IMPACT INVESTING AUSTRALIA

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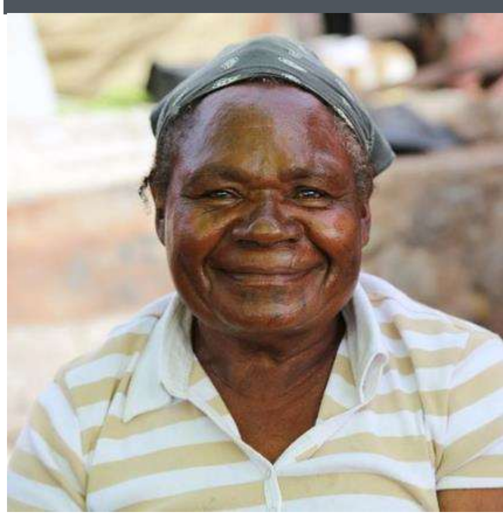

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Executive Summary

Impact investing has an important role to play in driving inclusive growth and contributing to the Sustainable Development Goals (SDGs) both in Australia and the broader Indo-Pacific. Impact investments are already tackling social and environmental issues effecting families and communities but the market *in* and *from* Australia lacks scale. Like any new market, impact investing will grow faster with the right market building infrastructure. Experience from other countries shows that catalytic institutions such as national impact investment wholesalers and development finance institutions (DFIs) have provided "go to places" to help co-ordinate fragmented efforts, and support intermediation and demonstration of new approaches to solving societal issues.

Key Recommendations

Impact investing *in* Australia

The Australian Government took some good first steps in support of impact investing in Australia with initial policy moves in the 2017/18 budget added to in the 2018/19 budget. Since then, Government action has slowed. While a commitment was also made by the Government in last year's budget to seek opportunities for market scaling in partnership with IIA no further definitive steps have yet been taken.

What is required is the enablement of a game-changing institution, Impact Capital Australia (ICA) that unlocks private capital and with it the opportunity to drive positive societal outcomes at scale. ICA would help create a self-sustaining for-purpose market over time that would not require ongoing government support. The AAB and IIA have developed and advocated for such an institution for some time now. Other governments around the world, most recently Canada, have since committed to fund national wholesale institutions for impact investing, utilising Australia's design.

The global impact investing market is growing but Australia has yet to realise the potential of this market to attract capital to tackle social and environmental issues. The time has come for the Australian government to do what many of its counterparts around the world have already done - commit funding to a national wholesale institution for impact investing.

Recommendation 1:

Create a step change in Australia's impact investing market by committing $150m in 2019/20 to be matched by Australian financial institutions and other societally focused investors to establish Impact Capital Australia (ICA). ICA will be a game changing $300m wholesale institution with the capital, mission and mandate to improve people's lives by driving the impact investment market in Australia to scale.

Impact Investing *from* Australia

The Department of Foreign Affairs and Trade (DFAT) has for a number of years recognised the importance of impact investing from Australia into the Indo-Pacific region particularly in support of the achievement of the Sustainable Development Goals (SDGs). Small (in relative dollar terms) but important policy initiatives such as Pacific RISE, the Emerging Markets Impact Investment Fund (EMIIF), and the Scaling Frontier Innovation initiatives have all been supportive of intermediary and social enterprise development. Along with donor contributions to Multi-lateral banks, the recent announcement of the $2bn Australia Infrastructure Financing Facility for the Pacific (AIFFP) has also signalled support for critical SDG regional infrastructure investment. Structured the right way, the AIFFP has the potential to deliver significant impact.

Recommendations 2 & 3

Capitalise on the good work already done and cement Australia's position as a leader in impact investment in the region and:

- **Extend Australia's support for related capacity building and intermediary development to further enable Indo-Pacific social enterprise development.**
- **Expand the tools and geographical remit of the AIFFP to increase its efficacy, timely deployment and leverage of private capital for maximum regional impact.**

Establishing impact investing 'go-to' institutions in and from Australia would significantly enable Australia's role and investment in the broader regional market.

Our recommendations for ICA in Australia and the extended impact investing activities in support of impact investing from Australia go hand in hand. A catalytic wholesale institution in ICA, working alongside the AIFFP to raise awareness and build capacity in impact investing and share know ledge, practice and impact measurement and management frameworks would significantly enable Australia's role and investment in the broader regional market.

An active Australian impact investment market would result in better outcomes for both Australian communities and those in the Indo Pacific.

Submission Outline

Parts 1-3 of this submission outline how the Australian Government can adopt an implementation-ready policy proposal to help drive the impact investment market to scale *in* Australia. It details the establishment of a $300m predominantly wholesale institution, Impact Capital Australia (ICA), as a partnership between the government, the private sector and the community sector.

A one-off $150m of government capital to seed ICA would unlock a critical mass of investment and innovation that would deliver meaningful social, environmental, cultural, and economic benefits for Australians.

Part 4 discusses how ICA could work with a revamped AIFFP to build capacity, raise investor awareness around regional impact investing, and develop a consistency of impact management approach using tools such as the impact management project.

The path to impact at scale

The recent AAB report *Scaling Impact* re-enforced that while there is strong appetite and potential for impact investing from a broad set of stakeholders, including governments, the market lacks scale.

Key gaps and barriers in the market include: lack of origination capacity, lack of long-term capital, viability of new/existing intermediaries and aggregators, misalignment of funding terms and incentives, mispriced risk and information asymmetries and under-developed secondary markets.

Capacity needs to be built in impact management, measurement and risk assessment, and associated transaction structuring with the "right" capital. The involvement of private financiers, (including philanthropist), governments and the community sector necessitates significant cross-sector collaboration. These barriers are not insurmountable and a 'go-to' institution such as ICA which houses both flexible capital and extensive capacity would go a long way towards addressing these issues.

The trajectory of other markets, like the UK, shows a wholesaler such as ICA can support multiple functions of market development, it can:

- Strengthen intermediary capacity;
- Encourage collaboration among investors and stakeholders on specific social problems;
- Leverage in new capital

- "Crowd-in" capital with direct investments which would not typically attract first mover capital from other sources.
- Provide the scale and expertise to instil confidence in investors and to shift social sector culture to consider investment and enterprise;
- Help develop and implement a consistent framework for impact management and measurement;
- Aggregate and share impact investment knowledge;
- Educate stakeholders and policy makers;
- Foster new financial instruments, mechanisms, practice and innovative approaches.[i]

In summary, it can improve people's lives by catalysing the connection between investment and impact.

More specific experience from international markets illustrates that impact investment wholesalers, whether broadly focused or sector specific, can provide a catalytic effect in stimulating market growth.

Big Society Capital, the UK wholesaler, was established in 2012 and over the last six years has unlocked £1.3bn of capital for impact investing. Support for intermediaries has been a key driver of growth with the number of UK impact investing intermediaries managing over £50m going from only one in 2012 to seven in 2017.

The European Social Impact Accelerator, an EU focused fund of funds, invests in social impact funds targeting SMEs. Since it was established in 2013, it has helped to support 12 intermediaries in bringing new funds to market.

The Global Energy Efficiency and Renewable Energy Fund is sector specific and demonstrates the leverage of the wholesaler model. In 2017, its €166m of committed capital, through a fund of fund model, helped to unlock €3bn of funds for energy efficiency and/or renewable projects. This created 2,400+ permanent jobs and brought new or improved energy access to 450,000+ developing market households.

The lessons from these international wholesalers have been built into the design of ICA. It will be an independent organisation with a mission, investment mandate and enough one-off catalytic capital at $300m, to significantly accelerate market development.

The policy case for ICA

In an environment where government budgets are under-pressure two things are particularly critical:

- Maximising efficacy of government spending against policy priorities i.e. Better outcomes.
- Unlocking private capital for direction towards policy priorities i.e. More outcomes

More and better outcomes could be achieved with less money and result in savings to government if effectively executed.

Game-changing policy, in establishing ICA, is now required to drive the impact investing market to a state of development where it can meaningfully contribute toward the Government's policy priorities.

An Australian government commitment of $150m in 2019/20 would crowd in private capital immediately through a combined contribution from financial institutions including major Australian banks. The Government contribution could be structured as a grant and/or an approved investment.

Without the Australian Government as a partner, ICA could not be implemented to achieve its objectives. There are several key reasons:

- Government is potentially both a key beneficiary and major participant in Impact Investing. The signalling effect of its early collaboration and commitment is therefore critical in instilling market confidence;
- For ICA to be self-sustaining, provide flexible capital and operate as a public good, it needs its own capital on the right terms. The private sector is prepared to partner with government to achieve this but would not be prepared to fund ICA alone; and

- The national nature of ICA's remit means the Australian Government is the more natural government partner to fund ICA. Once ICA is capitalised, there will be an important role for State governments in co-investment *with* ICA and its intermediaries.

The design for ICA is based on leading practice in market development and market and innovation policy. This proposal builds on the Government's initiatives to develop the social impact investment market in Australia, including the 2017 Budget measures. ICA also meets the Australian Governments Principles for Social Impact Investment.

The outcome areas which will be the focus of ICA's investment mandate include Government policy priorities in: housing; employment and training; healthcare and disability, childcare and; financial and community inclusion.

In pursuing the growth of intermediation and focusing on efficacy and efficiency of capital, ICA's work will be highly aligned with the objectives of Government around the delivery of both more and better outcomes for Australian communities.

ICA is implementation ready

ICA's design is based on a broad evidence base and is the product of a collaboration between cross-sector leaders, locally and globally. A three-year process of robust co-design and planning has brought ICA to a point where it can be readily implemented.

ICA would be an independent, purpose-driven organisation with standards and processes that ensure accountability for proper and effective use of resources. Governance would be the responsibility of a highly experienced board utilising appropriate committee structures.

Other aspects of accountability and transparency such as performance monitoring and management and risk mitigation strategies, would all be essential in the formalisation of ICA policies on implementation.

A clear and accountable implementation plan has been developed for ICA. The plan has four stages with identified work-streams, milestones and time-frames:

- Stage 1: concept design;
- Stage 2: pre-funding implementation;
- Stage 3: formation and capitalisation; and
- Stage 4: post-funding implementation.

Stage 1 has been completed and Stage 2 has been progressed to the final stages. The next major milestone is securing capital commitments from significant stakeholders including the Australia Government.

An important aspect of ICA's implementation is pipeline development and this process has already commenced. This early identification of opportunities and adoption of initiatives around building pipeline, will accelerate the speed of ICA's market impact, once capitalised.

Impact Investing *from* Australia

Impact Investing has an important role to play in driving inclusive growth and contributing to the achievement of the Sustainable Development Goals (SDG) in the Indo Pacific. It can mobilise private resources to complement donor, public and philanthropic funds to meet the additional requirements under the SDGs, accelerate the pace of change and reverse negative trends in several areas. Impact investment can support innovative delivery of products and services that meet peoples' needs and enable sustainable infrastructure (e.g. cleaner, more climate resilient energy, roads, water, buildings), sustainable land use and social infrastructure (e.g. for health and education) in Indo Pacific developing countries. Impact investing *from* Australia is a critical aspect with investors, capacity builders and leaders in enabling policy all playing a role in achieving sustainable development and better outcomes for people and the planet in the Indo Pacific region.

ICA can support our regional efforts by catalysing the market for impact investing both *in and from* Australia. Australia's role in International Development and impact investing *from* Australia would be strengthened by an organisation such as the Australian Infrastructure Investment Facility for the Pacific (AIIFP) working in collaboration with ICA to build capacity and awareness in impact investing.

In its report, *The Rise of Impact*, the UK National Advisory Board for Impact Investing (UK NAB) recognised the need for their key organisations in international development, domestic impact investment and traditional finance to work together to tackle development challenges globally. Through coordinated efforts, they saw that "*the UK has the potential to be a globally recognized 'hub' for international development finance, and a leader in helping to achieve the SDGs globally*"[ii]. The right market building infrastructure, policy and collaboration, could see Australia achieve a similar standing in the Indo-Pacific.

The development of flourishing social enterprises (SEs)

Impact investment to support the development of the regions Social Enterprises (SEs) is emerging. For-profit SEs (in the G20 nomenclature a form of inclusive business) particularly those that target place with appropriate funding and support can empower people and communities through the creation of jobs and SDG related services.

As with any relatively young market there are several challenges. Targeted initiatives by DFAT and others to tackle issues around capacity, intermediation and capital flows are gaining traction but more needs to be done to see this sector flourish and meaningful contribution to the SDGs.

Catalysing investment in critical SDG infrastructure

While investment picked up in 2017, long-term investment in sustainable development, especially in some developing countries remains insufficient; and despite a global consensus on the need to increase investment in infrastructure, private participation in infrastructure has fallen each year since the Addis Agenda was adopted in 2015[iii]. The situation in the Asia Pacific is of particular concern with the Asian Development Bank (ADB) estimating significant infrastructure requirements between 2016-2030 at a climate change adjusted[1] US$26.2trn[iv].

Infrastructure is a critical aspect in achieving the SDGs in the Indo Pacific and with current spending a tiny fraction of what is required, infrastructure directed policy initiatives are imperative. This could see Official Development Assistance directed to: further support for the work in this area of the Multi-lateral development banks; providing technical assistance around policy and financing structures to beneficiary countries; and raising investor capacity and awareness of impact investing and blended finance solutions.

Enabling a catalytic institution for impact investment *from* Australia

Australia's geographical proximity to the Pacific Island Countries (PICs) make them particularly important as a focus for Australia's International Development Program and Official Development Assistance (ODA). Several policies, taking into account the unique characteristics of the PICs, have been announced or implemented by DFAT which go to building capacity, trade and investment for the PICs. The recently announced $2bn Australian Infrastructure Finance Facility for the Pacific (AIFFP) is one such policy.

In establishing the AIFFP, the Australian Government needs to equip that organisation with a mission and mandate that will see the effective and timely deployment of different types of capital. The AIFFP also needs to have the capability to utilise other tools used in blended finance to attract private investment in a way that is beneficial and sustainable for targeted countries. The AIFFP may also provide a vehicle through which broader collaborations can be evolved with emerging DFIs such as FinDev Canada and the new USIDFC. Importantly, it would need to work in a collaborative way with ICA, once established, in ensuring consistency in impact management and measurement and in building stakeholder awareness and capacity in the impact investing sector.

[1] Climate change adjusted figures include climate mitigation and climate proofing costs, but do not include other adaptation costs, especially those associated with sea level rise.

Conclusion

Our pre-Budget submission focuses in on the highest priority actions to achieve a breakthrough in enabling and supporting the impact investing market *in* and *from* Australia. The lynchpin in this is ICA.

ICA is the measure that will enable demonstration of more innovative approaches to tackling issues that matter for communities. It will help build and develop market intermediaries and the capacity needed to reach scale.

Implementing ICA will help sustain Australia's leadership position globally in the field of impact investing. Building on our competitive position, it could help unlock new sources of foreign investment into both our own country and across the region particularly when working in collaboration with a revamped AIFFP.

Our recommendations are not the only constructive steps the Australian Government could take, nor the only ones that will be needed, (**Appendix 6** includes details of other initiatives). However, catalytic institutions driving intermediary capacity and support for social enterprise and infrastructure, as international experience illustrates, will make the biggest difference in putting the impact investing market *in* and *from* Australia on a path to scale.

The AAB and Impact Investing Australia welcome the opportunity to have input into this pre-Budget process. We urge the Australian Government to take up the opportunity for targeted action to fuel development of impact investment. Members of the AAB and Impact Investing Australia Executive will be happy to meet to discuss any aspect of this Submission.

Introduction

Part 1-3 of this submission outline how the Australian Government can adopt an implementation-ready policy proposal to help drive the impact investment market to scale *in* Australia. It involves the establishment of a $300m predominantly wholesale institution, Impact Capital Australia, (ICA) as a partnership between the government, the private sector and the community sector.

A one-off $150m of government capital to seed ICA would unlock a critical mass of investment and innovation that would deliver meaningful social, environmental, cultural, and economic benefits for Australians.

Part 4 discusses how ICA could work with a revamped AIFFP to build capacity, raise investor awareness around regional impact investing, and develop a consistency of impact management approach using tools such as the impact management project.

Impact investing can play a bigger role in helping the Australian Government meet growing demands to address social and environmental issues and contribute new solutions to complex challenges.

The Australian Advisory Board on Impact Investing (AAB) and Impact Investing Australia (IIA) welcome recent commitments by the Australian Government to encourage and support growth in impact investment both *in* and *from* Australia.

Measures totalling $39.7m over 10 years in the Australian Budget in 2017-18 and 2018-19 to develop impact driven enterprises, trial innovative approaches to youth homelessness and new initiatives to finance affordable housing were welcome early steps. These initiatives are relatively small in dollar terms but important given a real shift in awareness of impact investing in the Australian market over the last three years, uncovering its significant potential.[v]

State governments, financial institutions, super funds, corporations, and the community sector are expressing an appetite to explore the opportunities. They are also concerned that the potential could be missed without proactive steps to drive scale in both impact and capital. The feedback from an AAB initiated field scan in 2017, reinforced that stakeholders are looking to the Australian Government to take a more proactive and catalytic role in the market development process.[vi]

The challenges to achieving scale are familiar to new markets and include a relative lack of: efficient and effective co-ordination; infrastructure; intermediaries, and capacity shortfalls. There is precedence across OECD countries that a combination of catalytic capital and signalling from government has a unique and powerful effect in demonstrating new models, enabling intermediaries and overcoming information asymmetries, well beyond the organic, transaction-based growth the market can deliver alone.[vii]

The Australian Government is uniquely placed to pull the policy lever required to make the shift from incremental to transformative change at scale. Recent developments, including growing interest in the UN Sustainable Development Goals (SDGs) and managing systemic risk, indicate the institutional market is shifting. The AAB's assessment, based on available data is that targeted market building by the government can unlock significant capital and fill gaps in the market infrastructure. Without this, an important source of funding and innovation to address our societal issues may never reach its potential.

The work of the AAB has positioned Australia as an early and competitive leader in the impact investing market globally. This means a proactive commitment of $150m by government to ICA at this time is not just about Australia's domestic outcomes but broader opportunities across the region. There is potential to attract new capital into Australia, to position it as a hub for investment into the region and attract new sources of talent and capital to activity, research and development that provides social, environmental and cultural benefit.

Part 1: The path to impact at scale

State of the impact investment market

The recent AAB report *Scaling Impact* re-enforced that while there is strong appetite and potential for impact investing from a broad set of stakeholders, including governments, the market lacks scale. Significant gaps to growth remain, including gaps in the intermediary market.

Capacity needs to be built in impact management, measurement and risk assessment, and associated transaction structuring with the "right" capital. The involvement of private financiers, (including philanthropist), governments and the community sector necessitates significant cross-sector collaboration. These barriers are not insurmountable and a 'go-to' institution such as ICA which houses both flexible capital and extensive capacity would go a long way towards addressing these issues.

Impact investing is one way to mobilise additional resources to relieve pressure on Government budgets. Impact investment brings focus to measurable outcomes and sustainable impact for people, communities and the environment. The market is growing in Australia and across the globe.

Impact Investing is already being used to finance initiatives in areas including the arts, aged care, community development, education, employment, health, environmental management, sustainable agriculture, renewable energy, justice, social housing and international development. The Global Impact Investment Network's (GIIN) 8th annual survey shows a diverse and growing global market in which the most active 229 asset owners and managers have US$228 billion under management, with a 13% compound annual growth rate over 5 years[viii].

Larry Fink, CEO of global asset manager BlackRock with US$6.2 trillion under management, put CEOs on notice: "*Society is demanding that companies, both public and private, serve a social purpose*". Dutch pension fund PGGM, with over US$220 billion in assets reported: "*We are convinced financial and social returns go hand in hand*"[ix]. A 2018 survey conducted in association with the Association of International Certified Professional Accountants saw 93% of the C-Suite respondents endorse the need for a wider view of value creation[x]. There is also a generational shift. Over 60% of millennials surveyed rate a sense of purpose as a major factor in working for their employer, 87% think corporate success should be measured by more than money and 86% report interest in sustainable investment [xi].

