australia* (Australian Advisory Board on Impact Investing, 2018)

For governments, scaling (of impact investment) means reaching more issues for people that improve their lives for longer, reduce costs to the budget and increase public goods and public value ¹

An effective impact investment market presents a two-fold benefit for government: social enterprises supported by effective financing models can effectively address social policy objectives, while limiting impact on the State’s financial position and building Western Australia’s profile as a hub for a new era of finance markets. To date, Australia’s interest in impact investing has come in fits and spurts. Federal policy announcements in the 2017 and 2018 Budgets and the release of the Social Impact Investment Principles have been welcome developments to the sector. These however are a long way from the recommendations of the Financial System Inquiry, and Innovation and Science Australia recommendations, for how Government be a catalyst for developing a social finance ecosystem, and encouraging actions to trigger further developments.

Stakeholders ranging from those in the community sector to institutional investors, pioneering intermediaries and policy influencers, have expressed concern that interest and momentum around impact investing will start to wane in the absence of constructive action from Government. A proactive stance by governments can tip the balance towards action and direct capital to areas of policy priority, allowing nascent social innovations in the private and for-purpose sectors to reach their potential. This can be as simple as State or Federal Governments expressing their intentions to partner with the impact investment sector to scale programs. Collective and coordinated action now to establish critical infrastructure, drive practice and develop standards and principles will help ensure Australia realises the benefits of impact investment locally, and develops a globally competitive market. ²

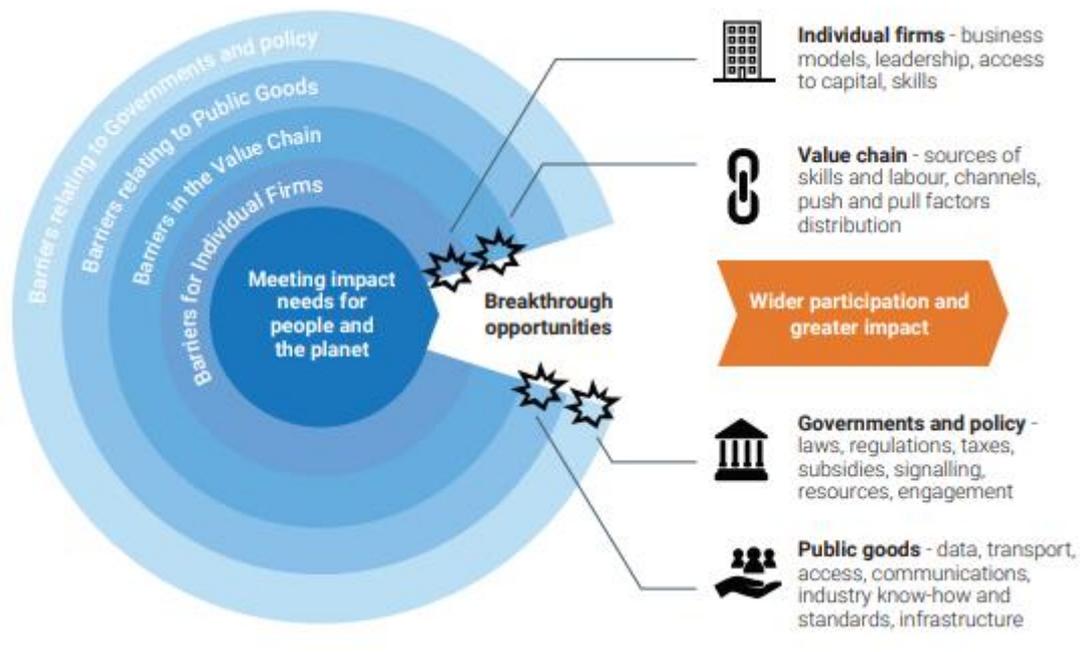


Source: GSG Working Group Papers 2018, *The Impact Principle: Widening participation and deepening practice for impact investment at scale*, 2018, Global Steering Group for Impact Investment

Barriers to development of the market typically don't present within individual organisations, but rather from the interaction of the different market participants. These barriers constrain growth at four distinct but related levels:

- an organisational level,
- the industry value chain of which the organisation is a part,
- public goods relevant to the industry, and
- governmental laws, policies and actions.

