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Australian Government  
Department of the Prime Minister and Cabinet

# Social Impact Investing Taskforce

Interim report  
December 2019



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### Social Impact Investing Taskforce: Interim Report (Online)

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## Letter from the Chair, Mr Michael Traill AM

Dear Prime Minister,

I am pleased to update you on the work of the Social Impact Investing Taskforce. The aim of the Taskforce is to support Australians experiencing disadvantage to more fully participate in the economic and social life of the nation. We have undertaken extensive consultation and research over the last five months. There is an emerging and clear vision about the capacity for the business, financial, philanthropic, government and community sectors to work together to bring about a meaningful reduction in entrenched disadvantage and address broader social issues. Greater access to, and more effective utilisation of social impact investing can play a vital role in this.

Social impact investing represents a broad spectrum of investments that are undertaken with the intent of generating positive, measurable social impact alongside a financial return. The level of financial return may vary considerably. Most social impact investments in Australia to date have been concentrated in transactions in the range of \$500,000 to \$10 million and a number have demonstrated returns of capital and modest (2.5 to 8 per cent) annual interest payments. There are isolated examples of larger scale (\$10 million plus) social impact investments which have generated market rate returns that would be acceptable to mainstream funders including superannuation funds.

While there has been significant growth and development of the Australian social impact investing market in the last decade and a number of successful case study examples, it is still at a relatively early stage. The Australian social impact investing market is not unfairly described in some quarters as a 'cottage industry'. The Expert Panel believe sensible government action and policy support can contribute to significantly changing this.

In the private sector capital usually flows in response to market demand, based on indicators of financial performance. There is the capacity for transforming the flow of social impact funding underpinned by more clearly understood measurement of social and financial performance. This will require harnessing the best of the business and social purpose worlds. The Expert Panel note in particular some of the international precedents, particularly in the UK, where government has played a critical enabling role to accelerate the development of the social impact investing market. The Expert Panel have no doubt an equivalent opportunity exists in Australia.

## Letter from the Chair, Mr Michael Traill AM (continued)

Three clear headlines have emerged from the Taskforce's extensive consultation process to date:

- Existing and prospective social impact investors have an active appetite to invest significantly more capital.
- The shortage of social impact investment opportunities with transparent measurement of social outcomes and financial performance is a major barrier to further growth.
- There is a lack of intermediaries who can advise on and create social impact investing transactions to stimulate market growth.

The interim report highlights initial findings. It includes short term recommendations to improve social impact outcome measurement and support the sector to build capacity and connections with an information portal. It also outlines three key areas that the consultation process has emphasised as worth pursuing as the Taskforce works towards our final report due in June 2020. Local evidence and UK experience indicates action on these could have a transforming effect on growing an effective social impact investing market over the long term. Each will require effective partnership and funding contribution from social impact investors and government. These are:

- Early stage funding to support the market gap of social entrepreneurs accessing support and capital.
- Increasing a range of outcomes-based funding opportunities.
- An impact investing wholesaler, akin to Big Society Capital in the UK.

In progressing the work of the Taskforce, the Expert Panel will continue to consult widely to gain understanding, feedback and momentum with a view to presenting the final report in June 2020. The Expert Panel looks forward to engaging with the Government in implementing practical initiatives to grow the social impact investing market for the benefit of Australians experiencing disadvantage.

Yours sincerely

Mr Michael Traill AM

# Project overview: Social Impact Investing Taskforce

## Background

As part of the 2019-20 Budget, the Commonwealth Government announced it would establish a Taskforce to examine the Commonwealth's role in the social impact investment (SII) market.

The Taskforce comprises an independent Expert Panel with SII expertise and a support team within the Department of the Prime Minister and Cabinet.

## Definition

Social impact investing aims to achieve a social objective alongside a financial return—and measure the achievement of both.

## Role of the Taskforce

The Taskforce is developing recommendations on a strategy for the Commonwealth's role in the SII market, drawing on international, private sector and state and territory government experience.

The Taskforce will identify a way forward for Commonwealth investments in SII, including how SII can provide solutions to address entrenched disadvantage and some of society's most intractable social problems, ultimately providing evidence-informed recommendations to Government on a comprehensive SII strategy.

## Expert Panel

- Mr Michael Traill AM (Chair)
- Ms Amanda Miller (Deputy Chair)
- Dr Catherine Brown
- Mr Daniel Gilbert AM
- Ms Sally McCutchan

## Key deliverables

- End 2019: an interim report to Government on the development of the strategy
- Mid 2020: A final report on the Commonwealth's role in the market

## Engagement

The Taskforce is engaging widely with the private, philanthropic and not-for-profit sectors, state and territory governments, and relevant Commonwealth agencies.

## Resourcing

\$5m in 2019-20 Budget:

- Project team in PM&C
- External consultants
- Expert Panel
- On-costs

# Executive summary: Social Impact Investing Taskforce Interim Report

The interim report summarises the Taskforce's findings to date—and includes three initiatives recommended for immediate implementation. A final report will be submitted to Government in June 2020.

## The challenge

Despite Australia's prosperity, too many Australians still face persistent disadvantage and exclusion. Social impact investing can ignite—and grow—better interventions to ensure everyone can participate in the economic and social life of the nation. In Australia, the full potential of social impact investing is as yet untapped.

The Commonwealth Government has taken steps to build and participate in the social impact investing market. The Commonwealth should now take a coordinated and longer term approach to guide its involvement and support the development of a mature and sustainable social impact investing market.

## Emerging findings & feedback

There are three distinguishable forms of social impact investments: payment-by-results programs; small to medium social enterprise; and large scale social enterprise.

Participants value well-designed payment-by-results programs, but are looking for ways to reduce the complexity of such transactions.

A key challenge for smaller social enterprises is to support them to become investment and contract ready. And investors are seeking reasonable risk adjusted returns on their early-stage investments.

For larger social enterprises, the key question is why there are not more. The challenge is that—in order to attract the scale of funding required—large scale social enterprises need to be attractive to mainstream institutional funders.

## The opportunity ahead

The Taskforce recommends the Government consider three initiatives, which are ready for immediate implementation:

- A. Develop evidence and data on social impact
- B. Principles for future initiatives, and
- C. Support capacity-building and connections through an information portal.

If the Government decides to proceed, the Taskforce will work with Ministers and departments at the Commonwealth and state level—as well as other key stakeholders—to progress the initiatives.

The final report, due mid 2020, will contain the Taskforce's advice on a Commonwealth strategy. The report will include recommendations to address key issues, including: support for early-stage social entrepreneurs; support to increase outcomes-based contracting; and establishment of an impact investing wholesaler.

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# The potential of social impact investing



# Despite Australia's prosperity—and an array of interventions over many decades—too many Australians still face persistent disadvantage and exclusion

The Taskforce envisages an Australia where combinations of the business, financial, philanthropic, government and community sectors work together to explore the potential of social impact investing to stimulate more innovative and collaborative responses to seemingly intractable social challenges.



- Around 12 per cent of Australians, or nearly **3 million people, are unable to afford the basic essentials of life.**<sup>1</sup>
- Around 3 per cent of Australians, or around **700 000 people, have been living in income poverty continuously for at least the last four years.**<sup>2</sup> The prevalence of income poverty **has not substantially changed over the past three decades.**<sup>3</sup>
- Some of the groups who experience the highest rates of persistent disadvantage include; **Indigenous Australians, unemployed people, people living in single parent families, and people living with disability.**<sup>4</sup>
- The challenges facing our society are set to become ever more complex—and **it is unlikely that governments alone can find all the solutions.**

# Social impact investing can ignite—and grow—better interventions to ensure everyone can participate in the economic and social life of the nation

Social impact investing can incentivise organisations to deliver social impact efficiently. As such, it offers a real opportunity to encourage new ideas. When the evidence demonstrates that an intervention really does achieve a desired social outcome, it can be rolled out more widely.

The Taskforce envisages a social impact investing market that operates in a similar way to mainstream capital markets.

The Taskforce's vision is of a social impact investing market where **venture capital and philanthropic funding flow to the most promising early-stage social investments** to support them to launch and grow.

Investors base their decisions to provide capital on **clearly understood metrics** of financial—and in this case also social—performance. Early stage investors, including philanthropists, can **assist with funding and support for early evaluation of outcomes-based approaches**.



Social entrepreneurs that show a track-record of delivering strong social and financial returns will increasingly be able to **access more—and cheaper—capital**.

With access to more social finance, social entrepreneurs will have the ability to **trial new ideas** with high potential—and **scale the interventions** that are supported by the best evidence.

Social entrepreneurs with deep expertise in delivering services that **make a real difference in the lives of Australians** will be able to extend the reach of their work.

