the
IMPACT
INITIATIVE

RECOMMENDATION AREA THREE: IMPACT INVESTMENT

Using Impact Investment to Increase Wellbeing Outcomes

Recommendations 3.1, 3.2 and 3.3

PREPARED BY THE ĀKINA FOUNDATION
as part of The Impact Initiative

APRIL 2021

Background

Impact investment is a powerful way to increase wellbeing. Targeted government support will accelerate the growth of Aotearoa New Zealand's impact investment market which will increase the flow of capital to businesses that create social or environmental outcomes.

The growth of impact-led businesses will, in turn, grow the positive outcomes that they contribute to our economy. In Aotearoa New Zealand there is a lack of impact investment readiness and a lack of impact-focused capital that is limiting the growth of impact-led businesses. Initiatives targeting readiness, co-investment funds and ongoing government partnership and engagement with the sector will rapidly accelerate the growth of the market.

KEY CONCEPTS

- ➔ **Impact** refers to the broader social, environmental, cultural or economic change (as determined by the people experiencing the change) that occurs as a result of the business or activity

- ➔ **Impact investment** is investing with the intention to generate positive measurable social and environmental impact alongside a financial return

- ➔ **Impact-led businesses** are businesses that are led by a social or environmental purpose. This group includes businesses that identify as **social enterprises** as well as other businesses and organisations (like Māori and Pacifica businesses) that may not identify with this term, but are committed to and led by their impact

- ➔ **Managing impact** refers to actively considering, measuring, reporting and improving impact over time

About The Impact Initiative

This paper was produced for the Social Enterprise Sector Development Programme, publicly known as The Impact Initiative.

The Impact Initiative is a partnership between the Department of Internal Affairs on behalf of the New Zealand Government and the Ākina Foundation supported by the Community Enterprise Network Trust (CENT).

To find out more about the programme visit The Impact Initiative website:

www.theimpactinitiative.org.nz

Te Tari Taiwhenua
Internal Affairs

ākina

CENT

Impact investing in Aotearoa New Zealand

All businesses need to access capital to start, to scale, and to deliver impact. Alongside other forms of capital, such as revenue, investment is an established and critical lever to enable business growth.

As more businesses are driven not only by financial growth, but also by delivering social and environmental outcomes, investors are now also starting to invest specifically to grow wellbeing outcomes alongside the financial productivity of the business. This is impact investing, where an investment is made intentionally to deliver social and/or environmental outcomes alongside financial returns.

We face a number of pressing social and environmental challenges in Aotearoa New Zealand and it is clear that the Government cannot solve these on its own. Impact investing should be seen as a natural ally to government, as it specifically enables the growth of businesses that are dedicated to, and effective at, delivering outcomes in line with government's priorities, such as addressing climate change, mental health and housing affordability. Businesses that respond to our challenges will be essential contributors to a productive, sustainable, inclusive and resilient economy.

Further, impact investing is an approach to supporting and growing businesses that aligns with Te Ao Māori. Investing intentionally to deliver positive impact is nothing new to Māoriand 'understanding and using financial capital as an energy source to create living economies is obvious, when your fundamental values and principles align to tikanga.'[1] This alignment is another reason why impact investment should be seen as an ally to grow Aotearoa New Zealand's wellbeing. Business is a powerful vehicle for change and impact investment is an essential lever to enable and scale this.

In Aotearoa New Zealand, however, there are a number of barriers preventing the impact investing market from reaching its potential. Globally, the size of the impact investing market continues to accelerate rapidly, with current estimates sizing it at over $1 trillion.[2] While Aotearoa New Zealand is seeing noticeable growth in impact investing, our programme research has established that this growth is being limited by three primary barriers that the Government is well placed to reduce.

Three barriers to impact investing

- ➔ **There is a lack of impact investment capital,** resulting in businesses not being able to access investment, reducing the growth of their social / environmental outcomes
- ➔ **There is a lack of impact investment readiness,** with businesses uncertain about how to prepare for impact investment, reducing their likelihood of successfully raising it
- ➔ **There is limited government engagement with the impact investment sector,** slowing the growth of the sector.

[1] Tikanga-led impact investment, Moving closer to a Māori world view, by the Connective, accessible here.
[2] See 2020 Annual Impact Investor Survey from GIIN here.

Barriers and recommendations

We have developed the following three recommendations which, if implemented, would help create an enabling environment for New Zealand's impact investing sector to accelerate, and increase involvement from the private sector in improving our wellbeing through investment into impact-led businesses.

