

Impact Investment Paper #1: Impact Investment Across Jurisdictions: What Can We Learn?

This paper provides a description of key policy responses, and examples across jurisdictions. They are ordered by those which, from the perspective of the Impact Investment Alliance of WA (IIWA), WA would most benefit from adopting given the success and lessons learnt in other jurisdictions.

1. Social Enterprise Sector Development

United Kingdom Policy Support for Social Enterprise

The UK's* 100,000 social enterprises employ 2M and contribute \$120B to the UK economy, creating 3 jobs for every \$200K of turnover (compared to 0.66 in the private sector). What's more, those jobs are disproportionately in the poorest communities, and target those furthest from the labour market.

Around 30% [or 600,000] of their total jobs created are in the most deprived communities, and 40% of social enterprises actively seek to employ people with disabilities, care leavers, ex-offenders, the homeless, and veterans. Last but not least, social enterprises invest more in improving the quality of those jobs.

**Source: Big Society Capital (UK) 2019*

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.

Timeline of Victorian Government support to establish the social enterprise sector

- 2008: Government funded the establishment of an intermediary to act as the peak body for the social enterprise sector, to support market development, and social procurement focussed on job creation.
- 2017: Government committed \$5M funding to support new, emerging and existing social enterprises to improve their capabilities, including readiness to participate in tenders, enter into contracts and invest, focusing jobs outcomes for Victorians from disadvantaged backgrounds.
- 2019: Government provided \$1.5M towards the establishment of a Victorian Social Enterprise Network to be delivered in partnership with CERES, the Australian Centre for Rural Entrepreneurship and Social Traders.

Queensland Government support to develop a State Social Enterprise Strategy

- The Queensland Labor Government provided \$1M to support the development of a Queensland Social Enterprise Strategy to help existing businesses grow, foster new

and existing ventures and increase the capacity and flow of investment to the social enterprise sector.

- The Government further provided \$240K to support the establishment of the representative Queensland Social Enterprise Council (QSEC) to develop and grow the social enterprise sector.

2. Direct investment and intermediary capacity building

Supporting market development both through government resources, and through direct social impact investment, is a powerful policy signal 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 not-for-profit sectors, leveraging not only government finances, but private capital and in-kind resources.

Federal Government support for early stage social enterprises

- 2019: The Department of Social Services \$7M Sector Readiness Fund for Impact Investment, administered by Impact Investing Australia provides grants of up to \$140K to eligible social enterprises looking to engage an approved impact investment intermediary to work towards investment-readiness. This grant serves the dual purposes of building intermediary capacity, as well as growing leveraged investment in social enterprise.
- 2017: Support for early stage SE Asian markets focused social enterprises through the \$40M Emerging Markets Impact Investment Fund (EMIIF), and the \$15M InnovationXchange which includes \$4M funding for impact investment intermediaries to develop the ecosystem.

NSW Government Impact Investment Policy

- 2015: Launch of Policy with a commitment to take 10 actions to increase social impact investing in the state.
- This led to 1,400 hours of private pro bono advisory being made available to NFP organisations to explore their engagement in the market.
- The NSW Government further established an Office of Social Impact Investment to support the development of a social impact investment ecosystem.

3. Social Procurement Policy

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. Whether through creating jobs or training in areas of disadvantage, addressing structural and systemic inequalities, or delivering environmental benefits for 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.

In 2018, the Victorian Government launched a ‘whole-of-government’ approach to social procurement. *Over a ten-year period (2008-2018), for every \$100,000 spent on social procurement, 1.5 jobs were created for people experiencing vulnerability or disadvantage.* Through this approach the Victorian Government effectively leverages its significant buying power to bolster the state’s social enterprise sector.

In 2017, the Queensland Labor Government developed a social procurement mandate through the ‘Buy Queensland’ initiative, supporting job creation through employment-based social enterprises targeting those experiencing social vulnerability or disadvantage.

4. Social Innovation Policy

Even in a robust and thriving economy, many Western Australians are left behind. A social innovation policy has the potential to leverage extensive and deep impact commitment to systemic change in collaboration with the community services sector, social enterprises, the private sector and the community through unearthing innovative ways to deliver social services. This can, and should, extend to social-benefit business models, which leverage new ways of financing and different ways of working for the collective good of our communities.