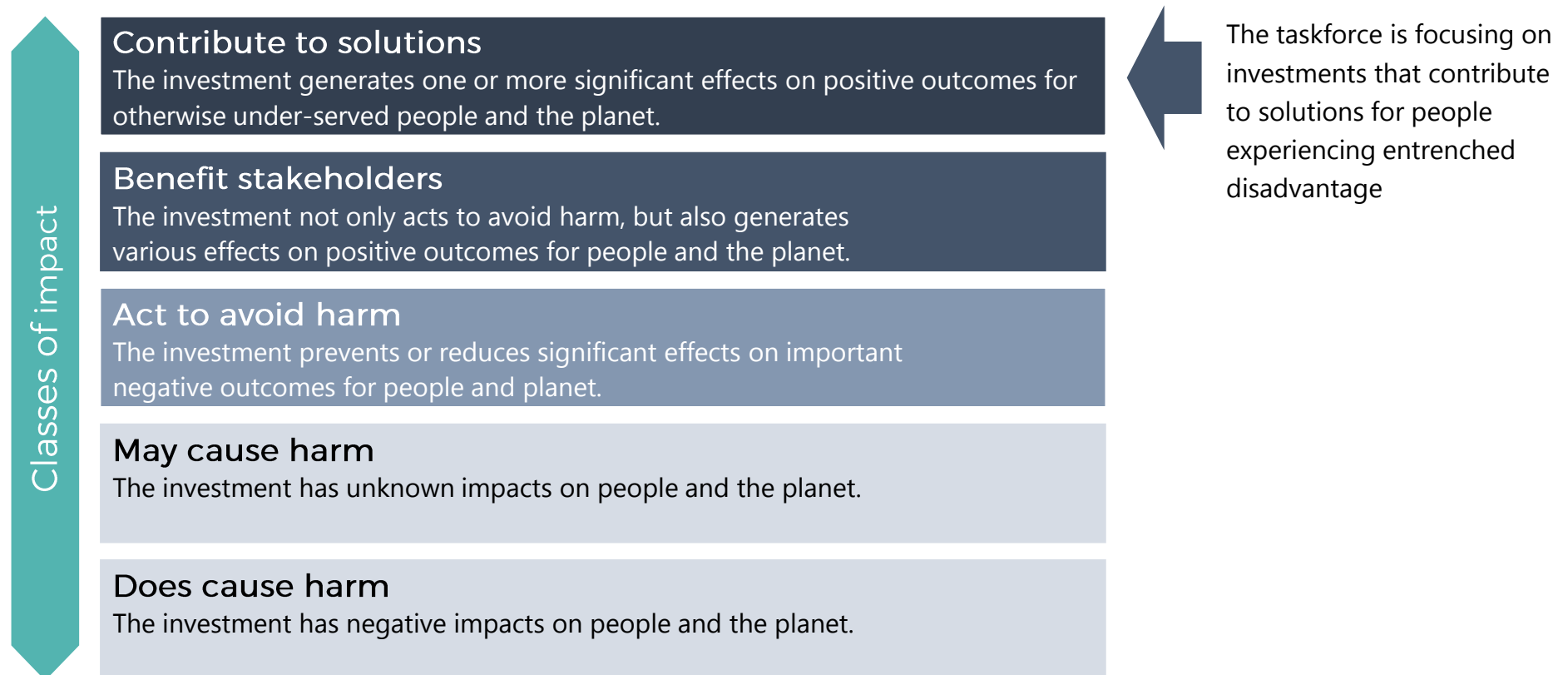
# Social impact investing sits on a spectrum of investments, ranging from irrevocable grants and philanthropy to mainstream investments

Social impact investments are made with the intention of generating measurable social outcomes and financial returns. Measurement and evaluation is critical for investors to rigorously assess social and financial risk and returns, and for service providers and governments to assess outcomes.



## All investments have an impact but the Taskforce is focused on investments that actively contribute solutions for people experiencing disadvantage

The framework below from The Impact Management Project illustrates different classifications of investments based on the extent and direction of impact. The Taskforce has a specific focus on high positive impact investments that contribute to solutions for people experiencing entrenched disadvantage.



## Social impact investing offers Government a way to stimulate new ideas and ensure best use of public resources

Increasingly, governments around the world are exploring the potential of social impact investing to generate more effective policy outcomes and build sustainable, inclusive economies.



### Encourages collaborative and innovative solutions

Impact investing brings together the expertise of different sectors in the community—including private and philanthropic investors, corporates, church and faith-based organisations, governments and the social services sector—to collaborate on new and innovative responses to existing and emerging social challenges.

Impact investing is integral in enabling the nation to work together to build a thriving and more inclusive society.



### Heightens the focus on interventions that work

Social impact investing heightens the focus on measuring and rewarding achieved outcomes.

A focus on outcomes and data ensures government funding flows to the interventions that are proven to be the most effective. As such social impact investing opens up pathways for social sector organisations to pursue promising social interventions such as early prevention and place-based programs.



### Attracts additional capital to achieve social outcomes

Governments have a responsibility to ensure taxpayer dollars are spent efficiently and effectively.

Social impact investing can mobilise private and philanthropic capital toward addressing social challenges. It can ready social enterprises for mainstream finance and social procurement opportunities.

This ensures public funding—especially non-returnable grant funding—is only used where it is needed most.

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## The Government's role in social impact investing

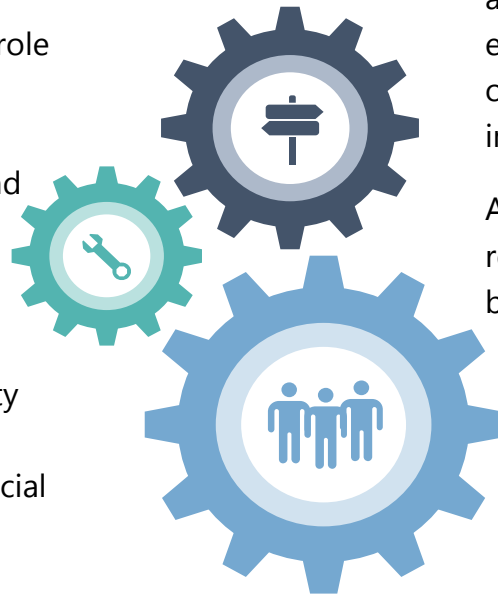
# Governments around the world facilitate, regulate and participate in social impact investing markets to support them to function efficiently and effectively

The Taskforce does not recommend a heavy government hand in the social impact investing market. But there are clear roles that governments around the world are playing to support efficient and effective impact investing markets. Overall government interventions should have a net public benefit and provide value to the taxpayer.

## Market facilitator

Governments—in implementation of public policy—have played a key role in the creation of organisations and systems that support an efficient and effective social impact investment market.

Examples include the establishment of Big Society Capital in the UK and the creation of the Office of Social Impact Investment in New South Wales.



## Market regulator

The government has responsibility for legislation and regulations that affect all markets, including the social impact investing market. For example, governments oversee legislation on the corporate structure of social enterprises, fiduciary duties for investors, and tax and fiscal incentives.

Australian governments are committed to improving the quality of regulation, including minimising the burden of regulation on businesses, community organisations and individuals.

## Market participant

Governments participate in the market as a purchaser of social outcomes. Increasingly, governments are exploring outcomes-based payments as an alternative to grant funding for organisations to deliver social services. Governments can also support social enterprise through procurement policy.

# The Australian government has already taken steps to build and participate in the social impact investing market

**2011: Social Enterprise and Development Investment Funds (SEDIF)**  
\$20m initiative to invest in social enterprises matched by investors

**2015: A New System for Better Employment and Social Outcomes (McClure Report)**  
Recommended the Government expand outcomes based contracting

**2017-18 Budget**  
SII trials with states and a Sector Readiness Fund for for-purpose organisations

## Commonwealth entities involved in SII activity:

- Department of Social Services
- Indigenous Business Australia
- Department of Foreign Affairs and Trade
- Department of Industry, Innovation and Science
- Clean Energy Finance Corporation
- National Housing Finance and Investment Corporation

**2014: Financial System Inquiry**  
Recommended Government help develop the impact investing market and recommended a discussion paper as next step

**2017: Discussion Paper on SII**  
Submissions called for Government involvement through capacity building and engagement with states which led to 2017-18 Budget measures

