

A photograph of a beach scene. The foreground is a wide, sandy beach. The ocean is visible on the left, with gentle waves washing onto the shore. In the background, there is a large, prominent rock formation made of reddish-brown sandstone, characteristic of the coastal cliffs in Western Australia.

The Role of Impact Investing  
in Achieving WA State Govt 'Our Priorities'

## Executive Summary

[Our Priorities](#) represent a 'statement of intent for the State Government of Western Australia', a focus for the capacity of Government to solve the problems that seem unsolvable (Our Priorities, 2019).

**Impact investment and social enterprise development represents a fundamentally different approach to business as usual and provides one of the greatest opportunities for the WA State Government to meet, and exceed, Our Priorities.** 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.

This paper outlines examples and provides recommendations for engaging with impact investment within each of the current whole-of-government priorities and targets. The recommendations within each priority are expanded upon in Conclusions and Recommendations at the end of this paper.



### A strong economy

Creating jobs through the development of social enterprise has a dual impact. Social enterprise not only supports the growth of employment opportunities; **but at the same time**, contributes to critical social impact outcomes. Social enterprises also offer meaningful opportunities for **disadvantaged and vulnerable job-seekers**, which provides an additional layer of benefit for Government and the community. Supporting social enterprise development and establishing a social procurement strategy are important for this domain.



### A liveable environment

METRONET provides a significant opportunity for the State Government to adopt a similar strategy to Victoria to major infrastructure projects, enabling the achievement of outcomes here and 'A Strong Economy' domains. **Private capital exists to leverage into this Priority**; enterprises simply need some initial capacity-building support to be able to access it.



### Aboriginal wellbeing

Ending the discriminatory practice of imprisonment for fine default is a logical strategy. Pay for performance contracting and **capacity building support for Aboriginal community-controlled organisations and Aboriginal-led social enterprises** would add value here.



### A bright future

Experience in other jurisdictions suggests that pay-for-performance and/or outcomes-based contracting can add value in this priority. The evidence exists and we know supporting the early years pays off, however using this knowledge to leverage impact investment into this area relies heavily on Government's appetite to apply a financial proxy to (and make a payment for) an outcome that is particularly far-away.



### A safer community

Pay-for-performance contracts (including Social Impact Bonds) have been somewhat successful in reducing recidivism in other jurisdictions. Social enterprise development for drug and alcohol oriented social enterprises would also support this Priority.



### Regional prosperity

Supporting regenerative agriculture and local economic development through mechanisms such as cooperatives has significant potential to add value for this Priority.

## Our Priorities: Sharing Prosperity

[Our Priorities](#) represent a 'statement of intent for the State Government of Western Australia', a focus for the capacity of Government to solve the problems that seem unsolvable (Our Priorities, 2019).

As the Premier states in his opening message, we cannot achieve shared prosperity, with all Western Australians sharing in the prosperity of our state, using a 'business as usual approach.'

**Impact investment and social enterprise development represents a fundamentally different approach to business as usual and provides one of the greatest opportunities for the WA State Government to meet, and exceed, Our Priorities.**

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.

This paper outlines examples and provides recommendations for engaging with impact investment within each of the current whole-of-government priorities and targets.



## Our Priorities

Sharing Prosperity

### Definitions

**Social enterprise** refers to organisations that trade to intentionally tackle social problems, improve communities, provide people access to employment and training, or help the environment (*Social Traders, n.d.*). They may be any kind of legal structure (not-for-profit or for-profit); but they derive most of their income through trade (not donations or grants) and use their profits to achieve their social mission. It is important to note that there is no one, settled definition of social enterprise.

**Impact investment** refers to investments made with the intention to generate actively-measured social and environmental impact alongside a financial return.

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

Western Australia 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.

\$13B

A State government, with **procurement** spend of over \$13Billion 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.

## 1. A Strong Economy

### Create jobs

There are jobs; and then there are jobs.

Creating jobs through the development of social enterprise has a dual impact. There is a plethora of evidence<sup>1</sup> that suggests that social enterprise not only supports the growth of employment opportunities; **but at the same time**, contributes to critical social impact outcomes, in a way that the growth of employment opportunities through traditional enterprises and the corporate sector does not.

Further, social enterprises tend to offer meaningful opportunities for **disadvantaged and vulnerable job-seekers**, which provides an additional layer of benefit for Government and the community. As outlined by the Social Innovation, Entrepreneurship and Enterprise Alliance in [their 2012 submission](#) to *Employment Services Beyond 2015*, the two markets in Australia that are meant to generate and distribute employment opportunities to the Australian working age population do not work as they should:

*The labour market is driven by employers looking for the most skilled and experienced people to fill their vacancies, and so it typically overlooks people not considered ready or able to work. The employment services market is driven by the same commercial reality, with providers competing to place people who they have got job-ready using fees provided by the government.*

There is a significant gap in services and assistance that social enterprise fills, and it has an important contribution to make to the landscape of employment services by providing the very 'wrap-around' support that is required.

