

Introduction to Impact Investment

What is Impact Investing?

“Investments made into organisations with the intention to generate actively-measured **social** and **environmental** impacts alongside a **financial** return.”

Is a result of a shift from “bottom line” thinking (i.e. net income) to “triple bottom line” thinking (i.e. social , environmental and financial results).



Forms of impact investing

Impact Bonds

- Social Benefit Bonds (SBBs)
- Environmental Impact Bonds (aka Green Bonds)
- Infrastructure Bonds
- Development Bonds (Financial and Economic)

Payment by Outcome (Payment by Result in USA)

Other Incentive Payments/Layered investments/Pooled investments

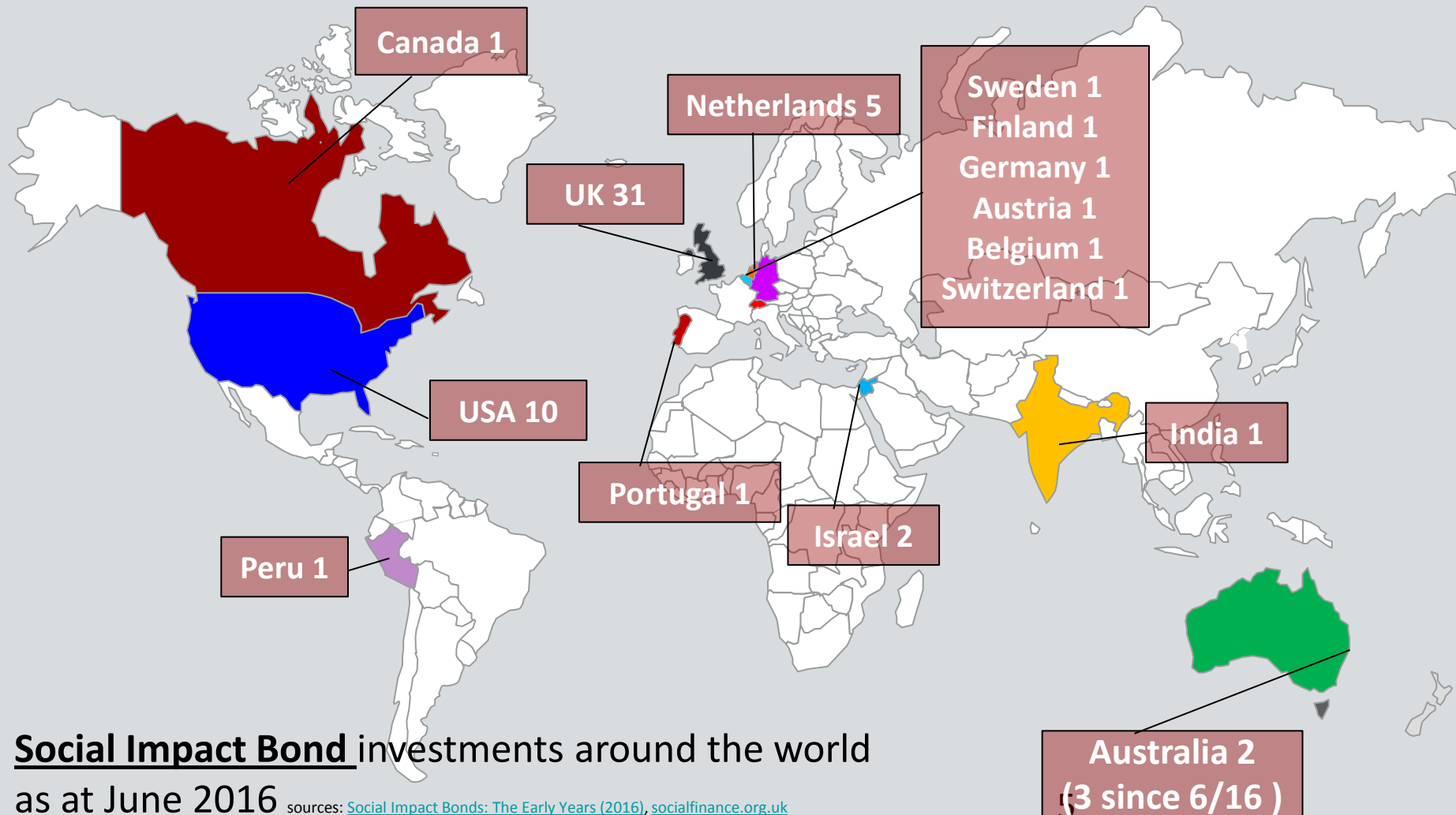


What is happening globally?