**2018-19 Budget**  
Building outcome measurement capacity of sector and payment by outcomes trial

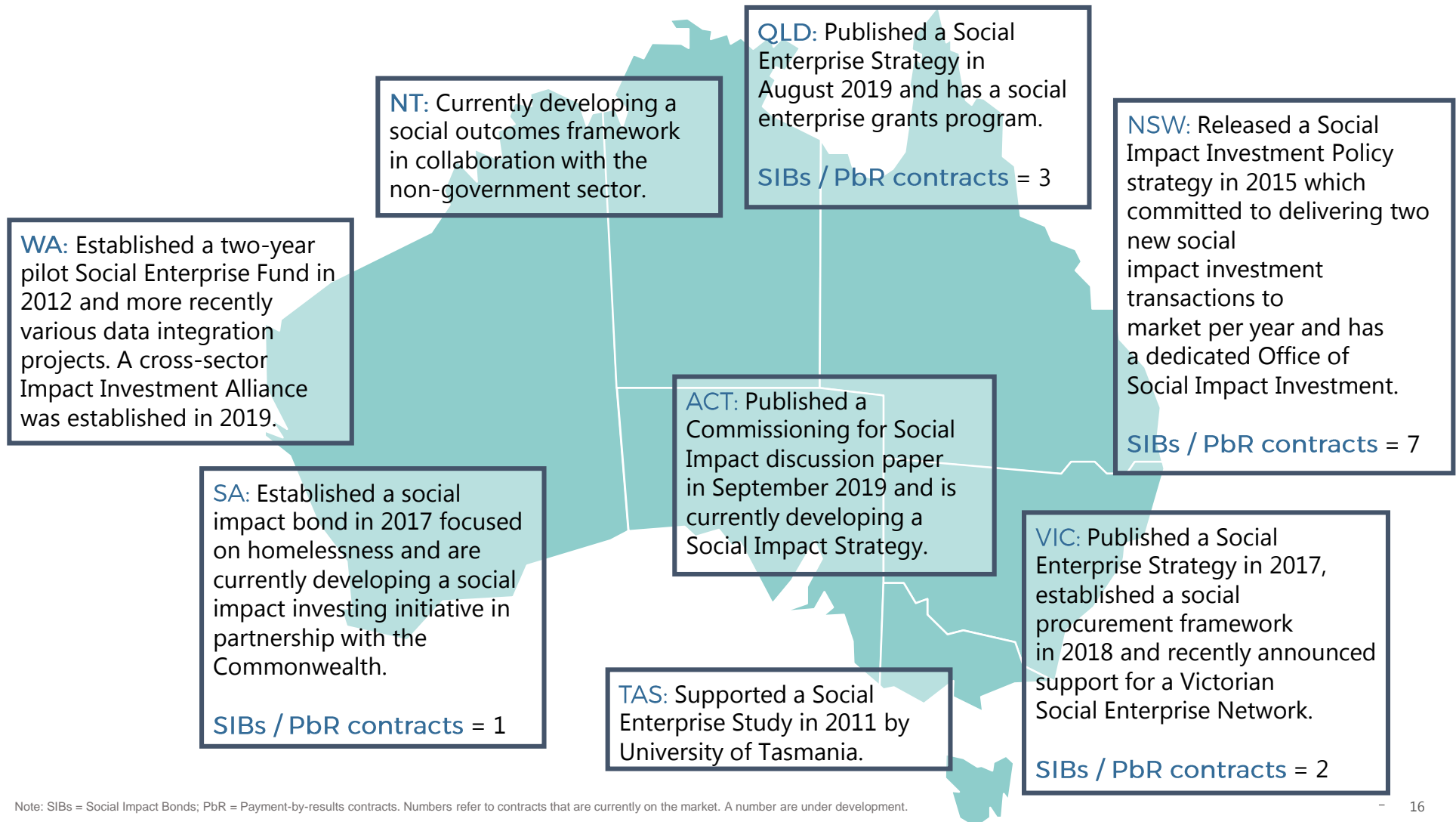
**2017: Australian Government Principles for SII**  
The Commonwealth Treasury developed a set of high level principles for guiding the federal government's involvement in the market

**2019-20 Budget**  
Social Impact Investing Taskforce announced



# State and territory governments have been progressing a range of initiatives

The level of activity on social impact investment varies between states. Some states have focused more on social impact bonds while others have explored social enterprise policies.



There is also a lot of activity already underway outside of government in the private, philanthropic, social and other sectors

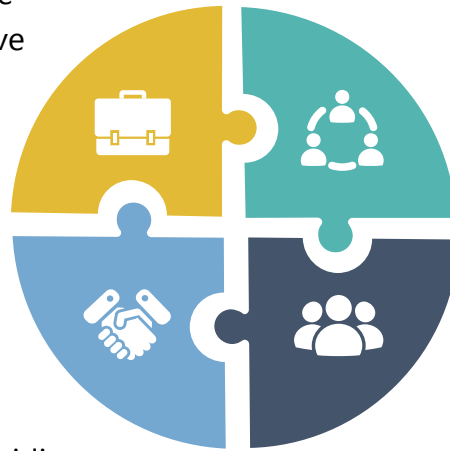
The social impact investing sector has taken the reins to drive the market forward with around \$242 million already invested in socially focused investments.<sup>1</sup>

### Private sector investors

There are a range of investors in the private sector who are helping to finance innovative solutions, including major banks, superannuation funds and individuals through crowdfunding platforms.

### Philanthropy

Philanthropy plays a key role in spearheading innovative ideas in the social impact investing sector through providing grants and other support to impact driven organisations where they might not have otherwise received help. Philanthropy has also played a key role in developing the market by funding and supporting intermediary organisations, and funding evaluation of outcomes-based approaches.



### Intermediaries, fund managers, academics and other specialist advisors

Intermediary organisations are helping to improve the resources, processes and infrastructure required for the social impact investing market to grow.

Intermediary organisations also play a key role in capacity building for impact driven organisations, originating deals by connecting organisations with investors, and in some cases managing funds.

Other key players supporting the market include international and domestic social impact investing networks, academics and specialist advisors.

### Impact driven organisations

Social entrepreneurs, not-for-profit and for-profit service providers (for example Indigenous businesses as well as churches and faith-based organisations) are leading the way in designing and delivering effective services for some of Australia's most vulnerable people. These organisations are creating positive social impacts in communities across Australia.

# The full potential of the Australian social impact investing market is untapped and there is a strong case for growth

Internationally, social impact investing markets are beginning to thrive. However, the Australian social impact investing market is still described as a cottage industry but there is an opportunity to accelerate market development by building on lessons learned from overseas and more mature environmental impact investing markets.

## International markets are thriving

At the end of 2018, there was an estimated USD \$502 billion in impact investing assets worldwide – this figure includes both environmental and social impact investments.<sup>1</sup>

Internationally, impact investors are more likely to target social than environmental impact investments. Around 90 per cent target social and around 60 per cent target environmental investments.<sup>2</sup>

The UK has the most mature market. At the end of 2018, there was over £3.5 billion in outstanding social impact investment—an increase of 30 per cent since 2017.<sup>3</sup>

## In Australia, the full potential of SII is still untapped

The market for impact investment in Australia has grown substantially in recent years. Managed impact investments grew from around \$1.2 billion in mid-2015 to \$5.8 billion at the end of 2017. But the vast majority of finance is for environmentally focused investments: only 4 per cent of the 2017 total—or \$242 million—was socially focused.<sup>4</sup>

That said, social investments made up over 60 per cent of the total number of investments, indicating there are more social than environmental investments, but they are of a lower dollar value.<sup>5</sup>

## There is more to do to support a local market to flourish

Fortunately, Australia has the opportunity to build on the lessons learned overseas—and make adaptations to suit our specific circumstances.

As such, the Taskforce has spoken to hundreds of individuals and organisations involved in the sector—both locally and internationally—in developing its advice on a Commonwealth strategy for social impact investing. The Taskforce is also undertaking focused research to develop a rigorous understanding of specific issues.

1. Mudaliar, A. and Dithrich, H. (2019). *Sizing the impact investing market*. Global Impact Investing Network. p.XI

2. Mudaliar, A., Bass, R., Dithrich, H., & Nova, N. (2019). *2019 Annual Impact Investor Survey*. Global Impact Investing Network. p.XI

3. Big Society Capital (2019). *UK Social Investment Market grows by 30% in one year*. Accessed on 18/12/19 at <https://bigsocietycapital.com/latest/uk-social-investment-market-grows-by-30-in-one-year-now-worth-over-35-billion/>

4. Castellas, E I and Findlay, S. (2018). *Benchmarking Impact: Australian Impact Investment Activity and Performance Report 2018*. Melbourne, VIC. Responsible Investment Association Australasia. p.21

5. *Ibid.* p.8

## Care should be taken to ensure social impact investing is used appropriately

Actors who seek to create a social impact should first consider the desired social outcomes; and secondly the most appropriate financing model. Social impact investing is not the most appropriate mechanism to fund all social interventions.

### Focus first on the social outcomes sought

All those who seek to create a social impact should focus primarily on the social outcomes sought—and secondly on the best mechanism for achieving outcomes.