### Repair the State's finances

Social enterprises supported by robust financing models can effectively address social policy objectives, **while limiting impact on the State's financial position (i.e. contributing to Repairing the State's Finances).**

An example of the combined economic and jobs impact of a thriving social enterprise sector, is the Victorian economy, where more than 3,500 social enterprises are trading across metropolitan and regional Victoria employing an estimated 60,000 people and contributing \$5.2 billion to the economy.<sup>2</sup>

A benefit of leveraging private capital into impact investment is that the State Government itself does not have to commit significant financial resources.



### A strong economy

#### Create jobs

By 2023-24, the total number of employed persons in WA will increase by at least 150,000, as measured by the Australian Bureau of Statistics (ABS).

#### Repair the State's finances

In 2019-20, return the general government operating balance to a surplus position and maintain a surplus of at least 3% of general government revenue thereafter.

WA State Government (2019) *Our Priorities*

<sup>1</sup> The [United Kingdom](#) and Canada; and OECD (2013), '[Job Creation through the Social Economy and Social Entrepreneurship](#)' considered research from Western Sydney and Tasmania in Australia.

<sup>2</sup> Victorian Government Social Enterprise Strategy, 2016.

## ***A Strong Economy: Opportunities***

### **Supporting social enterprise development**

In July 2018, the Victorian Government released an updated [Social Enterprise Strategy](#). This outlined that Victoria's 4,000 social enterprises contribute \$5.2 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**.

Providing support for social enterprise development supports the creation of jobs, especially for those people experiencing vulnerability and disadvantage, whilst simultaneously contributing to the State's bottom line.

### **Social procurement**

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.

The Victorian Government released a [Social Procurement Framework](#) in 2018, after supporting the concept for a number of years through intermediary development. Social Traders in Victoria now focusses exclusively on helping employment-generating social enterprises to win more contracts, given the extraordinary value generated for the state and for community. **For every \$100,000 dollars spent on social procurement, 1.5 jobs are created for vulnerable and disadvantaged job-seekers.**<sup>3</sup>

---

<sup>3</sup> See article about Social Traders in [Pro Bono Australia](#): *Job Creation Facilitated Through Social Enterprise Procurement*

## 2. A Liveable Environment

### **Build METRONET and increase homes close to public transport**

METRONET provides a significant opportunity for the State Government to adopt a similar strategy to Victoria to major infrastructure projects. Adopting such a strategy enables the State Government to achieve outcomes under both 'A Liveable Environment' and 'A Strong Economy' domains, as demonstrated in the example below.

#### *CASE STUDY: USING PURCHASING POWER FOR SOCIAL BENEFIT – LEVEL CROSSING REMOVAL AUTHORITY<sup>4</sup>*

Social procurement can potentially be a significant tool for government to provide meaningful support to social enterprises. Importantly, it also adds value by intentionally generating a social outcome when goods or services are purchased, and ensures that wider government goals can be aligned with procurement. The Victorian Government's Level Crossing Removal Authority requests that all tenders for their projects include a Social Procurement Plan. This was initiated with the Authority's first Request for Tender for the \$1.6 billion Caulfield to Dandenong Level Crossing Removal Project in 2015, resulting in the establishment of NEXT and incorporation of multiple social enterprises into the supply chain. The Victorian Government, in partnership with Chisholm College, has announced the New Employment Exchange and Training Centre (NEXT) as a hub for a range of social procurement services, including career and transition advice services.

The project will create 2000 new jobs, with at least 200 being apprentices or graduate engineers. The NEXT centre will provide opportunities to re-skill people from transitioning industries, such as automotive workers, and students from diverse and disadvantaged backgrounds, including indigenous Victorians and migrants.

The Bayswater Level Crossing Removal Project has signed a contract with Yarra View Nursery for the supply of plants for the re-vegetation of the site. Yarra View Nursery is a social enterprise that employs more than 100 staff with a high proportion having a disability. By supporting social enterprise through procurement, government not only bolsters the sector, it also gains added value when the purchase helps to achieve other government goals; adding value that would not otherwise be created.

### **Impact investment in housing and infrastructure**

It is estimated that there are around 59,000 Western Australians unable to enter market housing and a further 73,000 requiring rent assistance to alleviate a position of rental stress.<sup>5</sup> As of the end of 2016/17, there are 16,516 households on the public housing waitlist, with 1,590 on the priority waitlist. On average, applicants waited 139 weeks to be housed (or around 2.7 years).<sup>6</sup>

Investment into Affordable Housing, and Community Housing, is by its nature is an impact investment in so far as it aligns financial returns with the social impact of improved access to housing for the more economically

<sup>4</sup> Example taken from Victorian Government Social Enterprise Strategy (2016).