Barrier	Recommendation*	Outcome
➔ There is a lack of impact investment capital.	**Establish co-investment impact funds to enable the growth of a private led impact investment sector. (3.1)**	Multiple and varied impact investment funds exist, enabling more impact-led businesses to access growth capital and more investors to enter the impact investing market.
➔ There is a lack of impact investment readiness.	**Fund the delivery of a programme that increases the pipeline of businesses ready to take on impact investment. (3.2)**	Impact-led businesses become investment ready, professional advisors have increased capacity to support them and investors have a stronger pipeline of impact investment opportunities.
➔ There is limited government engagement with the impact investment sector.	**Partner with the Centre for Sustainable Finance to enable impact investing in New Zealand. (3.3)**	The Government is closely connected to the developing impact investing sector, accelerating that development in partnership with the private sector.

These recommendations are part of a wider suite of recommendations delivered under The Impact Initiative. The recommendation numbering indicates they are from **recommendation area three: utilising impact investment to create wellbeing outcomes.*

Recommendation 3.1

Enable co-investment impact funds to grow a private led impact investment sector

There is a demonstrated shortfall in impact investment capital, resulting in it not being available for a large number of businesses, which in turn limits their contribution to broader wellbeing outcomes. Impact investing is an important lever for the Government to achieve its priority outcomes in partnership with the private sector. There is currently only capital available for small segments of impact-led businesses and limited ways for new investors to enter the market, restricting the growth of impact-led businesses and the broader social and environmental outcomes that they are able to deliver to our economy.

The Government should enable the private sector to lead the development of impact investing by allocating funding to establish impact co-investment funds to overcome these supply gaps and entry barriers. The Elevate NZ Venture Fund is a logical source of this funding, as allocating 10% of that funding specifically to impact funds would not only continue to meet the policy objectives of that allocation, but also significantly increase the broader value that it delivers to New Zealand.

What are the barriers?

One of the most important levers for impact-led businesses to scale both their business and their wellbeing outcomes is, like traditional businesses, investment. Receiving investment enables them to accelerate their growth, innovation, and increase the outcomes they are able to deliver. The *'Transforming our Economy'* report[3] found that 'a balance of capital (finance first, impact first, and mixed[4]) is a prerequisite for a flourishing and genuine social enterprise sector'[5]. However, currently in Aotearoa New Zealand, this balance is lacking, which is a significant barrier to the growth of social enterprises.

This is primarily caused by two related problems:

1. Insufficient capital available for the variety of impact-led businesses
2. Lack of opportunities for new investors to enter the market

1. Insufficient capital available for the variety of impact-led businesses

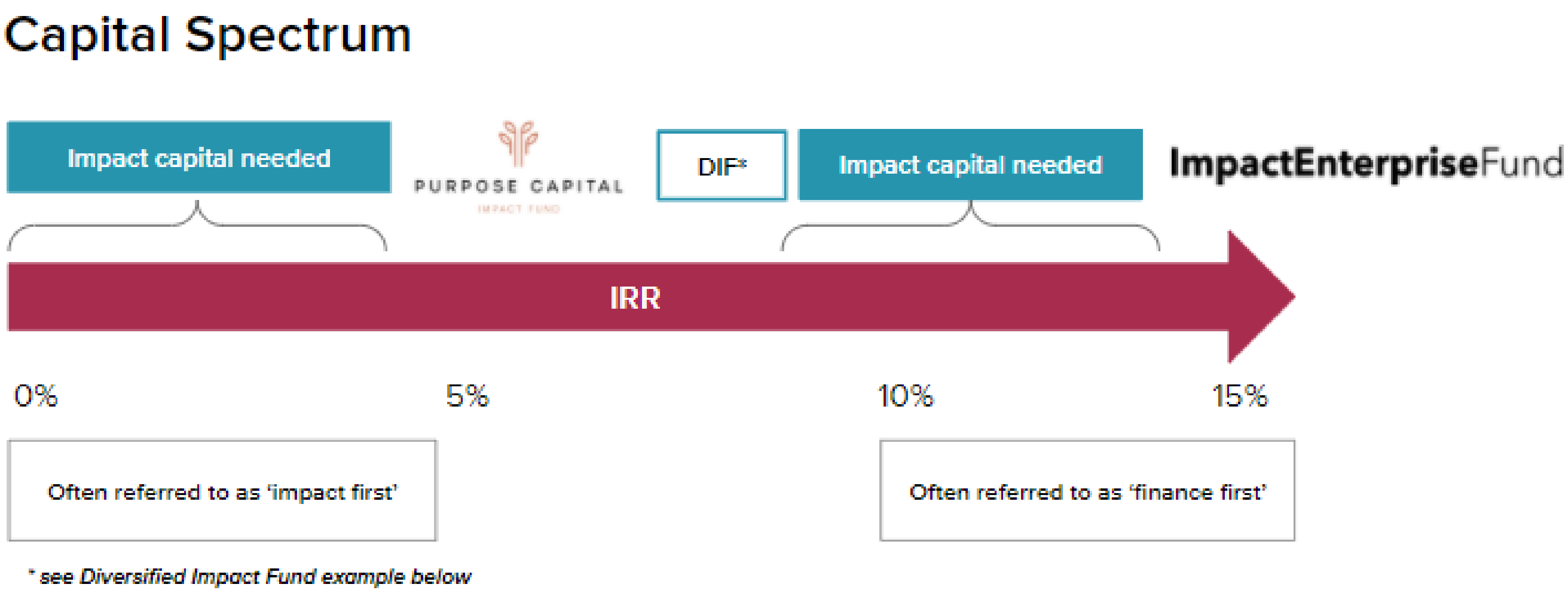
While there is an increasing amount of impact investment available in Aotearoa New Zealand, current supply serves only small portions of the businesses who are seeking capital. In 2020, research by the Responsible Investment Association Australasia found that the size of Aotearoa New Zealand's impact investing market is $4.74 billion, however 90% of this is in Green, Sustainable or Social bonds. Only $570 million was in other impact classes more suited to supporting productive assets, such as private equity, venture capital or private debt. Most