Governments should focus on desired social outcomes when considering the suitability of impact investment models. Social enterprises should consider the most appropriate funding mechanisms for their business stage and model. And impact investors must consider their desired financial return and willingness to engage in rigorous impact measurement.

### Impact capital may not always be appropriate

Social enterprises and not-for-profits are increasingly exploring the best ways to expand their reach and sustainability. In particular, they are looking to supplement government grants and philanthropic donations.<sup>1</sup>

Currently, for most social enterprises, investment from external investors represents just a small proportion of their total funding.<sup>2</sup> However private debt is also not sustainable for all social impact organisations.<sup>3</sup> There will remain a need for different, and more innovative, funding mechanisms.

### There are many ways to do good

Social impact investing is another tool in the toolkit. It complements the numerous other ways of addressing entrenched disadvantage.

Non-returnable government grants and philanthropy will continue to have a fundamentally important role in supporting social impact initiatives—in particular to supporting early stage social enterprises to scale, including with blended finance.

Similarly, governments will continue to deliver social services. Not-for-profit organisations are critical pillars of the social services sector and will continue to be so. And there are also many ways in which corporate Australia materially contributes to the community.

1. Castellas, E I and Findlay, S. (2018). Benchmarking Impact: Australian Impact Investment Activity and Performance Report 2018. Melbourne, VIC. Responsible Investment Association Australasia.p.6  
 2. Barraket, J., Mason, C., & Blaine, B. (2016). *Finding Australia's Social Enterprise Sector 2016: Final Report*. Melbourne, VIC. Centre for Social Impact Swinburne & Social Traders. p.23  
 3. Castellas, E I and Findlay, S. (2018). p.36

# The Taskforce recommends the Commonwealth take a coordinated and long term approach to guide its involvement in the social impact investing market

The Taskforce recommends the Commonwealth's social impact investment strategy be holistic rather than piecemeal—and guided by an understanding of the appropriate role for the federal government. The Taskforce's final report will be mindful of such issues.

## The Commonwealth's involvement has been relatively small

Over 80 per cent of social enterprises agree that government policy support would encourage new opportunities for their organisations.<sup>1</sup> To date, there has not been an overarching strategy guiding the Commonwealth's role in social impact investing—and policy interventions have been small-scale and trial-based.

In 2017, the Commonwealth Treasury developed a set of high level principles for guiding the federal government's involvement in the market, but more detailed consideration and a clear plan is needed.

## Policy responses should be guided by the appropriate role for government

In the case of social impact investing the outcomes that are being pursued—addressing entrenched social challenges—are a focus of government. As such, there is a strong rationale for government to ensure its policy settings facilitate an efficient and effective impact investing market.

Overall the federal government's interventions should have a net public benefit and provide value to the taxpayer. Where possible, interventions should leverage private sector capital towards desired social outcomes and lead to an ultimately sustainable market.

## And policy responses should avoid unwarranted intervention in the market

It is only appropriate for the Commonwealth to intervene in certain circumstances. (See [Page 13](#) for detail on the potential roles of government.)

In particular, the Commonwealth should recognise the role of the states and territories in this market, who have been leading the way on social impact investing with 13 social impact bonds currently on the market and a number of social enterprise strategies introduced. (See [Page 15](#) for state and territory activities.)

When working with external parties, governments should seek to ensure a fair sharing of risk and return between all parties to the investment.

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Emerging findings and  
feedback: the market  
opportunity

The Taskforce is consulting with hundreds of individuals and organisations involved in the social impact investing sector—both locally and internationally

95

### Stakeholder roundtables

The Taskforce has held 8 roundtables with around 95 participants including social impact investors, superannuation funds, social entrepreneurs, philanthropic foundations, not-for-profits, faith-based organisations, indigenous enterprises, state and territory governments, fund managers and intermediaries.

&gt;40

### Targeted consultations

In addition to the roundtables, the Taskforce has heard from over 40 representatives of the social impact investing sector, business leaders through the Business Council of Australia, including international leaders, the Global Steering Group for Impact Investing and experts in this field.

5

### Workshops

The Taskforce held three workshops at the Impact Investing Summit Asia Pacific exploring impact measurement, support for impact driven organisations, and large scale investments. In addition, the Taskforce has held two small-group user mapping workshops to explore the experience of different market participants in the social impact investing sector.

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### Future consultations

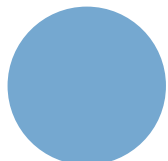
The Taskforce will continue to consult with stakeholders in the development of the final report. The Taskforce plans to hold additional roundtables and meet with practitioners and subject matter experts in 2020.

The Taskforce is undertaking rigorous research to test and develop its thinking with input from leading experts in the field



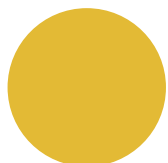
### Quantitative research

The Taskforce is sponsoring the 2020 update of a Responsible Investment Association Australasia (RIAA) survey which collects data on impact investing in Australia including impact investment activity and performance.



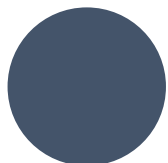
### Qualitative user-centred research

The Taskforce has commissioned focused workshops with participants in the market to explore the stages of social impact investing and the key steps, activities, barriers, challenges and enablers faced by key actors in the sector.



### Research projects

The Taskforce has commissioned research on international social impact investing interventions, social impact reporting frameworks and potential opportunities in Australia for large scale social impact investments.



### Stocktake of activity

The Taskforce will conduct a national stocktake of social impact investing initiatives across Australia and an assessment of existing Commonwealth commitments and programs, including reviewing current trials.



## The Taskforce has identified three segments in the social impact investing market that have resonated with stakeholders

While there are common issues across the segments, the distinction supports the identification of specific issues and policy solutions. Feedback on the core challenges and opportunities in each segment, along with case studies, are on [Pages 24 to 29](#).

### Payment-by-results programs, including SIBs

In a payment-by-results (PbR) program, a commissioning body (often a government) pays a service provider to deliver specified outcomes. A social impact bond (SIB) is a type of PbR contract in which social impact investors cover the service provider's upfront costs of service delivery—with the expectation of gaining a return on their investment when outcomes are achieved.

There are 13 social impact bonds and PbR contracts in Australia—with an upfront investment ranging from around \$5 million to \$14 million.

### Small to medium social enterprises

There are at least 20,000 social enterprises in Australia—and the sector appears to be growing.<sup>1</sup>

The Taskforce considers small to medium social enterprises to have under \$10 million annual turnover.

Social enterprises are notoriously difficult to define. But broadly, a social enterprise is an organisation that is led by a social or environmental mission—which may be either a not-for-profit or for-profit entity.

### Large scale social enterprises and investments

The Taskforce defines large scale social enterprises as those that are at least \$10 million in annual turnover.

There are very few examples of large social enterprises in Australia, and even fewer with considerable scale. Of 189 social enterprises surveyed, just six had an annual turnover above \$50 million.<sup>2</sup>

Other large scale investments include social impact investment funds and investments into social and affordable housing.

1. Barraket, J., Mason, C., & Blaine, B. (2016). *Finding Australia's Social Enterprise Sector 2016: Final Report*. Melbourne, VIC. Centre for Social Impact Swinburne & Social Traders. p.3

2. *Ibid.* p.22

## Payment-by-results programs including social impact bonds: Initial feedback

The Taskforce heard that investors, service delivery organisations and others all value well-designed payment-by-results programs, including social impact bonds (SIBs)—and are looking for ways to reduce the complexity of such transactions.

"I have been an investor in social impact bonds and would like to do more. They are complicated to understand – while I am a reasonably experienced financial investor I frankly don't fully understand the info memos.

The returns have been pretty much as promised and while 7 per cent is probably not fully reflective of all the risk, I'm ok with that because it feels like they are supporting programs that are really focused on measurable outcomes which I do feel strongly about.

If there was a fund that had a range of social impact bonds or outcome-focused payments and it was packaged more like an investment product I would probably commit significantly more funding."

**High net worth funder**

"While the process of organising the SIB was time consuming, we have seen a lot of benefit. We feel very fortunate to have the opportunity to build and deliver a program based on an individual or family's needs rather than a contract schedule. We have always prided ourselves on having clear measurement, but there is no question the outcome targets of the bond drove a focus on performance delivery that was quite different and very powerful. It has introduced us to new funders and new ways of thinking.

The program we deliver is potentially transferable. However, the values of the service delivery organisation are critical to the SIB's success—so it is vital to involve the right organisation and people. Similarly, government's role in leading, negotiating and supporting a SIB is also critical to its success.

Although initially the bond process was daunting, we would certainly be keen to participate in future SIBs or outcomes-based funding."