These barriers however also present opportunities for innovation both within and between market participants. For governments, this could include adopting policies and procurement strategies that signal demand for services or support of organisations that are driving social change through their activities. This would give confidence to current and future participants in the social innovation ecosystem to leverage private capital for public good and achieve scale.⁴ Adoption of constructive policy around impact investment also provides unique opportunities to demonstrate positive and collaborative action for the benefit of communities.⁵



It is noted that the traditional start-up/innovation/corporate sector has begun to reposition its language towards investing in 'purpose' and re-aligning 'corporate social responsibility' as 'social impact'. These are tentative but emerging trends at the margins, however could not be qualified as impactful or impact investment at this stage.

GOVERNMENTS Expand policy toolbox and grow private capital for public goods to deliver better outcomes		
Scaling impact and investment	Building the field	Making it easier to participate
<ul style="list-style-type: none"> ▶ Invest in infrastructure such as investment readiness funds and an impact investing wholesaler to scale the Australian market and support intermediary development ▶ Increase the “spill over” effects of economic growth and explicitly design for and measure targeted impact outcomes ▶ Design and implement a government commissioning and procurement framework with impact and outcomes as key components ▶ Strengthen the culture of measurement and evaluation and results-based policymaking ▶ Call for EOIs which leverage the multiplier effect of impact investing for priority areas of government spending ▶ Provide flexible capital in co-investment models to crowd in market capital 	<ul style="list-style-type: none"> ▶ Expand the policy toolbox and build public sector capacity for the future ▶ Support key actors, such as social enterprises, to provide more diverse and effective means of meeting citizen needs and delivering a more resilient social sector ▶ Create robust rules and standards requiring disciplined impact measurement and management by partners ▶ Open up data accessibility and linking across government departments and layers of government (subject to privacy) and analyse and clarify the costs in key areas of social service provision ▶ Convene key stakeholders around areas of policy priorities aligned with impact 	<ul style="list-style-type: none"> ▶ Establish a dedicated unit as a ‘go to’ place for other impact investment actors ▶ Increase measurement and transparency of outcomes for people and the planet from public funds ▶ Develop authentic pathways for soliciting citizen input ▶ Explore effective mechanisms for putting a price on outcomes (e.g. rate cards) ▶ Act on regulatory impediments to impact investing with a flexible view to amendment ▶ Consider strengthening regulations around impact disclosure requirements for corporations (e.g. potential adoption of integrated reporting, mandatory disclosure of impact for superannuation funds, Global Alliance for Banking on Values)

Case study – Government leadership in market development⁷

UK Creating a Culture of Social Impact Investment

The UK Government was an early mover in impact investment. The first Social Impact Investment Taskforce was established 2000 – 2010.

Over nearly two decades, the UK Government has been developing different approaches to using impact investment as part of the policy toolbox, domestically and internationally, including using policy levers to mobilise other actors. This support for impact investment has crossed party lines across successive UK administrations.

The UK was the first Government to have an impact investment strategy and in 2016 it launched an international strategy to position the UK as a destination for impact capital. In 2013, the then Prime Minister used the UK presidency of the G8 to launch the first international Social Impact Investment Taskforce.

- ▶ *Both the UK Government and industry are keen to cement the UK's position as a global centre for the social economy. Capitalising on international interest and harnessing a percentage of the global market share would contribute to UK economic growth, help to tackle some of society's most deep-rooted issues, improve public services and increase innovation in the UK.*

In 2016, the UK Government established an independent advisory group with a mandate to consider: How can the providers of savings, pensions and investments engage with individuals to enable them to support more easily the things they care about through their savings and investment choices? The Government response to the Advisory Group's recommendations strengthened its commitment to grow impact investment as a means of bringing capital to opportunities for social progress and achieving financial innovation to spread wealth and economic opportunity.

Policy Measures

UK Government policies have utilised a range of policy levers. They include:

- ▶ Support for social enterprise development
- ▶ Investment and contract readiness support
- ▶ Credit enhancement for social and affordable housing
- ▶ Established Big Society Capital, the UK impact wholesale fund
- ▶ Established Access Foundation to support earlier stage investment in impact-driven enterprises
- ▶ Social impact bonds across a range of policy and outcome domains
- ▶ Social Impact Investment Tax Relief
- ▶ Clarification of fiduciary duties of Trustees
- ▶ Requirements for pension funds to prepare and disclose policies assessing the sustainability of their investment decisions so it is easier for members to assess efforts to manage risks from climate change, poor corporate governance and socially harmful practices
- ▶ UK trade and investment campaigns and trade missions
- ▶ Department for International Development initiatives, including the Impact Programme
- ▶ CDC (UK Government development finance institution) Impact Accelerator to develop impact investing in Africa and South Asia
- ▶ British Council initiatives to encourage and enable social enterprise and impact investment