[3] A report into financing the social enterprise sector in Aotearoa New Zealand https://www.theimpactinitiative.org.nz/publications/transforming-our-economy
[4] See Capital Spectrum diagram below for more information on these terms.
[5] Transforming our Economy, Recommendation 1.

importantly, this capital is concentrated at specific and narrow points of the required capital spectrum, resulting in it being unavailable for the majority of impact-led businesses.

There are currently only two large scale impact funds that target private business. Aotearoa New Zealand's first impact investing fund, the Impact Enterprise Fund, is able to invest into social enterprises delivering high financial returns at 15% IRR, and recently the Purpose Capital Impact Fund launched, which is targeting the middle of the capital spectrum at 6% IRR. These funds only serve a small segment of what is a diverse impact-led business sector in Aotearoa New Zealand, with 15% IRR generally only being delivered by highly scalable business models and Purpose Capital being focused on asset backed opportunities.

We know that a large variety of important businesses fall outside of these criteria, including many of our productive small to medium and Māori businesses, despite being profitable and sustainable contributors to our economy and to wellbeing. In addition, the Impact Enterprise Fund intends to finish investing in February 2022, which will further reduce the impact investment available for impact businesses. The impact-led businesses that fall outside of the target areas of these funds currently have limited or no options for impact investment in Aotearoa New Zealand, which is slowing their growth.



2. Lack of opportunities for new investors to enter the market

With such limited impact investment funds in Aotearoa New Zealand, there are limited opportunities for investors to begin making impact investments. Investment funds are an effective way to enable investors to enter a new asset class because 'structure is comfort'. The familiar structure of an investment fund enables investors to rely on the expertise of the fund manager to identify and structure investments and learn about that investment approach in the process. Investors are then more likely to make additional investments outside of the fund once they have gained familiarity with the asset class.

The small number of impact investment funds in New Zealand limits opportunities for investors to enter this market, and to experience its successes. This in turn constrains the growth of impact investment. Having more impact investing funds in NZ would accelerate the transition from traditional asset classes to impact investing, increasing the capital in the sector and the wellbeing outcomes this capital delivers.

Overcoming the barriers

Government is well positioned to make a capital allocation specifically to be invested into businesses that deliver wellbeing outcomes alongside market rate returns. By structuring this allocation as a 'fund of funds' (i.e. made available, upon application, to existing investment fund managers to manage and invest via distinct funds):

- Each distinct fund would fill a gap in New Zealand's impact investing capital spectrum, making it possible for a broader variety of productive businesses to receive impact investment, and therefore increase their contribution to New Zealand's wellbeing
- It creates multiple funds that private investors can then co-invest into, and in doing so be actively involved in the continued growth of the sector.

This approach has been successfully implemented by overseas governments specifically to build their impact investing sector. In Australia, for example, in 2011 $20 million was allocated on a similar basis to that outlined above and an additional $30 million was allocated in 2017. Each of these allocations have led to significant impact investment growth in Australia, with the market estimated at $19.9 billion in 2020, as well as growing broader outcomes in the targeted areas identified (such as at risk youth, aged care, and housing).