<sup>5</sup> Rowley, S. Leishman, C. Baker, E. Bentley, R. and Lester, L (2017) 'Modelling housing need in Australia to 2025' Australian Housing and Urban Research Institute, AHURI Final Report 287, cited in WACOSS Pre-Budget Submission 2018-19.

<sup>6</sup> Housing Authority (2017) Annual Report 2016-17, cited in WACOSS Pre-Budget Submission 2018-19.



### **A liveable environment**

#### **Build METRONET and increase homes close to public transport**

By 2031, the number of homes in the Perth and Peel region in close proximity to a public transport node will increase by 45% over 2018 numbers.

#### **Increase conservation for future generations**

By 2023-24, WA's conservation estate will increase by 5 million hectares or 20%.

#### **Make a cleaner, more sustainable environment**

By 2030, at least 75% of waste generated in Western Australia is reused or recycled.

*WA State Government (2019) Our Priorities*

vulnerable.<sup>7</sup> Government assistance is regarded as necessary to grow the community housing provider sector and enable SII at a greater scale.<sup>8</sup> Whilst there may not be specific opportunities immediately, then (beyond those that already exist across traditional investment markets), a recent AHURI report outlined some policy options that could be implemented to grow community housing and eventually enable impact investment at scale:

**Figure 2: Policy options to grow community housing and enable social impact investment at scale**



Figure from 'Understanding opportunities for social impact investment in the development of affordable housing' (AHURI Final Report No 294).

### **Increase conservation for future generations**

The international *State of Private Investment in Conservation Report* (2016) demonstrates that private capital investment in conservation grew rapidly between 2014-2016, to a total of \$8.2B. It is likely that this has continued to increase, given that the Impact Investing Australia Investor Report (2016) found that investors would like to increase their holdings of impact investments three-fold as compared to today over a five-year horizon.<sup>9</sup>

From the perspective of leveraging private investment into this goal, then, the investors and the cash exists. It is a matter of building the capacity for the market to create deal flow for the investments to begin to occur.

### **Make a cleaner, more sustainable environment**

As previously mentioned, from the perspective of leveraging private investment into this goal, the investors and the cash exists. It is a matter of building the capacity for the market to create deal flow for the investments to begin to occur.

<sup>7</sup> Impact Investing Australia (2016) [Submission to Working Group on Affordable Housing](#), March 2016.

<sup>8</sup> Sharam, A., Moran, M., Mason, C. Stone, W. and Findlay, S. (2018) Understanding opportunities for social impact investment in the development of affordable housing, [AHURI Final Report No. 294](#), Australian Housing and Urban Research Institute Limited, Melbourne.

<sup>9</sup> Impact Investing Australia (2016) [Investor Report](#)

There are a number of WA-based social enterprises focussed on waste solutions, seeking seed investment, and investment to scale; but which require additional resourcing for capacity building support to get them there. Some examples include:

[Plastic Free July](#) - A Perth based social enterprise with global reach and a self-sustaining business model predominantly centred on corporate partnerships and fee for service programs. From a humble office initiative in 2011 started by the WMRC Earth Carers in Perth, the Plastic Free Foundation now has a social media following of over 130,000 and approximately 3 million people from 177 countries have chose to be part of their annual Plastic Free July challenge, reducing their consumption of single-use plastics in July and beyond. It's mission is to build a global movement that dramatically reduces plastic use and improves recycling.

[ClimateClever](#) - A data-driven program underpinned by a set of innovative online tools designed to help schools measure, monitor, compare and reduce their carbon footprint and energy costs

[Tradr](#) - A technology driven social enterprise which enables stakeholders throughout the waste supply chain – from consumers, councils, government, manufacturers and waste recyclers – to track, manage and provide transparency of waste through the use of RFID tags, weight sensors and GPS location devices, to drive transparency, consumer behaviour change towards reducing waste, and increasing reuse and recycling.

[Greenbatch](#) is developing WA's first plastic reprocessing plant, turning the PET plastic bottles into 3D printing filament for schools to build and create with.

[Kooda](#) is focussed on diverting food waste from landfill, starting with the kitchens where it is generated, and returning the carbon back into the soil cycle. Kooda is effectively a composting service for households and commercial kitchens, strata bodies and property developers, which simultaneously creates employment for those unable to hold down time-based, inflexible working hours.