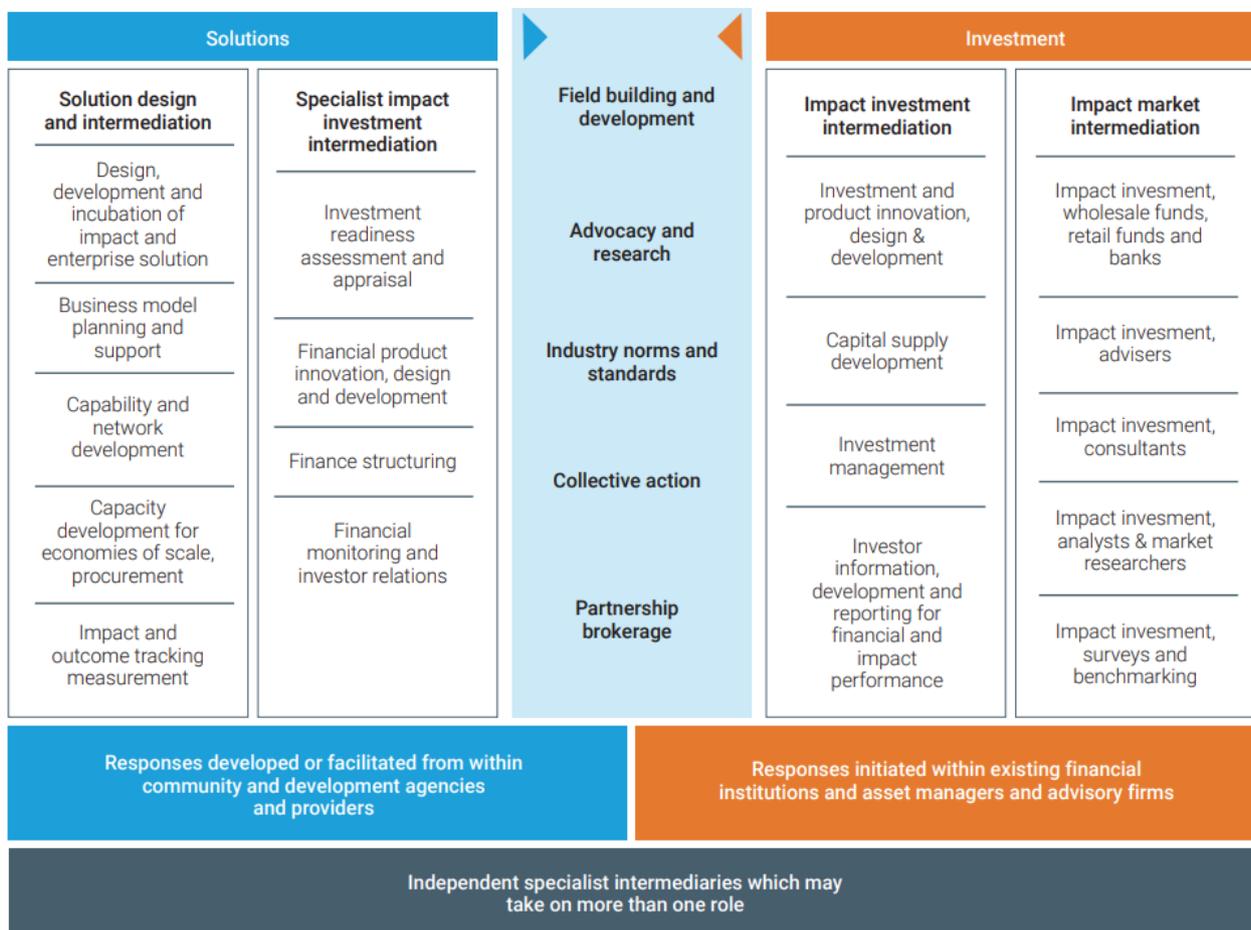
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- 1 *Box I.1: The Dimensions of Scale (pg12)*
 - 2 *2.2 Building the field (pg18)*
 - 3 *1. A Vision for Growing Impact (pg6)*
 - 4 *Box I.2: Priorities for field building to drive scale for impact and investment (pg13)*
 - 5 *2.2 Building the field (pg14)*
 - 6 *Table II.10: Opportunities for governments to lead and act (pg62)*
 - 7 *Case II.15: UK Government - Competitive positioning and creating a culture of impact investment (pg63)*