Interest is also converging around the opportunities and challenges of meeting the SDGs. Sixty percent of respondents to the latest GIIN Survey indicated they were already tracking investments to the SDGs or planned to do so.[xii] More than 80% of institutional investors indicated they plan to engage investee companies on the SDGs and allocate capital to investments that support the goals [xiii]

These shifts are reflected in Australia with 81% of the largest pension funds indicating they have embedded some formal commitment to responsible investment, up from 70% in 2016 [xiv] Australians are following global trends in demanding that financial markets play a socially constructive role in the economy [xv]

Momentum is encouraging and achievements in shifting mindsets and markets should be celebrated. That said, a tipping point has not yet been reached where impact investing is at the scale required to bring real change to people and the planet. The US$228 billion under management in impact assets and the US$2.3 trillion in sustainable investment[xvi] is still only a fraction of global assets under management. Despite progress in recent decades, no country is yet on track to meet the SDGs. Australia ranks 16th among G20 countries on SDG implementation and coordination mechanisms and ranked 37th in the 2018 SDG Index overall[xvii]. Results for Australians living in circumstances of disadvantage have not improved in 3 decades[xviii] and Australia ranks in the bottom three wealthy nations on environmental policy[xix]

In Australia, the market has entered a phase of more coordinated market development rather than early innovation. Potential is there for more significant growth.

In the 2017, AAB Field Scan[xx], participants across the board raised the opportunity and need for scale. There was a sense that much of the growth so far has been investor led and that there are greater opportunities to be realised with focussed effort to contributing new solutions and designing approaches that work to scale impactful activity and attract finance.

Participants underscored the need for more and multi-skilled intermediaries and for catalytic capital. They referred to the necessity to prove up more models, replicate what works and aggregate investment opportunities in a form that can engage investors. They were clear that they wanted to see more engagement and signalling from governments, including to provide catalytic capital and data that will be critical to supporting scale.

Addressing market gaps and driving scale

Key gaps in the market include: lack of origination capacity, lack of long-term capital, viability of new/existing intermediaries and aggregators, misalignment of funding terms and incentives, mispriced risk and information asymmetries, under-developed secondary markets and inconsistency in impact measurement and management.

The trajectory of other markets, like the UK, shows a wholesaler such as ICA can support multiple functions of market development, it can:

- Strengthen intermediary capacity;
- Encourage collaboration among investors and stakeholders on specific social problems;
- Leverage in new capital;
- “Crowd-in” capital with direct investments which would not typically attract first mover capital from other sources.
- Provide the scale and expertise to instil confidence in investors and to shift social sector culture to consider investment and enterprise;
- Help develop and implement a consistent framework for impact management and measurement;
- Aggregate and share impact investment knowledge;
- Educate stakeholders and policy makers;
- Foster new financial instruments, mechanisms, practice and innovative approaches.[xxi]

In summary, it can improve people’s lives by catalysing the connection between investment and impact.

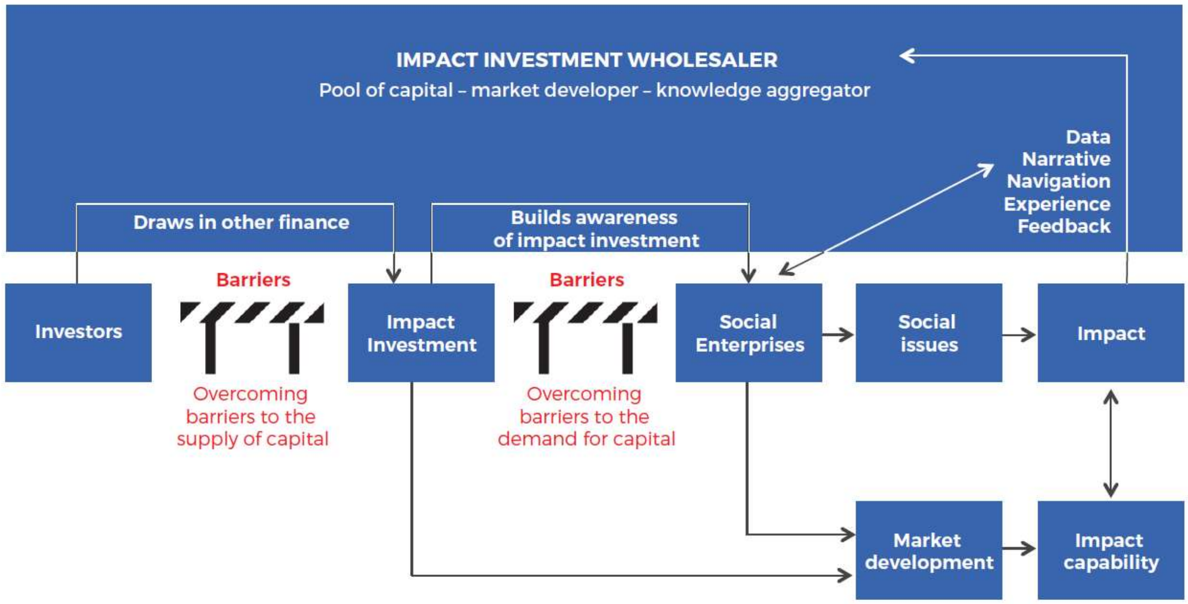
Emerging fields of market-based activity and innovation exhibit a number of common challenges. These factors can push up the price and reduce the flexibility of finance. Impact investment adds the additional complexity of delivering social, environmental and/or cultural outcomes thus amplifying some of the gaps and challenges. Private markets do not readily promote delivery of public goods or optimal social and environmental outcomes. Data, where available, does not easily cross sector boundaries which further complicates pricing and tracking performance.

The key levers to overcome market failures, accelerate development and support more, and more effective, participation are well documented. Similar approaches have been successfully employed in fields such as venture capital, infrastructure investment, the corporate bond market, community finance and microfinance.

The evidence base is building that these approaches are similarly effective in growing impact investment. The UK’s impact investment wholesaler, Big Society Capital (BSC) has demonstrated the scale and momentum effects driven by support of existing and new intermediaries; and the proving up of new and innovative business and financing models.

The Global Steering Group for Impact Investment (GSG) established a global working group in 2017 to promote the development of national impact investing wholesalers. **Figure 1** from the subsequent report released late in 2018[xxii] shows the value of these critical pieces of market infrastructure.

Figure 1 – Value of a Wholesaler



Source: GSG Working Group Report, Building Impact Investment Wholesalers, Key Questions in Design of an Impact Investment Wholesaler, 2018

National wholesalers are designed to support and grow intermediaries and act as market champions.[xxiii] Without the type of capital and capacity brought by a wholesaler, market initiatives may struggle to achieve critical mass, limiting self-sufficiency and inhibiting the opportunities for innovative models to scale. More details on the catalytic effects of international wholesalers on building the pipeline and growing the market can be found in Part 2 of this report, under Proof of concept for a wholesaler.

In 2014, after extensive market consultation, the AAB, a National Advisory Board of the GSG, recommended in its strategy report, Delivering on Impact, that a wholesale institution should be established for Australia. This was identified by the AAB as a key breakthrough action to deliver demonstrable impact, meaningful practice, and build a greater number of informed participants in the impact investing field.

Since early 2015, the AAB through its implementation arm, Impact Investing Australia (IIA) has been working to establish ICA as an impact investing wholesaler for Australia. During that time, Portugal, Japan, Korea, and more recently Canada have all announced national wholesalers and significantly leveraged our design blueprint.

Proof of concept for a wholesaler

Experience from international markets illustrates that impact investment wholesalers, whether broadly focused or sector specific can provide a catalytic effect in stimulating market growth.

Big Society Capital, the UK wholesaler, was established in 2012 and over the last six years has unlocked £1.3bn of capital for impact investing. Support for intermediaries has been a key driver of growth with the number of UK impact investing intermediaries managing over £50m going from only one in 2012 to seven in 2017.

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The international experience: National wholesalers

Experience from international markets shows that a wholesaler investor and market champion is needed to drive market transition and stimulate growth in impact investing.

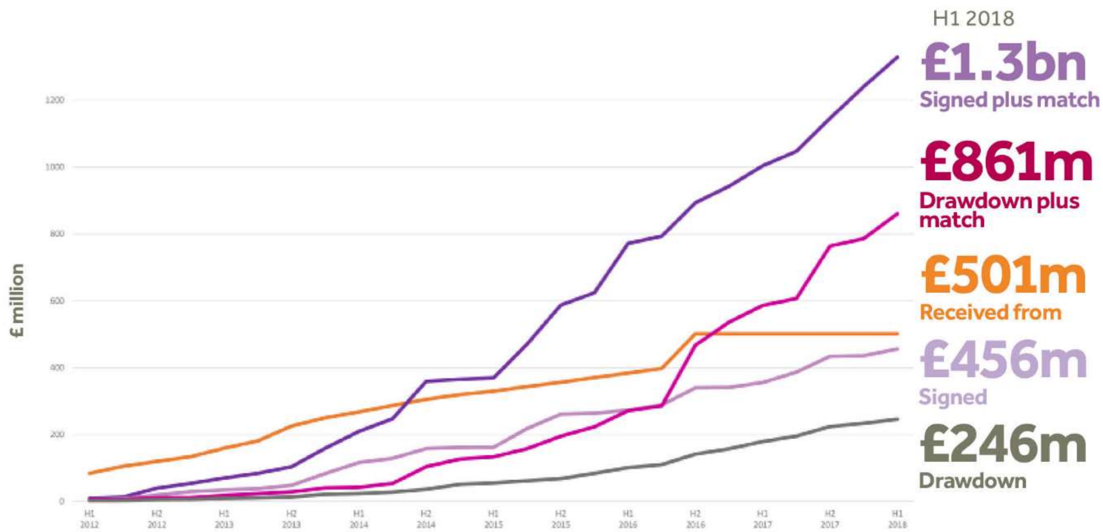
Three examples of international wholesalers, their mandates and some of the impact they have created in their respective regions are provided below. Further wholesaler examples are provided in **Appendix 3**) These wholesalers aim to build markets, not just write cheques. Their theory of change is that a strong layer of intermediaries will both draw other investors into the market and serve the diversity of impact driven demand. They are designed to 'crowd in' other investors rather than 'crowd out' intermediaries.[xxiv]

The AAB's membership of the GSG has provided access to key executives at various international wholesalers. BSC collaborated extensively in the design process for ICA. Lessons learnt from the UK experience, adapted for Australian market conditions, have been extensively incorporated into ICA's design.

Big Society Capital, UK

In the UK, the 6-year track record of BSC to June 2018, provides evidence of both the direct multiplier effect and the broader market-catalysing effects that can be achieved when government acts as a first mover by co-investing in impact investment, (**Figure 2**). McKinsey analysis found that BSC's impact represented a "*decisive shift"* in the UK impact investing market.[xxv] Over this time, BSC has invested in 44 intermediaries with an average deal size of £5.2m. The intermediaries have gone on to invest in over 800 social enterprises. BSC made its first profit of £782,000 in 2017 and while profits are expected to experience some volatility overall the organisation is targeting self-sustainability and investor returns.

Figure 2: Big Society Capital's portfolio and leverage effect has built over the first 6 years of operation



Source: Big Society Capital Website, accessed 30/01/2019

Table 1: Snapshot Big Society Capital[xxvi]

Purpose	To improve the lives of people in the UK by connecting investment to charities and social enterprises.
Summary	Big Society Capital (BSC) is a wholesale institution that invests in UK social investment finance intermediaries. The intermediaries invest in charities, social enterprises and other social organizations.
Year Opened	2012
Geographic Limits	The United Kingdom
Source of Capital	Dormant banks accounts (up to £400m); Merlin Banks[2] (up to £200m)
Amount Held	£501m (up to £600m)
Amount Invested	£456m Signed / £246m Drawdown
Amount Co-Invested	£805m Signed / £615m Drawdown
Co-Investors	Social bank depositors (19%), charities and foundations (13%), government agencies (7%), international (8%), banks (3%), local government pension funds (2%), funds (1%) and other (47%)
Return Target	4% to 6%
Immediate Investees	Intermediaries (no restrictions on intermediary type)
Final Investees	Charities, social enterprises and other social organizations
Investment Tools	Into intermediaries: Debt and equity.

2 Relates to Project Merlin - an agreement covering lending, bonuses and transparency between the UK (Cameron) Government and the UK's four biggest banks: HSBC; Barclays; Royal Bank of Scotland and Lloyds Banking Group.

European Social Impact Accelerator, EU

The experience of the European Investment Bank run Social Impact Accelerator is also supportive of the role of a wholesaler in stimulating impact investing market development.

The EU's €243m Social Impact Accelerator (SIA) is a fifteen-year fund of funds within the European Investment Fund that invests mostly in social venture capital funds. The SIA seeks a return competitive with general venture capital.[xxvii] The SIA usually supplies between 7.5% and 50% of an intermediary's capital raising.[xxviii] The SIA's intermediaries must raise the rest of the capital for that round through other sources. The SIA leverages non-SIA capital by strengthening, developing and enabling its intermediaries to complete their capital raisings rounds outside the SIA.

Table 2: Snapshot Social Impact Accelerator (SIA)[xxix]

Purpose	To establish a financial market for social entrepreneurship in Europe.
Summary	The SIA is a fund-of-funds that invests in European social impact funds. The social impact funds invest in social enterprises. The European Investment Fund manages the SIA.
Year Opened	2013
Geographic Limits	The European Union
Amount Held	€243m (at March 2018)
Amount Invested	€105m (at March 2018)
Amount Co-Invested	Up to 50%
Return Target	Over 5%
Immediate Investees	Social impact funds
Final investees	Small and medium-sized social enterprises
Investment Tools	Into intermediaries: Equity. Into final investees: Equity and debt.
Sources of Capital	Public & private financial institutions: European Investment Bank (€230m), European Investment Fund (€9m), Crédit Coopératif (€1m), Deutsche Bank (€1 m), SITRA (€1m) and Bulgarian Development Bank (€1m)

A focus on intermediary support

While wholesale investors differ by goals and context, the common thread is intermediary support. Both BSC and the SIA work closely with their intermediaries to hone their processes, sharpen their skills and structure investable products.[xxx]

BSC has since spent significant time and energy helping intermediaries organise their management, figure out their processes, foster pipelines, structure products and otherwise create entities into which BSC wants to invest. With the help of BSC, as the UK market has matured, the number of intermediaries managing more than £50m jumped from one in 2012 to seven in 2017[xxxi]. The SIA has followed the same path. It works closely with intermediaries and other partners to put together funds into which the SIA will invest.[xxxii]

Creating impact in key areas of policy priority

BSC did not deliberately set out to align with government policy priorities. Unsurprisingly however, there is significant overlap between the societal issues that it is seeking to address and the UK Governments policy priorities. In the UK, employment, and enabling training and education, are key areas of policy focus as are social and affordable housing and affordable access to childcare. **Table 3** below is indicative of the type of investments made by the intermediaries BSC has supported along with the outcome area targeted and the impacts achieved. It illustrates that, with a wholesaler in the market driving intermediation, the private sector can be mobilised to provide capital for social purpose with strong impact.

Table 3: BSC creating impact in key outcome areas

Outcome Area	Investment	Impact
Employment, training and education	Nesta Impact Investments invested £1m into GetMyFirstJob, an online service that matches young people to apprenticeships.	26,000 jobs and training opportunities created
Housing and local facilities	Golden Lane Housing raised £11m through a listed charity bond, purchased in part by the Threadneedle UK Social Bond Fund. Golden Lane Housing supplies supported, independent homes to people with learning disabilities.	2,000 people housed
Income and financial inclusion	Big Issue Invest financed Street UK, a non-profit low-cost alternative to payday loan companies	24,000 affordable loans disbursed.
Family, friends and relationships – Affordable Childcare	Big Issue Invest and Bridges Fund Management invested £1.25m into the London Early Years Foundation. The Foundation subsidises low-income spots by charging affluent parents more.	5,000 affordable nursery or childcare spaces offered

Source: GSG Working Group Report, Building Impact Investment Wholesalers, Key Questions in Design of an Impact Investment Wholesaler, 2018

The international experience: A multi-national wholesaler

ICA's design also draws upon lessons from other fields of market development.

One such example is the Global Energy Efficiency and Renewable Energy Fund (GEEREF). Launched in 2008, GEEREF is an innovative fund of funds catalysing private sector capital into clean energy projects in developing countries and economies in transition. In April 2017, the Green Climate Fund, currently chaired by the Australian Department of Foreign Affairs & Trade, approved a US$265m investment in GEEREF Next, a further capital raising for GEEREF. GEEREF is advised by the European Investment Bank.

The multiplier effect of GEEREF on both impact and finance is significant, (**Figure 3**). At the fund level, GEEREF's €166m of commitments in 13 intermediaries have unlocked €1038m in total capital, a multiplier of 6.3x. At the project level €2.9bn is unlocked from fund commitments of €606m, a multiplier of 4.9x on project funding and 18.0x on total GEEREF commitments.

Beyond the environmental benefits, GEEREF has also contributed technical expertise and capacity development to supported funds, as well as contributed to the SDG through enabling increases in jobs, training and access to power for developing market beneficiaries.

Figure 3: GEEREF intermediary support and leverage effect 2017

As at the end of 2017, GEEREF had investments in 13 funds.

Source: Impact Investing Australia, 2018 from information in GEEREF Impact Report 2017

Significantly, the GEEREF support has also helped the intermediaries build track record which together with the growth in the market has resulted in a major step up in capital raised in their second approach to the market.

The experience from other fields and from impact investing in other jurisdictions was distilled to identify the hallmarks of a successful wholesale investment fund. These features have been integrated into ICA's design. Additionally, Australia has its own lessons and experience to draw on.

The Australian experience

The Australian experience also illustrates a multiplier effect generated from catalytic capital. Like the experience of international wholesalers, acceleration of momentum was particularly marked post 3-5 years of operation, (for example **Figure 4**). The key difference between the Australian and overseas experience has predominantly been in the scale of the initial capital and therefore the impact that it was possible to generate.

In 2011, the Australian Government launched the Social Enterprise Development and Investment Funds, (SEDIF). These funds granted a total of $20m to cornerstone three new investment funds to provide appropriate finance to social enterprise.

The five year evaluation of SEDIF found that for the $20m investment of public monies, there were strong direct effects on capacity building and scaling social impacts for 64 SEDIF financed social enterprises, and modest indirect effects on developing capacity of 424 social enterprises. The evaluation recommended '*That future policy developments give consideration to the suggestion raised by multiple interviewees, including some SEDIF co-investors and impact investment specialists, to establish a wholesale impact investment fund to support scalability of impact investing in Australia.'*[xxxiii]

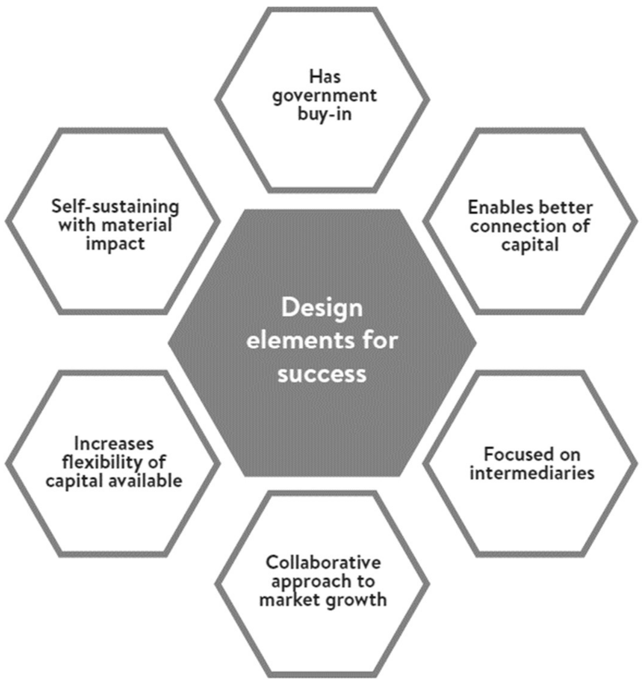
Figure 4: Social Enterprise Finance Australia[xxxiv] investing for Impact

Source: SEFA Impact Report 2016

Key components of successful wholesalers

There are numerous differences between the wholesaler examples provided both in terms of goals and context. Market size and stage are critical, as is the problem the wholesale investor wants to solve. A wholesale investor that aims to grow the overall market will differ from a wholesale investor that wants, for example, to specifically support early stage social enterprises or a specific issue such as clean energy. Notwithstanding different market context and forms, there are some common elements that all these wholesalers share that have been critical to their success, (**Figure 5**).

Figure 5: Key Elements of successful wholesale funds[xxxv]



Part 2: The policy case for ICA

Overview of ICA and how it works

ICA is game changing infrastructure conceived to scale the impact investment market in Australia. It is designed to be independent, with a mission, investment mandate and sufficient catalytic capital at $300m, to significantly accelerate market development.

As a predominantly wholesaler investor and market champion, ICA could provide seed capital to new impact funds, and bring tools and "know-how" to the structuring of products including the measurement of outcomes.

