

# Social Enterprise Sector Development Programme Quarterly Report

Year Three: Quarter 2, October - December 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](http://www.theimpactinitiative.org.nz)

# Impact Initiative Insights

## Year Three: Quarter Two



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### Summary

As we near the end of 2020, and the final quarter of the programme, there is a lot to reflect on and to celebrate despite the chaos of 2020. We continue to work with officials across Government to unlock opportunities to partner with social enterprise and support the significant wellbeing to our communities that they deliver. Our engagement intensified following the recent election and includes detailed briefings for incoming Ministers on relevant recommendations.

Across Aotearoa, social enterprises continue to demonstrate their resilience and responsiveness, delivering new offerings and product lines, while remaining deeply connected to their kaupapa. Social enterprises' ongoing contribution to the wellbeing of our communities and environment is significant as are the opportunities for Government to grow this contribution. As the lasting impacts of COVID-19 intensifies the pressure on our communities, it also drives the public and private sectors to seek and scale pragmatic solutions to our most pressing challenges, working together to deliver wellbeing. We have also seen increased discussion of social enterprise in media and a broader representation of businesses delivering positive impact, whether they call themselves social enterprises or not. This quarters' highlights include:

- Supporting eleven impact-driven businesses on their journey to investment and scale. This year's Impact Investment Readiness Programme (IIRP) cohort each unlocked up to \$30,000 of a total pool of \$250,000 to spend on professional services that get them ready for investment, demonstrating the important role that access to capital can play in delivering better outcomes for people and communities. The 2020 cohort includes Localised, who create community enterprises to tackle problems in the resource recovery sector; Social Labour Supply who provide meaningful and sustainable employment opportunities for whānau, OneBin, who have developed artificial intelligence that identifies and appropriately sorts waste at the point of collection, and Mentemia - a business founded by Sir John Kirwan and Adam Clark that is aiming to tackle the mental health crisis in New Zealand and abroad.
- Certifying over 100 social enterprise suppliers onto the social procurement marketplace, recent certifications include Grow Northland, Ngātahi Communications, Cargill Enterprises and Waka Abel Tasman Tours.
- Launching the Business of Impact which demonstrates the shared kaupapa between government and social enterprise, through the stories of 12 social enterprises and how they trade to deliver impact [insert link]
- Supporting the Aotearoa Circle's Sustainable Finance Forum Roadmap for Action - catalysing New Zealand's shift to a financial system that supports sustainable social, environmental and economic well being.

With the new Government looking to roll out a number of relevant policy initiatives, including significant action on climate change, and the programme wrapping up in March, next quarter is likely to be a very busy one for the programme.