Importantly, investing into businesses is an area where the private sector has proven experience, ability and capital that they are wanting to invest and therefore a key focus of any solution should be to enable the private sector to be actively involved in leading the growth of the impact investing sector. This can be achieved by ensuring appointed fund managers receive at least 100% co-investment from the private sector alongside any Government allocation.

Below is an example of a fund that could be created through such an allocation, and would fill a gap in NZ's capital spectrum. It is modelled on a similar and successful impact investment fund created by Social Ventures Australia and is detailed in the table below.

Diversified Impact Fund

An example of a new impact investment fund for New Zealand

- **$15 million fund ($7.5 million Government funding, $7.5 million private)**
- **Focus areas: Employment, education, Māori development, environment, housing**
- **Target return: 8% comprising:**
    - **50% debt (5-9% interest rate)**
    - **50% equity (10-20% IRR)**

Example investments for this fund

Grounded Packaging	Localised
Grounded Packaging has sourced a range of sustainable packaging alternatives to replace the current volume of single use plastics in the market. They are rapidly scaling as their products are sought after globally, with profitability and impact that makes them a strong option for an equity investment from impact investment funds.	Localised primarily works in the resource recovery sector, creating businesses that divert waste from landfill and have a positive local impact in terms of employment, artisan support and community resilience. Securing lending, generally up to $1million, has been problematic for Localised at times due to the confusion their impact focus and legal structure causes.

Increasing the range of impact capital available

Transforming the Economy identified gaps in available impact capital in Aotearoa New Zealand and recommended government funding to overcome this.

We have also identified the alignment between this recommendation and the existing Elevate NZ Venture Fund (Elevate). Elevate was established as a key tool in enabling a productive, sustainable and inclusive economy, recognising that the current shallow pool of capital in Aotearoa New Zealand is a barrier to achieving this. Impact investments directly contribute to a sustainable and inclusive economy, however Elevate lacks a specific mandate to identify and prioritise impact investments.

Allocating 10% of Elevate specifically to impact investment funds would not only continue to deliver to the aims of that programme, including producing ‘positive risk-adjusted returns’ and creating a ‘deeper market with… mixed vintages of funds that will ultimately lead to increased competition and efficiency’[6], but it would also significantly increase Elevate’s value and contribution to Aotearoa New Zealand. On top of the economic outcomes that are delivered by the investments it makes, investing in impact-led businesses also delivers social and/or environmental outcomes that contribute more broadly to Aotearoa New Zealand’s wellbeing and Government’s priorities.

Next steps

We recommend that Government allocates targeted funding to impact co-investment funds. Allocating 10% of Elevate NZ Venture Fund to impact investment funds appears to be a logical way to achieve this. While being only an incremental change, the impact it would have on accelerating the impact investing market would be significant. This would enable $30million to go towards the creation of multiple additional impact investment funds in Aotearoa New Zealand and, when matched with at least 100% private co-investment, would inject at least $60 million into the market.

Funds created through such an allocation would fill what are currently large gaps in the capital spectrum, enabling both the growth of impact-led businesses and the numbers of private investors entering the impact investing market. As with the existing Elevate NZ Venture Fund, these funds would continue to produce positive risk-adjusted returns, while at the same time enabling significantly greater social and environmental impact by specifically investing in businesses that are delivering these outcomes on top of financial returns.

[6] From the Policy Statement on the Venture Capital Fund Act 2019: https://www.beehive.govt.nz/sites/default/files/2019-12/VCF%20Policy%20Statement.pdf

Recommendation 3.2

Fund the delivery of a programme that increases the pipeline of businesses ready to take on impact investment.

There is a lack of 'impact investment ready' businesses in Aotearoa New Zealand and a lack of capacity within professional advisors to change this, which is limiting impact-led businesses from accessing capital to grow. This, in turn, restricts the contribution these businesses can have to Aotearoa New Zealand's economy and broader wellbeing. Providing targeted funding to enable impact-led businesses to become impact investment ready will not only remove this barrier, but it will also increase the capacity of professional services to better support impact-led businesses going forward.

Impact investment readiness programmes are a proven way to build the investment readiness of businesses and professional advisors and have been successfully delivered in Aotearoa New Zealand, Australia and the UK. Current programmes could be scaled with a government contribution, building on the significant success to date. A $5 million allocation across three years would significantly increase impact investment readiness in Aotearoa New Zealand and enable the private sector to further contribute to our wellbeing.

What are the barriers?

The growth of impact-led businesses in New Zealand, and therefore the wellbeing outcomes that they contribute to our economy, is limited by a lack of impact investment readiness. While 'readiness' varies for different stage businesses, taking on significant investment generally requires clear and validated business and impact models[7] and appropriate financial and legal information to demonstrate that the business is ready for its intended next phase of growth.

