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

UK 31
USA 10
Canada 1
Netherlands 5
Sweden 1
Finland 1
Germany 1
Austria 1
Belgium 1
Switzerland 1
Portugal 1
India 1
Israel 2
Peru 1
Australia 2 (3 since 6/16)

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