Role of Intermediaries in Market Development

**Adapted from Scaling Impact Report – A blueprint for collective action to scale impact investment in and from Australia (Australian Advisory Board on Impact Investing, 2018)*

The linchpin for achieving solutions and impact investment at scale is intermediation between the supply and demand ends of the market. Effective market advisors can bring together existing elements of an investment opportunity, re-framing them into more efficient and accessible structures, or identify products and/or services that make it easier to connect impact and investment. Priming the market for more sustainable intermediaries is one of the most impactful ways to accelerate impact with the social innovation ecosystem, through seeding ideas, structuring products and services, and diffusing knowledge and understanding across a nascent sector.

The concept of an intermediary is deceptively homogenous, and encompasses a dynamic range of organisations of different shapes and sizes doing the vital work of incubating, designing, accelerating, strategising, catalysing, building, structuring, advising, measuring and connecting that brings shape to opportunities and engages the right actors around the right opportunities. Intermediaries activate different actors, drive pipeline development; and support and advise on product development and channels and design. This includes the development of overarching platforms and measurement strategies. Further, intermediaries can work on designing solutions in place, or packaging opportunities to match investor preferences, or both.

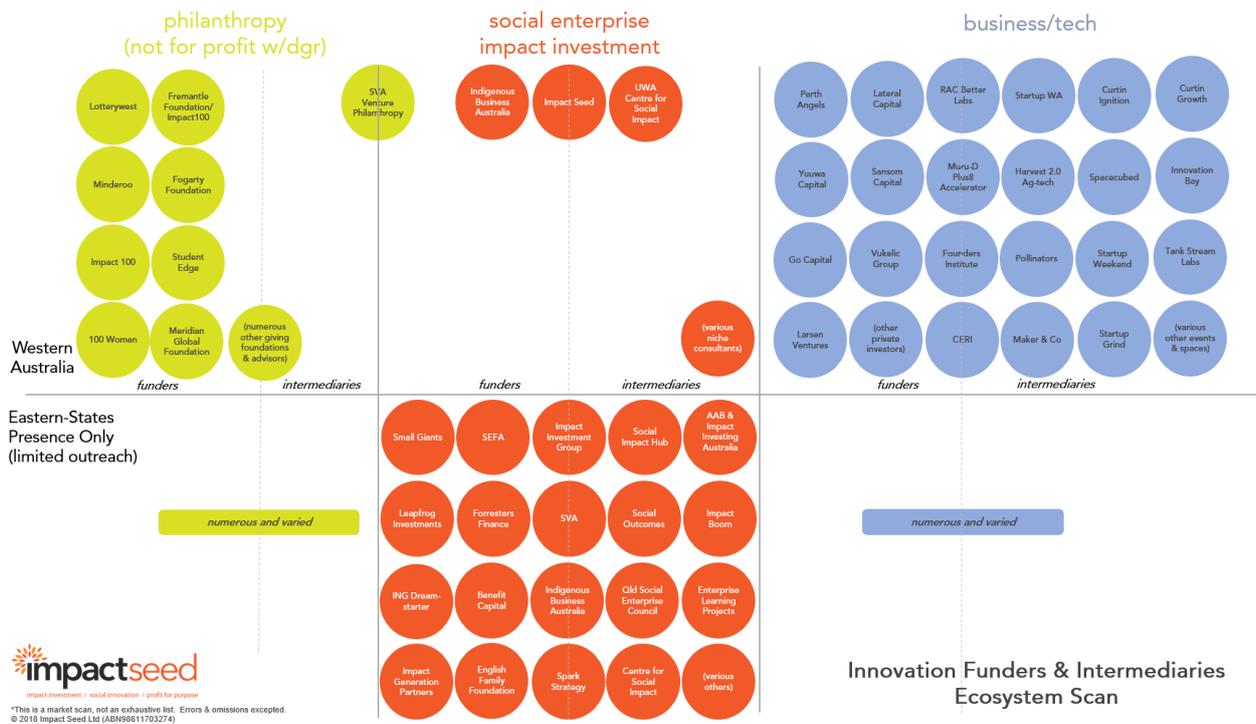


Deepening and diversifying the pool of intermediaries working across the value chain for impact in a sustainable way is critical to a dynamic and functional system at scale. Existing actors ranging from incubators to community organisations, foundations, governments, banks, funds and consultants can play a role. However, new specialisations and models are evolving and should be encouraged and supported.

