

the
IMPACT
INITIATIVE

RECOMMENDATION AREA TWO:
IMPACT MEASUREMENT & MANAGEMENT

Using social enterprise models to achieve Government goals

Recommendations 2.4

PREPARED BY THE ĀKINA FOUNDATION
as part of The Impact Initiative

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Background

Continue the kaupapa of the Living Standards Framework and Indicators Aotearoa by building the capability of key teams in government agencies, so that they can measure and grow the positive impact of their activities.

Government can enable more informed decision-making and policy-making, as well as better communication of impact to key stakeholders by building the capability of key teams in government agencies, implementing impact indicators, and by collecting and sharing data that shows what's working. There is also an opportunity for government to use social enterprise models to start new self-sustaining organisations that deliver against government priorities.

'It's very hard for us to tell the impact we are having on the ground... I want to know if we're going in the right direction... we don't know that yet. I've been trying to find ways that we can get much more immediate feedback so that we can keep making that progress – know what policies are working and what's not. That has been one of my real frustrations. I want to try to resolve that in this term.'

- Prime Minister Jacinda Ardern

7 December 2020, [interview with stuff.co.nz](https://www.stuff.co.nz/interview-with-jacinda-ardern)

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](https://www.theimpactinitiative.org.nz):

www.theimpactinitiative.org.nz



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Recommendation 2.3

Utilise social enterprise models to achieve Government goals

Government should see social enterprise models as a powerful vehicle to help achieve their goals. Government agencies generally achieve their goals by taking action themselves, or by paying others to take some action. This approach requires agencies to provide ongoing government funding so that the goals keep being achieved. This recommendation explores how people in government could use social enterprise models to start new, financially self-sustaining organisations designed to achieve government goals indefinitely.

KEY TERMS

- **Social enterprise:** using trade or business to deliver social and environmental impact (**verb**)¹
- **Social enterprise models:** utilising the model of trading for a social and environmental outcome, which could include the outcomes of increased employment; transformative goods & services; or directing profit to charitable purposes

¹ The term 'social enterprise' is also used as a noun to refer specifically to impact-led organisations that trade to deliver positive social, cultural and environmental impact in other recommendations. This recommendation is focussed on social enterprise as a way of operating, rather than the organisations that identify as social enterprises.

- **Outcomes** are the positive or negative changes that happen as the direct result of a programme or an activity and can occur over the short-term, medium-term or longer-term
- **Impact** refers to the broader social, environmental, cultural or economic change (as determined by the people experiencing the change) that occurs within the community, society, or environment as a result of the programme or activity's outcomes

What does this mean?

There is potential for government to effectively utilise the models of social enterprise as a lever to achieve government's impact / wellbeing goals. If correctly utilised, it could lead to communities being able to acquire more of their essential goods and services from organisations that are designed and run with and for them. This could lead to communities being more self-sufficient and more financially resilient, with the power to set their own goals.

Social enterprise models present a unique opportunity for government agencies to work in partnership with the community and to take innovative approaches to addressing social and environmental challenges. There are additional benefits achieved by utilising these models such as employment opportunities and a self-sustaining revenue model. Establishing a social enterprise should be viewed as a lever for achieving positive impact, in the same way an agency might view other levers that are commonly available to government agencies like developing policy, running programmes, delivering services and administering grants.

There is an opportunity for government to use social enterprise models at scale. This could mean piloting and then rapidly scaling proven models nationally in order to effect meaningful systems change.

Social and environmental benefits

Social enterprises have certain traits that make them well suited to being a vehicle through which different organisations can work in collaboration to achieve wellbeing outcomes:

- **Impact:** Social enterprises are uniquely well-placed to achieve specific wellbeing outcomes. For example:
 - **Increase employment:** Social enterprises are trading entities which means they can offer hands-on, real-life employment opportunities with salaries in a way that a programme like an employment training scheme alone could not.
 - **Increase affordable access to essential goods and services:** The commercial market cannot or is not currently providing all of the goods and services needed by certain parts of the community, in a way that is affordable, accessible and mana-enhancing. This results in financial hardship and exclusion. For example, the housing market is not currently accessible to a large portion of New Zealanders and we have growing food insecurity. Social Enterprises are impact-driven, not profit-driven and so can deliver goods and services to vulnerable customers at prices that are affordable, and in a way that is accessible, without necessarily needing to make a profit. This presents opportunities to sell essential goods and services (e.g. housing, utilities, transport and food) to vulnerable customers at cost, or at very-low-margins, where the cost might be significantly reduced by leveraging volunteers, word-of-mouth marketing and receiving in-kind support from others who are interested in the same positive social outcomes.
- **Support community resilience and self-determination:** Social enterprises are often embedded in the communities that they serve. They are able to be designed in a way that enables community ownership and facilitates communities responding to challenges they identify.
- **Māori-defined goals:** Māori have a long history of utilising business models that could be referred to as social enterprises and were likely Aotearoa New Zealand's first social entrepreneurs. Throughout the country iwi and whānau are operating iwi enterprises and whānau businesses to achieve positive social and environmental impact.
- **Collaboration:** during the start-up and growth phase, new social enterprises need certain things that different groups/sectors/organisations may be able to contribute. For example:
 - Generating and sharing insights about community-identified goals and potential solutions to existing barriers to establish their initial Theory of Change
 - Sharing evidence of the types of interventions that have generated positive impact in particular areas with particular communities
 - Providing seed-funding
 - Providing strategic/governance advice to support the design of the business model
 - Making resources available such as retail or office space, logistics networks, health and safety protocols.

Sustainable impact

In partnership with community, Government agencies could look for opportunities to establish entities or businesses that can be sustainable and achieve positive impact in the longer term, by:

1. Using social enterprise models to facilitate the achievement of community-identified goals, and
2. Having a business model to help the long term funding of the achievement of the goal

A social enterprise could be a vehicle that would enable government funding to work alongside revenue from a business model. This would mean there is more money available to achieve the goal. Once the social enterprise is established and running and if the business model is strong, the social enterprise should be able to financially sustain itself indefinitely relying on its revenue. Government would have supported the establishment of an entity that could achieve positive outcomes indefinitely without the need for further government spending.



Growing impact

One additional feature of social enterprise models is that they are often able to attract private capital. This distinguishes social enterprise models from a Government-run programme or a charitable trust which cannot take on investment as they have no revenue model capable of providing a return to investors. An entity utilising a social enterprise model may be able to attract and use private capital to help it to scale, to become much larger, capable of achieving significant impact at scale. Although social enterprise models would not always be relevant or appropriate, in some situations it presents opportunities to bring new money to achieving community-identified goals.

To highlight the potential of this opportunity, there is currently \$31 trillion in sustainable investments globally.² Investors are interested in investing in businesses that are contributing to sustainable outcomes. There are opportunities for the New Zealand Government to initiate or support the growth of investable businesses that utilise social enterprise models to attract investment, or explore options such as housing bonds or green bonds. This could lead to positive environmental and wellbeing outcomes for Aotearoa New Zealand as well as potential economic benefits. The potential of impact investment is discussed further in Recommendations 3.1, 3.2 and 3.3 with Recommendation 3.2 specifically focused on increasing the amount of impact capital available in New Zealand to invest into businesses like this.

² Global Sustainable Investment Alliance Review 2018, accessed at <http://www.gsi-alliance.org/> an updated version and anticipated increase in this figure is due in early 2021.

What is the current challenge?

Aotearoa New Zealand faces significant challenges and opportunities. As a nation, we want to increase wellbeing so that New Zealanders are thriving; we want a strong economy that offers stable employment; we want to preserve and value Māori culture and we want to be responsible guardians of our environment. People in Government are tasked with achieving many of these goals, through policy, programmes, services and grants. However, government has finite resources to achieve all these goals, so people in government need to look for ways to achieve maximum impact with the resources available.

Currently, social enterprise models are under-utilised within government agencies as a tool for achieving wellbeing goals. Government runs businesses (State Owned Enterprises and Crown Entities) predominantly to earn revenue to enable government to achieve wellbeing outcomes elsewhere. However it rarely supports the starting or running of businesses with the primary objective of achieving wellbeing outcomes. *See Recommendation 4 for how an organisation can adjust its management approach to maximise its positive impact.*

Current approaches to government spend require ongoing funding from government agencies to continue achieving the desired outcomes.

Social enterprise is a powerful model that charities, businesses and community organisations are utilising to achieve community identified goals and better serve our people and the environment.³ There are opportunities for government to utilise this model, particularly in areas where the market is not sufficiently serving the needs of people, in particular our most vulnerable and marginalised communities. Opportunities could be explored in areas like housing, utilities, transport and access to food.

³ See [The Business of Impact](#) report for more detail on how social enterprises are achieving social and environmental outcomes through business models.

One challenge is that this is not a well trodden path so there is limited understanding of what role government could play. There is an opportunity to increase understanding of what could be done. For example, government could offer grants or seed funding to pilot, launch and scale new initiatives, it could fund or invest in the growth of an existing enterprise that is demonstrating high impact. These could all be done in partnership with community, philanthropy and Iwi Māori.

