

Social Enterprise Sector Development Programme Quarterly Report

Year Two: Quarter 3, January-March 2020

This report was produced for the Social Enterprise Sector Development Programme.

The Social Enterprise Sector Development Programme (Programme) is a partnership between **the Department of Internal Affairs** (DIA) on behalf of **the New Zealand Government** and the **Ākina Foundation**. The Programme is delivered with support from **Community Enterprise Network Trust** (CENT).

Find out more about the Programme by visiting **The Impact Initiative** website.

www.theimpactinitiative.org.nz

Impact Initiative Insights

Year Two: Quarter Three



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Summary

As we get come to the tail-end of what can only be described as an unbelievable start to 2020, this report seeks to take stock and share some thoughts and observations of how the Aotearoa NZ social enterprise sector is faring and responding to the unprecedented challenges posed by the COVID-19 health emergency, the level 4 alert, and the significant impact this is having on New Zealand's economy.

Along with the rest of New Zealand, social and impact enterprises are in uncharted territory and are having to manage new issues and opportunities as they emerge. Many social and impact enterprises are under immense pressure just to stay afloat. While some are pivoting quickly, others who aren't deemed essential businesses, and can't work from home, have paused the daily operations of businesses, applied for wage subsidies and asked employees to stay home. We urge social enterprises that are struggling to make full use of the immediate support available to them if they haven't done so already; apply for the Government's wage subsidies, talk to their banks, and think about ways to activate additional support from their communities, customers and fans.

The unique and innovative solutions of social and impact enterprise are needed more than ever. These innovative businesses deliver directly to hard hit and vulnerable communities and build resilience, sustainability and inclusivity into our wellbeing economy. Through our partnership, we're looking beyond the response phase and into recovery, while working to unlock medium and longer term opportunities for social and impact enterprise. We are also working on leveraging our relationships across Government to their full potential and exploring options for a range of medium and longer term initiatives designed to build the resilience of social enterprises and grow impact as our sector, and the economy, rebounds. Alongside programme work for this quarter, this insights report shares opportunities that exist for Government to support social and impact enterprise using the key levers of procurement, investment, impact and capability building. There are opportunities for support both now and into the recovery phase. We have set these out in the Government Opportunities section of this report.

Across the Impact Initiative programme team, we are convinced of the significant opportunities for our economy that lie in the impact delivered by social and impact enterprises. We are blown away by the kindness, grittiness and agility shown in almost unthinkable circumstances. We look forward to continuing this important work by taking steps that both support the growth of social and impact enterprises and aid our collective economic recovery. He waka eke noa, we are all in this together.

Our Focus Areas:	Social Procurement	Finance & Legal	Capability Building	Impact
Activity this quarter	<p><i>Creating opportunities for social enterprise suppliers to connect with buyers through a social enterprise marketplace.</i></p> <p>Building and supporting the diversity of social enterprises in the Fwd social procurement programme. The rate of certifications has decreased recently as businesses focus on immediate response to COVID-19.</p> <p>Reaching out to Fwd suppliers and sharing useful COVID-19 resources and information about available Government support.</p> <p>Increasing the capability and opportunities for social enterprise suppliers to connect and sell to large businesses through supplier events, including a joint buyer and supplier pitching event in Auckland.</p> <p>Facilitating a 'Social Procurement in Action' workshop to increase the capability of Government to buy from social enterprises. This was attended during lockdown by 19 Govt procurement professionals from MFAT, MBIE, IRD, Kāinga Ora, NZ Post and NZTA - key themes were supplier relationships and support in the current COVID-19 response phase and into the recovery phase.</p>	<p><i>Building the impact investment movement and reducing barriers to investment so enterprises can unlock funds they need to grow.</i></p> <p>Recipients of our 2019 Impact Investment Readiness Grants programme use grants to prepare to attract external investment and compete for public sector contracts - recipients were expected to receive investment in mid 2020, however this timing may be affected by the current COVID-19 environment.</p> <p>Reaching out to IIRG recipients and Impact Enterprise Fund recipients and sharing useful COVID-19 resources and information about available Government support.</p> <p>Exploring how Government could supercharge impact enterprises access to investment through an expanded IIRG programme in 2020.</p> <p>Workshopping options for legal structures/ models for impact enterprises with MBIE, DIA and Russell McVeagh, input from BLab.</p> <p>Publishing tools to support social enterprises to consider impact investment and social enterprise business models.</p>	<p><i>Learning from and continuing to develop the capability of social enterprises through targeted capability building.</i></p> <p>Activating partnership with Ngāhere communities - Tukua programme supporting Māori and Pasifika social entrepreneurs to thrive in South Auckland.</p> <p>Activating partnership with Thrive Whanganui - sharing tools and resources to build the impact capability of individuals, whānau and community groups going through the MSD generator programme in Whanganui.</p> <p>Activating pilot for digital capability building through Social Shifters collaboration.</p> <p>Event with Fwd Wellington supplier cohort - building the capability of social enterprises to deliver to large business to business opportunities.</p> <p>Created and published a selection of tools to build social enterprise capability - available on the Impact Initiative here - https://www.theimpactinitiative.org.nz/toolkit including specific tools to address urgent current needs - COVID-19: Health & Safety Considerations for Social Enterprises and Covid19: Redundancy Process Overview.</p>	<p><i>Demonstrating to Government the impact social enterprises are working towards and how that impact aligns with Government's goals.</i></p> <p>Developing case studies to tell the story of the impact of 12 social enterprises working in 'Impact Areas':</p> <ul style="list-style-type: none"> Whānau wellbeing (by Māori and Pacifica Social Enterprises) including BBM, Dine Academy, Tuputoa and Wakatū, Reduced Waste - AllHeart, Abilities, Mahurangi Wastebusters and Mint Innovation; and Mental Health - Coliberate, Emerge, Oak Tree Devanning, Whenua Iti and Your Corps. <p>Sharing initial insights from the social enterprises with the Social Wellbeing Agency and planned workshop with wider SWA team. SWA meeting and publishing deadline for the Impact Report extended due to COVID-19 lockdown.</p> <p>Finalising some tools and testing with users, continuing development of others.</p> <p>Collaborating with procurement workstream to develop an Indicators Guide and Impact Categories Guide, to assist buyers and suppliers to communicate impact.</p>
Our Outcomes:	It is easier to procure goods and services from the sector and for the sector to participate in procurement activity.	It is easier for impact driven businesses to access aligned capital.	It is easier for individuals and enterprises to access sector development support.	It is easier to describe and measure the nature, impact & value of the sector to Aotearoa's prosperity.