There are still critical gaps and many intermediaries lack the scale needed to enable them to be more proactive in the design and development of either impact opportunities or investment products. Intermediaries must be supported in a healthy system, to make it easier for all other stakeholders to participate in impact investment, and to connect promising innovations to resources.⁸

Intermediaries and the Western Australia market

The diagram below provides a high-level scan of the Western Australian innovation funder and intermediary ecosystem.



Several national intermediaries are based in Sydney, Melbourne and Brisbane, intermediation and capacity building for impact investment and social enterprise development in Western Australia is limited to Impact Seed and a few niche service providers.

Development of the intermediation of impact investment in Western Australia in conjunction with government policy and procurement support would accelerate market development by de-risking early stage social enterprise projects, identifying, and designing solutions for new investable social innovation opportunities, building business skills and capacity in the social enterprise sector, and matching social enterprises with potential impact investors across sectors.⁹

Enhancing opportunities for impact Investment intermediaries in Western Australia would also provide leverage to government policy in other areas, including:

- Assisting social service providers to build sustainable and purpose-driven revenue streams to reduce their reliance on grant funding, enhance innovation, and release government capital for other critical investments
- Contributing towards a diversified Western Australian economy, and jobs within local communities through businesses that actively support marginalised and disadvantaged communities
- Shifting the ‘funding-for-innovation’ conversation from its technology and resources focus, to a focus on community and impact.

Case Study – Building a Supportive Framework for Aboriginal Social Enterprise Development

Background

2018 saw the release of the tenth annual Closing the Gap report, which demonstrated few gains against the 2008 targets in Indigenous outcomes. This was despite an estimated government expenditure of over \$130.2 billion on related services during the same period (Creighton, 2018) and philanthropic spending of approximately \$224 million annually (Hudson, 2016). The area of Indigenous employment showed persistent negative outcomes, with the employment rate falling over the previous decade (Closing the Gap, 2018) despite over \$45bn having been invested in programs designed to improve Indigenous participation (Creighton, 2018). Indigenous economic development has, however, gained traction in recent years with “a 30 per cent jump in the number of Indigenous Australians reporting that they were in business in 2016 compared to 2011, compared to a 1 per cent increase for non-Indigenous Australians” (Closing the Gap, 2018).

The current scale of the government and philanthropic investment into areas such as Indigenous employment, aligned with the lack of achievement in tangible outcomes, positions the sector as an ideal candidate for social impact investment. Impact investment funding models which call for more accountability against measurable outcomes may see better gains against the Closing the Gap employment targets, while social impact investments that tap into the growing rates of Indigenous business participation can help to scale and grow Indigenous economic development.¹⁰

About the Yiriman Project

The Yiriman Project is an intergenerational, ‘on-country’ cultural program, conceived and developed directly by elders from four Kimberley language groups – Nyikina, Mangala, Karajarri and Walmajarri. Auspiced by KALACC, its vision is on building stories in young people through intergenerational cultural work.

Intrinsically tied into this vision are the [Yiriman women](#) social enterprises - traditional healing, sustainable wild harvest, health care, design, art and on Country experiences in the Kimberley, Western Australia.



This initiative also intends to address pandemic health issues that are sweeping Aboriginal communities, such as obesity and diabetes with many secondary related such as heart disease, liver failure, amputations, Alzheimer’s disease, and depression.

The Yiriman social enterprises serve as a way forward for growing concern on these life-threatening challenges that have deep roots in inter-generational trauma and dispossession from a rich meaningful culture including potent medicinal plants. In these areas, SA and NT have proven it is possible to integrate traditional healing practices and bush medicinal products integrated into the health care system.

In 2018, through funding from the Indigenous Land Corporation, and in partnership with Stepwise Heritage and Tourism, Impact Seed was invited to support the Yiriman women’s social enterprise development project in three phases:

- Participatory planning and business model incubation with participants
- Capacity building with a local, culturally-sensitive incubation presence
- Upskilling with participants and direct business development when ready

Insights



While support and business capacity building exists for Aboriginal businesses based on traditional commercial business models (i.e. those not focused on cultural heritage), this support can be culturally or socially inappropriate for community-led enterprise opportunities which have concurrent drivers of social impact and financial sustainability, or for social enterprises that are rooted in transition of cultural knowledge.