Our recommendation is for the Australian government to commit $150m in 2018/19 which would be matched initially by a combined contribution from financial institutions including major Australian banks. The Government contribution could be structured as a grant and/or an approved investment

Detail on the vision, mission and mandate designed for ICA is provided in **Appendix 2**. This section provides a brief overview of its two key roles: investor and market champion.

As an investor, ICA will focus ~80% of its activity on **finance for existing and new intermediaries**. In its capacity as a wholesaler or fund of funds, ICA will invest in funds seeking to enter the impact investing market or those looking to grow in key impact sectors. ICA will also retain ~20% of its capital for investment **directly** into transactions that promise socially impactful, innovative and scalable solutions. It will "crowd-In" rather than "crowd-out" capital with direct investments which would not typically attract first mover capital from other sources.

Impact driven organisations and initiatives need access to capital on appropriate terms. while on the investor side there is an increasing pool of capital seeking impact. The most efficient way to match demand and supply is through effective and appropriately skilled intermediaries delivering a variety of investment products that work for different types of issues and organisational requirements.

ICA is designed to provide a long-term committed platform that can have a catalytic effect to stimulate intermediaries and, through them, demand and deal pipeline. Funding by ICA in this way creates a much more significant multiplier effect, (discussed in more detail below).

In addition, without the availability of capital from an institution such as ICA, innovative ideas developed by intermediaries will struggle to find investors willing to go first on acceptable terms or who can appropriately price impact risk and return. When initiatives consistently don't get off the ground, the cycle acts as a disincentive to others.

ICA's investment mandate will have three central elements: clear impact, financial viability and contribution to market development. ICA will have the scope to be the first mover, providing flexible and appropriate terms and sending important signals to build market confidence and attract other investors. Its investment process will attribute value beyond financial returns to the social and market development dividends of new funds and products entering the market.

As a market champion, ICA could facilitate market development by proactively identifying opportunities and tackling barriers. Its combination of capital and collaborative approach will see it quickly become a go to place for new ideas and opportunities. ICA's proactive allocation of capital to initiatives designed to achieve diversity, innovation and growth will underpin its influence in setting benchmarks for rigorous design and impact measurement.

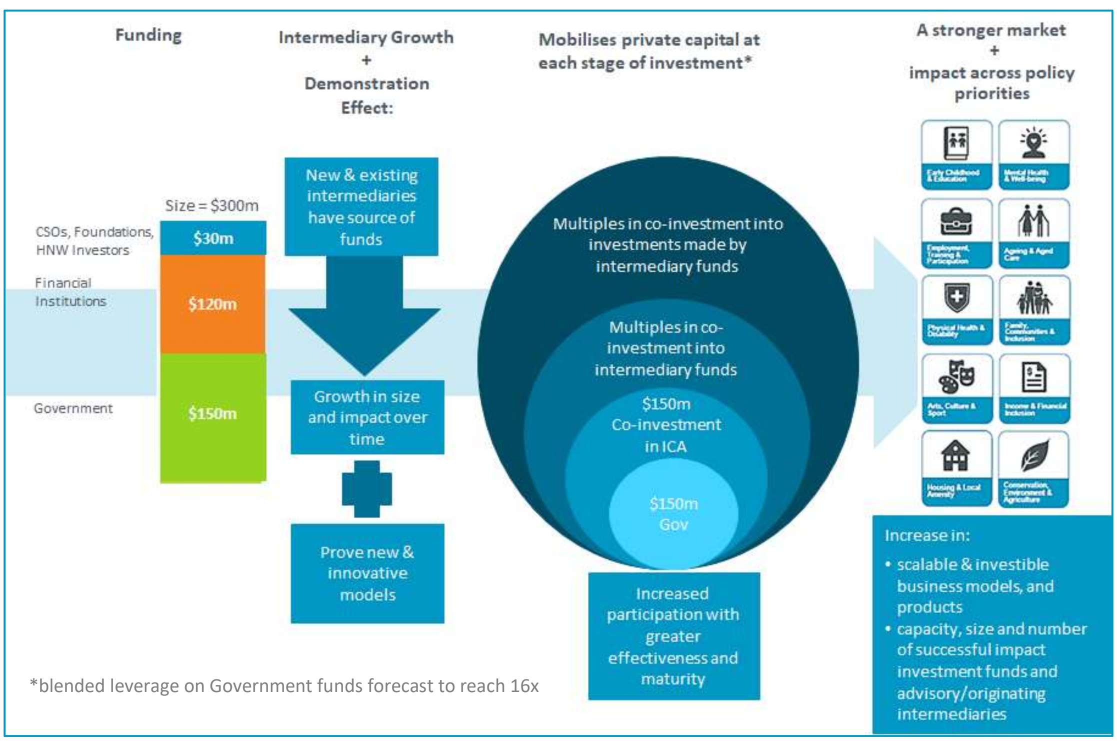
ICA will also have a role in raising awareness and shifting mindsets. Areas it could tackle include: the cultural aversion to debt of socially motivated organisations; the simplification of investment jargon; a framework for understanding of the true costs and risks relating to impact; inexperience in blending philanthropic and investment capital; and the evolution of a new mainstream investment paradigm where impact is evaluated alongside financial risk and return.

In an environment of low trust in institutions, including governments and the banking sector, ICA represents a unique opportunity to demonstrate positive and collaborative action for the benefit of our communities. ICA will foster stakeholder collaboration and embody a multi-sector approach to impact investment. Its approach will include co-design and the convening of stakeholders to develop societally impactful, innovative and scalable solutions, particularly in more complex areas where the market may not go on its own.

The unique aspect of a wholesaler such as ICA is that its mandate seeks to 'grow the pie' rather than compete for a 'slice of the pie'. Intermediaries already active in the market cannot fulfil this role. Their focus primarily is on developing their own businesses rather than encouraging and supporting other intermediaries and market infrastructure. Unless they have the benefit of their own significant capital reserves, they will also struggle to invest in ongoing development of new investment products or complex large transactions without further support being available.[xxxvi]

ICA's multiple layers of co-investment will create a material multiplier effect on the Government's $150m contribution. As **Figure 6** demonstrates, at each stage of investment more private capital is unlocked for public benefit. While in a tight budgetary environment the leverage on government capital is incredibly important, so too is its efficacy. In addition to the capital unlocked, support of intermediation enables the attraction of talent and capacity building. Measurement and monitoring of intermediary impact also places focus on what is being achieved for the money spent. This support of intermediaries will ultimately multiply the opportunities in the field and lead to additional ways of delivering more and better outcomes for our Australian communities including through new solutions to complex issues.

Figure 6: ICA creates a multiplier effect



Source: Impact Investing Australia, 2017

The policy case

In an environment where government budgets are under-pressure two things are particularly critical:

- Maximising efficacy of government spending against policy priorities ie. Better outcomes.
- Unlocking private capital for direction towards policy priorities ie. More outcomes

More and better outcomes could actually be achieved with less money and result in savings to Government if effectively executed.

The Government's commitment in the 2018/19 budget to "*work in partnership with Impact Investing Australia to examine opportunities to leverage private sector capital and community sector engagement to build the impact investment market to scale in Australia*" confirms it has recognised that impact investing has an important role to play in delivering better outcomes for Australian families and communities. They appear supportive of the market's development.

Game-changing policy in establishing ICA is now required to drive the impact investing market to a state of development where it can meaningfully contribute toward the Government's policy priorities.

There is no market from which governments are completely absent. The policy announcements in the 2017/18 and 2018/19 Budgets, release of the Social Impact Investment Principles (the Principles) and public statements from the Treasurer and other Ministers supportive of enabling and growing impact investment *in* and *from* Australia are welcome developments.

However, there is more to do for the Australian Government to take up the Financial System Inquiry recommendation that it play a '*catalytic role both in facilitating the functioning of the ecosystem and targeting actions to trigger its further development*.'[xxxvii]

A proactive role for governments in building the market builders is well-recognised in impact investing and in other fields of market-based activity. That role includes providing catalytic capital and incentives to encourage greater participation. The public value created will go beyond economic market effects. It will include outcomes and impact for vulnerable groups and communities and bring focused attention to contributing new solutions. ICA is specifically designed to execute on the Government's market building role.

Governments have well-recognised roles as market stewards, removing barriers to participation and ensuring the regulatory environment facilitates market activity and an appropriate level of accountability. ICA will contribute to this role by tackling key barriers to entry. It will also help set expectations and standards for accountability for impact thereby mitigating risk of 'impact-washing'.

Governments also have an established role as market participants, and this can be a powerful way to unlock and direct capital to areas of policy priority. A clear theme that came through in the AAB field scan is that practitioners are looking for signals from the Government. They will welcome prudent utilisation of public monies to encourage more private capital into areas of need where current market conditions discourage investment. As a specialist wholesaler in impact investing, an investment from ICA could create signals around credibility of impact alongside providing flexible capital. Both elements will make it more attractive for other investors to participate resulting in better outcomes and more reach.

ICA is designed to reduce areas of long-term dependency on public funds and is structured to maximise capital and non-capital resources from other sources. It will attract new sources of private capital and expertise to help drive new investment and innovation across key areas of policy priority and into targeted communities.

> *It has been mission-oriented State investments that have, time after time, and over national boundaries, proved effective in driving individual sectors in the innovation economy…writ large, the strategic State interventions that have shaped the market economy over generations have depended on grander themes – national development, national security, social justice, liberation from disease – that transcend the cultures of welfare economics and the logic of market failure*[xxxviii]

The Government will be a clear beneficiary of ICA through delivery of greater public value from improved outcomes and a multiplier effect on public funding. **Figure 7** illustrates an example of the multiplier effect that could be achieved with ICA.

Figure 7: Dimensions of the Multiplier Effect of ICA[3]

ICA at Start up:	**$300m**	
Initial Government investment	$150m	
Private capital	$150m	1x
ICA Direct Investments:	**$60m**	
Government share	$30m	
Private Capital attracted	$120m	4x*
ICA Wholesale investments:	**$240m**	
Government Share	$120m	
Private Capital Attracted	$2.3bn	19x*
Total Private Capital attracted by ICA on government funds	**$2.4bn**	**16x***

Government Capital

On Formation: Government Capital multiplied by unique cross-sector partnership.

Direct Investment: Government Capital of $30m multiplied by private co-investment in transactions.

Investment by funds: Government Capital multiplied by private investment in funds and private co-investment with funds.

Outcomes & impact

Expanded capital and the focused approach of ICA would create a multiplier effect on the outcomes and impact of:

- **Social innovation;**
- **Beneficiaries reached;**
- **Focus and efficacy of issue targeting;**
- **Prevention measures undertaken**

Source: Impact Investing Australia, ICA Implementation Deck October 2017

Benefits of ICA will also flow to a broad range of stakeholders including:

- Australian communities and the economy through greater resource availability for social purposes, new approaches to solving entrenched problems and greater transparency and accountability for outcomes;
- Investors such as banks and intermediaries from ICA, as a market champion, being prepared to go first, unlocking new capital and creating new opportunities for investment with impact;
- The social and environmental sectors from improved access to a wider range of funding and finance options;
- Philanthropists and Foundations from the potential to achieve more impact from strategic use of grants and investment capital.

3 See Appendix 2 for further analysis

Government is an essential partner

ICA cannot be implemented to achieve its objectives without the Australian Government as a partner. There are a number of key reasons:

- Government is potentially both a key beneficiary and major participant in impact investing. The signalling effect of its early collaboration and commitment is therefore critical in instilling market confidence;
- In order for ICA to be self-sustaining, provide flexible capital and operate as a public good, it needs its own capital on the right terms. The private sector is prepared to partner with government to achieve this but would not be prepared to fund ICA alone; and
- The national nature of ICA's remit means the Australian Government is the more natural government partner to fund ICA. Once ICA is capitalised, there will be an important role for State governments in co-investment *with* ICA and its intermediaries.

ICA is designed to occupy a unique position as an independent organisation formed in partnership between the Australian Government, leading financial institutions and the community to operate as a public good. The trust and signalling effect will not be achieved without a cross-sector partnership in which Government is engaged.

ICA's remit needs to be national to have the intended effect. Government has a major stake in, and is a major beneficiary of, improving outcomes for people and communities. The outcome areas identified for ICA to operate relate to areas of national and shared government responsibility. Without government as a partner, the capacity to drive activity toward those areas will be reduced. If government is not at the table, its access benefits in learning and capability will be limited at best.

The Government capital will provide a degree of confidence to other investors in ICA such that:

- the risk adjusted return (i.e. Pricing) for co-investors will be reduced;
- Capital will flow which would otherwise not have been made available, (e.g. Banks will not typically provide debt to a fund of funds, particularly in a market still developing);
- Co-investment is enabled on terms that will not otherwise be possible, (e.g. Longer timeframes more aligned with market need).

Government funding in ICA's capital stack has several consequences. Most significantly, capital that if alternatively sourced would be too expensive could be offered by ICA on appropriate terms for impact directed activity and organisations. Additionally, ICA will be able to take a portfolio approach that reaches more impactful opportunities and still become self-sufficient over time, rather than only doing those transactions that target significantly higher hurdle rates of return.

The Government contribution is also structured to enable ICA to undertake and facilitate design for new and more impactful opportunities within its operating budget. This will increase the collaborative effort and innovation to contribute new solutions, design for scale and reach issues that the market alone is unlikely to tackle.

The AAB concluded in 2014, '*There is enough capital and talent to make a significant difference to social issues; they need to be deployed differently to achieve a better result*'.[xxxix] The experience across the globe has been that proactive steps are needed to achieve that shift. Even where there is willing capital in the market, the literature indicates that '*It is as if impact investors are lined up around the proverbial water pump waiting for the flood of deals, while no one is actually priming the pump*'.[xl]

In Australia, the issues are magnified because there is a relatively thin venture capital and private equity market. Hurdle rates to mobilise institutional investment are high, and yet it is necessary to engage these investors if impact investment in this country is to achieve scale.

Policy alignment

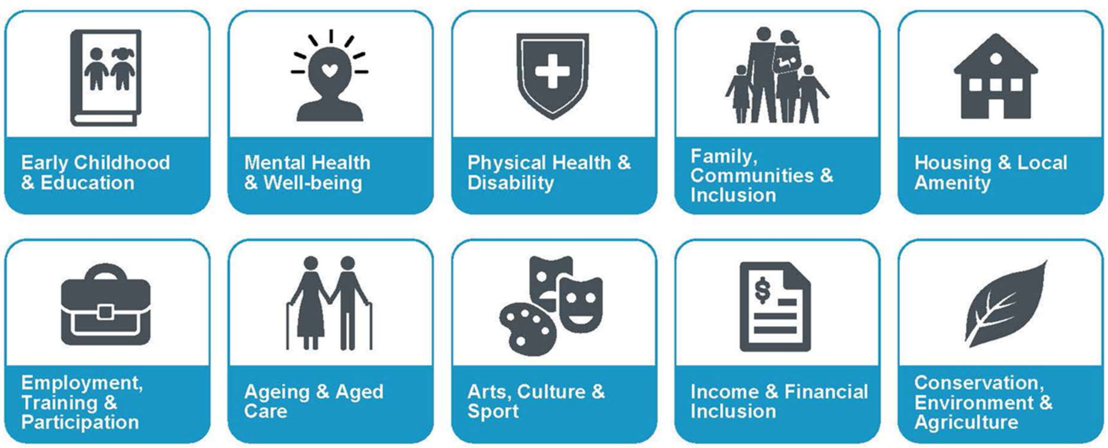
The design for ICA is based on leading practice in market development and market and innovation policy. This proposal builds on the Government's initiatives to develop the social impact investment market in Australia, including the 2017 Budget measures and the Australian Governments Principles for Social Impact Investment.

The outcome areas which will be the focus of ICA's investment mandate include Australian Government policy priorities in: housing; employment and training; healthcare and disability, childcare and; financial and community inclusion.

In pursing the growth of intermediation and focusing on efficacy and efficiency of capital, ICA's work will be highly aligned with the objectives of Government around the delivery of both more and better outcomes for Australian communities.

ICA's investment focus will be on the outcome areas in **Figure 8**.

Figure 8: ICA's targeted outcome areas



These outcome areas incorporate many aspects of the key policy priorities of the Australian Government. The broader enablement of the impact investment market by ICA is that these areas will support Government policy priorities as follows:

- *Fairness, Security and Opportunity*: The development of a robust for purpose or social enterprise sector enabled by greater access to capital through ICA, will support inclusive economic and jobs growth;

  Place-based investment in particular will be supported where opportunities exist to improve the flow of capital to communities that have experienced significant under-investment or withdrawal of industry. This will be further enhanced by increased investment availability in social services infrastructure;

- *Delivery of essential services in healthcare, housing, disability support and employment*: ICA will enable:
  - greater efficacy of government capital in service delivery by targeting outcomes with each dollar invested;
  - private co-investment delivering both more capital and better results through measurement;
  - innovation in service delivery through collaboration of cross-sector actors.

  Measures to encourage market-based approaches could also encourage competition and facilitate access to quality services for all parts of the community.

- *Tackling cost of living pressures* in areas such as housing affordability, childcare and power prices. A key focus of ICA will be on scaling innovation around new structures and models including private co-investment and cross-subsidisation to deliver more affordable options in these areas at scale. ICA will also provide significant stimulus to unlock private capital for housing and social infrastructure. This will encourage a range of intermediaries and approaches to meet increasing demand for affordable stock particularly in key areas of reform such as disability support and aged care.

- *Government lives within its means*. There is growing budgetary pressure around social issues which the government and philanthropy alone cannot continue to meet. Through unlocking private capital, ICA is intended to create a multiplier effect for government capital estimated at over 16x on fully invested capital. A drilldown on this multiplier is in **Appendix 2**.

While ICA will operate domestically, it will send a strong market signal supportive of foreign policy priorities to encourage private sector partnerships, innovation and enterprise development in the Indo-Pacific and improve outcomes for women and girls. It is complementary to the recently announced Emerging Markets Impact Investment Fund and the Investing in Women and Pacific Rise initiatives.

Apart from its alignment to policy priorities, ICA's design is also consistent with the Government's Principles of Social Impact Investing. A detailed analysis of ICA against each of the Principles is set out in **Appendix 4**.

Part 3: ICA is implementation ready

Clear and accountable design

ICA's design is based on a broad evidence base and is the product of a collaboration between cross-sector leaders, locally and globally. A three year process of robust co-design and planning has brought ICA to a point where it can be readily implemented.

ICA would be an independent, purpose-driven organisation with standards and processes that ensure accountability for proper and effective use of resources. Governance would be the responsibility of a highly experienced board utilising appropriate committee structures.

Other aspects of accountability and transparency, such as performance monitoring and management and risk mitigation strategies, would all be essential in the formalisation of ICA policies on implementation.

ICA is good policy, which has been through a multi-stage, robust co-design and planning process and can be readily implemented.

ICA's design has been informed by: Australian market soundings led by the AAB in 2014 and 2017; the Financial System Inquiry; and the evidence and literature base for market design and innovation from sources including the OECD, G8 Social Impact Investment Taskforce and GSG; and the practical experience of the European Investment Bank and BSC. The blueprint, policy design and modelling for ICA is already informing work in other countries, including Japan and Canada.

ICA is designed to function as an independent, purpose-driven organisation with standards and processes that ensure accountability for impact, proper and effective use of resources and financial sustainability. It is critical that ICA's governance is rigorous, accountable, and transparent across dimensions of its implementation and operation.

ICA's structure will reflect the collaboration between the Australian Government, financial institutions and community and embed its independence and a mission lock that hard wires in its purpose.

Governance implementation will be the responsibility of a highly experienced board and management team. The governance structure allows for stakeholder interests to be represented and appropriate expertise to be brought into Board Committees as required. An experienced group of cross-sector leaders is already providing stewardship and support for ICA (see **Appendix 7**).

Performance monitoring is built into the design and will be reflected in contracting arrangements. An assessment of key risks and sensitivities and associated mitigation strategies has been informed by understanding of the Australian market for impact investment and the international experience. A risk management matrix is included in **Appendix 2.** As an entity in receipt of public monies, ICA will also be subject to requirements for Australian National Audit Office oversight and compliance with privacy and other applicable laws.