This was demonstrated by the research in the report *Transforming the Economy*[8], published as part of The Impact Initiative. This report aimed to better understand what barriers exist for social enterprises to access capital in Aotearoa New Zealand. The research found that there is a need for support and education that develops impact investment readiness, which will in turn facilitate more investment.

There are three primary market gaps which have created this need:

1. Capability gap for impact-led business
2. Capacity gap for professional advisors
3. Pipeline gap for impact investors

[7] A model that demonstrates how the business manages and delivers its impact over time, sometimes referred to as a 'theory of change'.
[8] A report into financing the social enterprise sector in Aotearoa New Zealand https://www.theimpactinitiative.org.nz/publications/transforming-our-economy

1. Capability gap for impact-led business

There is limited experience and knowledge around what impact-led businesses need to do to get ready for impact investment, and limited examples to demonstrate and share this capability. Impact investment is a relatively new form of investment where investors want to understand, and get comfort around the likely growth of the impact of the business as well as its financial performance. While many entrepreneurs are experienced in preparing a financially driven business for investment, most do not have experience preparing a business for investment that also prioritises impact and are unsure how to manage and communicate this to investors. This causes a capability gap for impact-led businesses in knowing how to get ready for impact investment.

2. Capacity gap for professional advisors

There is growing interest from professional advisors to work with impact-led businesses and provide the capability needed above. However the fees that ‘growth stage’ impact-led businesses are able to pay for this work are not enough to support the business model of professional advisors and nor do the advisors have capacity for this work on a discounted or pro-bono arrangement. Not only does this mean businesses do not get the support, it also means the professional advisors are rarely getting opportunities to work with impact-led businesses, despite a growing level of interest to specialise in this area.

3. Pipeline gap for impact investors

Currently there is a lack of ‘investible’ impact investments in Aotearoa New Zealand, with investors struggling to find sufficient investment ready impact businesses. The Impact Enterprise Fund, New Zealand’s first impact investing fund, set up during this programme, has considered over 400 impact-led businesses for investment across the three years that it has been operating. It has assessed that a large portion of them are not impact investment ready which has limited the number of investments the Fund has been able to make. The New Zealand Green Investment Finance Limited (NZGIF) has also faced challenges finding suitable investment opportunities due to a limited pipeline of investment ready businesses.

These gaps need to be overcome in order to enable impact investment readiness and, in doing so, the impact investment sector in Aotearoa New Zealand.

Overcoming the barriers

Investment readiness programmes enable professional service firms to work with businesses to help them get investment ready. Government already runs broader business support and readiness programmes, including through New Zealand Trade and Enterprise[9] and the Regional Business Partners Network.[10] Impact investment readiness takes this a step further, with targeted support to access capital for businesses that deliver solutions to our most pressing challenges. There are successful examples of impact readiness programmes in both the United Kingdom[11] and Australia,[12] where funding is provided to impact-led businesses to engage external professional service support for the purposes of getting them ready to receive impact investment.

Investment readiness programmes have proven their ability to reduce the market gaps listed above by:

1. Providing impact-led businesses with targeted funding to enable them to engage the required professional support to help them get ready for impact investment
2. In that process, the professional services engaged by the businesses will also gain access and exposure to impact-led businesses, increasing their capacity to support impact-led businesses, and
3. With an increased number of businesses becoming ready for impact investment through such a programme, the pipeline of investment ready impact investments will grow, reducing the gap for investors. In doing so, more impact investments will be made, increasing the wellbeing outcomes these businesses deliver as they grow.

Funding through investment readiness programmes is also suitable for businesses who are looking to scale via social procurement opportunities, with capability and capacity gaps also slowing the growth of social procurement in Aotearoa New Zealand. Recipients of impact investment readiness funding in Australia have gone on to receive significant procurement contracts after completing the readiness work.

Growing impact investment readiness in Aotearoa New Zealand

Over the past four years, Ākina has delivered Aotearoa New Zealand's first impact investment readiness programme.[13] While this programme is smaller in scale than equivalent programmes in Australia and the United Kingdom, it has demonstrated significant potential. Currently, the programme provides funding of up to $30,000 to businesses to spend on professional service support that helps them get ready for impact investment. This programme has supported over 20 businesses of varying types, including SMEs, Māori and Pacific business, early stage and late stage[14]. These businesses, on average, have received investment of over 25 times the amount of funding provided by this

[9] https://www.nzte.govt.nz/page/invest-or-raise-capital-with-nzte
[10] https://www.regionalbusinesspartners.co.nz/
[11] https://www.gov.uk/government/news/new-15-million-grant-fund-to-help-social-ventures
[12] Impact Investment Ready Growth Grant https://impactinvestingaustralia.com/looking-for-investors/#growth-grant

[13] This programme contributed to the Impact Investment Readiness Programme pilots in 2018, 2019 and 2020 to better understand and validate the suitability of such a programme in NZ.
[14] See over page for more information on previous applicants and recipients of this programme.

programme. Alongside this they have also significantly increased their number of employees, revenue, and broader social and environmental impacts.