Support for Aboriginal social enterprises, which require intensive up-front support and a participatory planning and development process, is limited. Additionally, existing commercialisation and investment support beyond early-stage enterprise development is largely restricted to mainstream initiatives, or those with Deductible Gift Recipient charity status – leaving prospective social enterprises as a square peg trying to fit into a round funding grant framework.

Consequences

Aboriginal social enterprises which have growth potential are falling through the cracks between small business development and large-scale projects when it comes to access to funding and training, limiting both economic diversification and community impact opportunities.

Non-self-identifying Aboriginal social enterprises with impactful or potentially impactful programs are disengaged from conversations about financial sustainability or scaling, limiting both the capacity of their programs for impact and keeping them in grant funding cycles.

Finally, intermediaries operate in a very constrained operating and funding environment, limited their ability to support these social enterprises. These constraints also aggregate to inhibit opportunities for cross-regional collaboration and learnings (e.g. leverage existing inter-state market channels to scale products and services).

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- 8 *3.3 Intermediating Impact (pg31-32)*
9 *Innovation funders & intermediary ecosystem (Impact Seed, 2018)*
10 *Emma Cahill (2018)*

Impact Investment in Western Australia

The state of Impact Investment and social enterprise development in Western Australia can best be described as nascent. Some limited attempts have been made by various stakeholders across sectors to begin developing an ecosystem to support social innovation, however these were either aborted or not funded through development stage.

The following provides an outline of impact investment activities undertaken to date:

- 2011-12: Social Innovation in WA (SiiWA) began operating to support the social investment landscape
- 2012-14: The State Government of Western Australia seeded a \$10 million fund for not for profit social enterprises, delivered by consortia of SVA (lead), SiiWA (now Spacecubed), WACOSS, Centre for Social Impact, and Social Traders (to a limited extent). It concluded in late 2014 or early 2015 with approximately seven initiatives receiving between \$500,000 to \$1 million in funding in aggregate. Several enterprises that received funding are actively trading in 2018, including Befriend and Dismantle.¹¹
- 2013: Centre for Social Impact (UWA) prepared a report – Understanding Social Impact Partnerships – exploring the landscape and opportunity for social impact bonds in WA
- 2014: Department of Justice investigated the possibility of developing a social impact bond addressing recidivism
- 2015: A few larger charities (i.e. Mercycare, Anglicare, Fairbridge, Holyoake) begin to reposition their trading arms as social enterprises and appoint managers to these roles. The delivery of these initiatives is ongoing. At least one of the charities (Holyoake) has launched and grown its own social enterprise, Drumbeat, now a successful and growing social enterprise
- 2014-2016: SVA gave a non-interest bearing repayable loan to Dismantle and supported a number of ventures with capacity building, most well-known being Marnin Studio
- 2015: UWA Centre for Social Impact sponsored a visit by UK impact investor Mustard Seed to run a one-off pitch night in 2015.
- 2015: A report entitled “[The Development of Social Enterprise in Western Australia](#)” was supported by Lotterywest and developed by Mission Australia and WACOSS
- 2015 onwards: Impact Seed began operating as an intermediary to develop both supply and demand sides of the market through a combination of advocacy, workshops, incubation and networked investment partnerships across sectors
- 2015-: A number of enterprises operating under the auspices of not for profits and Aboriginal corporations appear to be operating on a financially sustainable basis as non-self-identifying socially oriented enterprises (eg. <http://wade.org.au/companies/>; <http://www.tersumenergy.com/>)
- 2015-2018: Impact Seed has conducted educational workshops on impact investment and impact measurement for impact investment to approximately 100 attendees from senior management level and Boards of NFPs, government, private sector and agencies. Impact Seed has also run incubation support and pitch events for numerous social enterprises¹²
- 2016: Private Wealth Network – Some WA members attended a 2-day class on Impact Investment for family offices
- 2017-18: Philanthropy Australia conducted 2-hour introductory workshops explaining impact investment for family offices and foundations

- 2018 – Cahoots (a WA not for profit organisation) applied for an Impact Investment Readiness Grant to engage Impact Seed to undertake a series of educational workshops for NFPs on mission aligned investment, and to explore and develop an impact investment enterprise led by Cahoots