More background on the design, structure and governance principles is set out in the **Appendix 2.**

Implementation plan

A clear and accountable implementation plan has been developed for ICA. The plan has four stages, (**Figure 8**), with identified work-streams, milestones and time-frames:

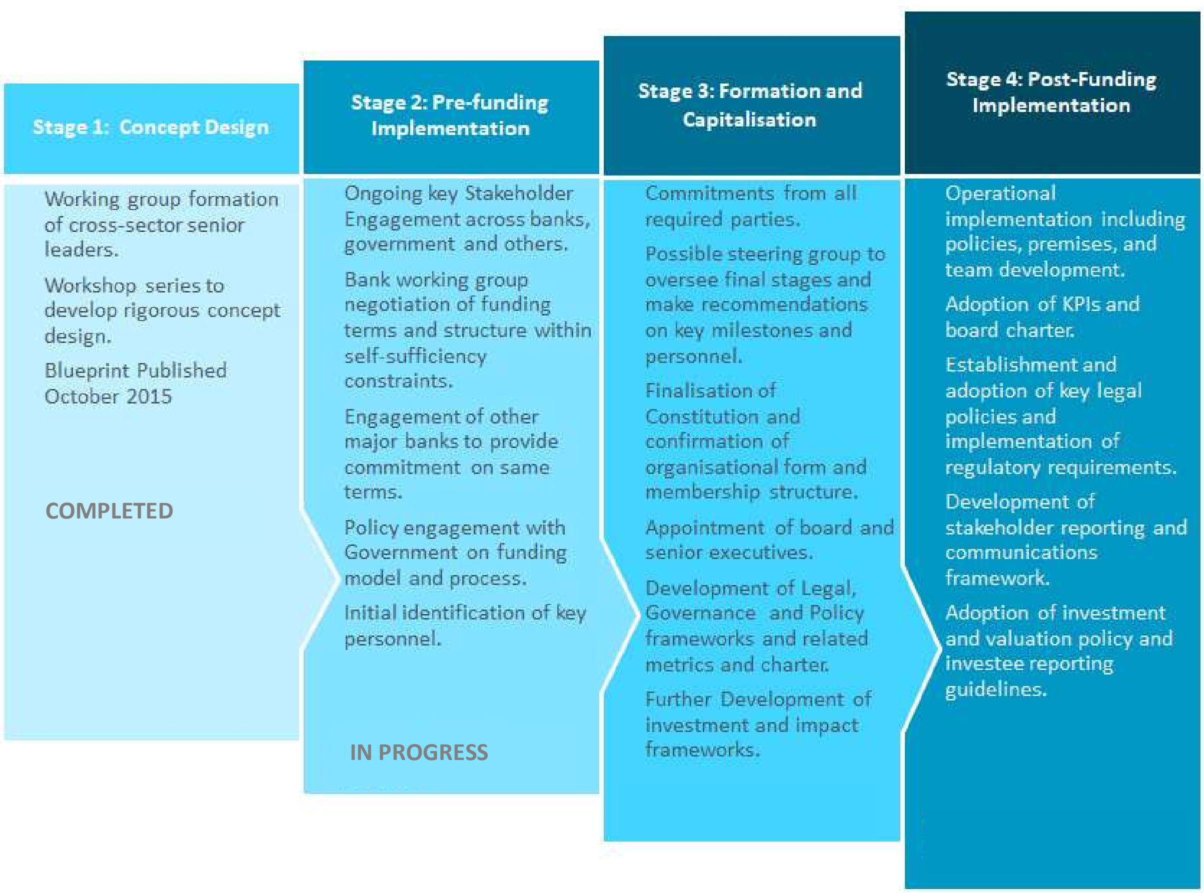
- Stage 1: concept design;
- Stage 2: pre-funding implementation;
- Stage 3: formation and capitalisation; and
- Stage 4: post-funding implementation.

Stage 1 has been completed and Stage 2 has been progressed to the final stages. **The next major milestone is securing capital commitments from significant stakeholders including the Australian Government.**

ICA's implementation plan anticipates a proposed funding partnership which includes the Australian Government. This partnership will specifically meet the Social Impact Investing Principles and the seven key principles under the Commonwealth Grant Rules and Guidelines including integrated governance arrangements to mitigate risk. Performance monitoring is also built into the design and will be reflected in contracting arrangements.

Further information on the implementation plan and work-streams is included in (**Appendix 2**). A summary of the approach is shown in **Figure 9**.

Figure 9: ICA has a clear implementation plan broken into 4 stages



Source: Impact Investing Australia, 2018

Stages 3 and 4 of the implementation plan include developing ICA's operational policies and frameworks. These will embed systems of risk identification and management, planning and performance reporting and other processes necessary to ensure that ICA will secure and comply with an appropriate Australian Financial Services Licence and associated prudential regulation.

Implementation process

The acceleration of ICA's implementation would take place once funding is secured. In the first instance, implementation would likely fall under the remit of a steering group which would report to all key stakeholders and be tasked with critical milestones such as board and senior executive appointments, the adoption of the constitution and key policy developments including the board charter.

Once appointed, ICA's implementation would be transitioned to the board and senior executives. At this stage adoption of key policies would be formalised and operational implementation would be accelerated.

Ensuring accountability, transparency and the appropriate rigour in the related governance and communication framework is a critical aspects of the implementation process.

An implementation process is proposed for Stages 3 and 4 to facilitate efficient and effective implementation of the design and enable each of the contributing parties, including the Australian Government, to meet their respective approval, governance and accountability requirements.[xli]

It is proposed a small high calibre implementation steering group be established to oversee Stage 3 and the transition to Stage 4 of the Implementation Plan. The Steering Group will consult with, and report to, nominated officials in Government, the participating financial Institutions and the AAB. They could be supported by a small implementation team.

The Steering Group will be asked to make recommendations on key implementation milestones including: Board and Committee appointments; process and candidates for key personnel; design and adoption of a Board Charter; more detailed design of key policies and; finalisation of the investment mandate. The Steering Group could also propose or respond to implementation milestones for Stage 4. It is anticipated the Board and Executive team will be appointed during Stage 3.

During Stage 3, further work could also be carried out on the options for structuring the Australian Government capital contribution to ICA and to work through any further government approval processes. This could include providing support and materials for any Ministerial or other delegate briefings; Cabinet process or matters related to appropriations and; if applicable, design grant guidelines.

At the beginning of Stage 4, it is anticipated governance will transition to the ICA Board and executive team. There will still be work to do before doors open and operations commence. During this phase, ICA will report to clear milestones and time lines. Once the milestones have been achieved, ICA will be operation-ready and will commence operations in accordance with its internal policies and procedures.

Once operational, ICA will report to funders and investors, including Government, on financial and impact performance. It will also report publicly both in accordance with the requirements for a public company under the Corporations Act and on its societal impact.

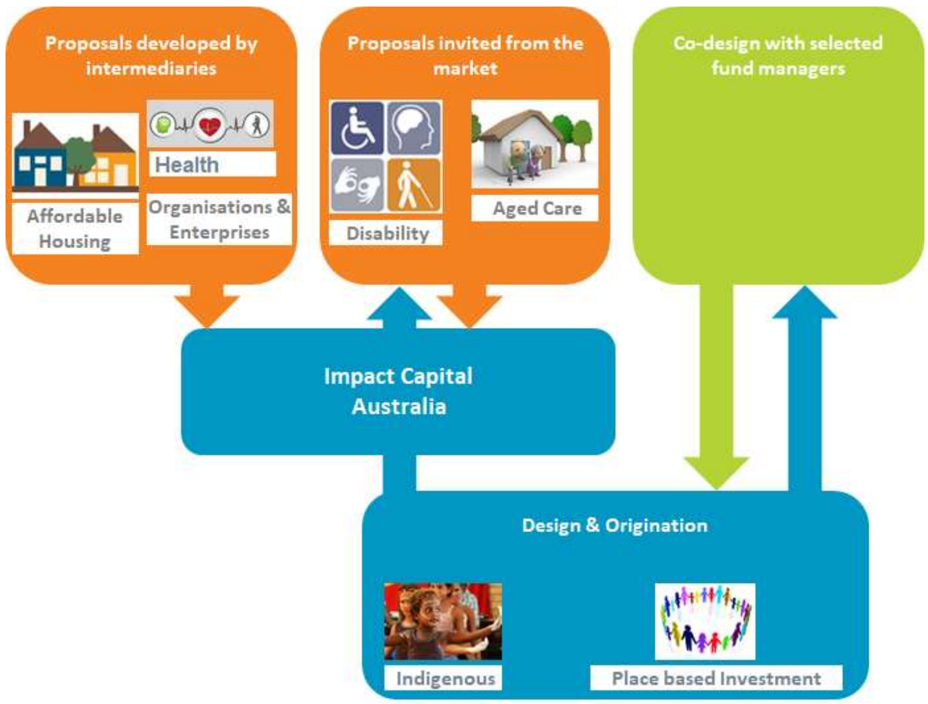
ICA is designed to run for an initial 10-year period. A progress review is planned after 5 and 10 years of operations. On current modelling, it is anticipated the ramp up of the investment portfolio to full allocation will take approximately 5 years. An option for extension (by agreement) at the end of year 10 will allow for accumulated funds to be utilised to extend the operations of ICA or undertake an agreed program of further work within mandated areas of operation based on an assessment of the needs and opportunities at that time.

Pipeline development

An important aspect of ICA's implementation is pipeline development. The early identification of opportunities and adoption of initiatives around building pipeline, (**Figure 10**), will accelerate the speed of ICA's market impact, once capitalised.

Pipeline development will consider the different types of impact investments which relate to: infrastructure and property assets; organisations and enterprises; and service delivery as illustrated in **Appendix 2.**

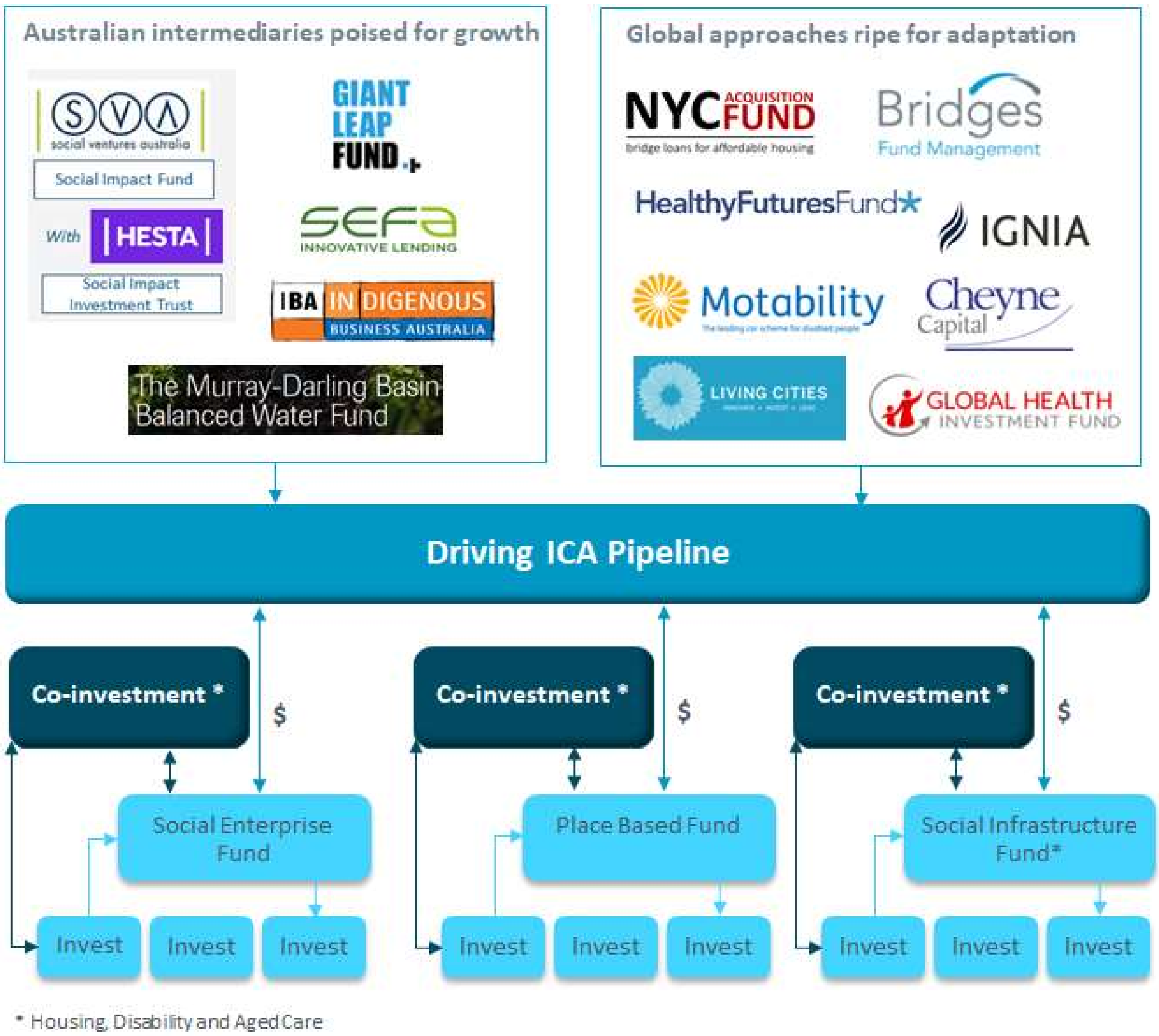
Figure 10: ICA's proposed initiatives for Pipeline Development



Source: Impact Investing Australia, 2018

Drawing on international experience, early opportunities for investment have been identified in: social and affordable housing as a complement to other initiatives; accommodation and services for people with disabilities to support transition to the National Disability Insurance Scheme; community investment to drive jobs and economic activity in priority areas and; the acceleration of outcomes-based approaches to commissioning, (**Figure 11**).

Figure 11: Initial opportunities for ICA's Pipeline



Examples of potential wholesale investments for ICA include:

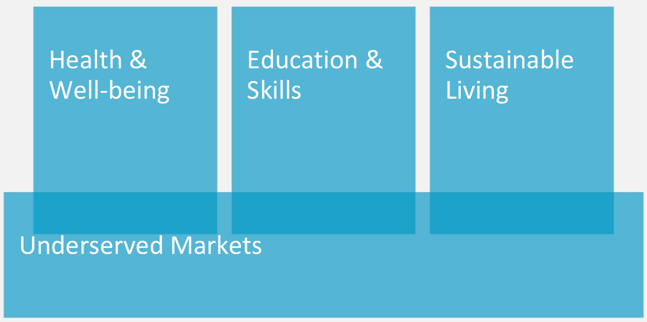
- a fund to invest in aspirational small and medium enterprises in communities that have experienced a lack or withdrawal of investment to generate impact in jobs and local economic activity, (Case Study 1);
- a social impact bond fund focused on social service-based investments across a range of outcome areas;
- a social housing investment fund to create purpose-built accommodation for people with disabilities, (Case Study 2); and
- a fund that makes investments to: support new business models that enable new approaches to tough social issues or; enable social purpose organisations to expand successful initiatives.

Case study 1: Drawing on the UK experience – an Australian place-based investment fund

UK experience: Bridges sustainable growth fund:

- Bridges' Sustainable Growth Funds invest in ambitious growth businesses that are helping to tackle some of society's biggest challenges – in areas like healthcare, education and the environment.
- Bridges invest **£2m-£20m** in businesses pursuing organic growth, buy and build, and multi-site roll out strategies across any of their impact themes.
- Since its first fund was launched in 2002, Bridges have built a strong track record resulting in 10 successful exits generating multiples ranging from 1.6-22x.
- In 2013, the fund won best British private equity exit for the partial sale of its stake in the Gym Group at 3.7x generating an IRR of 50%.

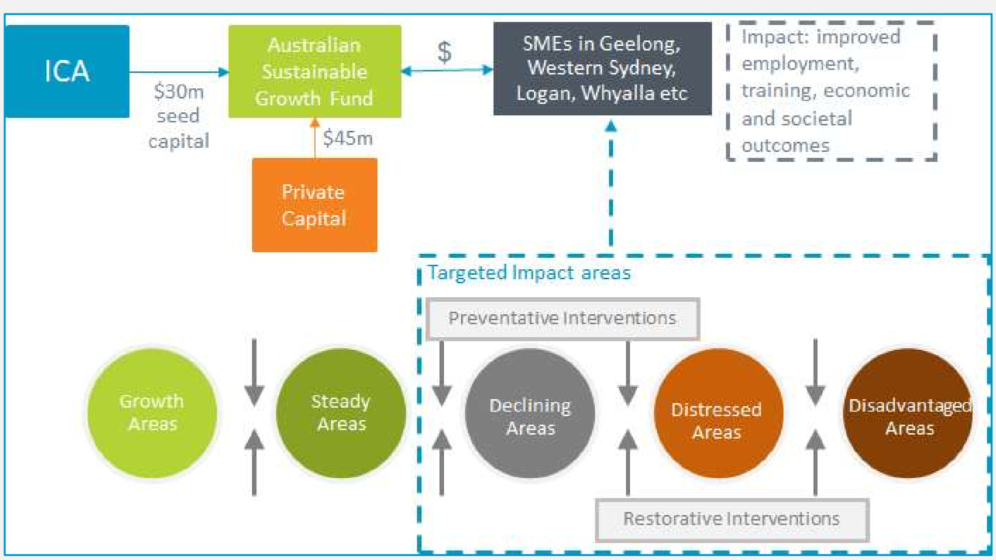
Impact themes:



Examples of investments:

Australian concept for a sustainable growth fund:

- Building on work already done to adapt leading community investment models for the Australian context, ICA could cornerstone an Australian sustainable growth fund.
- Like the Bridges fund, it will seek to invest in SMEs in communities which have experienced sustained under investment.
- Impact will be targeted at economic development, employment and training opportunities and improved societal outcomes within the communities.
- Ultimately designed to shift long term dependency on public funds in these communities and create a demonstration effect to encourage further innovation and private investment.



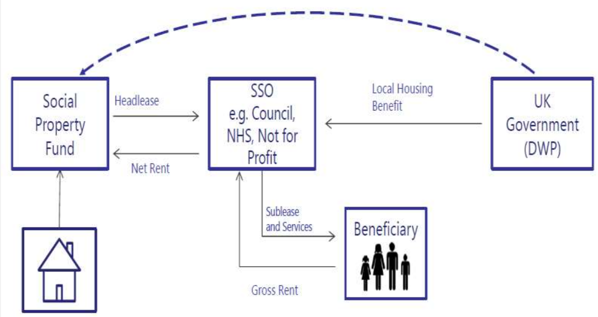
Source: Impact Investing Australia, 2017 from information collected on Bridges Sustainable Growth Fund.

Case study 2: Drawing on its UK Experience – Cheyne Capital Australia disability housing impact fund

Cheyne social property impact fund, (SoPro):

- Cheyne Capital is one of the largest alternative asset managers in Europe with ~US$14bn in assets under management of which over US$2-3bn are in real estate funds [2017].
- In 2014, it established SoPro to address the chronic shortage of supply in UK social property. At 30 September 2017 the fund had £250m under management.
- The UK wholesaler, Big Society Capital was an important seed investor in the Fund.
- The fund's objective is to increase the capacity of social sector organisations, (SSOs) for the delivery of their front-line services. Properties are bought or built for the needs of the SSO and their beneficiaries and leased on attractive and extended terms (circa 20-40 years).
- New Philanthropy Capital (a social consultancy) ensures all investments are socially responsible.

The structure of the rental arrangement:



- Overall targets for the fund are for an IRR of 10-12% with 5-6% expected in annual distributions.
- SoPro is a part of the New Communities Partnership, (with Kier Living, the HCA[4] and Lloyds Banking group), a unique £1bn housing delivery fund with ambitions to help the public sector to build 10,000 new homes across the UK.
- SoPro is delivering over 1,500 homes across disability, key worker, social and elderly housing without the need for any government grant.

Cheyne Australian disability housing impact fund, (CADIF)

- Cheyne is exploring investor appetite for its CADIF which would be launched in partnership with Ability First Australia (AFA), a large strategic alliance in the specialist disability service sector.
- The fund will be dedicated to investing in Specialist Disability Accommodation (SDA), helping to support the estimated 110,000 person increase in housing support requirements identified under the roll out of the National Disability Insurance Scheme (NDIS).
- The fund will purchase or develop property for long term SDA use, with tenant rent paid from the NDIS program, with leases on a triple net basis[5] and over a 20-year period.
- Social impact will be independently audited annually including an assessment of care provision by SDA Providers.
- The fund will assist governments in the roll out of the NDIS by helping to support supply and privatisation of stock into a growing rapid demand for SDA properties. The value of these properties is estimated to be $11.5bn of which 43% will be stock new to the sector.
- Indicative return expectations, [IRR basis net of fees], for the assets within the portfolio over the funds 20-year horizon are: 6-7% for existing stock [unlevered], and 9-10% on new stock [levered].
- Should the Cheyne fund be launched, a capitalised ICA would be well positioned to provide investment to catalyse the fund and its impacts.