The programme's approach is a proven way of increasing impact investment readiness, demonstrated nationally and internationally. We are seeing exceptional demand from the sector, with both the 2019 and 2020 programmes receiving over 100 applications, and enough funding to support only 9 and 11 recipients respectively.

Outcomes of the 2018/19 Programme*

- $100,000 provided to impact-led businesses
- 9 businesses received funding
- $2,949,000 received in impact investment by those businesses (29x the funding provided)
- 21 professional services providing support
- 10 investors involved

*Note: In 2020 we provided $250,000 in grants to 11 businesses. Most of those recipients are still completing their investment readiness and outcomes data is not yet available.

The case for scale

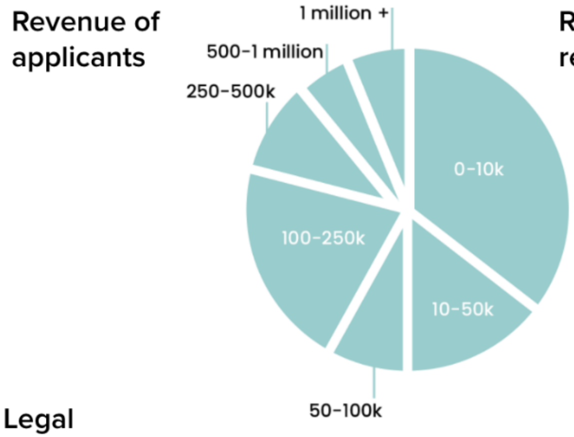
1. Ākina has proven the model: identifying high potential organisations, enabling them to get professional advice and raise investment that significantly scales their business and impact.
2. Larger grants = larger impact. Ākina has progressively increased the size of grants provided over the years, and found that larger grants enable more significant capability growth in businesses, more professional services to be involved, and more investment to be received. Both our $30,000 grant and the Australian grant (up to $140,000) have successfully enabled businesses to leverage the grant by over 20x in investment received. Based on this, we suggest the grant size increases to up to $100,000.
3. There is exceptional demand. In each of the past two years there have been over 100 applicants who missed out on funding (see below for information on the 2020 applicants). Accordingly, we recommend $5million is allocated to this across three years, enabling at least 50 businesses to receive investment readiness support and significantly increase Aotearoa New Zealand's impact investment pipeline.

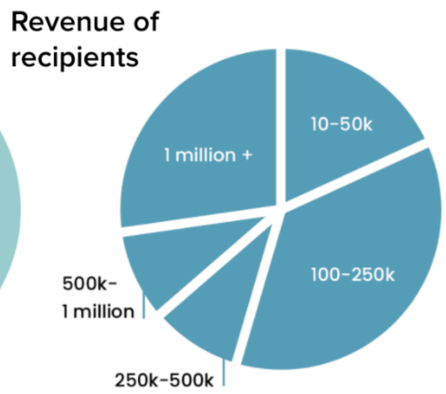
Next steps

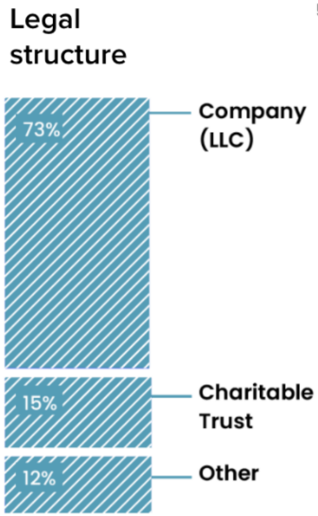
Based on the efficacy of programmes here and internationally, we recommend scaling an impact investment readiness programme in Aotearoa New Zealand by allocating $5million across three years to enable businesses to receive up to $100,000 in funding to go towards impact investment readiness. This will enable businesses to go on and receive 20x or more of that amount in investment, and significantly increase their broader contribution to our sustainable and inclusive economy in the process.