The Queensland Government’s 2017 State Innovation Policy Framework targets social innovation to *“harness social enterprise and impact investors to solve the challenges facing Queenslanders”*

In NSW, *Innovation NSW* ensures social innovation is a key element of the Government’s innovation strategy: *“We are committed to systemic change and to working with NGOs, social enterprises, the private sector and the community to find innovative ways to deliver services and achieve better outcomes for the people of NSW...”* (2017)

In Victoria, there are mandates across various for social innovation including a Department of Health project focussed on [‘Health Equity Through Social Innovation’](#).

5. Pay for performance/pay by results policy and pilot

Many jurisdictions across Australia and internationally have developed pay-for-performance frameworks and instruments. Pay for performance frameworks, including social impact bonds are a useful tool within the large, diverse toolkit of social impact investment. Not every foray into ‘pay for performance’ need develop into a social impact bond, and in fact many may operate equally well as funded programs.

Australia’s first social impact bond, the Newpin Social Benefit Bond (SBB), is in its fifth year of operation, established in NSW and then replicated in Queensland. 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.

The NSW Government funded the establishment of an [Office of Social Impact Investment](#) (OSII) to develop policies to facilitate growth in the impact investment market. This included the Newpin SBB, and the Office has funded over \$20M for various programs including one targeting youth unemployment.



In Queensland (2015), the Palaszczuk Government's first State Budget included a \$2M program to pilot three social impact bonds addressing homelessness and re-offending.

In Victoria (2018), the Labor Government supported their first outcomes-oriented program through J2SI (Journey to Social Inclusion) targeting homelessness.

In South Australia (2017), a social impact bond focusing on homelessness was launched, and in 2019 the Government announced \$5M to support another initiative for young people leaving care.

What is the Impact Investment Alliance of WA?

The Impact Investment Alliance of WA (IIWA) is Western Australia's cross-sector alliance for market development, stewardship, and WA's participation in impact investment.

The Alliance partners with the Western Australian government, providing trusted, experienced, and well-considered advice into policy direction. The Alliance also provides advice which corporates, family and foundation offices, and the community services sector can draw on to accelerate development of the impact investment market in WA.

The Alliance objectives are to:

- Improve accessibility, literacy and definition of impact investment, ensuring an accurate and complete understanding of the discipline,
- Co-design initiatives with the WA state government,
- Develop innovative policy options that create positive social and environmental impact,
- Improve standards for impact measurement, simplifying the investment comparison process for investors,
- Act to pilot and test impact investment strategies for Western Australia, and feed that knowledge back into the system, providing a platform for sharing knowledge and expertise in WA.

IIWA is an unincorporated alliance of member organisations, currently including Impact Seed, the Centre for Social Impact (UWA), WA Super, the Western Australian Council for Social Service (WACOSS), the Noongar Chamber of Commerce and Industry (NCCI) and Impact Collective, with affiliate members including Impact Investment Group and Social Enterprise Finance Australia.

Agreed Definitions/Frames of Reference

Impact investment refers to investments made with the intention to generate actively-measured social and environmental impact alongside a financial return...and/or brings together capital and expertise from the public private and/or not-for-profit sectors to achieve a social, environmental and/or cultural objective... [with a focus on] outcomes, innovation, partnerships and investment (loosely drawn from NSW OSII, 2018).

Philanthropy and grant-making can play an important role in providing 'first loss' funding in many blended impact investment deals. Further, the concept of blended finance further blurs the traditionally separate bounds of profit (corporate/investment) and purpose (charity) in creating possibilities for 'equity-like' or 'debt-like' investment, where the financing exhibits those characteristics of equity or debt, but does not act exactly like them. For example, a grant may turn into a loan upon success in some impact metrics, or vice-versa; or the interest rate on a loan may vary based on success in some impact metrics.

Social enterprise are organisations that are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit; and derive a substantial portion of their income from trade; and reinvest the majority of their profit/surplus in the fulfilment of their mission. Social enterprises 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. There is no one, settled definition of social enterprise.