Source: Impact Investing Australia, 2017, from discussions with Cheyne Capital

[4] Homes and Communities Agency
[5] This means the fund would have a rental claim on the AFA, the Disability Service provider and the tenants

Part 4: Strengthening Australia's Role in International Development Finance

Introduction

Australia has an important role to play in contributing to the achievement of the SDGs in the Indo Pacific region both as investors, capacity builders and leaders in enabling policy.

ICA can support this by catalysing the market for impact investing both *in and from* Australia. Australia's role in International Development and impact investing *from* Australia would be strengthened by an organisation such as the Australian Infrastructure Investment Facility for the Pacific (AIIFP) working in collaboration with ICA to build capacity and awareness in impact investing.

In its report, *The Rise of Impact*, the UK National Advisory Board for Impact Investing (UK NAB) recognised the need for their key organisations in international development, domestic impact investment and traditional finance to work together to tackle development challenges globally. Through coordinated efforts, they saw that "*the UK has the potential to be a globally recognized 'hub' for international development finance, and a leader in helping to achieve the SDGs globally*"[xlii]. The right market building infrastructure, policy and collaboration, could see Australia achieve a similar standing in the Indo-Pacific.

DFAT in its Voluntary National Review of the SDGs in June 2018, outlined the work that has been done and its strong commitment to delivering the SDGs both at home and globally. Success requires a collaborative effort across the multitude of actors in the development finance eco-system.

Figure 12: The Actors in Australia's Development Finance Eco-system

Source: Impact Investing Australia,2019

In its recent report, *Impact Investing from Australia: Tackling the SDGs in the Asia Pacific,* IIA which examines in more detail Australia's role and the use of Official Development Assistance (ODA) in impact investing for International Development. Australia has an important role to play in contributing to the achievement of the SDGs in the Indo Pacific region both as investors, capacity builders and leaders in enabling policy.

The role of Impact Investing *from* Australia

Impact Investing has an important role to play in driving inclusive growth and contributing to the achievement of the SDGs in the Indo Pacific. It can mobilise private resources to complement donor, public and philanthropic funds to meet the additional requirements under the SDGs, accelerate the pace of change and reverse negative trends in several areas. Impact investment can support innovative delivery of products and services that meet peoples' needs and enable sustainable infrastructure (e.g. cleaner, more climate resilient energy, roads, water, buildings), sustainable land use and social infrastructure (e.g. for health and education) in Indo Pacific developing countries. Impact investing *from* Australia is a critical aspect with investors, capacity builders and leaders in enabling policy all playing a role in achieving sustainable development and better outcomes for people and the planet in the Indo Pacific region.

"Despites progress towards some SDGs, the Asia-Pacific region needs to accelerate the pace of change and reverse negative trends in several areas. At regional level, satisfactory progress has been made towards eradicating poverty (Goal 1) and promoting good health and wellbeing (Goal 3). But at the current rate of progress, only Goal 4 focused on achieving quality education and lifelong learning opportunities will be met. While this is a success to celebrate, we must ensure there are others by 2030."

Dr. Shamshad Akhtar, Under-Secretary-General of the United Nations and Executive Secretary, United Nations Economic and Social Commission for Asia and the Pacific, 2018

Australia as a developed nation in the Indo Pacific region, has a key role to play in assisting less developed nations to meet SDG targets. The 12 years to 2030 is a short time frame in which to tackle the breadth and depth of the task required to meet the SDGs in the region. The capital element alone is enormous at an estimated $2.5 trn per annum gap across global developing markets. Impact investment *from* Australia and related policy into the region needs to consider two aspects in respect of this capital need. The capital must meet the additional requirements under the SDGs and; shore up existing and in some cases declining capital bases of aid, philanthropic grants or investments to maximise and sustain existing impact.

The approach requires the support of social innovation and fundamental market building infrastructure. It needs the further development of a flourishing social enterprise (SE) sector and greater investment in critical social and sustainable economic infrastructure.

Impact investing and the private capital it unlocks has an important role. The actions below, together with other opportunities outlined in the next section can and should be driven at least partially *from* Australia. They are critical in facilitating the Indo Pacific impact eco-system to contribute more fully to the solutions required for achievement of the SDGs in the region.

Figure 13: Key opportunities to mobilize impact investing in support of the SDGs

Source: Impact Investing Australia, 2018

The development of flourishing Social enterprises (SEs)

Impact investment to support the development of the regions Social Enterprises (SEs) is emerging. For-profit SEs (in the G20 nomenclature a form of inclusive business) particularly those that target place with appropriate funding and support can empower people and communities through the creation of jobs and SDG related services.

As with any relatively young market there are several challenges. Targeted initiatives by DFAT and others to tackle issues around capacity, intermediation and capital flows are gaining traction but more needs to be done to see this sector flourish and meaningful contribution to the SDGs.

*Right across the Association of Southeast Asian Nations (ASEAN) region, social entrepreneurship is being recognised as an approach to reduce widening income inequality, address environmental degradation and empower women and girls. The biggest factor is the emergence of social entrepreneurs themselves, many of them young, who have stepped up to develop financially self-sustaining solutions to address social and environmental challenges in their communities….Although the idea that business can and should play a positive role in the community has deep roots in all ASEAN countries, the contemporary social enterprise business model is less well established……….*Asian Social Enterprise Structuring Guide [xliii]

The barriers and challenges impeding the development of the SE sector in the Indo Pacific are outlined in **Table 4** along with some great first steps in SE enablement from DFAT and others. Notwithstanding progress to date, to see a flourishing regional SE market develop that contributes to the SDGs, broader engagement and resources need to be directed towards this important sector.

Table 4 – Barriers and Challenges to Social Enterprise Development

Barriers	Opportunities	Policy Initiatives
Skills and capability	Build Entrepreneur and SE Capacity	Ongoing support for DFAT Pacific Rise and Scaling Frontier Innovation initiatives. Additional support for sector collaborations e.g. Aspen Network of Development Entrepreneurs (ANDE);
SE Financing gap	Establishment of SE Angel Investor Networks & Investment in Micro SMEs	Engagement and support for key organisations e.g. Asian Venture Philanthropy Network (AVPN). Consider supportive tax policy for investors & fund development.
	Support trade financing gaps	Further initiatives with Multi-laterals development Banks (MDBs) e.g. extension of DFAT's work with the Asian Development Bank (ADB) to other MDBs.
	Improve the regulatory and business environment	Support and work with OECD, MDBs; British Council, UNESCAP etc around enabling target country policy development
Inconsistent legal structures and government regulation	Promote positive perception of SEs	As above - Thailand, Malaysia and Singapore all have initiatives in place as examples.
	Business model innovation – not for profit to for profit.	Consider the establishment of an early stage discovery fund/funding to assist NGOs in exploring Development Impact Bonds and for-profit models as appropriate. E.g. Fred Hollows and Alina Vision.
Preference for non-profit over for-profit models	Aid for Trade targeting key issues/sectors	DFAT Aid for Trade target of 20% (2020) already exceeded – consider additional budget and allocation to this area.
Economic and cultural diversity of countries across the region	Investment in Agriculture	Consider tax incentivisation for targeted investment in supply chain e.g. Nestle's Shared value program which globally has trained 431,000 farmers through capacity building programs.
	Policy and other initiatives to build market infrastructure and enable access to capital for SEs	Expansion of policy targeting intermediation e.g. DFATs Emerging Market Impact Investment Fund (EMIIF) currently only $40m could be expanded. Tax incentives could also be considered for early fund investment.

Barriers	Opportunities	Policy Initiatives
Limited eco-system intermediation	Corporate Sector sponsorship of SEs	Further support of inclusive business initiatives, e.g. Carnival Cruises in partnership with DFAT and The Difference Incubator to develop the Yumi Tourism project in the Pacific[xliv]
Investor Risk appetite remains low	Development of diversified product offerings with local market experts	Consider opportunities for supporting the raising of investor awareness, de-risking investment per the EMIIF above or working with experts beyond MDBs. E.g. The Tropical Landscape financing facility (TLFF) in Indonesia - a partnership which brings expertise and risk mitigation for private investors while helping farmer livelihoods.

Catalysing investment in SDG infrastructure

While investment picked up in 2017, long-term investment in sustainable development, especially in some developing countries remains insufficient; and despite a global consensus on the need to increase investment in infrastructure, private participation in infrastructure has fallen each year since the Addis Agenda was adopted in 2015[xlv]. The situation in the Asia Pacific is of particular concern with the Asian Development Bank (ADB) estimating significant infrastructure requirements between 2016-2030 at a climate change adjusted[6] US$26.2trn[xlvi].

Infrastructure is a critical aspect in achieving the SDGs in the Indo Pacific and with current spending a tiny fraction of what is required, infrastructure directed policy initiatives are imperative. This could see ODA directed to: further support for the work in this area of the Multi-lateral development banks; providing technical assistance around policy and financing structures to beneficiary countries; and raising investor capacity and awareness of impact investing and blended finance solutions.

*Closing the global infrastructure gap has become a major priority for the international community. Several new initiatives have been launched….yet, major challenges remain to scale up SDG investments in infrastructure and beyond……*Report of the Inter-agency Taskforce on Financing for Development [xlvii]

In the case of infrastructure, finding the capital on the right terms is clearly a big issue, with the ADB reporting over 90% of Asian infrastructure spend (as defined) as financed by the public sector[7]. Given the constraints on government budgets, enabling and facilitating the mobilisation of significant amounts of private capital toward financing Indo Pacific infrastructure is a critical aspect of the delivery of the SDGs.

Table 5 – Barriers and Challenges to Critical SDG Infrastructure investment

Barriers	Opportunities	Policy Initiatives
Limited government development spending	Greater focus on Blended financing models and designing for impact	Support for MDBs in this area particularly in relation to infrastructure projects. Consistent Impact management framework built into project design whether through MDBs or own financing facility such as the Australian Infrastructure Financing Facility for the Pacific, AIFFP.
Short term bias of institutional investors	Improved understanding of liquidity requirements and fiduciary duties.	In this case, the government can act as an enabler in clarifying beyond doubt that fiduciary duties can (and must) take account of impact in terms of assessing future value. Policy considerations could also include de-risking liquidity issues by facilitating secondary market mechanisms.
Difficulties in assessing risk	Co-investment with local or regional experts	Expanded tool kit of the AIFFP and support for MDBs as enablers – e.g. International Finance Corporation (IFC) Managed Co-lending Portfolio Program for Infrastructure (MCPP) brings the expertise of the IFC in developing markets to a credit enhanced syndicated debt product.

[6] Climate change adjusted figures include climate mitigation and climate proofing costs, but do not include other adaptation costs, especially those associated with sea level rise.

[7] Public finance covers tax and nontax revenues, borrowing via bonds and loans, official development assistance from donor countries, and support from multilateral development banks (MDBs).

Barriers	Opportunities	Policy Initiatives
Challenges in assessing impact	Leverage the emerging suite of tools	Adoption by government of a consistent methodology for managing impact - emerging tools include the Impact Management project and the IFC Operating Principles for Managing Impact. A dedicated Office of Impact Investment within government would enable this.
	Awareness raising and capacity building	Support for the organisations that are doing this. The AAB, the Responsible Investment Association of Australasia (RIAA) and the UNPRI are just a few of the organisations working to raise capacity and awareness of Australian investors around impact investing in the region.
Regulation and regulatory uncertainty	Improve policies and ease of doing business	Further co-operation with the OECD, UNESCAP, the MDBs and other regional governments to assist where possible with policy development to promote infrastructure-based investment
Lack of Intermediary and fund manager capacity	Further Support for intermediaries	Through the AIFFP the government could consider further investment in key funds supporting infrastructure intermediation including the IFC Catalyst fund and the Global Energy Efficiency and Renewable Energy Fund (GEEREF).
Bias toward infrastructure development in major urban areas	Focus on investment structures suitable for projects outside major urban areas	Support MDBs who are looking at ways of working with local governments outside major urban areas, e.g. through municipal bond investment and Project Preparation facilities (PPFs)

Given their strong track records, access to reasonably low-cost finance through international capital markets and associated expertise in International development financing, the MDBs have an important role to play in addressing many of the challenges described above and mobilising the private sector toward SDG aligned Indo Pacific infrastructure investment. The MDBs have developed several platforms that support the development of replicable and scalable infrastructure projects, these include SOURCE and the Global Infrastructure Facility (GIF). [8]

In 2017, an estimated US$163.5bn of long-term private capital was mobilised by MDBs and DFIs of which around US$16.5bn was directed to projects in APAC. 97% of this global private capital was mobilised by MDBs with the balance by DFIs.[xlviii] Of the global long-term capital mobilised 45% or ~US$73bn was directed to infrastructure and only 8% of this to social infrastructure such as schools and hospitals.[xlix] This further underpins the point that there is a long way to go in addressing the SDG financing gap in infrastructure.

While the financing tools the MDBs use to unlock significant amounts of private capital are important they recognise that substantive change needs to go beyond the capital to the support of the building blocks of policy and capability.

[8] SOURCE is a joint initiative of multilateral development banks to develop sustainable, bankable and investment ready infrastructure projects (https://public.sif-source.org/). The Global Infrastructure Facility (GIF) supports Governments in bringing well-structured and bankable infrastructure projects to market (http://www.globalinfrafacility.org/).

Enabling a catalytic institution for impact investment *from* Australia

Australia's geographical proximity to the Pacific Island Countries (PICs) make them particularly important as a focus for Australia's International Development Program and ODA support. A number of policies, taking into account the unique characteristics of the PICs, have been announced or implemented by DFAT which go to building capacity, trade and investment for the PICs. The recently announced $2bn Australian Infrastructure Finance Facility for the Pacific (AIFFP) is one such policy.

In establishing the AIFFP, the Australian Government will need to equip that organisation with a mission and mandate that will see the effective and timely deployment of different types of capital. The AIFFP also needs to have the capability to utilise other tools used in blended finance to attract private investment in a way that is beneficial and sustainable for targeted countries. The AIFFP may also provide a vehicle through which broader collaborations can be evolved with emerging DFIs such as FinDev Canada and the new USIDFC. Importantly, it would need to work in a collaborative way with ICA, once established, in ensuring consistency in impact management and measurement and in building stakeholder awareness and capacity in the impact investing sector.

*"The 21st century is often referred to as the "Pacific Century," reflecting the rising economic and political importance of East Asian nations and trans-Pacific relationships…. the Pacific Island Countries (PICs) can truly make the Pacific Century their own, by taking advantage of new opportunities that are already on the horizon. These developments may help offset the challenges the PICs are facing to achieve sustained high growth, which include extreme remoteness, small size, geographic dispersion, and environmental fragility that limit the range of economic activities where the PICs can be competitive. Indeed, many PICs have seen only very limited increases in per capita incomes over the past 25 years." …*World Bank, 2017[l]

The recent Australian Government announcement of an Office of the Pacific underlines the importance of that region as an ODA policy priority. Many of the barriers and opportunities discussed for SE development in broader APAC are also highly applicable for the PICs. As was discussed however in the World Bank's 2017 report *Pacific Possible* there are several specific challenges related to the PICs unique characteristics: geographic and cultural diversity; high susceptibility to natural disasters; small populations with varying growth rates; young and mainly rural populations and varied forms of democratic systems. These characteristics lead to four key opportunities for SDG advancement in: sustainable agriculture and fisheries; tourism; labour mobility and ICT[li] all of which have been key areas of focus for existing Australian government policy.

One of the other more recent initiatives that was announced in November 2018 the $2bn Australian Infrastructure Financing Facility for the Pacific (AIFFP) was targeted at addressing the infrastructure needs of the PICs. This policy has bipartisan support with a re-iteration of their commitment to the Pacific and a similar infrastructure facility outlined by the Labor party in October 2018. The proposed AIFFP will consist of a $1.5bn loans facility, funded through a new capital injection from government, and a $500m grants component, from within the aid budget[lii]. The magnitude of this initiative raises two key questions:

1. Are these the right financing tools? Should the AIFFP look at lessons from DFIs globally in determining whether debt and grant funding are the best type of financing tools for the Pacific in support of the SDGs?
2. Is this the right geographic scope? What is the capacity of the PICs to absorb this level of funding (particularly if it is predominantly debt) and should the remit of AIFFP be directed to the broader APAC?

We addressed both these issues in a recent IIA report on impact investing and international development.[liii] We considered the expanded toolkit of the recently announced US International Development Finance

Corporation (USIDFC), and analysed PIC debt levels, capacity and capital requirements. Our conclusion is that the AIFFP, can be a significant contributor to international development in the Indo Pacific and underscore Australia's commitment to the SDGs in the region. The benefit of this vehicle could however be limited by inflexibility in financing and a constrained geographical remit. An AIFFP at least partially focused on the Pacific with the right tools is unquestionably an important priority. The extension of the AIFFP's mandate to allow investment in the broader Indo Pacific would however increase its potency, sustainability and the speed and effectiveness of its capital deployment.

Australia has an important role to play in contributing to the achievement of the SDGs in the Indo Pacific region both as investors, capacity builders and leaders in enabling policy.

Investors can build their awareness and capacity, reframe their investment approach to incorporate SDG impact and potentially reassess tolerance and/or mitigation approach for risk and liquidity management.

Australian corporates can adopt a shared value approach that considers the SDGs in a regional context. Sustainability of supply chain including potential investment in capacity building, technology and ensuring integrity of labour practices are all important factors.

The Australian Government can continue to promote and develop policies for the region that build SE capacity, support and develop intermediation, and assist in supportive in country policy development that improves ease of doing business and promotes SE development and infrastructure investment. This includes ongoing support for the organisations critical in this area such as the MDBs. It can also work with these organisations and others active in the field locally such as ICA once established to build investor awareness around impact investing and opportunities for investment *from* Australia into the region. This would be further enhanced through collaboration with an appropriately tooled and scoped AIFFP.

The regional issues encapsulated in the SDGs require Australia to take further action NOW if we are to avoid the detrimental and irreversible effects of a failure to act for current and future generations. Impact investing is providing an important mechanism to collaborate, participate and actively engage around solutions to these issues but Australian stakeholders need to engage more broadly if it is to have any chance of helping to achieve the SDGs in our region.

Conclusion

Like any new market, impact investing *in* and *from* Australia will grow faster with the right market building infrastructure. Experience from other countries shows that catalytic institutions such as national impact investment wholesalers (wholesalers) and development finance institutions (DFIs) have provided "go to places" to help co-ordinate fragmented efforts, and support intermediation and demonstration of new approaches to solving societal issues.

The Australian Government has taken some good first steps in support of impact investing *in* Australia with initial policy moves in the 2017/18 budget added to in the 2018/19 budget. While a commitment was also made in that budget to seek opportunities for market scaling in partnership with IIA no further definitive steps have yet been taken. What is required is the enablement of a game-changing institution that unlocks private capital and with it the opportunity to drive positive societal outcomes at scale. The time has come for the Australian government to do what many of its counterparts around the world have already done or committed to – fund a national wholesale institution for impact investing.

Recommendation:

1) **Create a step change in Australia's impact investing market by committing $150m in 2019/20 to be matched by Australian financial institutions and other societally focused investors to establish Impact Capital Australia (ICA). ICA will be a game changing $300m wholesale institution with the capital, mission and mandate to improve people's lives by driving the impact investment market in Australia to scale.**

The Department of Foreign Affairs and Trade (DFAT) has for a number of years recognised the importance of impact investing *from* Australia into the Indo-Pacific region particularly in support of the achievement of the Sustainable Development Goals (SDGs). Small (in relative dollar terms) but important policy initiatives such as Pacific RISE, the Emerging Markets Impact Investment Fund (EMIIF), and the Scaling Frontier Innovation initiatives have all been supportive of intermediary and social enterprise development. Along with donor contributions to Multi-lateral banks, the recent announcement of the $2bn Australia Infrastructure Financing Facility for the Pacific (AIFFP) has also signalled support for critical SDG regional infrastructure investment. Structured the right way, the AIFFP has the potential to deliver significant impact.