## ***Clean Energy, Carbon Reduction and Sustainable Community Developments***

Significant private and public investment has been made over the past decade into clean energy technologies and grid integration of renewables. As a new wave of electric vehicle and energy storage technologies enter the market, there is significant opportunity to **leverage the State's vast lithium resources**.

The transition from fossil fuels to Renewable Energy generation and storage contributes to a reduction in carbon and other pollution in the environment with demonstrated public health benefits. The business case for existing technologies is well proven. However, impact investment into clean energy and carbon sequestration initiatives in WA would support a far more innovative, and impact-focused technology commercialisation and growth model.

## *A Liveable Environment: Opportunities*

### **Supporting social enterprise, and impact investment development projects**

Alongside Tradr, Greenbatch and Kooda, building capacity in agricultural start-ups, and clean and renewable energy start-ups such as those listed below, would provide significant support for this outcome area.

**Example:** [SaveHarvest](#) plans to use a producer-cooperative model to develop a vertically integrated supply chain for WA farmers to reduce waste of up to 30% of their fruit and vegetable harvest, through locally distributed, clean energy powered freeze-drying infrastructure. **The total cost of agricultural food losses to farmers in Australia is \$2.84B per annum with 2.2 million tonnes of food wasters from the commercial and industrial sectors.** In the WA context, the recent needles in strawberries highlights a pressing need to deliver a solution to WA growers that addresses food wastage. Freeze drying is known to capture and preserve the highest nutrient levels when compared to drying, canning or freezing. SaveHarvest plans to develop markets in international aid for nutritional supplements in developing countries, and domestic retail market for both nutritional supplements and freeze-dried fruit snacks.

**Example:** A \$2.9-billion, 7,900 sqm cross-laminated timber (CLT) [office building in Brisbane](#). CLT construction has a lower carbon footprint than other building materials with less waste in production than traditional methods, with timbers sourced from certified sustainably managed forests.

**Example:** An initiative with the [Community Housing Industry Association](#) (Victoria) to assess the business case for solar investment across diverse properties in the social housing and aged care sectors identified \$1.5M of impact-investment-ready solar/storage deployment which combines positive social and environmental impact across multiple community stakeholders.

**Example:** A [project in Melbourne's inner north-west](#) to transform a 100-year-old former woolstore spanning two blocks over 1.5 hectares into a 17,000 sq/metre mix of commercial office working spaces, retail and artists' studios. Sustainability will be key to development, with an equivalent five-star NABERS rating to be achieved across the entire project, and Passivhaus principles to be applied to all new builds. The first stage will involve upgrading the heritage red-brick woolstore, retaining and reusing the existing structure and fabric in a bid to reduce embodied energy.

### **Supporting local economies**

Regenerative agriculture, as noted earlier, can not only transform farms and their neighbouring communities through social and environmental regeneration practices, but offers a way forward in terms of regenerating communities. Impact investment into new cooperatives and regenerative farming and forestry, leverages the natural strengths of regions across Western Australia, and has the capacity to revitalise communities, drawing new families back into regions and towns.

**Example:** [Wide Open Agriculture](#) is a WA public listed company partnered with Dutch organisation Commonland, holding a strong regenerative agricultural plan and a "four returns" philosophy, which aims to deliver economic, environmental, social and inspirational gains, to encourage growth and investment in regional WA. Wide Open Agriculture (WOA) is hoping a 320 hectare pilot project could provide answers to drought mitigation and sustainable land management, while boosting regional populations in the State's shrinking agricultural communities.<sup>10</sup>

---

<sup>10</sup> For more information on Wide Open Agriculture, see [Commonland website](#), and Farm Weekly [article](#)

### 3. Aboriginal Wellbeing

#### Reduce the overrepresentation of Aboriginal people in custody

Aboriginal wellbeing as an outcome area requires more consideration, attention and thoughtfulness than a specific and exclusive focus on reducing the overrepresentation of Aboriginal people in custody (though we acknowledge how important this priority is).

Culturally appropriate affordable and community housing; capacity building for Aboriginal community-controlled organisations and support for Aboriginal-led initiatives; stemming the removal of Aboriginal children from their families, and prioritising re-uniting them when they have been removed; appropriate consideration of and support for traditional health practices in Closing the Gap Refresh and the Sustainable Health Review; responding to and implementing the recommendations from the Coroner's Report and addressing the very real discrimination and inequality issues embedded in our systems and laws provide starting points.

**One example of the latter is that WA must end imprisonment for fine default.** The number of Aboriginal and Torres Strait Islander people in Western Australia imprisoned for fine default increased by 480 percent between 2008 and 2013, and this practice disproportionately affects Aboriginal women.<sup>11</sup>

With those points made, there are two key opportunities for reducing the overrepresentation of Aboriginal people in custody through social enterprise and impact investment:

1. Social Impact Bonds (as one form of social impact investment, on the spectrum of pay-for-performance contracting) have had some success in other jurisdictions in reducing recidivism;
2. Providing support for the capacity building for ACCOs and Aboriginal-led social enterprises.