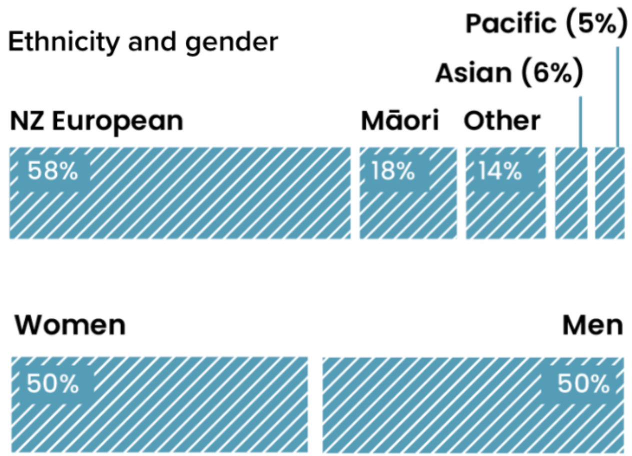
Characteristics of Impact Investment Readiness Programme 2020 recipients

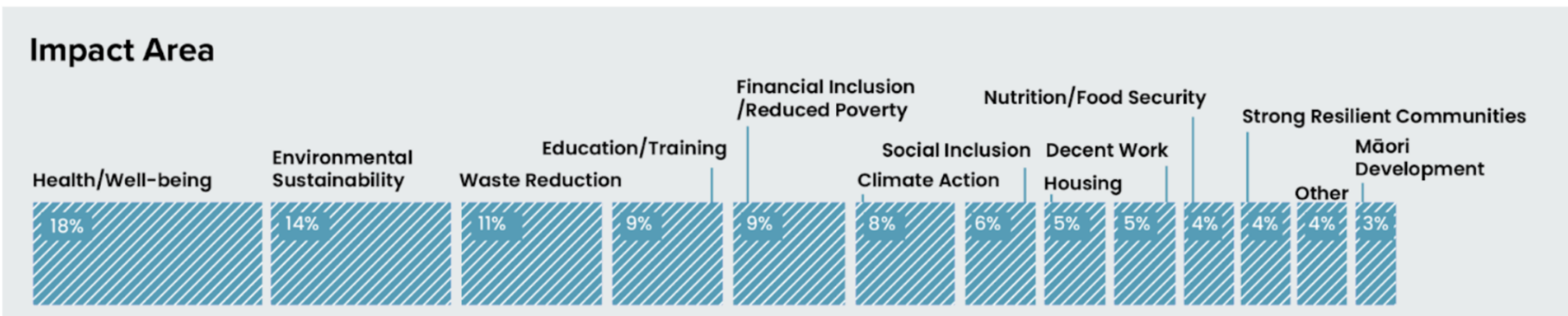
Total applications: 125
Total recipients: 11











Recommendation 3.3

Partner with the Centre for Sustainable Finance to enable impact investing in Aotearoa New Zealand.

As the potential of impact investing continues to be seen around the world, the opportunities it creates for Aotearoa New Zealand are exciting and naturally aligned to the wellbeing outcomes our country is working towards. The private sector has deep capital and experience in investment, making them a natural partner to the Government to deliver and grow wellbeing outcomes, and lead impact investing in the long term.

To enable this the Government could partner with the private sector to help enable a private-led impact investing sector. The recently proposed Centre for Sustainable Finance[15] is a logical spokesbody for the private sector, and is well placed to partner with the Government. The Government should ensure it is actively working with this organisation to enable Aotearoa New Zealand's impact investing market.

[15] Proposed under 'Priority Area 6: Coordination' of the Sustainable Finance Forum's Roadmap for Action, by The Aotearoa Circle, accessible here.

What are the barriers?

While the impact investing sector has grown significantly in recent years, it is still at an emergent stage, with significant growth still expected. Growth is needed in the volume of capital available and in the breadth of impact-led businesses that it serves. While growth brings exciting opportunities to invest for Aotearoa New Zealand's wellbeing, appropriate support and guidance is needed to ensure barriers continue to be removed so the sector can continue to grow in order to achieve its potential.

The challenges facing Aotearoa New Zealand are far greater than either the public or private sectors can tackle on their own, however. To truly improve Aotearoa New Zealand's wellbeing, all sectors need to contribute, learn and work together. Impact investing is a natural lever to increase the scale of impact-led businesses and improve wellbeing and one that the private sector are well placed to lead due to the knowledge, including mātauranga Māori, capital and investment experience they have developed. But, to enable the private sector to lead impact investment, support is needed from the Government to overcome existing barriers.