Recommendation:

Capitalise on the good work already done and cement Australia's position as a leader in impact investment in the region and:

2) **Extend Australia's support for related capacity building and intermediary development to further enable Indo-Pacific social enterprise development.**
3) **Expand the tools and geographical remit of the AIFFP to increase its efficacy, timely deployment and leverage of private capital for maximum regional impact.**

Our recommendations for ICA and the extended activities in support of impact investing *from* Australia go hand in hand. A catalytic wholesale institution in ICA, working alongside the AIFFP to raise awareness and build capacity in impact investing and share knowledge, practice and impact measurement and management frameworks would significantly enable Australia's role and investment in the broader regional market. This would result in better outcomes for both Australian communities and those in the Indo Pacific.

Our pre-Budget submission focuses in on the highest priority actions to achieve a breakthrough in enabling and supporting the impact investing market *in* and *from* Australia. The lynchpin in this is ICA.

ICA is the measure that will enable demonstration of more innovative approaches to tackling issues that matter for communities. It will help build and develop market intermediaries and the capacity needed to reach scale.

Implementing ICA will help sustain Australia's leadership position globally in the field of impact investing. Building on our competitive position, it could help unlock new sources of foreign investment into both our own country and across the region particularly when working in collaboration with a revamped AIFFP.

Our recommendations are not the only constructive steps the Australian Government could take, or the only ones that will be needed, (**Appendix 6** includes details of other initiatives). However, catalytic institutions driving intermediary capacity and support for social enterprise and infrastructure, as international experience illustrates, will make the biggest difference in putting the impact investing market *in* and *from* Australia on a path to scale. National impact investing wholesalers like ICA do not exist to make a surplus profit or compete against others in the market but act as independent, designated market champions with the capital and mission to grow the market.

The AAB and Impact Investing Australia welcome the opportunity to have input into this pre-Budget process. We urge the Australian Government to take up the opportunity for targeted action to fuel development of impact investment. Members of the AAB and Impact Investing Australia Executive will be happy to meet to discuss any aspect of this Submission.

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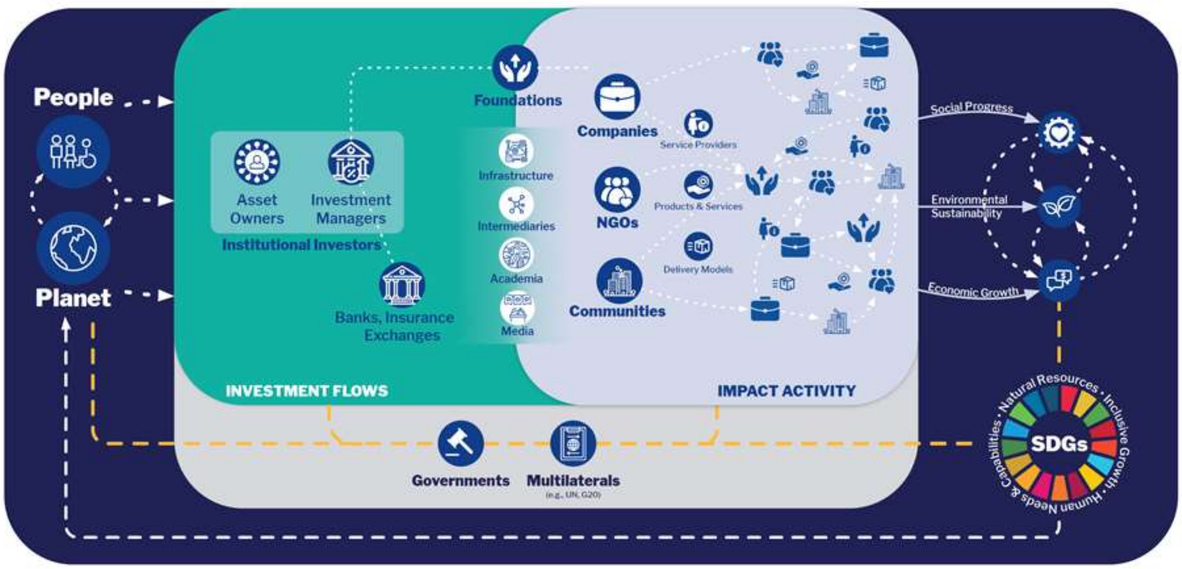
APPENDICES

Appendix 1: Toward impact at Scale

The vision for growing impact investment is to resource an impact ecosystem capable of delivering genuine change by enabling impact at scale[liv]. **Figure 14** is a representation of an ecosystem that supports and encourages integration of impact. The orientation is outcomes for people and planet. Everything flows from and is directed to these two imperatives with a reinforcing feedback loop.

Figure 14: Vision for a dynamic impact-driven ecosystem



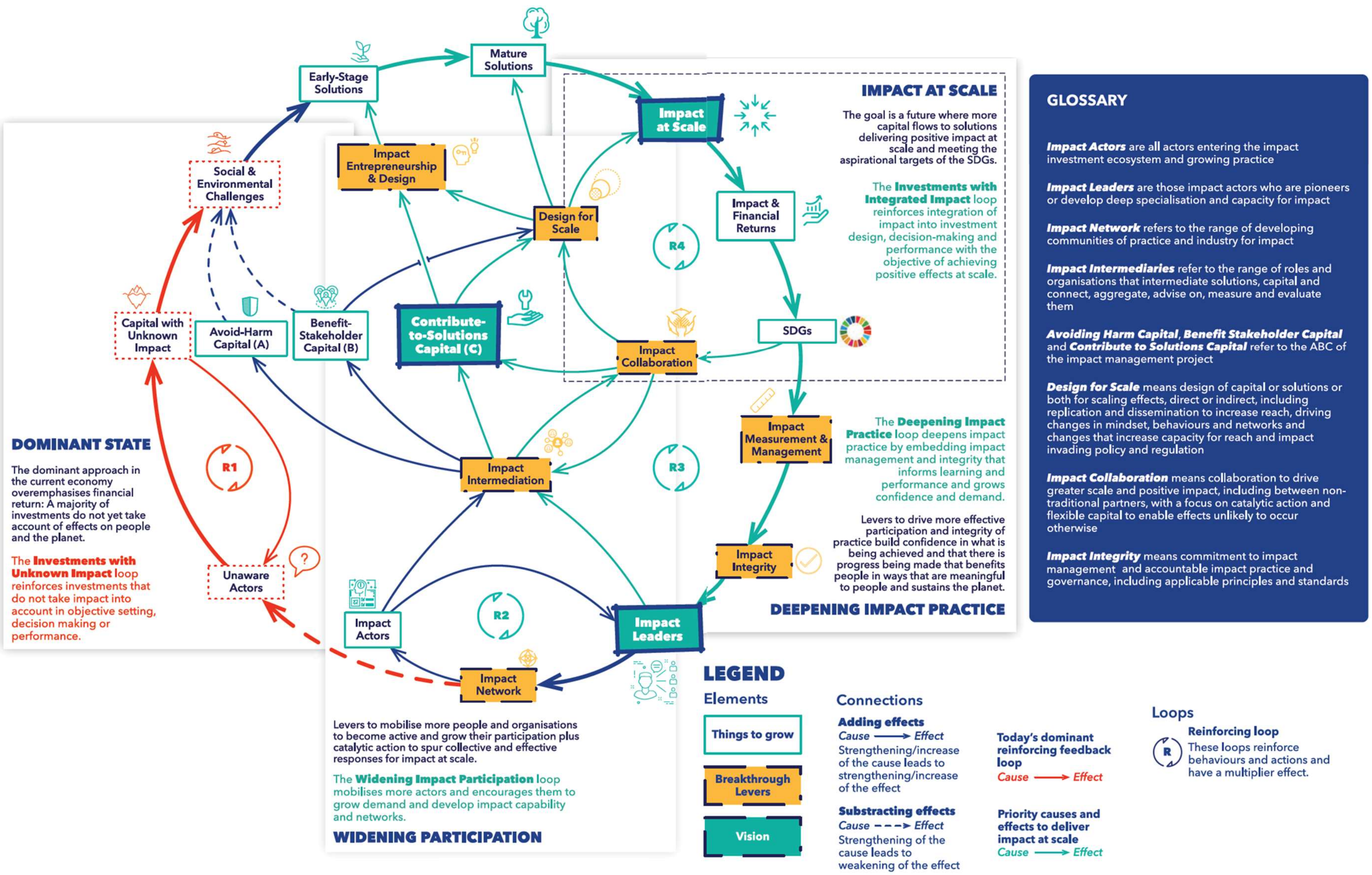
Source: Global Steering Group for Impact Investment (GSG) Working Group, *The Impact Principle: Widening participation and deepening practice for impact investment at scale*, 2018.

A recent OECD report also calls for an impact imperative and sets out 4 pillars and recommendations to help ensure financing for sustainable development achieves the desired impact and results. These include: the financing imperative (shifting from billions into trillions); the innovation imperative (piloting new approaches); the data imperative (transparency and standards) and the policy imperative (policy tools and evaluation)[lv].

Figure 15 maps out a theory of change where the world of today moves from an overemphasis on financial return to a future where significantly more capital flows to solutions delivering positive impact that meets the needs of people and sustains the planet[lvi].

The map has adopted the ABC framework of the Impact Management Project. It shows that driving towards an impact focused economy requires actors to progress down a continuum of avoiding harm (A), doing more to benefit stakeholders (B) and contributing solutions that can scale (C). Ultimately the system that evolves will be one that fully values and integrates social and environmental factors.

Figure 15: Theory of Change - Mapping the Course Towards Scale



Source: Global Steering Group for Impact Investment (GSG) Working Group, *The Impact Principle: Widening participation and deepening practice for impact investment at scale*, 2018.

Two objectives and reinforcing effects are highlighted in **Figure 15**: widening participation and deepening practice to drive towards the achievement of impact at scale.

Widening participation brings focus to:

- mobilising more and different people and organisations (actors) to become active and grow their participation;
- catalysing impact through collaboration and design of more effective responses; and critically designing for impact at scale, understanding the role of flexible capital and the need for intermediation.

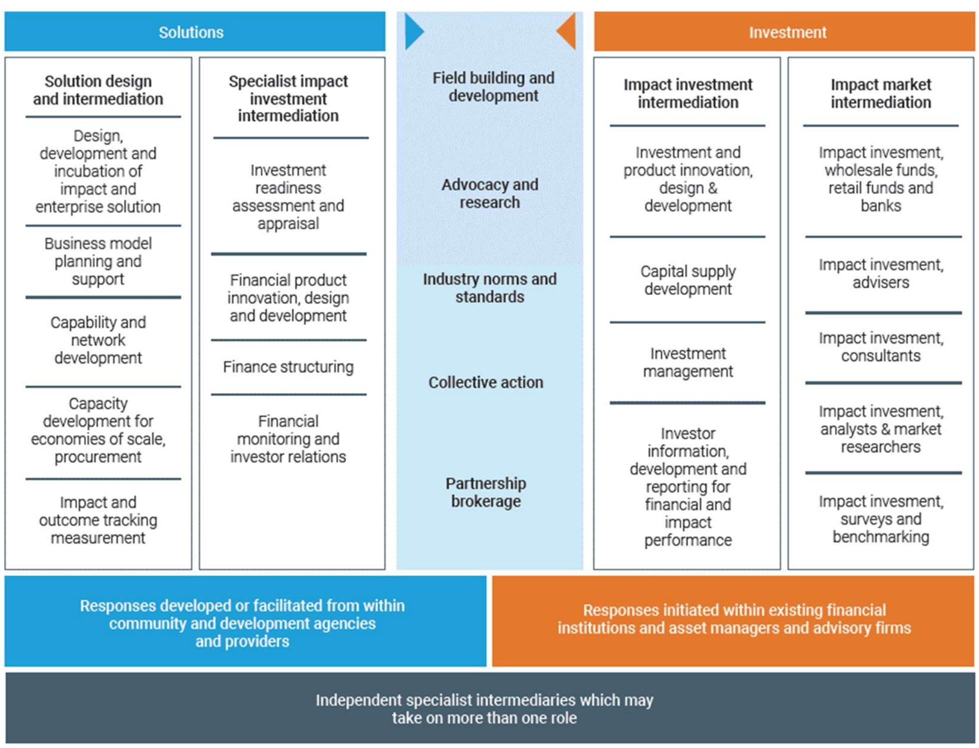
Deepening of impact practice requires:

- embedding impact management and measurement; and
- impact integrity through commitment to principles and standards. Of importance is collective action to drive the infrastructure, frameworks and benchmarks that build confidence and trust and enable more informed choices about impact.

The lynchpin for achieving solutions and investment at scale and bringing them together is intermediation. Intermediaries activate different actors and drive pipeline, product and channel development. They design, originate, structure, and develop platforms and measurement frameworks. Intermediaries can design solutions in place or package opportunities to match investor preferences or both.

Effective intermediation influences the broader system. Expertise developed by intermediaries working on multiple initiatives can be applied more rapidly across the eco-system. Deepening and diversifying the pool of intermediaries across the value chain for impact in a sustainable way is critical to a dynamic and functional system at scale. In Australia, there are still critical gaps in intermediation and many of the intermediaries lack the scale needed to enable them to be more proactive in the design and development of impact opportunities and/or investment product. This underpins the need for a catalyst such as ICA focused on the development of intermediaries.

Figure 16: Intermediaries: various and critical roles in the impact eco-system.



Source: GSG Working Group Report, *The Impact Principle: widening participation and deepening practice for impact investment at scale,* 2018; adapted from Burkett, I, *The Role of Specialist Intermediaries in Reaching Underserved Markets, 2013*

Appendix 2: Impact Capital Australia

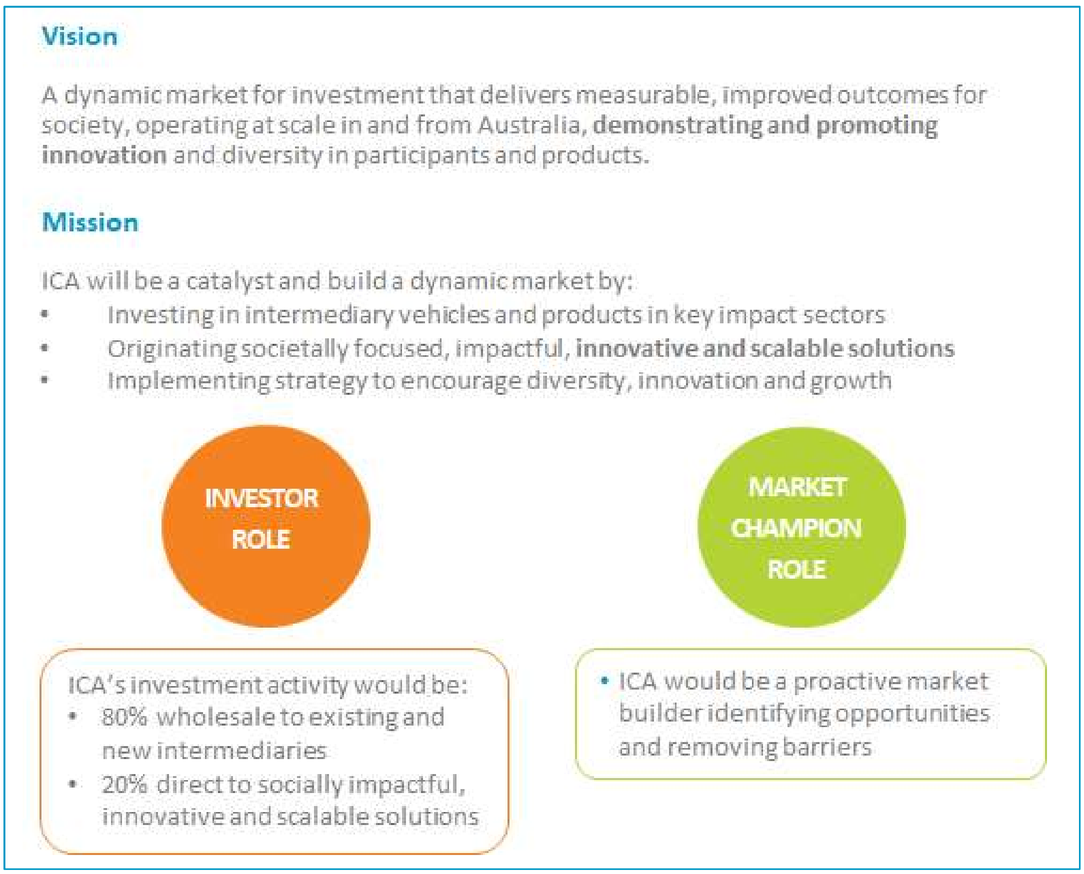
About ICA

A detailed Blueprint has been developed for how ICA can and should be brought to market. It is available at [Blueprint to Market].

The strategy and design have been developed with leaders from across sectors. The work to date on ICA has drawn on a broad evidence base and cross-sector skill set both locally and globally. It is grounded in a deep understanding of the local market and lessons learned internationally. There is a clear and accountable plan for implementation.

The vision and mission for ICA are set out in **Figure 17**.

Figure 17: Impact Capital Australia: vision, mission and mandate

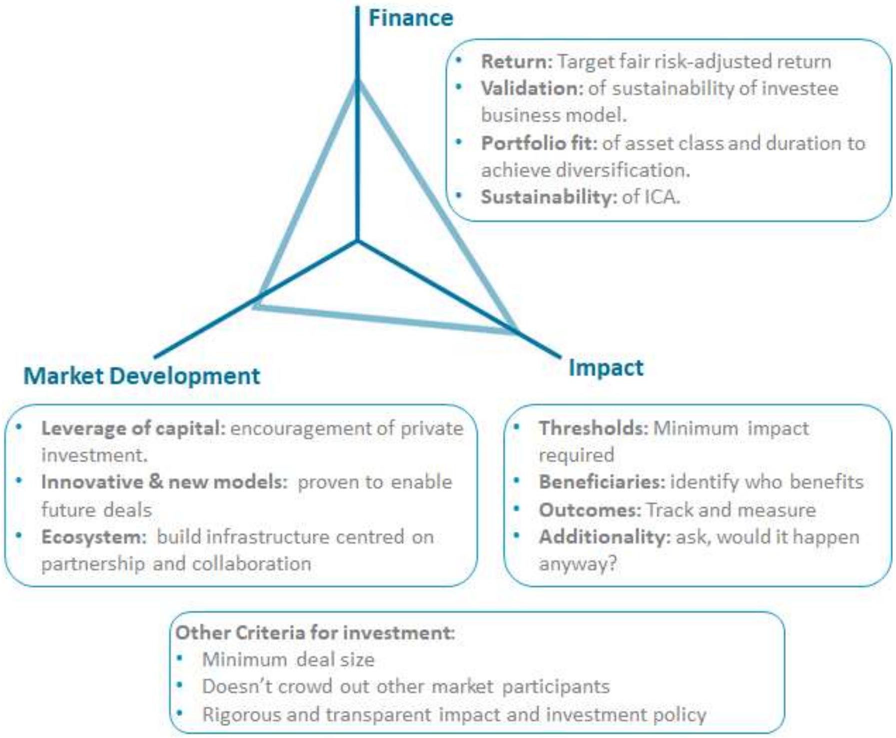


Source: Impact Investing Australia, 2016

ICA's investment mandate will have three central elements: clear impact, financial viability and contribution to market development (**Figure 18**). ICA's predominant investment focus will be wholesale (**Figure 19**), providing finance to existing market participants to grow their reach and impact, and encouraging more participants to enter the market because capital is more readily available to them.

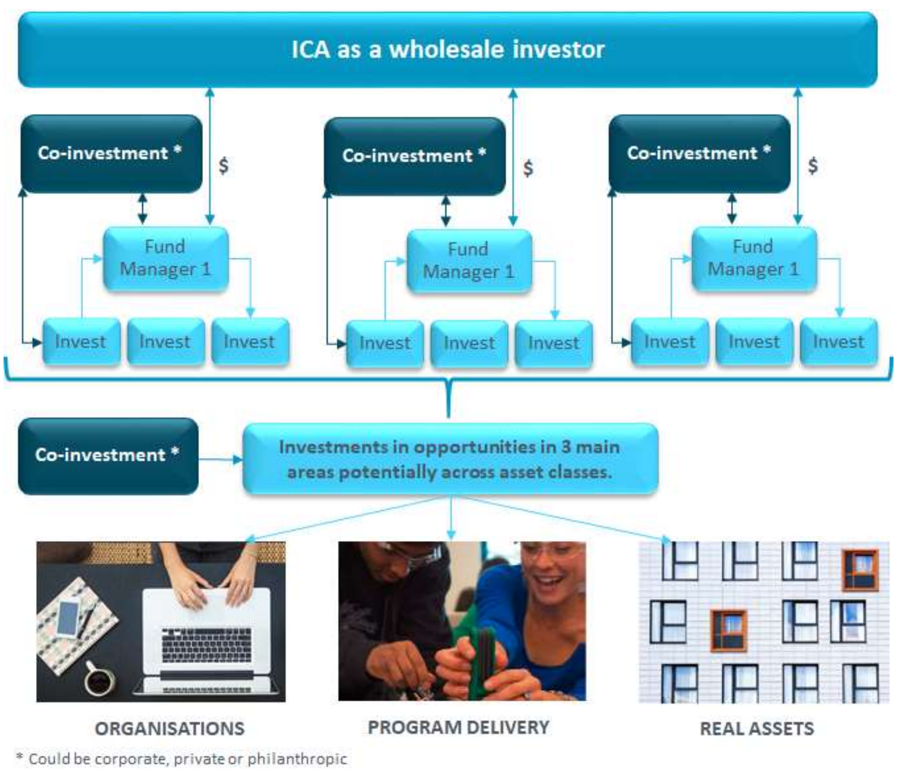
To be effective, ICA will also need capacity to be proactive to fill market gaps where deals will otherwise not happen, and where its participation will send a market signal that unlocks the potential for transformative approaches and for resources that will not otherwise be available.