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 the social enterprise marketplace and supporting suppliers in the Fwd social procurement programme. 105 supplier services now certified and 32 Govt staff with marketplace access.</p> <p>Working closely with national and international intermediaries and partners including Amotai (formally He Waka Eke Noa), Buy Social Canada Social Traders Australia and Victorian State Govt on social procurement recommendations for Govt. Including presentations to Business NZ and Social Enterprise World Forum (multiple).</p> <p>Deal highlight: Grey's Avenue project for Kāinga Ora identified potential for \$500k+ of social enterprise work opportunities through Fwd support.</p> <p>Meeting with senior government officials and key stakeholders to support effective social procurement across government (Waka Kotahi, Kāinga Ora, MFAT, NZ Post, TPK, NZ GPP + infrastructure peak bodies/membership orgs).</p> <p>Drafting social procurement white paper to support social procurement recommendations.</p>	<p><i>Building the impact investment movement and reducing barriers to investment so enterprises can unlock the funds they need to grow.</i></p> <p>Delivering the <a href="#">Impact Investment Readiness 2020</a> programme, including support and capital of up to \$30,000 to 11 impact-driven businesses to help get ready to attract the external investment they need to grow and scale.</p> <p>Meetings and briefings to Ministers and senior officials around opportunities to accelerate impact in our economy through investment, including:</p> <ul style="list-style-type: none"> <li>• Accelerating ways to become impact investment ready in NZ; and</li> <li>• Increasing the amount of impact investment funds in NZ, potentially through dedicating a portion of existing Govt-backed venture capital funds.</li> </ul> <p>Working closely with MBIE on creating and sharing guides for impact enterprises within currently available legislative and business models, including creating a guide specifically to help organisations understand how to manage their impact through investment.</p>	<p><i>Learning from and continuing to develop the capability of social enterprises through targeted activity.</i></p> <p>Evaluating platform for digital capability building through 'Social Shifters' collaboration, including:</p> <ul style="list-style-type: none"> <li>• Evaluation with the 300 people signed up in October</li> <li>• Developing local content with social enterprises in form of video case studies</li> </ul> <p>Supporting Impact team on tools to assist social enterprises to communicate their impact to buyers.</p> <p>Working closely with MBIE Business.govt team on recommendations to build impact into Govt support for small businesses.</p> <p>Engaging with MSD and DIA on growing access to resources and capability building support with local intermediaries.</p> <p>Engaging with Social Enterprise Community-Led Enterprise Development Network, Inspiring Communities, Ngāhere communities, Sector Working Group and Thrive Whanganui on capability building opportunities in specific places and communities.</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>Delivering cross agency workshop on impact management to support Govt decision-makers and funders to better measure and evaluate the impact of their funding.</p> <p>Launching the Business of Impact report with Ministers, officials, key Govt decision makers and media to demonstrate the value and potential of the sector.</p> <p>Evaluating an online 'impact outcomes and indicator matching tool' to assist social enterprises to communicate their impact to buyers, funders and/or investors.</p> <p>Meeting with senior officials on recommendations:</p> <ul style="list-style-type: none"> <li>• Funding for impact – various Govt funders.</li> <li>• Sharing data to support impact and measuring impact – Social Wellbeing Agency, Statistics NZ, MBIE</li> <li>• Developing and using a consistent set of measures for impact (indicators) - Treasury, Public Services Commission, MBIE, Ministry of Primary Industries</li> </ul>
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 & emerging recommendations for Government
Social Procurement	<p>We are continuing to see growth in the social procurement marketplace achieved primarily through partnerships and referrals. Having over 100 products/services offers critical mass to the supply side of the marketplace and enables a wider offer to interested buyers. We've also seen an uptick in buyer membership enquiries driven by social procurement requirements in procurement notably through Auckland Transport and Kāinga Ora. This also benefits buyers who have developed a mature approach to social procurement over the past 2-3 years, and this being valued in a procurement process. A recent presentation with Business NZ showed the uptick of interest in the private sector, and our involvement in the Social Enterprise World Forum Digital (5000 participants) demonstrated that (1) social procurement is a hot topic globally and (2) New Zealand offers valuable practice insights that stack up on the global stage.</p> <p>We are getting increased insight into dealflow from both buyers and suppliers with some significant project opportunities such as Grey's Ave (Kāinga Ora) demonstrating what is possible with a focussed approach. There are still significant challenges with measurement and reporting of impact across the board, and this is a critical challenge to resolve moving forwards, and will be included in our recommendations.</p> <p>We are preparing a white paper outlining opportunities to strengthen the Government's approach to social procurement. This brings together insights from our work alongside New Zealand and international evidence and practice.</p> <p>The paper outlines the current state, and 6 opportunities to grow the uptake and efficacy of social procurement as part of the procurement function (PFL) that currently sits across Government.</p> <p>The first recommendations address leadership, most notably making more active and intentional connections between Ministers and Cabinet, executive leaders in Key Agencies and other relevant agencies such as Treasury and PSC in relation to using procurement to deliver social and environmental outcomes. This leadership will align priorities and drive action, and Key Agencies are proposed as a way of building momentum in parts of Government where the greatest opportunity and greatest benefit exist for social procurement (big spenders, and key beneficiaries). Supporting this is the recommendation that Key Agencies develop Social Procurement Plans that outline opportunities and a way forward for implementation of social procurement in their particular context. These agency Plans will be aligned to give consistency and coherency. Supporting this recommendation is the need for a more cohesive measurement and reporting framework to capture the Public Value generated by social procurement, and of course the business case for social procurement in itself.</p> <p>The second recommendations address capability and coordination within and across Key Agencies within the PFL. Creating a 'coordinating body' for social procurement and delivering a focussed capability initiative with the procurement professionals in Key Agencies will build momentum, build engagement and capability and result in greater shared practice and alignment. These professionals will also feel more connected and it will allow a cross-Government perspective and approach to be grown over time. Most importantly this dedicates resourcing at both an agency and cross-Government to implementing the changes in policy and the identified priorities.</p> <p>The third recommendation explores more effective market connection between existing social procurement activity and key stakeholders (intermediaries, suppliers, private sector Buyers and communities). It is the market that delivers the outcomes sought in social procurement, and there is an opportunity to build upon learning, practice and momentum already present in the market as well as initiatives such as supplier certification and capability development that can accelerate outcomes. There is also considerable precedent internationally for the role of intermediaries and relationships with Government, and these connections already exist between the NZ and international markets.</p> <p>The recommendations have also been explored with Government and market parties and align with recent studies exploring government procurement such as the OAG report in 2019. We look forward to exploring these opportunities with Government partners further in the near future.</p>
Impact	<p>Across the last quarter, we have held meetings and a co-design session with a number of fund managers from different agencies. This confirmed our assumptions that Government funders would like greater visibility of the impact they are having but very few have the capacity to measure what impact their investments are having. Many funds rely on measuring activity and outputs, very few measure the changes that happen as a result of the funding during the funding term, let alone after funding has ended. Fund managers expressed interest in building their capability to do this, forming the basis for our fourth recommendation.</p> <p>We are seeing significant interest in the 'Business of Impact' report which is proving to be a clear articulation of what we mean by social enterprises, and how social enterprises generate value. The case studies bring our message to life and help to demonstrate the diversity of activity undertaken, and impact achieved, by social enterprises. The report includes insights that inform a number of the recommendations so it acts as an important foundational document. We intend to present the document to Government officials and others interested in progressing impact through business at a showcase in February in Wellington.</p> <p>We have shared with the Social Wellbeing Agency (SWA) the role that social enterprises play and the value of including them alongside charities in current SWA work. This could mean that more Government data is made useful and accessible to social enterprises to help them demonstrate their value and learn what works.</p> <p>More work is needed to gain a better understanding of the breadth and long term value of the impact of social enterprises. This could be done through work with Berl and research institutes to continue phases 2 and 3 of Berl's earlier research in this space.</p> <p>We have continued to hear accounts of the potential value of consistent indicators that Government could use to gain increased visibility of its impact across procurement, investment, funding and delivery. Consistent indicators could support more effective communication of impact, greater collaboration between Government and with those who deliver goods and services with and for Government. This could support Government's own goals and is set out in our fifth recommendation.</p> <p>We have articulated our assumptions about the potential of Government to collaborate with community/private sector to launch social enterprises that leverage a business model to achieve impact, indefinitely, this is the focus of a innovation showcase next quarter.</p>