Focus Areas:	Insights	Opportunities for Government
Impact	<p>Never in our lifetime have we been more aware of the impact that the economy has on our individual and collective wellbeing. From car manufacturers beginning to support the manufacture of ventilators to the prospect of a recession causing widespread unemployment, we are seeing that society relies on all sectors working together, and the economy relies on a strong society. To achieve wellbeing, we need a well run economy where organisations optimise for resilience, return and impact for people and the planet.</p> <p>Impact enterprises are uniquely placed to deliver to hard hit and vulnerable communities, they generally have greater access to priority groups, are embedded in communities, can partner with industry, are agile and innovative and address both economic and social issues by delivering blended value solutions through their very business activities.</p> <p>New Zealand businesses, Government agencies and non-profits will need support over the next two years to increase their positive impact, diversify their revenue streams and become more resilient. If this is done right, it could support New Zealand's economic recovery as well as build a stronger economy that works for people and the planet.</p>	<p>Support more businesses to have impact: e.g. tie recovery packages to impact - the Government has appointed an Infrastructure Industry Reference Group to select infrastructure projects that are ready to be started as soon as the construction industry is ready to operate in order to stimulate economic activity. There is an opportunity to proactively select those projects on the basis of the anticipated economic, social and environmental benefits and to then monitor the project and make decisions that will optimise for that impact.</p> <p>Support management and measurement of impact - share information on the impact that matters and support businesses to measure their impact. You can't manage what you don't measure. Just as testing and measuring and tracking is vital in New Zealand's response to COVID-19, impact management can be vital to our recovery.</p> <p>Protect and empower the social sector - social enterprises and other impact enterprises are largely absent from initial recovery measures taken by governments worldwide. While the New Zealand Government's work to cushion the economic blow of COVID-19 applies to all businesses, more will need to be done to recognise the positive impact that impact-focused businesses have and how they can be supported to respond and deliver in the recovery phase to some of the hardest hit communities and vulnerable groups of New Zealanders.</p>
Social Procurement	<p>The Government has already taken a significant step to leverage its buying power for impact. We have seen how the change to the Government's Procurement Rules has signalled to and is encouraging businesses up and down supply chains to focus on the positive impact they have. Businesses are moving to proactively increase their positive impact through their supply chains, and are now seeing an opportunity to meet the expectations of the Government.</p> <p>Government procurement will be used as a core response to the economic challenges we now face. In our workshop with Government buyers in April, the discussion centred on 'broader outcomes' being even more important and relevant as our economy rebuilds. Connection and collaboration across Government supports buyers to learn from each other, identify shared challenges and focus on what works at a time where pragmatism and support is critical.</p> <p>Many Government agencies are including social procurement considerations into the way they are purchasing, paying invoices quickly, and in some cases in advance, and working closely with suppliers to understand their situation and current needs because it is simply the right thing to do. The next step (and challenge) will be to embed this way of working into recovery and beyond.</p>	<p>Build upon the 'broader outcomes' - build on the momentum created by the Government's Procurement Rules to provide more guidance and certainty to the economy on the outcomes that are important to New Zealand. There is a pressing need to provide support to the Agencies and people to support the implementation of this into their work in a meaningful way.</p> <p>Implement social procurement in key programmes of work - such as infrastructure, construction and regional economic development. The mandated use of Community Benefit Agreements in Canada is a great example of requiring outcomes to be at the heart of any major project. The Government has an opportunity to identify and pilot approaches in a more deliberate way and to more actively collaborate with the intermediaries (such as Ākina) working in this space.</p> <p>Consider and develop place based procurement initiatives - consider and develop regional or place based approaches to procurement, with 'anchor institutions' to ensure the procurement benefits the people and economy of that region. There are a number of regions who are already exploring this approach, and the Government has an opportunity to actively partner through their footprint. We are keen to explore this further.</p>