- UK introduced 30% tax relief for social investments.
- EU formally recognises “European Social Entrepreneurship Funds”.
- G8 leaders launched the “Social Impact Investing Forum”.
- Pay for Success programs in the US , facilitated by groups such as Nonprofit Finance Fund and Social Finance.
- Specialist impact investing fund managers in the US , including Bridges Ventures.

(source: [Global Impact Investing Network \(GIIN\) website](#))





Social Impact Bond investments around the world
 as at June 2016 sources: [Social Impact Bonds: The Early Years \(2016\)](#), [socialfinance.org.uk](#)

Launched bonds as at June 2016

WORKFORCE DEVELOPMENT (24)
HOUSING / HOMELESSNESS (12)
CHILD AND FAMILY WELFARE (8)
HEALTH (5)
CRIMINAL JUSTICE (5)
EDUCATION AND EARLY YEARS (5)
ADULTS WITH COMPLEX NEEDS (1)



(source: socialfinance.org.uk)



Bonds in development as at June 2016

WORKFORCE DEVELOPMENT (12)
CHILD AND FAMILY WELFARE (11)
ADULTS WITH COMPLEX NEEDS (10)
HEALTH (9)
CRIMINAL JUSTICE (8)
OTHER (7)
EDUCATION AND EARLY YEARS (4)



(source: socialfinance.org.uk)



What's happening in Australia (Bonds)

- **NSW** have two SBBs in play Newpin and Benevolent Society - also recently signed a contract to implement Australia's first social impact investment to reduce parolee reoffending and re-incarceration.
- **SA** in procurement for one SBB – decision pending
- **VIC** are in establishment mode and have announced funding to investigate the use of SBBs to tackle social disadvantage. They are currently running information sessions for stakeholders.
- **WA** working with Social Ventures Australia (SVA) to explore potential for SIBs or SBBs
- **NT** exploring SIBs



What's happening in Australia – Policy

- NSW Government released a *Social Impact Investment Policy*– the first for a government in Australia.
- Financial Systems Inquiry Dec 2015 - recommended Government facilitate development of the impact investment market and encourage innovation in funding social service delivery'
- Included in the Government response “ We will examine how best to foster the growth of impact investment in Australia to support private and for-profit investment funds being directed to projects with a social or environmental purpose.”



What's happening in Australia-Federal Government

- Australian Government is taking an “investment approach” to welfare and will identify groups vulnerable to dependency.
- This involves applying actuarial analysis to social security data to these identify groups and estimating the future cost to income support.

Try, Test and Learn Fund

- \$96M program announced in the 2016-17 Federal Budget to further progress this investment approach.



Investor views

In its 2016 report, Impact Investment Australia undertook a survey of 123 Australian investors, accounting for more than A\$333B of Australia's \$2 Trillion funds under management.

5 key themes from the Impact Investment Australia 2016 survey:

- There is **growing momentum** in impact investing from Australian Investors.
- **Institutions dominate** assets under management and need to be active participants to grow the market.
- There is **unmet need from investors** for impact investing
- **Impact investing is diverse**, crossing multiple sectors and disciplines
- Investors **require evidence on success** before increasing allocations to impact investments.



What's happening in Australia - Impact Funds



- In 2014 QBE set aside US \$100M for a social benefits bond fund.
- 90% of its fund is still unallocated.



(Source: [SMH, March 2016](#))

- A non-profit organisation established in 2002 .
- Generated over \$50 million of investment from philanthropists, trust and foundations and government into the social sector.
- Worked with over 80 social ventures and distributed more than \$20 million to support their work.
- Delivered \$4 million of support through government and cross-sector funded social enterprise programs in ACT, NSW and QLD.

Staying informed

Social Benefit Bonds Pilot Program

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To receive program updates register your contact details on the SBB Pilot Program Engagement Register: www.treasury.qld.gov.au/sbb/register