While this programme has identified, and recommended solutions to, the primary barriers to the growth of Aotearoa New Zealand's impact investing market, additional challenges and opportunities will arise as the market continues to grow. These could relate to impact investing definitions, impact assessment, or impact reporting processes. If these challenges are identified early and removed, the market will be accelerated, but if not, the market may become fractured and inconsistent. Therefore the Government should establish ongoing dialogue and partnership with the private sector to identify and remove barriers going forward.

Beyond this programme, there has been limited evidence of engagement from government with the impact investment ecosystem, particularly around how it can be enabled. This is despite the clear alignment it has with government's priorities. Historically there has also been limited leadership within the private sector around impact investing, however this has now changed with the establishment of the Aotearoa New Zealand Impact Investing National Advisory Board (ANZIINAB)[16] (part of the Global Steering Group for Impact Investing, and supported as part of this programme), and the Centre for Sustainable Finance, recently proposed by the Sustainable Finance Forums 'Roadmap for Action'. Both of these bodies are key private sector stakeholders who the Government could actively work with to enable impact investing.

[16] https://www.impactinvestingnetwork.nz/nznab

Partnering for growth

We recommend that the Government partners with the Centre for Sustainable Finance, recognising it as a spokesbody for the private sector. The mission of the Centre for Sustainable Finance is to accelerate the transition to a sustainable financial system by 2030 by coordinating the implementation of the SDD Roadmap for Action.

The Centre will provide a forum for collaboration on sustainable finance and will oversee a number of implementation groups to bring the Roadmap for Action to life. The Centre will bring together public and private sector participants, and will be closely connected to the ANZIINAB and other stakeholder groups. It is therefore well placed to identify how impact investing can continue to be enabled and private sector participation maximised. This makes the Centre effective representatives of private sector interests, and a logical partner to inform the Government around how to continue to enable impact investing. We have also seen the efficacy of partnerships like this internationally, with the creation of the Social Investment Taskforce in Australia,[17] and the Inclusive Economy Partnership[18] in the United Kingdom. In Aotearoa New Zealand, the partnership should involve regular engagement and insight sharing and the Government could consider taking an observer seat on the Board of the Centre for Sustainable Finance. Partnering with the private sector in this way is important for the Government to continue to identify how it can enable impact investing, and in doing so maximise the wellbeing outcomes generated across Aotearoa New Zealand.

[17] https://www.pmc.gov.au/domestic-policy/social-impact-investing-taskforce
[18] https://www.inclusiveeconomypartnership.gov.uk/

We also encourage the Centre for Sustainable Finance to ensure that it includes within its mandate to specifically guide and enable the growth of impact investing, including in partnership with Government, and that it works closely with, and learns from, the ANZIINAB and Māori leaders in doing so.

What work has been done already?

The programme has supported the establishment of the ANZIINAB, which has now been active for two years. We have contributed to The Aotearoa Circle and Sustainable Finance Forum's Roadmap for Action and have met with Officials and Ministers to discuss this Board and the value a guiding body can add to Aotearoa New Zealand's impact investing sector.

Next steps

We recommend that the Government engages with the implementation team of the Centre for Sustainable Finance, the SFF 2.0 Leadership Group, to determine how it can best work with the Centre going forward to enable a private led impact investing sector.

the **IMPACT** INITIATIVE

The Impact Initiative (The Social Enterprise Sector Development Programme) was allocated $5.5m in government funding over three years. It is delivered by Ākina in partnership with the Department of Internal Affairs and with support from the Community Enterprise Network Trust (CENT).

The programme concludes in March 2021 with the delivery targeted recommendations outlining the next steps for the Government to support the ongoing development of social enterprises, as well as opportunities for the Government to tap into the impact social enterprises create. The recommendations have been developed with government agencies and with consultation from sector representatives.

PROGRAMME PRIORITIES

- Understanding and supporting the conditions for a thriving social enterprise sector in Aotearoa New Zealand
- Making it clear how social enterprise is contributing to government's economic, social and environmental goals
- Working with the Government to articulate what it needs to do to support social enterprises, after the programme.

PROGRAMME PARTNERS

Te Tari Taiwhenua Internal Affairs   ākina   CENT

Programme activity highlights

- Uncovering the ways in which social enterprises deliver against the Government's priority areas
- Developing cross agency and public-private working and advisory groups to collaborate on social enterprise
- Uncovering legal barriers for social enterprise and exploring ways to address these
- Testing ways to support and grow social enterprises through place based networks
- Engaging strategically with government to support the development of broader outcomes through social procurement
- Developing and growing Aotearoa New Zealand's first social procurement marketplace (Fwd) and enabling access for government buyers
- Supporting social enterprises to access capital and get ready for impact investment
- Creating and testing business development tools and resources for social enterprises.