Figure 18: Portfolio dynamics for impact



Source: ICA Implementation presentation, 2017

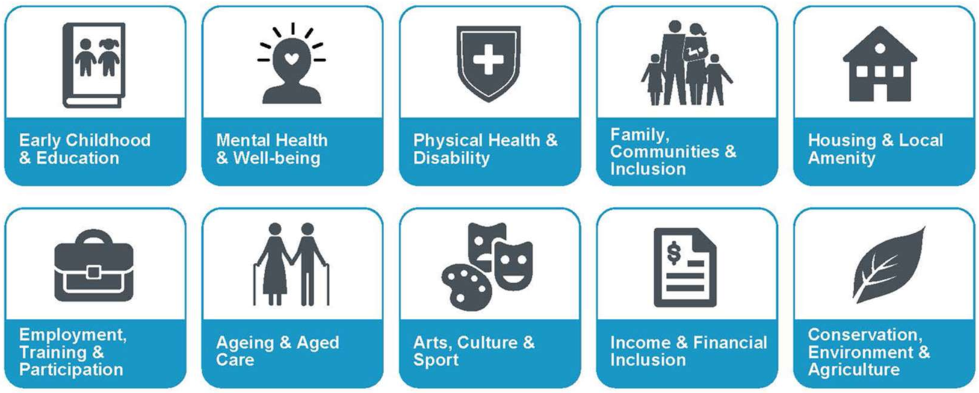
Figure 19: ICA's role as a wholesaler



Source: ICA Implementation presentation, 2017

As a threshold requirement, all investments will need to demonstrate impact in one or more of the outcome areas that define the portfolio, (**Figure 20**).

Figure 20: ICA outcome areas



Source: Addis, R et al, 2015, Blueprint to Market: Impact Capital Australia.

Examples of potential wholesale investments for ICA could include:

- a fund to invest in aspirational small and medium enterprises in communities that have experienced lack of, or withdrawal of, investment to generate impact in jobs and local economic activity;
- a social impact bond fund focused on social service-based investments across a range of outcome areas;
- a social housing investment fund to create purpose-built accommodation for people with disabilities;
- a fund that makes investments, to support new business models that enables new approaches to tough social issues or enables social purpose organisations to do more of what works.

Beyond its investments, ICA will have a clear role as market champion, targeting barriers to growth, actively developing and openly sharing expertise, knowledge and tools. It will build meaningful engagement with communities, sector experts and with regulators and governments.

This role in combination with its investment mandate will position ICA to 'grow the pie', creating a multiplier effect, by delivering greater value from public investment and unlocking private capital and talent, and expanding the potential for impact.

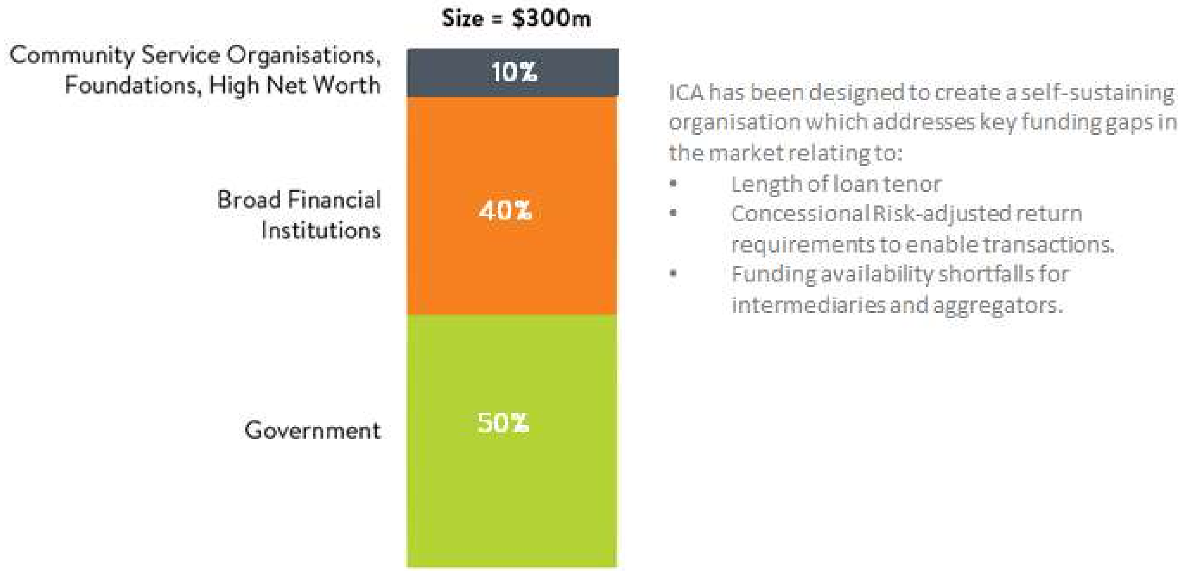
Financial model for ICA

Modelling indicates ICA will need **initial capital of $300m** to provide a signal to the market, invest in deals at scale, and to operate self-sufficiently. Initial capital contributions to ICA (**Figure 21**) have been modelled: Government 50%; mainstream financial institutions 40%; community, philanthropy and other investors 10%.

If the government's contribution was a grant ICA's income stream, including interest earned on seed funding, will support the origination function and fund market building activity and the establishment and operating costs.

The terms of funding are likely to be different for each of the categories of capital provider. Grant or investment funding from governments; debt from major financial institutions on terms that include preservation of capital but with a return below full commercial rates; and debt on similar terms from the community sector and other investors providing it meets their fiduciary duties. Initial modelling anticipates ICA will have a self-sustaining cash flow profile within 7 years.

Figure 21: Initial capital structure for Impact Capital Australia



Source: Modified from Addis, R, McCutchan S, and Munro P, *Blueprint to Market*, 2015

Initially conceived by the Australian Advisory Board as a $350m fund, a rigorous process was put in place to validate the capital requirements for ICA thereby reducing this to $300m. Underpinning this is a financial model developed by Impact Investing Australia together with a Working Group of senior leaders and A.T. Kearney, and predicated on ICA's proposed business operating model.

The first step in this process was the construction of an economic model to better understand the key financial levers of the business across the elements of revenue, capital and expenses. The economic model also considers the tangible and intangible drivers of value, such as brand and government policy changes, to enable appropriate risk recognition and assessment across these dimensions. The economic model was further broken down and tested for key sensitivities. These identified sensitivities form the basis of the most significant variables and assumptions around which the financial model is built.

Once the initial financial model was constructed, a sub-committee of the Working Group, with extensive experience in financial markets and analysis, rigorously examined assumptions and sensitivities. The financial model went through extensive and iterative revision as part of this process.

The modelling indicates that $300m is the total capital required to ensure a sustainable business model for ICA. The first 5 years of cumulative net income will result in a deficit which will need to be supported by ICA's initial capital. Over a 10-year period, this deficit becomes a surplus as investments mature enabling ICA to self-sufficiency. It is anticipated ICA will reach net positive cash flow in 7 years with steady state cash flow in 10 years, based on an assumed life cycle of investments at 7 years. Capital contributions to ICA will need to be patient to correspond with the underlying investment profile.

A summary of the economic model, sensitivities and financial model are available in the full Blueprint document.

Drill down on the multiplier effect

It is anticipated that a government investment in ICA will have a significant multiplier effect on government capital. This is set out in **Table 6** below with a blended multiplier effect of 16x.

Table 6: ICA Multiplier effect explained

	ICA at Start up	Direct [D]	Wholesale [W]	Total ICA [D+W]
% of portfolio		20%	80%	100%
ICA Investment ($M)		60	240	300
Maximum Investment %		40%	40%	n/a
ICA + Private Direct Investment		150	600	750
Maximum % of Investee Purchased			25%	n/a
Funds Investment ($M)			2400	2400
Government Capital ($M)	150	30	120	150
Total Private capital ($M)	150	120	2280	2400
Multiplier on Government funds	1.0	4.0	19.0	16.0

Source: ICA Implementation presentation, 2017

ICA modelling assumes that the maximum direct or wholesale investment ICA makes in an entity is 40%. This is consistent with the ratio of comparable companies such as the Clean Energy Finance Corporation and Big Society Capital since inception.

Investments by funds in investee companies is capped at 25% which takes into account both a conservative approach to the multiplier effect and risk management at the fund level.

The result shows a multiplier effect on private capital of 16x on the government's capital at the final stage of investment. Implying a $150m contribution by the government into ICA will unlock $2.4bn of private capital.

Governance and leadership

Clear, transparent and accountable governance is a minimum requirement for ICA. Its governance principles are designed to enable it to execute its unique mission and mandate effectively and for impact, financial return and the benefit of the market as a whole (**Figure 22**).

ICA's mission and mandate for the public good will be embedded in its Constitution and in the policies that govern its operations. ICA also needs to be independent and not be reactive to, or inhibited by, shorter-term drivers, vested interests, or changes in the political environment.

Legal advice has been obtained from Ashurst on regulatory and compliance considerations and structuring and governance. Policies and processes will be put in place to embed the requirements and ensure it is compliant with relevant licensing and regulatory requirements. It will be transparent and accountable to the public and market. It will operate collaboratively, including with its founding partners.

Figure 22: Structure and governance will ensure conformity to the agreed mission and mandate

- Independence is critical to attract funding from the private sector alongside government.
- Constitutional mission lock would underscore the mandate of ICA.

Source: Adapted from Blueprint to Market, 2015

ICA will be constituted as a public company with a Constitution that embeds and safeguards its mission and mandate. The Board of the organisation will have responsibility under the Corporations Act for its stewardship. A majority of the Board will be non-executive directors to safeguard the independence of the organisation.

A committee structure will be put into place to oversee key aspects of governance and operations. Additional expertise may be sought, to ensure that expertise and evidence on social impact, on investment and on markets are brought together in appropriate combinations.

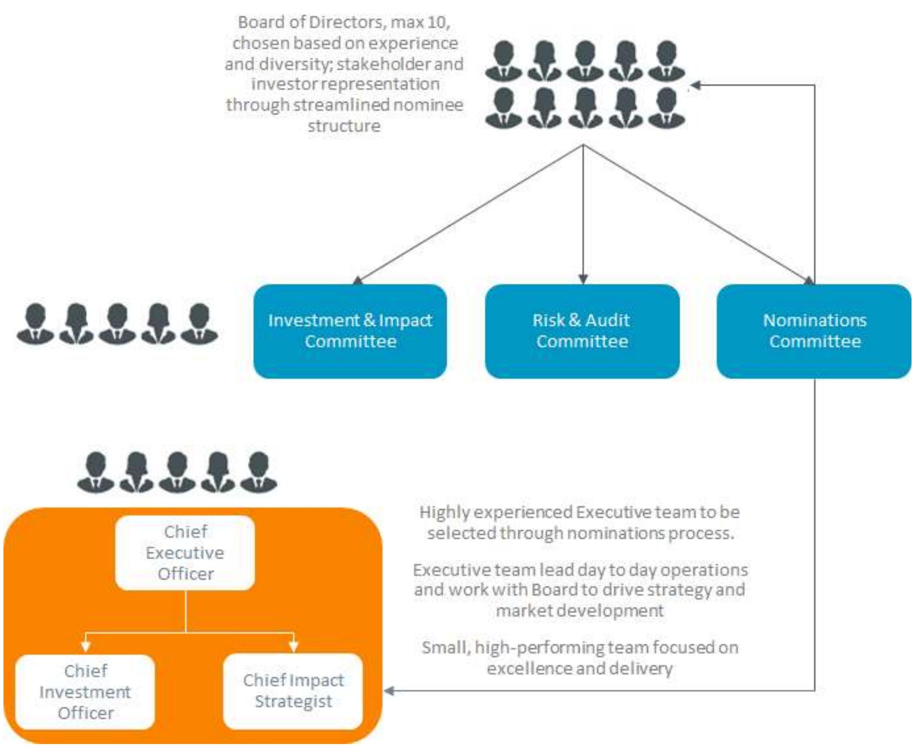
ICA will also be accountable for performance as an organisation, investor and market champion. It will have structured and rigorous processes for measurement and reporting. Those processes will embed accountability for impact achieved, financial performance and market development effects.

In addition, ICA will proactively seek to establish a reputation in the market for excellence, integrity and transparency; and operate on a basis where transactions with which it is involved reach the market with effective execution and monitoring of impact.

ICA will have a first-rate Board of committed Australian leaders that combines diversity of experience and perspectives with individual credentials, providing ICA with stewardship to operate with excellence, integrity and impact (**Figure 23**).

A highly effective team led by a first-rate executive will be critical. Based on the lessons from other impact funds, the team will be constructed to integrate investment professionals, impact strategists and systems expertise for maximum capacity to deliver across the three core elements of impact, financial viability and market development. Over time, ICA will become an important training ground for talent.

Figure 23: ICA will have a leadership structure to support effective execution & accountability



Source: Revised from Blueprint to Market 2015

ICA will recruit people with clear values-alignment with its mission, excellent track record, skills, experience and reputation to satisfy expectations of government, regulators, and other investors and to build confidence with the social and impact investment sectors. Across the team, there will need to be capacity to deliver against all dimensions of the mission and mandate.

For the purposes of establishing ICA, leadership from the Australian Advisory Board on Impact Investing will work with key stakeholders including government and other founding capital providers to establish an appropriately credentialed Board to make initial appointments.

Once operations are established, an Appointments Committee of the Board will be responsible for nomination of future Board members and key executive positions including Chief Executive Officer, Chief Investment Officer and Chief Impact Strategist. Board Committees will comprise members of the Board and appropriately qualified external parties that bring particular expertise.

Implementation and accountability

ICA can be delivered in line with all requirements of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the *Commonwealth Grants Rules and Guidelines* (CGRGs*)*. The design for ICA and the proposed founding partnership for the Australian Government specifically meets all the seven key principles under the CGRG, including integrated governance arrangements to mitigate risk. Performance monitoring is built into the design and will be reflected in contracting arrangements, including for impact reporting to be made publicly available.

The implementation plan is already in advanced stages of development. Work to refine this is on-going through a process of securing founding partnerships with the Australian Government and financial institutions to enable ICA to be operational as quickly as possible once the initial capital is secured. The plan recognises that an establishment phase during which key personnel are engaged and proper accountabilities and governance are established will be essential before funding can be deployed in the market. An outline of the proposed approach to implementation is set out in **Figure 24** and the implementation tasks are further detailed in **Table 7**.

Ensuring that the robust policy logic and design and the governance and accountability mechanisms are mapped and reflected in contract arrangements with Government will be an essential step. Initial delivery of value for money will include securing partnerships with financial institutions and other private and community sector partners.

An independent Board of highly qualified and experienced leaders will be appointed as a first step as stewards for the implementation. Appointment of a CEO and other key executive roles including the Chief Investment Officer and the Chief Impact Strategist is a priority.

Operationalising the Governance architecture (as outlined) will also be a priority. This includes finalising a Board charter, establishing investment and operating policies and putting in place a framework for measuring and reporting on ICA's operating and financial performance, including impact. In addition, a risk and compliance framework together with related policies will be adopted. Effective risk management will be critical in ensuring the ultimate integrity and sustainability of ICA as an organisation and no investment will be made before this is in place.

Figure 24: Key implementation milestones will ensure a strong basis for ongoing governance

Source: Impact Investing Australia, 2017

This implementation stage for ICA will be relatively fast and its organisational structure will evolve from the core as it builds capacity. It may be necessary to retain specialist advisors to provide advice to the Board during this initial phase to ensure that all of the compliance obligations are met, and processes established in a manner that meets the intention of best practice governance, risk management and delivery.

Table 7: Key implementation tasks will involve rigorous framework, policy and systems development

	Stage 3 (~6 months)	Stage 4 (~6 months)
Legal and Governance	Finalise ICA Board Obtain required licences e.g. Australian Financial Services Licence Put in place financial delegations from Board to Executive Define Board Charter clarifying role and risk/control Framework Formalise Board operating structure including role of sub-committees Finalise Risk Management and Compliance Framework Formalise organisational structure & employment plan Develop impact and investment performance frameworks Develop corporate plan and reporting frameworks	Adopt and publish Board charter and operating, investment and performance policies Establish Board sub-committees Implement performance and reporting systems Publish corporate plan Embed risk management & compliance systems Adoption of investment and valuation policy and investee reporting guidelines.
Personnel	Finalise key executive appointments	Recruit other key personnel
Finance and Operations	Establishment tasks including: office accommodation & set up, insurance, auditors, tax registration, software and systems, communication and IT contracts, service contracts etc. Develop a more detailed forward budget Refine initially identified areas of potential investment	Document and adopt policies and procedures relating to: financial operations, HR and Finance delegations, procurement, accounts management, stakeholder and media communications Engage market, in particular financial intermediaries **Formal launch**
Communications	Initial development of stakeholder and media communications strategy	Design and establish ICA website Ongoing communication materials

Source: Updated from Impact Investing Australia, 2017

Risk management

International experience and an understanding of the Australian market for impact investment has informed a preliminary assessment of the potential risks and associated mitigation strategies for ICA. Some of these are outlined in **Table 8**.

Table 8: Early Identification of some potential risks and associated mitigation strategies.

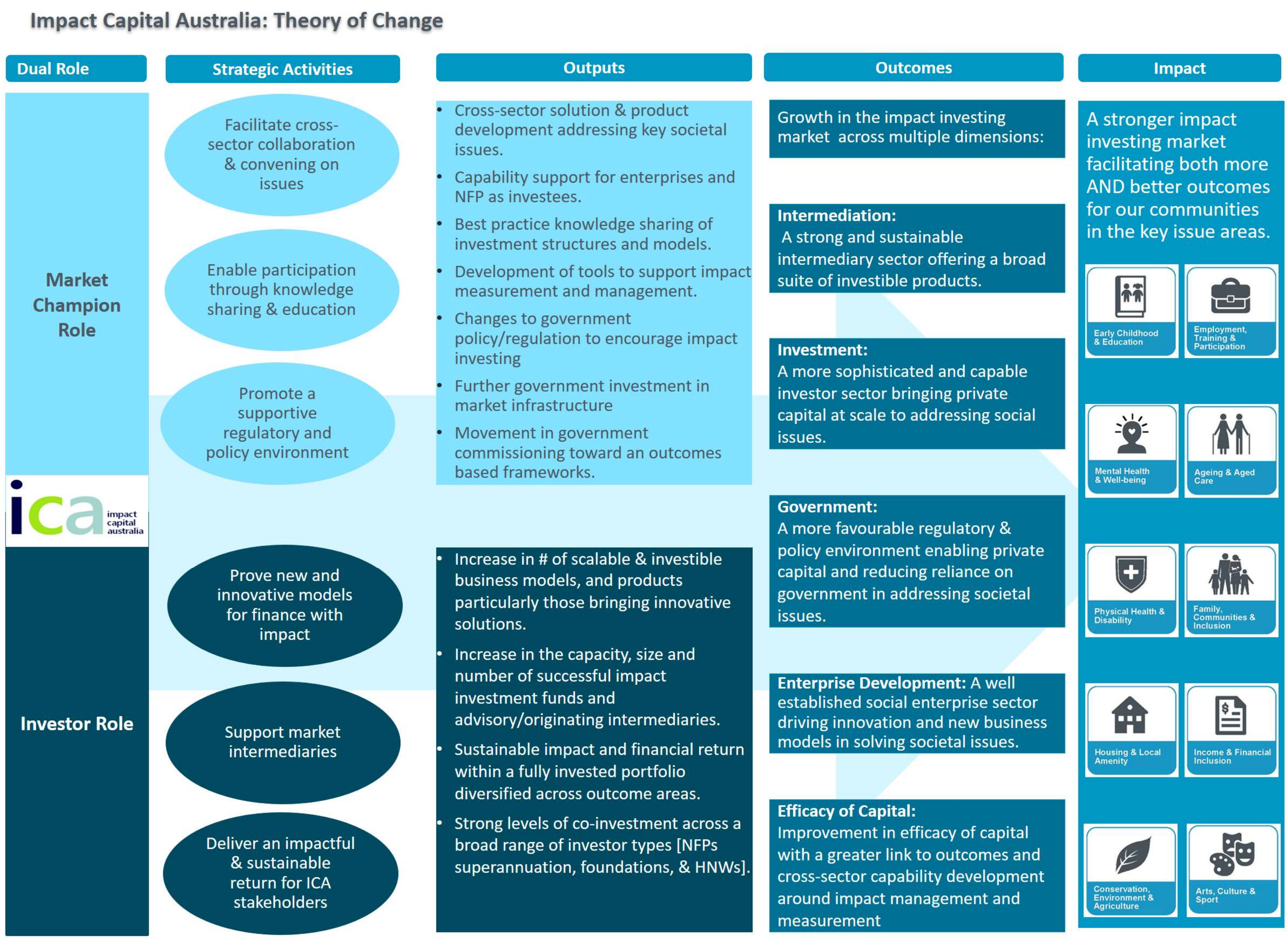
Risk	Mitigation strategy
Capital deployment slower than forecast	Provision for ICA to undertake origination and design and co-create strategies with the market; capacity development for intermediaries
Failure to capture impact	Development of practical, useful impact framework including employing best practice impact management in design, strategy, management and measurement
Lack of Innovation	Foster partnerships and collaboration; convene stakeholders to co-design in areas of priority for need and demand
Lack of scale	Understand mainstream investor needs and combine focus on services with asset backed transactions while scalable enterprise models build
Underperformance of financial return	Balance portfolio across finance, impact and market development dimensions and design for financial sustainability over medium term (7-10 years); manage investor expectations on term requirements to achieve impact and financial outcomes.