#### Aboriginal wellbeing

##### **Reduce the overrepresentation of Aboriginal people in custody**

By 2028-29, reduce the number of Aboriginal adults in prison by 23% from 2017-18 numbers.

*WA State Government (2019) Our Priorities*

<sup>11</sup> Social Reinvestment WA (2017) [Position Paper](#) on Imprisonment for Fine Default in Western Australia'.

## Aboriginal Wellbeing: Opportunities

### **Social impact investment: social impact bonds and pay for performance contracting**

Social Ventures Australia completed a [report](#) in 2014 on Social Impact Bonds and their applicability to reducing reoffending in WA, most of which is still relevant today. The report covers the applicability of other jurisdictional pilots, including Newpin and Petersborough. However, as particularly noted in that report:

*Whilst the pressing social need and supportive policy environment create a strong platform for developing a SIB to reduce reoffending in WA, the definition of a target population in WA requires careful consideration. SIBs both internationally and in Australia have tended to define large target populations, the outcomes for which are compared against a control group. The WA justice system is challenging due to its relatively small population (compared to the UK and US), vast geography and the diverse needs of offenders, **particularly Aboriginal offenders**. (emphasis added).*

Social impact bonds are just one form of leveraging impact investment (and private capital); and though for some reason are particularly attractive, are not always the most appropriate mechanisms. Learning to walk before we run and starting further down the spectrum on some other form of pay-for-performance contracting, or even properly embedding outcomes based commissioning, would provide the experience and sector readiness to implement bonds as appropriate at a later time.

### **Capacity building: Aboriginal Community Controlled Organisations and Social Enterprise**

While support and business capacity building exist for Aboriginal businesses based on traditional business models (i.e. not focused on cultural heritage), this support can be culturally or socially inappropriate for community-led enterprise opportunities which are rooted in the 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. Aboriginal social enterprises which have growth potential, such as Yiriman Women, 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.

The [Aboriginal Procurement Policy](#) and the target of 3% of state contracts being awarded to registered Aboriginal businesses is a good first step, but requires capacity-building support to meet the target.

### **Case study: The Yiriman Project: Yiriman Women**

The [Yiriman Project](#) is a non-incorporated Aboriginal organisation auspiced by KALACC, focused on taking young people back to Country with Elders in activities designed to build their confidence and improve their self-worth. As part of this initiative, the Yiriman Women are leading a social enterprise business development project focusing cultural health, traditional healing, and a range of bush health care products including medicinal preparation and foods, design/art, and on Country cultural experiences in the Kimberley, Western Australia.

This initiative intends to address pandemic health issues that are sweeping across Aboriginal communities, such as obesity and diabetes with many secondary related such as heart disease, liver failure, and amputations. 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 culture. In these areas, SA and NT have demonstrated policy leadership with traditional healing practices and bush medicinal products integrated into the health care system.

## 4. A Bright Future

There is an ever-increasing and very weighty body of evidence illustrating the return on investment for the early years. However, the ability to use this to leverage social impact investment (possibly social impact bond-style investment) into this area relies heavily on Government's appetite to apply a financial proxy to (and make a payment for) an outcome that is particularly far-away into the future. The appetite for this (in some respects, completely understandably) has traditionally been low.

The situation for pay-for-performance contracting is the same. If the appetite exists, however, the potential for pay-for-performance or outcomes-based contracting is significant.

### Impact investment

Whilst there is certainly growing interest in impact investment in education, the early years area has been a little slower to develop organisations/deals and attract investment in other jurisdictions.

Some of this likely can be attributed to different international educational (and pre-education/early years) systems, and different ways of funding them.

**Example:** One very prominent Australian example is [Good Start Early Learning Centres](#), a NFP social enterprise established in 2009 through a unique layered debt transaction which combined the financial resources and sector expertise of private, public and community sector organisations.

**Example:** The [Newpin Social Benefit Bond](#) aims to reunite families, and reduce the use of out-of-home care, which has a direct correlation to improving the health and wellbeing of children in the early years. Newpin has been successful in achieving both positive social returns and strong financial returns for investors. The NSW bond was so successful that it has been expanded to Queensland.

### Social enterprise development

There are some examples in other jurisdictions of investments into educational initiatives which are focussed on improving educational outcomes, and which could be augmented to include a focus on reading, numeracy and participation in STEM.