**CEO of a not-for-profit running a SIB-funded program**

"The process of developing each transaction is very bespoke – there is still a lot of 'R&D' involved. It typically takes 12 months or more to arrange a SIB and more than once we have spent a significant amount of time liaising with government and program deliverers on transactions that haven't been pursued. That hurts, because as a non-profit intermediary that is lost and unpaid time for us that effectively has to be subsidised by philanthropy. Streamlining the process of selecting outcomes measures and – in particular – improving data access would help considerably."

**Business advisor 'intermediary'**

# Payment-by-results programs including social impact bonds: Case study

The Aspire social impact bond program is Australia's first homelessness focused social impact bond. The program aims to improve outcomes for 600 participants in the areas of justice, health and homelessness service usage.

## Aspire social impact bond – Hutt St Centre

Hutt St Centre, an Adelaide-based homelessness service provider, delivers the Aspire Program, which is funded through a social impact bond model with the South Australian Government. The Aspire Program provides priority housing for people experiencing homelessness, and seeks to build their independence and resilience to homelessness.

Investors raised \$9m for the bond which has an expected term of around 7 years. The South Australian Government will make outcome payments based on reductions in the number of convictions, days spent in hospital and time spent in emergency accommodation by participants. These payments relate to avoided costs for the South Australian Government and will result in returns to investors. It is expected that outcome payments will total \$17m over the 7 years.

As of July 2019, the program had 300 participants and 140 of the participants had been placed into stable housing. While second year hospitalisation outcome results do not appear positive on the surface, it has been significantly skewed by a small group of outliers<sup>1</sup>. The findings demonstrate the rigorous measurement involved in social impact bonds allows governments and service providers to not only better understand the effectiveness of their programs but also gain a detailed understanding of the cohorts they support.



- Outcome metric: reduce the number of participant convictions by 15 per cent
- By December 2018, convictions reduced by 22 per cent
- By December 2019, convictions reduced by 69 per cent



- Outcome metric: reduce the number of days participants spend in hospital by 15 per cent
- By December 2018, hospital beds reduced by 10 per cent
- By December 2019, hospital bed days increased by 3 per cent



- Outcome metric: reduce the time spent by participants in emergency accommodation by 50 per cent
- By December 2018, emergency accommodation time reduced by 64 per cent
- By December 2019, emergency accommodation time reduced by 75 per cent

## Small to medium social enterprises: Initial feedback

The Taskforce heard that a key challenge for smaller social enterprises is to support them to become contract and investment ready. And investors are seeking reasonable risk adjusted returns on their early-stage investments.

"There is no question of the appetite for funding from social enterprises, but our biggest issues are: (i) finding opportunities that are genuinely investment ready, and (ii) achieving a reasonable risk-adjusted return on earlier stage investments.

There is definitely a gap in the market for the small scale funding from \$25,000 to \$200,000 to help social entrepreneurs who have got some seed funding to enable them to take the next step, and that's difficult to do without significant Government or philanthropic support.

Ideally we want to be lending or investing amounts of at least \$1 million and our sense is the pipeline needs to be built. We have also tended to be quite hands-on involved in supporting the ventures we back, particularly the smaller ones. Sustaining a viable funding model to meet our own costs is challenging without scale."

**Fund manager of \$10m to \$20m impact investment fund**

"There was no question that we needed expert advice in order to become 'investor ready' and access funding from values-aligned investors.

An impact readiness grant allowed us to seek advice, support and connections from intermediaries who understood and valued both the social and financial aspects of our business. This was a critical step in enabling our growth and scaling our social impact."

**CEO of social enterprise**

"We've been pretty happy with our PAF's commitment in the impact investing fund and social impact bond we've invested in. The reporting seems appropriately focused on social good and the fund has started to generate a range of positive social outcomes. While we are not super sensitive about the returns, getting better than 5 per cent we see as a pretty reasonably financial outcome...and we certainly wouldn't want to lose capital."

**Private Ancillary Fund (PAF) investor**

## Small to medium social enterprises: Case study

Vanguard Laundry Service is a social enterprise mainstream laundry service which employs people with a lived experience of mental illness to transition from long-term unemployment to stable employment.

### Vanguard Laundry Service

Vanguard Laundry Service launched in December 2016 and is based in Toowoomba, Queensland. Employees receive skilled training and qualifications, enter stable employment, and report improved mental health and financial independence.

An initial \$8m in startup capital was funded through a combination of government, philanthropy and private sector sources. Vanguard was originally underpinned by an ongoing \$800,000 per annum contract with a local hospital. However, as Vanguard has diversified this now makes up less than 30 per cent of revenue.

There were initial difficulties attracting capital. Due to extra costs associated with employing people with significant barriers to mainstream employment, Vanguard relied on investors willing to accept a below market return.

An evaluation of Vanguard revealed a range of benefits for employees, including: less welfare dependence (an average reduction in Centrelink income payments of \$204 a fortnight); and reduced use of health services (the target group reported 138 fewer days in hospital, resulting in an estimated \$231,767 saving in direct hospital costs).<sup>1</sup>



85 current employees, 70 per cent having a lived experience of mental illness or mental health issues



26 out of 103 people transitioned into mainstream employment or education from launch to February 2019



An in-house careers team provides wrap-around services including employment and career development

## Large scale social enterprise and impact investments: Initial feedback

For larger social enterprises and impact investments, a key question is why there are not more. The challenge is that—in order to attract the scale of funding required—large scale investments must be attractive to mainstream investors.

"We see impact investing as an emerging but important investment opportunity. Generating appropriate financial returns for our members is clearly uppermost in our mind and we believe there is a positive interplay between impact and positive ESG factors that contributes to sustained ethical and financial performance.

Scale is a big issue for us. As a funder with over \$50 billion, ideally we want to be investing at least \$50 million and more in the right opportunities. We are more proactive in the impact space because we see it as having the potential to grow rapidly and it's deeply aligned with members' best interests."

**Large scale superannuation fund investor**

"Our focus is on working with the sector in helping originate the kinds of transactions which have the risk and return profile to attract mainstream institutional funding, especially from superannuation funds. There is a clear need for returns to be consistent with the reasonable financial targets trustees expect. While many are conservative and want to see more 'proof points' of bigger deals like Goodstart Early Learning, there is genuine appetite to invest in the right deals.

It is clear that well-run entities that demonstrate the capacity to operate with business discipline for social purpose over the long term, and in the process generating reasonable risk-weighted returns will appeal to the mainstream market. The reality is however, that these deals have to be made – they are not found!"

**Business advisor 'intermediary'**

"Our success was based on the vision of original founders who found ways to access capital mainstream funders could not then provide. As we are about to celebrate a 10th birthday where a number of clear measures would point to Goodstart's successful performance on key financial and social impact targets, I can't help but think there really should be ready availability of mainstream funding for large human services social enterprises like us. We have proved you can run a billion dollar social enterprise with business disciplines for social purpose. There should be many more like us."

**Goodstart Early Learning CEO**

## Large scale social enterprise and impact investments: Case study

Goodstart Early Learning was created in 2009 by a founding consortium of some of Australia's leading community sector organisations. Today, it is one of the largest not-for-profit social enterprises in Australia.

### Goodstart Early Learning

Goodstart Early Learning ('Goodstart') is Australia's largest provider of early learning and care. Goodstart delivers social impact on a national scale by offering evidence-informed early learning and care in hundreds of centres around Australia.

Goodstart is committed to improving access to and participation in quality early learning for children facing disadvantage and runs a number of initiatives to meet this commitment. Goodstart also seeks to operate with business discipline to ensure healthy operating margins for continued investment in centres, people and programs to deliver on its social purpose.

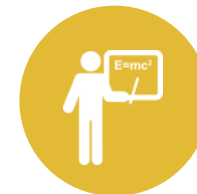
Goodstart was created in 2009 as a solution to fill the gap left by the collapse of ABC Learning. The founding consortium comprised four of Australia's leading community sector organisations—the Benevolent Society, Mission Australia, the Brotherhood of St Laurence and Social Ventures Australia. The consortium was successful in raising \$95 million to acquire 678 childcare centres, through a combination of bank debt, government loans, subordinated notes and private investment.



The founders of Goodstart raised \$95 million to acquire 678 childcare centres



Goodstart has welcomed 1,300 children with additional needs and supported more than 8,000 children to access financial support



Goodstart provides early learning and care for around 70,900 children and employs 14,900 people

iv

Three initiatives  
recommended for  
immediate  
implementation



## The Taskforce recommends three initiatives which are ready for immediate implementation

For each initiative, the policy impact is relatively high, the cost to the budget is relatively low, and implementation is relatively straightforward. These factors mean the proposals can be advanced before the release of the final report. The recommendations align with the 2017 Commonwealth Government principles for social impact investing.