11 *Of the initiatives funded through this program, all were required to be not for profit social enterprise initiatives. A high-level survey indicates that Dismantle, Befriend are both successful and both have gone on to gain contracts and/or additional investment. Holyoake, it is understood received funding for two potential social enterprises including Drumbeat, which is successful and growing. Big Help Mob ceased operations between 2014-2017. Of the remaining recipients (Brightwater, Workpower, Silver Chain, Fairbridge) – it should be noted that all were large not for profit organisations seeding social enterprises start-ups or trading arms. It is understood that these organisations may have trading arms operating in 2018, but not social enterprises in their own right.*

12 *Of the pitch events run by Impact Seed, it is important to note that pitch events serve dual purposes as advocacy/ecosystem building activities, as well as opportunities to connect with funders. Impact Seed's support has focused a) commercialisation/incubation support, b) event operations and advocacy and c) introductions to investors/funders. The most recent Pitch for Good Perth (2018) was a public pitch event for very early stage startups. The enterprises raised \$50K in aggregate through this event, and a number are actively growing following the event, with ongoing commercialisation support from Impact Seed. Impact Seed has also run annual pitch nights for investable social enterprises between 2016-2018. Of these, Startsomegood.com (2016) are now an active partner of Impact Seed and supporting the development of the WA ecosystem in their own right, and have raised further capital to scale. Greenbatch and Unocart (2017) have gone on to raise around \$300K following the event. Most of the other event participants from 2016 onwards are actively trading, and a number of the 2018 participants including Climate Clever, Kooda and Tradr seeking investment.*

OPPORTUNITIES FOR GOVERNMENT MARKET ENGAGEMENT

1. Social Procurement Strategy

As a major provider of public services and infrastructure, the Government can use its buying power to enter procurement contracts that make a real difference to Western Australians. Whether it be creating job opportunities or skills-based training in areas of disadvantage, addressing structural and systemic inequalities, or delivering environmental benefits for local communities, government procurement can add value that all Western Australians can share in.

Social procurement increases job opportunities for under-represented groups and provides greater support for businesses that prioritise social impact alongside the delivery of competitively priced, high-quality construction projects, goods and services.

Case Study: The Victorian govt released a [Social Procurement Framework](#) in 2018, after supporting the concept for a number of years through intermediary development. For every \$100,000 dollars spent on social procurement, 1.5 jobs are created for those suffering or at risk of disadvantage.

2. Social Enterprise Accreditation Framework

A social procurement framework necessitates an accreditation framework for suppliers, and in the Victorian model, this has been enabled through intermediary funding to develop a framework to identify potential suppliers.

Case Study: The Victorian Government funded intermediary development of a certification framework to identify potential suppliers for both the public and private sector. Impact Seed has developed an early pilot version of a similar mapping and accreditation framework for WA and is working with partners to explore opportunities. Government support is key to reducing the development time and increasing impact.

3. Social Enterprise Development Strategy

A public social enterprise strategy provides government policy signalling to the private sector of the importance of more social impact-oriented business models, while directly providing vulnerable groups with greater access to employment and creating innovative solutions to complex social, economic and environmental problems. A social enterprise strategy may include market development support through intermediaries, or [direct impact investment](#) for early-stage social enterprises, or co-investment through an established impact investment fund.

Case Study: In July 2018 the Victorian govt released an updated [Social Enterprise Strategy](#). Victoria's 4,000 social enterprises contribute \$5.3 billion to the state economy, employing an estimated 60,000 people. According to an independent evaluation conducted by PwC, the social return on the Victorian Government's investment in market development intermediaries and social enterprises between 2009-2014 was \$3.65 for every \$1 invested. It was also found that for every \$1 invested in market development intermediaries approximately \$0.60 is leveraged from other capital providers.

4. Social Innovation Policy

Innovation is a critical to strategy for organisations across all sectors, but even in a robust and thriving economy, many Western Australians continue to live in disadvantage. Public spending on community services is significant, and into the future, as our population ages, the inequality gap widens, and demand on community services escalates, we will need to pay closer attention to addressing and solving social problems – collaboratively, better and more efficiently. This is where Social Innovation policy must become an area of focus.

A Social Innovation policy may be as simple as a policy signalling initiative, or it could be an extensive and deep impact commitment to systemic change in collaboration with the community services sector, social enterprises, the private sector and the community to find innovative ways to deliver social services, extending to social-benefit business models which support less grant-dependent funding for the not-for-profit sector.