Focus Areas:	Insights & emerging recommendations for Government
Finance & Legal	<p>The Impact Investment Readiness Programme for 2020 continued to see extremely strong demand from impact led businesses in New Zealand looking for support to get ready for impact investment, with over 100 applications received. On top of this, what was really noticeable this year was the increasing maturity of these businesses, and the strategic ambition they had to increase both their business and impact. This resulted in us giving to 11 businesses across a variety of sectors, seeking a variety of investment (from Government funding, to significant contracts and traditional impact investment). This is less than 10% of those that applied, however, reinforcing the need for greater funding to scale the level of impact investment readiness support in New Zealand.</p> <p>The investment sector more generally is seeing much more activity currently than was expected when COVID hit. Not only is our economy stronger than expected, but the value of impact businesses has been magnified through COVID, with consumers and investors all more conscious of supporting the businesses that also support the community in times of need. COVID has definitely been challenging for a number of businesses though, emphasising the importance of robust business models in order to be able to deliver positive impact in the long term.</p> <p>The activity in the investment sector is reflected by the Impact Enterprise Fund making an additional investment into one of its portfolio companies to accelerate their growth, and entering the late stages of due diligence with another investment opportunity.</p> <p>Deep insights around further legal considerations to improve impact in NZ were shared within Aotearoa Circle's Sustainable Finance Roadmap For Action. This report supported all of the recommendations made by our Structuring For Impact Report, and also supported some of the recommendations from our Transforming Our Economy report, including recommending clarifying the meaning of fiduciary obligations. Doing so will remove a significant perceived barrier to investors considering entering the impact investment space.</p>
Capability Building	<p>Our recommendations in the capability space sit across two areas:</p> <ul style="list-style-type: none"> <li>● supporting the creation and access to, impact-focused tools and resource, so that more enterprises can create and sustain impact, and</li> <li>● delivering on the ground support to social enterprises through intermediaries.</li> </ul> <p>In the first area, the pilot of the Sopact online impact tool is demonstrating differing levels of digital capability across impact led businesses as well as understanding of impact. The capacity of organisations to engage with the online tool to generate a theory of change, impact measurement indicators and data collection has limitations. Success is more likely where there is some light touch coaching and direct support in the use of the tool.</p> <p>We have been engaging with organisations to develop local video based learning tools that share learning experiences of developing sustainable business models and impact. This approach seeks to amplify the voice of local entrepreneurs and their learnings to share with other enterprises. Alongside this we are developing webinar content with a focus on introduction to social procurement to share widely with audiences interested in capability of suppliers to trade business to business. Insights from Social Shifters evaluation point to the benefits of locally created, local content that is easy to navigate. We are working closely on our recommendations with business.govt.nz to continue to grow impact focused tools and resources that can provide practical application with all businesses interested in creating positive impact.</p> <p>Insights are emerging through collaboration with social enterprise enablers, Inspiring Communities and organisations focused on growing economic resilience. Ability to join up thinking and action around employment pathways through entrepreneurship both regionally and nationally through targeted and enduring funding/contracts and support to intermediaries to build capability, by communities for communities to create sustainable and inclusive economic growth in regions. Leading to building the pipeline for Government and for business both in domestic and increasingly international markets through procurement, impact investment, measurement of outcomes.</p>