### Develop evidence and data on social impact

Given the complexity and long lead times of data projects, an early start will set foundations in place for future work.

The proposal focuses on developing more integrated data to inform social impact investments and exploring ways to better share analysis of Commonwealth data.



### Principles for future initiatives

The Taskforce will develop proposals that involve key principles to ensure future initiatives are rigorously designed and set up for success. Principles will ensure future initiatives are developed in partnership with different sectors and are implemented by organisations with the right skills. Any recommended Commonwealth investment will be designed to leverage investment from other sectors.



### Support the sector to build capacity and connections

An information portal, built in partnership with sector leaders, would be of great value to the sector.

The portal can form a foundation of resources to support the future potential establishment of an independent organisation.



V

Looking ahead to the final  
report

## The Taskforce recommends four key action areas to develop a mature and sustainable social impact investing market in Australia

The Taskforce envisages a future in which Australia has a deep capital market for social impact investments, facilitated by skilled specialist advisor 'intermediaries', with measurable social and financial returns across a broad range of investments—from those with a low to those with a market-rate financial return.



### 1. Measure and incentivise social impact

The first action area is to build the market for social impact by supporting the widespread use of accurate methods for measuring, reporting and evaluating social impact.



### 2. Foster the growth of social impact investing opportunities

The second is to support an increase in the size and number of high quality investment-ready opportunities. In particular, support social enterprises to build capacity to attract investment and win social procurement contracts, and streamlined payment-by-results programs such as outcomes funds and social impact bonds.



### 3. Support capital to flow to social impact investments

Thirdly, there is more that can be done to reduce the barriers individuals and organisations face when investing in social impact investments. In particular to support investors to build knowledge and decrease the transaction costs of bespoke social impact deals.



### 4. Enable a well-functioning market

And finally, action should be taken to ensure the underlying structures are in place to support an efficient and effective social impact investing market that delivers a broad public benefit. Further development of sustainable and dynamic 'intermediaries', for example, is a key enabling factor.

## Action area 1: Measure and incentivise impact



The first action area is to build the market for social impact by supporting the widespread use of accurate methods for measuring, reporting and evaluating social impact.

- Only around two thirds of Australian social enterprises measure their social impact.<sup>1</sup> An accurate and widely used way of measuring social outcomes is vital for supporting social enterprises to evaluate and maximise their social impact—and giving investors and other funders the confidence to provide capital to the investments with greatest potential impact. Accurate reporting is also important to prevent ‘impact washing’, where claimed social impact is exaggerated or unproven.
- Already, around the globe, a lot of work is underway to develop standardised impact reporting frameworks.<sup>2</sup> But any frameworks that are developed will need to be suitable for the Australian market if they are to be adopted here. Australian social entrepreneurs have indicated that their ability to measure their impact is constrained by limited resources and the need to meet requirements of a variety of stakeholders.<sup>3</sup> In addition, during the Taskforce’s consultations, current investors indicated that definitions and descriptions of social impact investing product are important in building confidence and common understanding. There is a strong sense from current investors that much clearer and simpler descriptions of impact investing products are needed.
- Finally, any measurement framework needs to be supported by the availability of the best quality data. Without good data, impact reporting will not be possible. While great inroads have been made in the quality and availability of data in recent years, challenges remain. Large government data sets, in particular, can be complex to link, of variable quality, and difficult to access. And privacy constraints are of course critical to consider and manage.

1. Barraket, J., Mason, C., & Blaine, B. (2016). *Finding Australia's Social Enterprise Sector 2016: Final Report*. Melbourne, VIC. Centre for Social Impact Swinburne & Social Traders. p.26

2. See, for example, the Impact Management Project: <https://impactmanagementproject.com/>

3. Barraket, J., Mason, C., & Blaine, B. (2016). *Finding Australia's Social Enterprise Sector 2016: Final Report*. Melbourne, VIC. Centre for Social Impact Swinburne & Social Traders. p.31

## Action area 2: Foster the growth of social impact investing opportunities



The second is to support an increase in the size and number of high quality investment-ready opportunities. In particular, support: social enterprises to build capacity to attract investment and win social procurement contracts; and streamlined payment-by-results programs such as outcomes funds and SIBs.

- The Taskforce considers there to be three broad areas in which impact investments can be made: payment-by-results programs such as social impact bonds; small to medium social enterprises; and larger scale social enterprises.
- Social impact bonds can be of particular value for trialling new service delivery models. They also transfer some of the risk inherent in innovation from taxpayers to third party investors. But at the same time, social impact bonds are no silver bullet and will not—and should not—be used to fund the delivery of all social services. A key challenge to confront is the high transaction costs of individual social impact bonds. The contracts tend to be complex and slow to set up. The Taskforce is investigating ways to reduce the complexity and expense of setting up social impact bonds.
- For small and medium social enterprises, during initial consultations the Taskforce heard a lot about the need to support and build the capacity of early stage social entrepreneurs. There has been consistent feedback about the need to nurture and support the networks, resourcing and skills emerging social entrepreneurs need to build their enterprises. An additional concern is that the private sector investment available for small and early stage ventures appears to have contracted in recent years. A limit on early stage funding will cut off the growth of the sector.<sup>1</sup> Social enterprises need to be given the chance to mature to a stage of being ready for mainstream financing or social procurement opportunities.
- For larger social enterprises, the need to originate minimum size investments of \$50 million or more that generate acceptable financial returns will require identification of management teams and boards capable of running large scale for-purpose entities, and specialist 'deal origination' skills.

## Action area 3: Support capital to flow to social impact investments



Thirdly, there is more that can be done to reduce the barriers individuals and organisations face when investing in social impact investments. In particular to support investors to build knowledge and decrease the transaction costs of bespoke social impact deals.

- The initial consultations and roundtables highlighted a wide range of funders—including foundations, family offices, high net worth individuals and a small but growing number of institutions—who have made, or have formally committed to making social impact investments. The almost universal feedback from such investors was that they are actively seeking to make more social impact investments. Survey data from 2016 indicates that, on average, active impact investors wanted to increase their holdings of impact investments three-fold over the following five years. This translates to a \$18 billion demand.<sup>1</sup>
- Promisingly, philanthropy has played a greater role in financially supporting social enterprises in recent years—particularly those in the early stages of development.<sup>2</sup> This includes funding for early evaluation of outcomes-based approaches. The increase in philanthropic support reflects the sector's growing awareness of social enterprise and social impact investment.
- There is an emerging appetite from mainstream funders, particularly superannuation funds to invest in social impact. Such funders have indicated they are focused on larger scale transactions where they can commit at least \$10 to \$20 million and generate market rate returns. The feedback and consultations have emphasised that while there is a desire to invest in what is broadly defined as social impact investment, there is uncertainty and sometimes scepticism about the expected mix of social impact and financial returns in the small but growing range of social impact investment 'product'.

1. Dembek, K., Madhavan, D., Michaux, F. & Potter, B. (2016) *Impact Investing Australia 2016 Investor Report*. Impact Investing Australia. p.30

2. Barraket, J., Mason, C., & Blaine, B. (2016). *Finding Australia's Social Enterprise Sector 2016: Final Report*. Melbourne, VIC. Centre for Social Impact Swinburne & Social Traders. p.32