Finance & Legal	<p>Investment will be a crucial lever to catalyse New Zealand's recovery from a recession. If investors prioritise impact organisations, then the investment can both stimulate economic growth and support the achievement of wellbeing outcomes.</p> <p>We are seeing what can happen when all sectors work together and when governments recognise the contribution that social enterprises make as well as what is possible when business focuses on positive impact. Global efforts of manufacturers to pivot their businesses to make personal protective equipment is a good example of this. It is important that this focus and collaboration for good extends beyond the 'response' phase and into 'recovery', ensuring that economic growth is sustainable and inclusive and improves outcomes in communities.</p> <p>Impact enterprises, who have challenges raising capital in normal times, are facing heightened challenges in the COVID-19 environment. However because they exist for more than just profit, we are already seeing significant innovations within their business model to ensure they not only financially manage during this time, but more importantly continue to deliver their impacts.</p> <p>Our Investment Readiness Grants 2019 recipients were preparing to seek investment in mid 2020, however COVID-19 has reduced investment activity which will make this difficult. The recipients are currently making plans to adjust for this.</p>	<p>Accelerate private led impact investment - now, more than ever, we are seeing the importance of Government and the private sector working together to solve the challenges we are facing. Investment is crucial to the recovery of our economy through stimulating business activity, and also stimulating investment activity if it is structured accordingly. Government has unique levers it can pull to support the entire New Zealand investment market to achieve more impact, and should consider how it can partner with the private sector to increase activity while sharing risk. Doing so in a way which values the impact of the businesses being invested in will catalyse our recovery and our wellbeing.</p> <p>Deliberately invest for impact and support development of these businesses - understand where business can best contribute to Government outcomes, and enable these sectors through focused investment readiness capability building and then connections to investment opportunities.</p> <p>Promote the adoption of pay for outcomes mechanisms where appropriate - outcomes based contracts have the potential to deliver more and better results, fostering innovation when it is most needed, and in a cost effective way. In particular we see immediate potential for such vehicles in the health area, including for the testing, treatment and vaccination against COVID-19.</p>
Capability Building	<p>The shift to online mechanisms to deliver capability building support with organisations and social enterprises is evolving fast. We are building on online delivery tools that were utilised during the Hubs Pilot Programme.</p> <p>Community led responses to COVID-19 are emerging - Ngahere Communities in South Auckland is demonstrating the responsiveness of local capability builders to pivot their approach to enable social entrepreneurs to thrive. Immediate action plans have been put in place for continuity of support for entrepreneurs as well as activating a recovery plan early. Established high trust relationships with key government agencies, funders and local stakeholders have the potential to enable the organisation to be agile and pivot quickly subject to accessing adequate resourcing to enable this shift.</p>	<p>Empowering communities to build solutions together - creating mechanisms for community partners to connect and plan co-ordinated support for social enterprises. Communities will be more likely to enable social enterprises to thrive where capability building is co-ordinated and resourced.</p> <p>Leveraging opportunities across sectors - building on existing strong relationships and partnerships focused on creating more inclusive local economies. There is an opportunity to work with Government to identify and pilot opportunities at local level that will contribute to recovery in local communities.</p> <p>Targeted capability building to take advantage of procurement opportunities and supply chain in regions - has the potential to contribute to increasing local employment opportunities and positive social outcomes. Baseline assessment of Social Enterprises capability building needs will inform a co-ordinated government response to needs across the sector.</p>