Internationally, philanthropic foundations are providing loans to schools in developing countries, such as Africa and India, with a requirement to pay back only if the schools do not reach certain pre-agreed upon outcomes (a form of pay-for-performance).<sup>12</sup>

**Example:** [Bright Spots](#) is a network of high-performing school leaders across Australia, delivering exceptional results in low socio-economic areas. The network brings together highly experienced educators and emerging leaders within a collaborative framework, exposing school leadership teams to best practice and innovative thinking from all over the world. By connecting, leveraging and supporting these 'bright spots' in the Australian education system, the network gives school leaders the chance to address common challenges and drive evidence-informed action in their schools.



### A bright future

#### **Improve the health and wellbeing of children in the early years**

By 2027, increase the number of children in Western Australia who are developmentally on-track on all five Australian Early Development Census (AEDC) domains by 10%.

#### **Increase student reading and numeracy**

By 2024, WA NAPLAN Year 5 and 9 Reading and Numeracy mean scores improve by more than 10 scale points.

#### **Increase participation in STEM**

By 2024, have 85% of Year 12 students completing two or more STEM courses and/or STEM related vocational, education and training (VET) qualifications.

*WA State Government (2019) Our Priorities*

<sup>12</sup> Stanford Social Innovation Review (2018) [A New Impact Investing Model for Education](#)

**Example:** The [STEM Learning Hub](#) brings school-based STEM expertise and support to communities where resources are needed most. Samsung and SVA are currently working across schools in Victoria, South Australia and New South Wales to improve access to STEM education opportunities for students experiencing disadvantage.

**Example:** SVA is currently incubating a social enterprise, [Evidence for Learning](#), which supports educators to increase learning by improving the evidence of what works and why.

From the perspective of leveraging private investment into this goal, the investors and the cash exists. It is a matter of building the capacity for the market to create deal flow for the investments to begin to occur. As with the other Priorities, there are a few WA-based social enterprises focussed on the early years and on education, seeking seed investment, and investment to scale; but which require additional resourcing for capacity building support to get them there. Some of these include:

**Case study:** [Hundreds and Thousands](#) is a social enterprise for pregnant or newly parenting women, offering pregnancy support, child health and mental health care alongside social support. Hundreds and Thousands offers personalised continuity of care for the first 1000 days of a baby's life when, where and how women and their children need it.

**Case study:** [Segta](#) is a WA-based start-up which has never specifically defined itself as a social enterprise, but its vision is for a better world, where modern education is made easy. SEQTA is an all-in-one collaborative teaching and learning ecosystem. By bringing together multiple information sources into one easy-to-use LMS, SEQTA liberates teachers from labour-intensive, disparate and fragmented software or paper-based systems. It is an example of the growing 'ed-tech' community, leveraging technology to create SAAS products and optimise educational outcomes.

## 5. A Safer Community

### Reduce youth reoffending

It is important to note that though this priority mentions young offenders generally, the fact is that 90% of young people in detention are male, and 59% of those between the ages of 10-17 are Aboriginal young people.<sup>13</sup>

Further, [recent research](#) from Telethon Kids Institute shows that 90% of young people interviewed at Banksia Hill had some form of undiagnosed neuro-disability, and 36% had (generally undiagnosed) foetal alcohol spectrum disorder.

Initiatives directed at this priority should, then, have a focus on Aboriginal boys/young men with an undiagnosed neuro-disability.

Social impact bonds are one clear example of how recidivism has been addressed in other jurisdictions through impact investment, noting some of the concerns highlighted by SVA in the WA jurisdiction (below). Bonds have been discussed above under Priority: Aboriginal Wellbeing.

### Reduce illicit drug use

In the WA Government *Methamphetamine Action Plan Taskforce Report* (August 2018), it was noted that there are not enough methamphetamine treatment places available and that demand is exceeding current resources. The Report recommended that Treasury and the Mental Health Commission work together to define a strategy for the adoption of an impact investment approach, including identifying potential areas in which a social impact bond could be created, leveraging the Federal Government's \$30M impact investment budget for State partnerships in trials and pilots.<sup>14</sup>



### A safer community

#### **Reduce youth reoffending**

By 2022-23, no more than 50% of young offenders will return to detention within two years of release.

#### **Reduce illicit drug use**

By 2022, the proportion of the Western Australian population who have taken an illicit drug in the last 12 months will be reduced by 15% from 2016 levels.