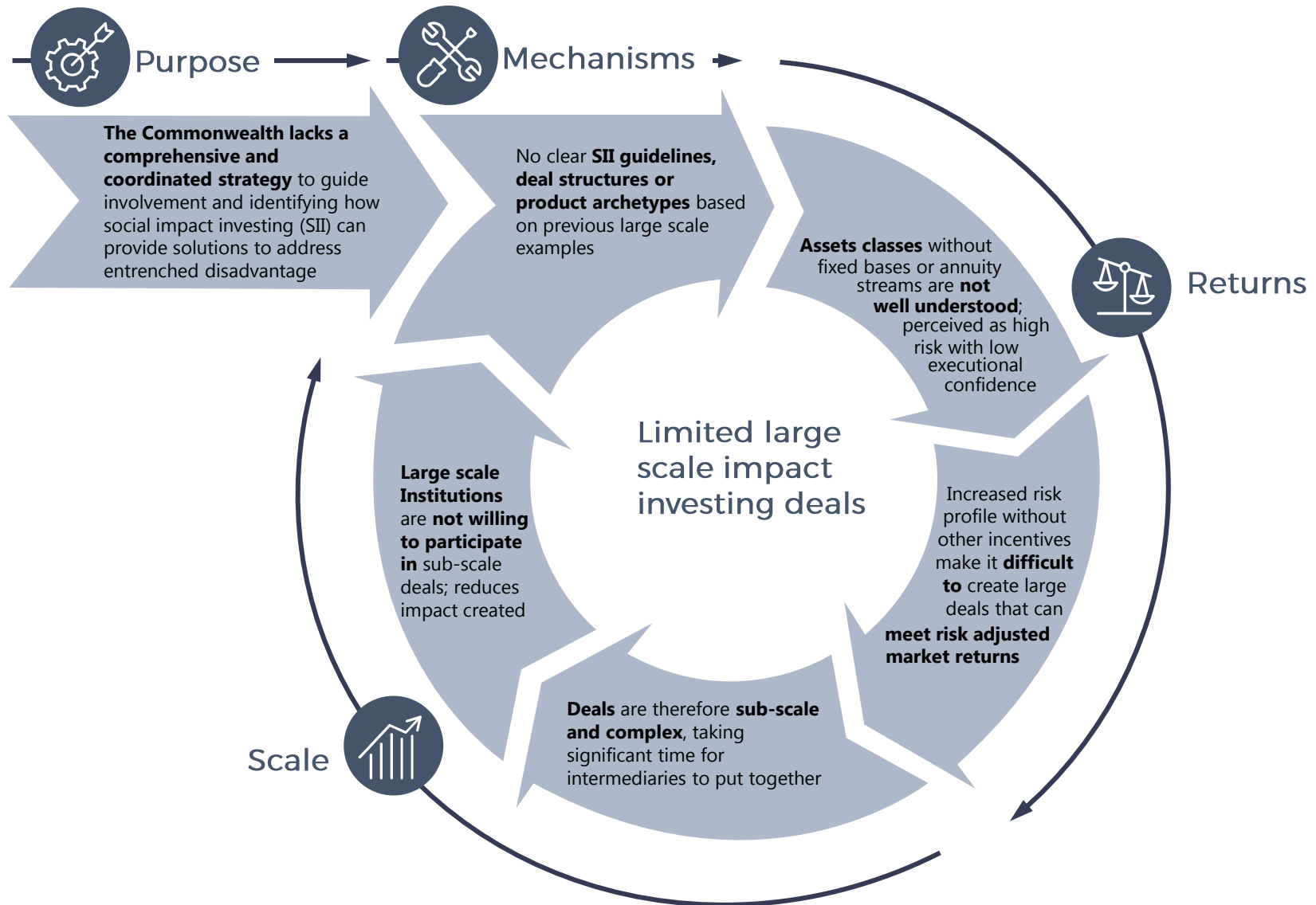
## Action area 4: Enable a well-functioning market



And finally, action should be taken to ensure the underlying structures are in place to support an efficient and effective social impact investing market that delivers a broad public benefit. The further development of sustainable and dynamic 'intermediaries', for example, is a key enabling factor.

- To date, the Commonwealth Government's SII policy initiatives have been somewhat fragmented. There has not been a cohesive and long term strategy that is clear on the Commonwealth's role. The Taskforce is a huge opportunity to set out recommendations on a clear Commonwealth strategy to guide the development of the SII market and ensure a clear public benefit.
- The Commonwealth may consider how to best stimulate the social impact investing market to develop into a mature and sustainable market that functions largely without government intervention. This may involve looking at mechanisms to champion the market and facilitate the efficient exchange of impact capital. Internationally, there are a number of models that have potential, such as impact investment 'wholesalers' that have supported the growth of social impact fund managers, and social stock exchanges. While these are largely privately funded, some involve co-investment from government.
- Another major limitation to the growth of the market is 'deal origination': that is, the sourcing and development of social impact investment deals. Given the nascent state of the impact investing market, specialist advisors who are skilled in social impact investing are critical for most deals to occur. This was captured by the CEO of UK Social Finance David Hutchison who said 'impact investing products are made, not found'. There needs to be an explicit focus on building this transaction origination capability, which is largely provided by specialist advisor 'intermediaries'.

The market for large scale social impact investing is stuck in a cycle of 'stasis'





# The Taskforce is exploring potential opportunities for large social impact investments to fill social service gaps across a number of key areas in Australia

Mainstream institutional funders say they are keen to invest in large scale social enterprises—but there is a shortage of viable options. The Taskforce has commissioned research to investigate opportunities and preliminary findings suggest the scale of unmet demand in particular segments should be large enough to stimulate large social impact investments.

## Housing and local amenity



Almost 150,000 applicants are on the waitlist for **social housing** which is estimated to imply over \$41B in new dwelling investment.<sup>1,2</sup> It is projected that over 700,000 additional social dwellings will need to be constructed over the next 20 years.<sup>3</sup>

Around 2 in every 3 **aged care** applicants were rejected in the 2018-19 Aged Care Approval round, equating to around 24,000 people.<sup>4</sup>



## Early childhood education and care

An estimated 45,000 children aged 0 to 4 years from disadvantaged backgrounds do not attend approved **childcare services**, implying over \$360 million in absent services.<sup>5</sup>



## Employment, training and participation<sup>6</sup>

Around 175,000 people are **long-term unemployed** meaning they have been unable to find work for more than 52 weeks.<sup>6</sup>

Almost half (47.8%) of people with **disability** who are of working age have **employment**, compared with 80.3% of people without disability.<sup>6</sup>



## Disability support services

Around 900,000 Australians with **disability** do not have their **assistance needs** fully met.<sup>7</sup>

1. AIHW (2019) Housing assistance in Australia 2019, Accessed on 12/12/2019 at <https://www.aihw.gov.au/reports/housing-assistance/housing-assistance-in-australia-2019/contents/priority-groups-and-wait-lists#pg4>  
2. Estimated assuming per dwelling cost of \$275,000 based on Australian Government data from: Council on Federal Financial Regulations (2017), *Supporting the implementation of an affordable housing bond aggregator*. Australian Government, p14.  
3. Lawson, et al. (2018). *Social housing as infrastructure: an investment pathway*. Australian Housing and Urban Research Institute (AHURI). Series 306 p.3-4  
4. Australian Government (2019) 2018-19 Aged Care Approvals Round Results. Accessed on 13/12/2019 at <https://agedcare.health.gov.au/funding/aged-care-approvals-round-acar/2018-19-aged-care-approvals-round/results>  
5. Estimated using ABS cat no 2033.0.55.001 2018, ABS cat no 3235.0 2017, ABS cat no 3101.0 March 2019, ABS cat no 4402.0 2018 and PM&C calculations.  
6. ABS cat no 6291.0.55.001 Table 14b and ABS cat no 4430.0  
7. ABS cat no 44300.0 2015. Table 14.1.

## The Taskforce expects to propose a number of key initiatives in the final report

The Taskforce will develop a number of recommendations for the final report to address issues that have been raised consistently in consultations and which early research indicates are worth pursuing.



1



### Early stage funding and contract readiness

Consultations to date have consistently raised the challenge social entrepreneurs face in accessing early stage funding. The Taskforce will develop recommendations on how Government can support these entrepreneurs based on further research.



2



### Increasing outcomes-based funding opportunities

The Taskforce will develop recommendations on how the Government can increase these opportunities including through establishing an outcomes fund. Further research and review of international examples will inform this recommendation.



3



### Impact investing wholesaler

The Taskforce will learn from international wholesalers including Big Society Capital in the UK to develop a recommendation for an Australian wholesaler. Consultations to date indicate this is critical for increasing the number of deals in the social impact investing market.



A

# Appendix A: Key social impact investing terms

## Terminology: actors and entities

### Impact organisation:

an organisation which has a core mission to create social impact.

**Charity:** not-for-profit organisation led by a social or environmental mission that is for the public benefit. These organisations are primarily grant-reliant and do not engage in trading as their core business.

**Social enterprise:** enterprise whose mission is to deliver a social or environmental impact. It may be a not-for-profit or a for-profit entity.

**Social impact entrepreneur:** person who establishes or grows an enterprise with the aim of solving social problems or effecting social change.

### Impact-seeking commissioner or purchaser:

individual, government or non-government organisation commissioning and/or paying for goods or services that create a positive social impact.

### Beneficiary:

person who an organisation or program seeks to benefit (e.g. people employed by a social enterprise or participants in a program).

### Specialist advisor / expert:

provides non-monetary support to assist impact organisations or impact investors.

**Intermediary:** provides advice and support to impact-driven organisations (e.g. management consultants).

**Incubator / accelerator:** seeks to help impact-driven organisations develop their businesses.

**Legal professional:** provides legal services to investors or impact organisations.

**Academic / specialist:** researcher, educator or advisor specialising in social impact investing.

**Peak body / network:** represents the interests of the social impact investing, social services or other sectors.

### Intermediator of capital:

facilitates the exchange of impact capital between investors and impact-driven organisations, includes: crowd-funding platforms, stock exchanges and impact investment wholesalers.

### Investor:

person or organisation providing capital to a social impact investment.