What would the change enable?

Government could use social enterprise models to achieve significant wellbeing outcomes such as:

- Reduced financial hardship and child poverty
- Increased employment
- Reduced environmental harm
- Increased community resilience.

Government could establish social enterprises in partnership with communities and leverage the evidence about what's needed and what works. It could then utilise the insights and access of community organisations. A partnership approach could lead to communities ultimately running and owning social enterprises that would help to build community resilience. In addition, we also are seeing opportunities for philanthropic funding and corporate resources being brought to bear in collaborative efforts to initiate social enterprises.

Social enterprise models could enable the government to achieve ongoing impact without ongoing funding. It will move ownership to the community, build resilience and self-determination.

Utilising social enterprise models will increase opportunities for better collaboration between government agencies, community, philanthropy and business. It may also lead to government unlocking capital from other partners to achieve its goals.

What work has been done already?

We highlight below two examples of models that the Government could support to scale nationally in order to achieve ongoing positive impact. We propose that there are numerous industries and wellbeing areas that people in government could target by using social enterprise to achieve wellbeing outcomes.

Example: Financial hardship and emissions

Ākina is working with Waka Kotahi (NZTA), MBIE, Auckland Council, the Manukau Urban Māori Authority and a corporate partner to design a solution to financial hardship. Currently many New Zealanders are unable to afford the purchase and ongoing costs of a vehicle, which leads to high-cost finance and debt cycles. Stable access to a vehicle is linked to a number of wellbeing outcomes including access to employment, education and healthcare. To address transport-related financial hardship, the partners are establishing a low-emission car leasing scheme that makes vehicles available at an affordable rate and supports the equitable transition to a low-emission transport system. The scheme is being piloted in Manukau. Users pay to lease a safe hybrid car at a fixed, affordable rate. This means they have reliable, environmentally sustainable transport, no bill shock, and no need to access high-cost finance. The ongoing running costs will be largely covered by revenue generated by users paying to lease the cars. Running costs are reduced because community and corporate partners are invested in the positive wellbeing outcomes and so can offer more affordable rates. Once tested, this model could be scaled throughout the country to help increase access to transport, reduce financial hardship and reduce emissions.

Example: Waste management

Mahurangi Wastebusters Ltd. (Mahurangi) is a social enterprise that manages two community recycling centres in Warkworth and Wellsford for Auckland Council. It serves 25,000 people and diverts as much material as possible from landfill through reuse or recycling. Mahurangi handles 19 different waste streams and works with numerous partners to recycle and reuse people's waste. Auckland Council pays Mahurangi for its waste management services. Mahurangi also earns revenue from the sale of recovered items and this revenue funds Mahurangi's less profitable activities which support community engagement, behaviour change and waste diversion.

With the support of central and local government this proven business model could be scaled. We estimate that there is potential for at least 60 additional community-led resource and recovery centres in Aotearoa New Zealand. This would result in increased employment, diversion of waste from landfill and increased community resilience.

What could be done next?

Below is a range of options that could be implemented to develop solutions to the challenges identified above.

1. Grow awareness of social enterprise models within government agencies

We have made important progress on this front through the entire programme. Ākina is now well positioned to demonstrate the value of social enterprise models to key stakeholders across sectors such as resource and waste recovery and innovative collaborations such as the Social Car Leasing pilot. In particular, Ākina will produce and share a case study of the Sustainable Car Leasing scheme development that demonstrates the common journey from idea stage to implementation. The case study will highlight how the idea was generated through a government, community and industry collaboration which then progressed to a feasibility study and through to forming partnerships with a corporate car retailer and a community provider. A pilot for the scheme is due to commence in the first half of 2021. Interested stakeholders can continue to engage and observe how such an initiative can progress.

2. Increase understanding of how Government could use social enterprise models to achieve impact

We would like to see policy teams understanding and acknowledging social enterprise models as a lever for achieving policy goals in the same way they use funding and delivery of programmes.

Our recommendation is that these teams engage with key intermediaries and experts in this space to explore opportunities to use this model to deliver on their objectives.

3. Develop a common understanding of what works

As referenced in recommendation 2.3, using resources such as the Integrated Data Infrastructure (IDI), other government resources and insights, as well as significant international evidence and experience, the New Zealand Government should develop new insights that can assist social enterprises, corporates and non-profits to select interventions that are evidence based.

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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



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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 of 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.