*WA State Government (2019) Our Priorities*

<sup>13</sup> AIHW (2018) [Youth Detention Population in Australia](#)

<sup>14</sup> Government of Western Australia, (2018) *Methamphetamine Action Plan Taskforce Final Report*

## ***A Safer Community: Opportunities***

### **Social impact investment: social impact bonds and pay for performance contracting**

Social Ventures Australia completed a [report](#) in 2014 on Social Impact Bonds and their applicability to reducing reoffending in WA, most of which is still applicable today. The report covers the applicability of other jurisdictional pilots, including Newpin and Petersborough. However, as particularly noted in that report:

*Whilst the pressing social need and supportive policy environment create a strong platform for developing a SIB to reduce reoffending in WA, the definition of a target population in WA requires careful consideration. SIBs both internationally and in Australia have tended to define large target populations, the outcomes for which are compared against a control group. The WA justice system is challenging due to its relatively small population (compared to the UK and US), vast geography and the diverse needs of offenders, **particularly Aboriginal offenders**. (emphasis added).*

Social impact bonds are just one form of leveraging impact investment (and private capital); and, though for some reason are particularly attractive, are not always the most appropriate mechanisms. Learning to walk before we run and starting further down the spectrum on some other form of pay-for-performance contracting, or even properly embedding outcomes-based commissioning, would provide the experience and sector readiness to implement bonds as appropriate at a later time.

### **Social enterprise development**

A [UK report](#) prepared for the Peter Gibson Memorial Fund, reporting on the San Patrignano social enterprise, highlighted that one of the most frequent reasons for relapse for people recovering from drug and alcohol addiction is that they find it difficult to meaningfully occupy their time.

The San Patrignano social enterprise is entirely independently funded through the efforts of its own social enterprise and donations from trusts and foundations and corporate donations. In 2010, the San Patrignano revenues of 29 million euros were 75% funded through the sales of its goods and services. It has supported 26,000 individuals to date with 1,315 in the community at any given time. In 2017, San Patrignano saved the government 32 million euros in direct costs, making it an attractive bond opportunity for government.

## 6. Regional prosperity

### Deliver stronger, regional communities

#### **Regenerative Agriculture**

Western Australia's agriculture sector is a critical economic contributor at \$8.6B pa with over 80% of produce exported internationally. With considerable State Government policy support for Regenerative Agriculture there is now an unprecedented industry transformation opportunity to benefit this key export market. It has considerable export potential in terms of outputs as well as technology and expertise development.

Regenerative Agriculture has the capacity to transform and dramatically improve land management practices, carbon drawdown and sustainable food production through restoring soil microbiome biodiversity, and importantly, tap into international export and investment markets. **Benefits of regenerative farming are far reaching**, from simply reducing chemical use and improving food nutrient density, through to **restoring farming communities**, restoring the natural water cycle and significant carbon sequestration.

### By 2023-24, increase number of employed persons in regional WA

Some of the job-focussed opportunities to engage with impact investment are outlined above under the Priority: A Strong Economy. Some more regional-specific opportunities are outlined here.

### Government Support for Growth of Regenerative Farming

The State Government is already supportive of regenerative agriculture. In launching the Regenerative Farmers Network, State Agriculture and Food Minister Alannah MacTiernan said it was the State government's obligation to invest in research and development of the practice.

However, government policy for impact investment into regenerative agriculture would significantly leverage the existing policies through leverage of private impact investment into regenerative agriculture.

### Supporting local economies

Regional and remote centres across Australia and the world have generally suffered a slow decline or stagnation since late 20th century. Economic development in these regions has suffered in large part through the industrial centralisation and consolidation of supply chains across sectors such as retail, agriculture, forestry and mining. With aging populations due to younger generations moving to large metropolitan city hubs for jobs and lifestyle, many regional towns and cities still boast decades-old under-utilised infrastructure. This can be noted across many towns in the Wheatbelt, Great Southern, South West, and to a lesser extent in the Mid-West, Gascoyne, Pilbara and Kimberley. Transitory populations in many of these regions exacerbate the difficulties in infrastructure and community planning.

Renewal of these centres and economic diversification is a challenge in the face of the industry consolidation that has, in many cases, extracted the value from these communities as it moved its labour force and turned towards automation. One model which has stood the test of time through this decline, and is now undergoing a renaissance is the producer cooperative.



### Regional prosperity

#### **Deliver stronger regional economies**

By 2023-24 the number of employed persons in Regional WA will increase by at least 30,000 as measured by the Australian Bureau of Statistics (ABS).

*WA State Government (2019) Our Priorities*

Cooperatives have been central to the development and resilience of regional economies across the globe since the industrial revolution, and in Australia, [around 1,700 cooperatives](#) are active in a very diverse range of sectors, including agriculture, arts, child care, health care, clubs, community services, education, energy, finance, forestry, hardware, housing, radio broadcasting, fishing, manufacturing, produce marketing, recycling, respite care, retail, superannuation funds, communications, transport, wholesale, and wine sales.