**Institutional investor:** entity which pools money to purchase securities, real property, and assets or originate loans, includes: superannuation funds, banks, hedge funds and mutual funds.

**Philanthropic foundation:** source of returnable and non-returnable capital, includes foundations, family offices, public ancillary funds and corporate foundations.

**Pooled investment fund:** raises capital from a range of investors, which generates financial returns on investments that result in social outcomes.

**Venture capital / growth fund:** invests capital in a project in which there is a substantial element of risk, typically a new or expanding business.

**Other investors** include: individuals; governments providing grants; and financial intermediaries.

## Terminology: mechanisms

### Impact-seeking mechanisms:

vehicle through which an impact-seeking purchaser buys a good or service.

### Payment-by-results / outcomes-based payment program:

where a commissioner pays a service provider based on pre-determined outcomes achieved. Payments are usually referred to as 'outcome payments'. Governments or multilateral organisations are usually the commissioner. Outcome payments are usually calculated based on the savings achieved.

**Rate card:** a schedule of the rates a commissioner is willing to pay for specific outcomes.

**Outcomes fund:** pools finance from one or more funders in support of a set of pre-defined outcomes. Payments from the fund only occur if specific criteria agreed by the funders are met.

**Social procurement:** public or private organisation using purchasing power to buy goods or services for their normal business needs from impact organisations.

### Investments — returnable capital:

capital that is expected to be repaid.

**Debt:** a loan where the investor receives a return of their principal with interest.

**Equity:** money invested in a business by purchasing shares.

**Intermediate capital:** financing required when an organisation is growing.

**Social impact or social benefit bond:** contract that leverages capital from investors to cover costs of service delivery until outcome payments are paid by commissioners. Investors buy into the bond and receive a rate of return based on the outcomes achieved.

### Investments — non-returnable capital:

capital that does not need to be repaid and is invested for an indefinite amount of time.

**Grant:** a gift, usually of money, provided for public good or the purpose of creating a social impact.

**Pro / low bono asset:** capital asset provided for free or discounted rates, for the purpose of creating a social impact.



# B

## Appendix B: List of organisations consulted to date

# The Taskforce has listened to hundreds of individuals and organisations engaged in social impact investing

AbilityMade	Crestone	JBWere Philanthropic Advisory Services	Social Enterprise Finance Australia
AMP Capital	English Family Foundation	Jennifer Duncan Consulting	Social Finance UK
Anglicare Australia	European Investment Fund, Luxembourg	Jigsaw	Social Impact Hub
Atlassian Foundation	Family Life	Justice Connect	Social Impact Legal
Australian Banking Association	Federation of Ethnic Communities' Councils of Australia	KPMG	Social Investment Business
Australian Community Philanthropy	First Australians Capital	Lord Mayor's Charitable Foundation	Social Traders
Australian Impact Investments	Fitted for Work	MacArthur Foundation, Chicago	Social Ventures Australia
Australian Philanthropic Services	Food Connect Shed	Macquarie Bank Foundation	Spark Strategy
Australian Prudential Regulation Authority	For Purpose	McAuley Community Service for Women	Stepstone
Australian Red Cross	Ford Foundation, New York	McLeod Family Foundation	The Australian Centre For Social Innovation
Australian Super	Foundation for Rural and Regional Renewal	Mercy Super	The Cultural Intelligence Project
Australian Sustainable Finance Initiative	Foundation for Young Australians	Minderoo Foundation	The Difference Incubator
B Corp/B Lab Australia and New Zealand	Gandel Philanthropy	Mission Australia	The Nature Conservancy
Bain & Co	GiantLeap	Morgan Stanley	The Salvation Army
Bank Australia	Gilbert + Tobin	National Aboriginal and Islander Child Care	The Smith Family
Barnett Foundation	Global Steering Group for Impact Investment	National Australia Bank Foundation	The Unexpected Guest
Benefit Capital	Good Cycles	National Centre of Indigenous Excellence	Thrive by Five
Benefit Company	Goodman Private Wealth	National Disability Services	Trawalla Foundation
Bennelong Foundation	Goodstart Early Learning	New Philanthropy Capital	UnitingCare Australia
Big River Foundation	Great Outcomes	Oak Tree Retirement Villages Group	University of Canberra
Big Society Capital	Griffith University	Palladium	University of Queensland
Blavatnik School of Government, Oxford	HESTA	Paul Ramsay Foundation	University of Sydney
Bridges Fund Management	Hireup	Perpetual Trustees	Vanguard Laundry Service
Brisbane Angels	HLB Mann Judd	Philanthropy Australia	VincentCare Victoria
Buy Social, Canada	Housing Choices	Probono	Volunteering Australia
Carers Australia	Hutt Street Centre	Productivity Commission	Waitangi Settlements
Catholic Social Services Australia	Impact Generation Partners	QLD Social Enterprise Council	Wealth Management
Centre for Public Impact	Impact Investing Australia	QUT ImpaQt	Weir Anderson Foundation
Centre for Social Impact (Swinburne)	Impact Investing Australian Advisory Board	Reason Group	Westpac Foundation
Commonwealth Bank of Australia	Impact Investing Institute, London	Relationships Australia	White Box Enterprises
Community Council for Australia	Impact Investment Group	Responsible Investment Association Australasia	William Buckland Foundation
Community Sector Banking	IMX Ventures	Sacred Heart Mission	Wolf Capital
Community Services Industry Alliance	Indigenous Business Australia	Scalzo Family Foundation	Worldview Foundation
Council on the Ageing Australia	IndigiSpace	Settlement Council of Australia	Yajilarra
Credit Coopératif France	Inspire Impact	Small Giants	Ygap

The Taskforce has also consulted a number of Australian and international government departments

ACT Government
Canadian Government
Department of Communications and the Arts
Department of Education
Department of Employment, Skills, Small and Family Business
Department of Environment
Department of Finance
Department of Foreign Affairs and Trade
Department of Health
Department of Industry, Innovation and Science
Department of Social Services
Department of the Treasury
National Indigenous Australians Agency
NSW Department of Premier and Cabinet
NSW Department of Treasury
NSW Social Impact Investment Expert Advisory Group
NT Department of the Chief Minister
Office of the QLD Chief Entrepreneur
QLD Department of Innovation and Tourism Industry Development
QLD Department of Treasury
SA Department of Treasury and Finance
UK Government
VIC Department of Premier and Cabinet
VIC Department of Treasury and Finance
WA Department of Treasury





C

# Appendix C: Terms of Reference

## Terms of Reference (publicly available)

As part of the 2019-20 Budget, the Australian Government announced it will establish a taskforce (the Taskforce) in the Department of the Prime Minister and Cabinet to examine the Commonwealth's role in the social impact investment (SII) market. The Taskforce will comprise of an independent Expert Panel with SII and social policy expertise, bringing together experts and leaders from a range of fields to develop a Commonwealth SII Strategy, and a support team within the Department of the Prime Minister and Cabinet.

Social impact is a form of investing that generates measurable social outcomes as well as a financial return. It brings together governments, service providers, investors and communities to tackle a range of complex policy issues. Catalysing the market and building on the substantial commitments the Australian Government has made to date has the potential to provide a comprehensive federal-wide mechanism to address complex social issues, from welfare dependence to social housing. This can be achieved by government and private sector capital being utilised to building a stronger culture of robust evaluation and evidence-based decision making, and improving social outcomes for Australians.

### Role of the Taskforce

The Taskforce will develop a strategy for the Commonwealth's role in the SII market, drawing on international, private sector and state and territory government experience. It will identify a way forward for Commonwealth investments in SII, including how SII can provide solutions to address entrenched disadvantage and some of society's most intractable social problems, ultimately providing evidence-informed recommendations to Government on a comprehensive SII strategy.

In doing so, the Taskforce will:

Conduct a national stocktake of SII initiatives across Australia and undertake an assessment of existing Commonwealth commitments and programs, including reviewing evaluations of current trials and capacity building measures.

Identify what changes in Commonwealth policy are needed to facilitate scalable private capital investment in the SII market, including regulatory barriers inhibiting its growth and potential mechanisms or structures to further enable its growth (such as a permanent capital or co-investment fund with specific attention to models adopted by the United Kingdom). This analysis will focus on the three forms of SII listed below:

- social impact bonds
- social enterprises
- larger scale social impact investment funds

Identify specific barriers where government policy or market failures prevent private entrepreneurs from addressing social problems, such as entrenched disadvantage and impediments to social housing.

Outline ways to improve the sharing of data, analysis and modelling to support SII, in particular the measurement of outcomes and calculating outcomes-based payments.

Identify opportunities for a co-ordinated federal and state government approach to enable larger scale investments by mainstream institutional funds which meet relevant financial return hurdles and have measurable social impact.