Case Study: An [Alliance](#) of cross-sectoral leaders in impact investment in Western Australia has been formed to provide trusted, experienced, and well-considered advice to Government, corporates, family and foundation offices, and the community service sector to accelerate development of the impact investment market in Western Australia. As an adjunct to this alliance, an adjunct of investor collectives is developing investable impact projects and social enterprise. Government support of these initiatives is important to accelerating development and impact, and signalling to the private sector of the importance of co-investment, and broadening the innovation investment agenda.

5. Direct Impact Co-Investment & Intermediary Capacity Building

Impact investing is emerging in Australia and there is a lot to learn and awareness raising and capability building needed. Supporting market development with government and partner resources, and through direct social impact investment is a powerful policy signalling and social investment tool for any government.

Government can play a multi-faceted role as both an impact investment market enabler and market facilitator, building impact investment connections which lead to lasting relationships between the private and non-profit sectors, leveraging not only government finances, but private capital and in-kind resources

Case Study:

As part of the [Federal Department of Social Services \\$7M Sector Readiness Fund](#) for Impact Investment, Impact Investing Australia (the national peak advocacy body for impact investment) has been awarded the contract to administer grants of up to \$140,000 to eligible social enterprises looking to engage an approved impact investment intermediary to secure investment capital. This grant serves dual purposes of building intermediary capacity, as well as growing leveraged investment in the social enterprise applicant.

Case Study:

In 2015 the NSW government launched its [Social Impact Investment Policy](#) with a commitment to take 10 actions to increase social impact investing in the state (including an initiative which led to 1,400 hours of private pro bono advisory being made available to NFP organisations. It also established an [Office of Social Impact Investment](#) to fundamentally support the development of a social impact investment ecosystem.

Case Study:

In 2017 the Federal Govt funded a [\\$40M Emerging Markets Impact Investment Fund \(EMIIF\)](#), and the [\\$15M InnovationXchange](#) which includes \$4M funding for impact investment intermediaries to develop the ecosystem (in this example, with a regional SE Asian emerging markets focus).

6. Piloting Pay-for-Performance Contracting

Many jurisdictions across Australia and globally have developed pay-for-performance frameworks and instruments. While not a panacea, pay for performance frameworks, including social impact bonds are an important tool amongst a large and diverse toolkit of social impact investment.

Australia's first social impact bond, the Newpin SBB, is in its fifth year of operation, scaling up from NSW to Qld since 2013. It has seen the number of children successfully restored to the care of their families grow to 272, representing an overall restoration rate of 63.3% over the life of the program so far. As a result, the Newpin SBB has now delivered a 13.5% p.a. financial return to investors.

It is important to note that not every foray into 'pay for performance' need turn into a social impact bond, and in fact many may operate equally well as funded programs.

Case Study: Impact Seed is currently working with WA Aged Care provider Bethanie on a pay for performance innovation to reduce hospital admissions, and enhancing wellbeing in ageing. This initiative will be the first of its kind in WA to bring together a range of key stakeholders across community services, government, health care providers and consumers to target implementable pay for performance solutions in the area of frequent hospital admissions and re-admissions of older Western Australians living at home. The target outcome will be an integrated health innovation program which will measurably improve the wellbeing of our older Western Australians living at home, and address the top 5 clinical conditions for which hospital admissions occur.

Conclusion

Government policy support for impact investment and social enterprise development has the power to solve for some of Western Australia's greatest social and environmental challenges through the power of the markets and leverage of cross sector collaboration for social innovation.

The impact investing ecosystem has been well established globally for over 20 years, and a set of best-practice principles for engagement have been established and reported in publications by the international peak organisation the Global Steering Group for Impact Investment, the Australian Advisory Board for Impact Investment (AAB) and Impact Investing Australia.

Impact Seed is an active participant in these processes, and advocates for the development of a strong, collaborative impact investment and social enterprise development ecosystem in Western Australia founded on the development enablers outlined in the AAB's 2018 Scaling Impact Report:

- Social and financial innovation through solution-focused collaboration and integrative processes
- Flexible capital to unlock investment and create a multiplier effect
- Increased intermediation to build expertise, design solutions and products, advise and connect
- Distributed leadership to raise awareness, amplify and connect calls to action
- Collective and coordinated action to drive efficient market development

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