**Concurrently**, regenerative agriculture, as noted earlier can transform not only farms and their neighbouring communities through social and environmental regeneration practices, but offers a way forward in terms of regenerating communities. Impact investment into new cooperatives and regenerative farming and forestry, leveraging the natural strengths of regions across Western Australia has the capacity to revitalise communities, drawing new families back into regions and towns that have suffered a decades-long decline.

**Example:** [Wide Open Agriculture](#) is a WA public listed company partnered with Dutch organisation Commonland, holding a strong regenerative agricultural plan and a “four returns” philosophy, which aims to deliver economic, environmental, social and inspirational gains, to encourage growth and investment in regional WA. Wide Open Agriculture (WOA) is hoping a 320 hectare pilot project could provide answers to drought mitigation and sustainable land management, while boosting regional populations in the State’s shrinking agricultural communities.<sup>15</sup>

## Conclusions and Recommendations

There are several strategies that the State Government should adopt that would support achievement of more than one of Our Priorities, and over time, leverage private capital into the market.

### 1. Supporting social enterprise development

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.

There is a plethora of examples throughout this paper of social enterprises that require some support to get to a point where they can leverage investment. Once they can do this, and scale or replicate, their impact in terms of creating employment, building communities, supporting people experiencing vulnerability and disadvantage whilst also contributing to a number of Our Priorities, is significant and demonstrated in other jurisdictions, particularly Victoria.

The State Government should consider:

- Developing a Social Enterprise Strategy,
- Direct investment (or co-investment into an established Fund) for early-stage social entrepreneurs.

### 2. Establish a 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

---

<sup>15</sup> For more information on Wide Open Agriculture, see [Commonland website](#), and Farm Weekly [article](#)

delivering environmental benefits for local communities, **government procurement can add value that all Western Australians can share in – the entire premise for Our Priorities being Shared Prosperity.**

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.

### **3. Support for local economies and regenerative farming**

Renewal and economic diversification of regional and remote centres across Australia is a challenge in the face of the industry consolidation that has, in many cases, extracted the value from these communities as it moved its labour force and turned towards automation. One model which has stood the test of time through this decline, and is now undergoing a renaissance is the producer cooperative.

Concurrently, regenerative agriculture, as noted earlier can transform not only farms and their neighbouring communities through social and environmental regeneration practices, but offers a way forward in terms of regenerating communities. The State Government is already supportive of regenerative agriculture. In launching the Regenerative Farmers Network, State Agriculture and Food Minister Alannah MacTiernan said it was the State government's obligation to invest in research and development of the practice. However, government policy for impact investment into regenerative agriculture would significantly leverage the existing policies through leverage of private impact investment into regenerative agriculture.

The State Government should consider:

- Developing a Cooperatives Strategy, and targeting investment for social enterprise and cooperatives in regional and remote areas,
- Stepping up support for Regenerative Agriculture, and considering it as part of a broader impact investment and social enterprise landscape.

### **4. Social impact investment: social impact bonds and pay for performance contracting**

Social impact bonds are just one form of leveraging impact investment (and private capital); and though for some reason are particularly attractive, are not always the most appropriate mechanisms. Learning to walk before we run and starting further down the spectrum on some other form of pay-for-performance contracting, or even properly embedding outcomes-based commissioning, would provide the experience and sector readiness to implement bonds as appropriate at a later time.

### **5. Capacity building: Aboriginal Community Controlled Organisations and Social Enterprises**

Support for Aboriginal social enterprises, which require intensive up-front support and a participatory planning and development process, is limited. 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.

The State Government should consider:

- Providing resources for Aboriginal-led capacity building support for Aboriginal social enterprises, and investment capacity and knowledge across all Aboriginal Controlled Organisations.

## About Impact Seed

Impact Seed is Western Australia's only dedicated capacity builder for impact investment and social enterprise development. We are focussed on market development on both supply and demand sides for impact investment with government, not-for-profits, corporates, foundations and family offices.



Founded in 2016, our 5-year vision is to develop a thriving and innovative impact investment market in WA that leverages this state's greatest strengths, including its natural and geographical advantages, a resource-rich public and private investment sector, and exceptional entrepreneurial talent.

In building the impact investment sector in Western Australia, Impact Seed focuses on *three pillars* of market development:

- 1. Cross Sector Network Development** - including development of resources, papers and advocacy and facilitating the impact investment alliance and community of practice.
- 2. Training and Education** - developing cross sector investor and investee literacy through workshops and programs.
- 3. One to One Project Development and Consulting** – building investable impact projects through public and private partnerships such as social impact bonds, regenerative agriculture projects, commercialisation capability in Aboriginal economic development, and investable social enterprises through NFP collaboration and social entrepreneur matching.

Learn more at [www.impactseed.org](http://www.impactseed.org)