Source: ICA Working Group discussion and analysis

ICA Theory of change

Figure 25 sets out ICA's Theory of Change for a stronger impact investing market facilitating more and better outcomes for our Australian communities.

Figure 25: ICA's Theory of change



Source: Impact Investing Australia, 2017

Appendix 3: Other International Wholesalers

Portugal Social Innovation[lvii]

Portugal Social Innovation (PSI) exists “to catalyse the social investment market.[lviii]” It is a government initiative. It plans to distribute €125m between 2014 and 2020 (€106.25m or 85%) from the European Structural and Investment Funds and €18.75m (15%) from the Portuguese government). It will give grants worth €70m to social enterprises and other social organisations. As of March 2018, PSI had given 137 grants worth €12m. It will invest the remaining €55m through its Social Innovation Fund. That Fund will begin to invest in 2018. The Social Innovation Fund will invest by two methods. First, it will guarantee 80% of a bank loan to a social enterprise. It will only guarantee a loan offered on more generous terms than a bank would offer without a guarantee. Second, the Fund will directly invest up to 70% of the equity a social enterprise seeks to raise. The enterprise will have to raise the rest from co-investors. After three years, the co-investors will be able to buy the Fund’s shares at a price that yields a 3% internal rate of return for the Fund. That option lets co-investors avoid much of the risk in any early-stage investment yet capture the profit should the investment succeed. PSI aims, by this mechanism, to attract mainstream investors into its deals.

Japan’s Designated Utilization Foundation

Japan will channel an estimated ¥70 bn (£470m) a year to its wholesaler, the Designated Utilization Foundation (the DUF). The DUF is still under construction. Once established, it will give grants to and lend to foundations. Much of its money will flow as grants (in 2019, its first year, it will only give grants). The foundations will use the DUF’s money to give grants to, lend to and invest equity in social enterprises and other social organizations. The DUF intends foundations to invest some of its grants. It may also finance some national projects directly.

Korea Social Value and Solidarity Fund

South Korea plans to launch its wholesaler, the Korea Social Value and Solidarity Fund, in 2018. The Fund intends to raise KRW 300 bn (about £200 m) over five years. It will operate as a foundation. The Fund intends to mirror BSC’s strategy, though it has not yet worked out the details of its business plan. It plans to emphasize intermediaries (it has yet to decide if it will invest directly in enterprises). It plans to employ grants, debt, equity and guarantees across a diverse set of social sectors and legal forms. The Fund will seek to grow South Korea’s social economy by strengthening the links between investors and enterprises. Proponents believe that the Fund will spur great activity in a country keen on impact investment but without a strong intermediary layer. The Fund has not yet secured its KRW 300 bn. It hopes to raise KRW 100 bn by the end of 2018[lix]. Though the Fund will operate independent of government, the government will supply up to half of its capital through matched commitments.

India

The India Impact Fund of Funds plans to lend US$1 bn to debt funds that invest in social enterprises. The Fund seeks to fill an apparent gap in medium- to long-term unsecured debt. It will target a 9% return over its ten-year life. The Fund aims to raise US$600m from finance-first investors (those that emphasize return) and US$400m from impact-first investors (those that emphasize social goals and do not necessarily seek a commercial return). The Fund will approach financial institutions and members of the Indian diaspora as finance-first investors. It will approach foundations and development finance institutions as impact-first investors. It will ask the impact-first investors to take a first-loss position.

Canada

In November 2018, the Canadian Government committed to make available up to C$755m on a cash basis over the next 10 years to establish a Social Finance Fund.

The Social Finance Fund will:

- Support innovative solutions on a broad range of social challenges through a competitive, transparent and merit-based process.
- Attract new private sector investment to the social finance sector. It is expected that the Fund would achieve matching funding from other investors.
- Share both risks and rewards with private investors on any investments.
- Only support investments that are not yet viable in the commercial market.
- Help create a self-sustaining social finance market over time that would not require ongoing government support

The Canadian Government estimates that a fund such as this Social Finance Fund could generate up to C$2bn in economic activity and help create and maintain as many as 100,000 jobs over the next decade. Details on the governance and parameters of the Fund will be developed further in the coming months and released in early 2019.

Additionally, the Canadian Government has announced it will invest $50m over two years in an Investment and Readiness stream, for social purpose organizations to improve their ability to successfully participate in the social finance market.

(Source: www.budget.gc.ca)

Appendix 4: Alignment with Social impact investment principles

Principle	Relevant features of Impact Capital Australia
Government as market enabler and developer	ICA is specifically designed to execute on the Government's role as a market enabler and developer. Impact driven organisations and initiatives need access to appropriate capital as well as increasing the pool of capital. This comes through clearly in feedback from the Australian market and evidence from other fields of market activity and development of impact investment elsewhere. It is central to ICA's mission to encourage diversity, innovation and growth of the market as fit for purpose. ICA will 'grow the pie' as its purpose is to drive toward a dynamic market operating at scale and demonstrating and promoting innovation and diversity in participants and products. Experience from other markets shows that this kind of central market champion with catalytic funding is needed to drive market transition and can drive growth. The G8 Social Impact Investment Taskforce, which included government representatives from each of the G7 countries and the EU, identified a wholesale institution to support and grow intermediaries and act as market champion as a key piece of market infrastructure to ground and accelerate development of impact investment required in all local markets. Other jurisdictions already have institutions in place or work underway. Without this type of capital, initiatives in the market are likely to remain sub-critical mass for some time, limiting self-sufficiency and inhibiting capacity for innovative models to scale. Providing catalytic capital and facilitating development of key market infrastructure is central to governments' established market building role.
▪ ***Address (regulatory) barriers that impede development or sustainability of the market***	ICA addresses barriers to market development and market failures. These include availability of cornerstone capital, length of loan tenure, lack of origination capacity, shortfalls in funding availability for intermediaries and aggregators, misalignment of funding terms and incentives, mispriced risk and information asymmetries. While not regulatory, there are real barriers to entry and a recent field scan confirms they are inhibiting and slowing development.

Principle	Relevant features of Impact Capital Australia
▪ ***Ready to leverage additional private capital or other investment opportunities, as appropriate, and help to grow the social investment market in Australia***	**ICA will provide immediate and ongoing leverage for the Government commitment.** **ICA will trigger a multiplier effect**. That starts with 1:1 investment of Government contribution in ICA itself. Each investment ICA makes into an intermediary will unlock additional private capital in co-investment. Each investment each intermediary makes will leverage still more private capital in co-investment. Modelling can be provided that illustrates and quantifies the expected leverage of capital. The multiplier effect will also apply to activity, talent attraction and impact. **ICA will create additional investment opportunities through new investment vehicles and models** and will have capacity to design new models in areas of need if they are not forthcoming from the market.
Value for Money	**A Government commitment will incentivise and accelerate commitments from others**. Without an institution like ICA in the Australian market, it is unlikely that transaction-based activity will reach critical mass or that impactful models will scale in the short to medium term.
▪ ***Reasonably expected to offer a net benefit, and represent a cost-effective delivery mechanism***	**The Government commitment to ICA will be a one-off contribution of $150m**. That includes all operating costs. **There are options for how the Government contribution comes into ICA**, including investment options where the funds could be repayable within a defined period. However, more flexible funding will enable more innovative models to be developed and trialled in the short term. The multiplier effect is outlined above. **ICA is designed to become self -sustaining within 7-10 years**. It is scalable from this base but requires critical mass to fulfil its mandate and become independent.
Robust outcomes-based measurement and evaluation	**Transparency and accountability for results are critical** and designed into every level of ICA. It will be measured and evaluated with the lessons identified and communicated against identified market outcomes and the impact generated as a result of its activities. **Building the evidence base and improving outcomes is central** to ICA's focus on delivering innovative and collaborative approaches that increase effectiveness of services and reduce demand and costs over time. Together with the focus on innovative investment, this will direct capital and innovation toward tackling issues where better outcomes are needed. The scope outcome areas recognises that the needs of impact driven organisations for finance are various and that the ideas and structures capable of delivering better outcomes will come from different parts of the market.

Principle	Relevant features of Impact Capital Australia
▪ ***Agreement between co-investors and their service delivery partners on the social or environmental outcomes to be achieved***	**Ten clear outcome areas have been identified as the foundation of the mandate for ICA**. These were arrived at through collaboration with practitioners and experts from across community sector, service delivery, banking and impact investment. **ICA's role includes being proactive to develop and encourage impactful, innovative and scalable solutions that can attract finance**. In executing this role, ICA will convene and promote multi-disciplinary collaboration. **Each investment proposal will need to embed such agreement** and accountability in their proposals and operations in order to be approved for investment by ICA.
▪ ***Ongoing outcomes-based measurement will be used to monitor the progress, risk and returns of the investment, allowing for the investment to be refined as appropriate***	**ICA will practice leading impact measurement and embed in a world class impact management framework** that runs through planning, policies, investment selection, management and measurement. **Part of ICA's mission will be to promote effectiveness, efficiency and learning through targeted measurement**. ICA will have the opportunity to work with the architects of the leading global conventions on impact management to customise and embed this framework and related systems. **At a market level ICA will track indicators such as growth and leverage** achieved by existing intermediaries, the number and diversity of new intermediaries, and the variety of investment vehicles and products and sources of capital. **Measures will include the impact achieved, number and range of beneficiaries and outcome areas to which investment is directed**. **Investee fund managers will be required to employ accountable impact management and measurement** strategies, systems and reporting as part of conditions of finance from ICA.
▪ ***Ongoing outcomes-based measurement will be used to inform a robust and transparent evaluation to determine the investment's impact and efficacy in delivering on outcomes***	**ICA will have a measurement, learning and evaluation framework**. The measurement, learning and evaluation will be against the market outcomes ICA is designed to achieve and the impact generated as a result. **Overall evaluations will be undertaken at the end of 5 years and 10 years**. This will include evaluation of ICA's performance as an organisation; as an investor; and by the market development it creates. Success factors will include the multiplier effect achieved, impact delivered, resources unlocked and the demonstration effect of new types of transactions and capacity for impactful transactions at scale. Also, whether benchmarks for informed and appropriate risk adjusted return for particular types of impact investment are adopted more broadly by the market to reduce the need for credit enhancement over time. **For particular outcome areas, new models and their impacts will be included in the evaluation**. Appropriate distinctions will be required between areas where ICA makes a contribution and where results can be directly attributed.

Principle	Relevant features of Impact Capital Australia
Fair sharing of risk and return	**A core part of ICA's mission is to send clear market signals about fair risk adjusted return and impact** for investments with social, environmental and/or cultural benefit.
▪ ***Opportunities to invest in social impact investments, and the risks and returns of those investments, should be fairly shared between parties to the investment (including, the Australian Government, investors and service providers).***	**ICA's intended portfolio design encompasses impact, financial sustainability and market development benefits**. The co-mingling of funds from the Australian Government and other investors in ICA facilitates this. Investors will receive a return on their investment but will not have any upside participation in financial value accrued through ICA. The terms being negotiated with investors are concessional to risk adjusted market return. The public benefits include market development, unlocking private capital and impacts across the outcome areas will accrue social, environmental, cultural and economic public benefit and value. A risk identification and management framework has been developed and mitigation strategies will be embedded in the operations of ICA. Capital providers will have representation on equivalent terms in the governance structure for ICA to enable their interests to be represented without compromising ICA's independence.
Outcomes that align with Australian Government Policy Priorities	ICA aligns with a number of areas of government policy priority, including policies to enable and develop the impact investment market and Australia's innovation systems.
▪ ***Well-developed case for being able to successfully address social and/or environmental issues which are priorities for the Government***	**Fairness, Security and Opportunity**. The development of a robust for purpose and social enterprise sector enabled by greater access to capital will support inclusive economic and jobs growth. This will be further enhanced by increased investment availability in social services infrastructure. **Delivery of essential services** in healthcare, housing, disability support and employment. Enablement of: ▪ greater efficacy of government capital in service delivery by targeting outcomes with each dollar invested; ▪ private co-investment delivering both more $ and better results through measurement; ▪ Innovation in service delivery through collaboration of cross-sector actors. Measures to encourage market-based approaches can also encourage competition and facilitate access to quality services for all parts of the community. **Tackling cost of living pressures** - housing affordability, childcare and power prices. Focus on scaling innovation around new structures and models including private co-investment and cross-subsidisation to deliver more affordable options at scale. ICA will provide significant stimulus to unlock private capital for housing and social infrastructure. This will encourage a range of intermediaries and approaches to meet growing demand for affordable stock and in key areas of reform where demand is growing such as aged care and disability support.

Principle	Relevant features of Impact Capital Australia
	Government lives within its means. Growing budgetary pressure around social issues which the government and philanthropy alone cannot continue to meet. Through unlocking private capital, ICA is intended to create a multiplier effect for government capital estimated at over 16x on fully invested capital. **While ICA will operate domestically, it will send a strong market signals supportive of foreign policy priorities** to encourage private sector partnerships, innovation and enterprise development in the Indo-Pacific and improve outcomes for women and girls. It is complementary to the recently announced Emerging Markets Impact Investment Fund and the Investing in Women and Pacific Rise initiatives.
Co-design	**ICA has been developed through a process of consultation and collaboration over more than three years**.
▪ ***To encourage better outcomes in social service delivery and provide for innovation, social impact investments made by the Australian Government should be designed in collaboration with a broad range of stakeholders, including subject matter experts, and the communities and stakeholders who will implement them***	**There has been extensive co-design in the development of ICA,** including: ▪ Market consultations led by the AAB in Australia in 2014 and 2017; ▪ A global process of consultation and collaboration through the G8 Taskforce; ▪ A multi-sector working group 2014-15 that designed the blueprint for ICA; ▪ Formal collaborations with Big Society Capital, Ashurst, AT Kearney; ▪ Involvement of Australia's leading experts and practitioners in impact investment and in the role of governments and policy; ▪ Consultation with the OECD; ▪ Ongoing work to share lessons across countries for implementation of impact investment wholesale funds; and ▪ Extensive engagement with the sector, financial institutions and stakeholder groups in and connected to the field in Australia 2015-17. ICA builds in co-design in its strategy and operations, including dedicated capacity for design and origination and to convene and promote multi-disciplinary collaboration.

Appendix 5: Case studies

Examples of impact created by Big Society Capital in key outcome areas.

Case Study 3: Nesta Impact Investments and GetMyFirstJob – Education, training and employment

nesta Impact Investments

GetMyFirstJob Where it all starts.

GetMyFirstJob (GMFJ) launched in 2012 as a one-stop-shop through an innovative web-based platform connecting young people, training providers, colleges and employers. This platform provides more effective and efficient connections across what had become a fragmented and difficult to navigate market.

In 2015, Nesta Impact Investments (NII) invested £500,000 into sales, marketing and other resources to enable GetMyFirstJob (GMFJ) to scale-up their reach and impact. At the time of launching in 2015, when unemployment amongst 16 to 24 years old's had risen by 30,000 to 764,000, over 160,000 young people were registered with GMFJ who hoped to place 10,000 young people into apprenticeships in that year.

Increasing the number of young people entering suitable apprenticeships creates measurable social impacts by improving their skills, employment readiness and rates of employment.

Impact:

The platform grew to 250,000+ candidates in 2016, processing 30,000+ applicants monthly and working with 150+ colleges, employers and providers across the UK. In December 2017, nearly 12,000 vacancies were listed, 28,000 candidates shortlisted and 500 recruiters were working on filling apprenticeship opportunities.

Improving the rate and quality of apprenticeship placements aims to encourage more apprenticeship opportunities for young people.

Catalytic Capital:

NII's lead investment saw a rapid growth of 500% of GMFJ's business. Following on from this success Nesta jointly invested £1m with City & Guilds Group in 2016. In 2017, NII provided an additional £320,000.

Source: Impact Investing Australia, 2017, adapted from information on Nesta Impact Investments and City and Guild websites.

Case Study 4: Bridges Funds Management and Babington Group – Education and training

Bridges Fund Management

Babington Group for employability and skills

A skills shortage continues to hamper the UK's economic recovery, with one in five job vacancies remaining unfilled; while employment among 16-24 year-olds continues to lag behind pre-crisis levels, with almost a million classified as NEET (not in education, employment or training). Bridges believed that Babington's high-quality apprenticeships and trainee programs in areas like accounting and insurance could help to address this skills gap, by allowing businesses to harness fresh talent and enabling staff to develop specialist skills through on-the-job training.

Bridges, a specialist sustainable and impact investor, invested in Babington in line with its focus on backing companies that have a clear growth opportunity by tackling major societal challenges or responding to long-term macro trends. Babington has continued to diversify its product offering, by expanding its Traineeship provision and increasing the breadth and depth of courses available

Impact:

Babington has supported over 32,000 learners, and helped over 3700 formerly unemployed people to find jobs. In 2015, it trained 1600 16-17 year-olds at risk of becoming NEET with about two-thirds of its students coming from underserved areas of the UK. It now works with over 2,100 employers to source and support talent.

Catalytic Capital:

A capital injection from Bridges Fund Management, a specialist sustainable and impact investor, catalysed Babington's growth. This investment from Bridges Sustainable Growth Fund II in 2009 helped scale Babington Group. Revenues increased from under £2m to more than £15m over the 7 year period. Exiting in April 2016, Bridges achieved an IRR of 33%.

Source: Impact Investing Australia, 2017 adapted from information on Babington Group and Bridges Funds Management websites.

Case Study 5: Golden Lane Housing and Retail Charity Bonds – Disability accommodation

Allia IMPACT FINANCE · RETAIL CHARITY BONDS · Golden Lane Housing working in partnership with mencap

Golden Lane Housing (GLH) was established in 1998 by Mencap, advocacy and service providers for people with learning disabilities. GLH is a charitable company providing quality homes to more than 2000 people with learning disabilities in the UK. One of the biggest challenges facing people with a learning disability is lack of access to suitable supported accommodation. Only 16% of people with learning disabilities in the UK live in supported housing in their community. Most live far away from their friends and family.

GLH works with more than 80 different support providers to ensure all tenants can access the personal support they need to maintain their tenancy.

In 2014, GLH raised the first listed retail charity bond to finance this work. Retail Charity Bonds are a new way to borrow for established charitable organisations that develop assets, generate revenue and create impact. The bond was raised through Retail Charity Bonds, an initiative of Ailia Impact Finance.

Impact:

This Retail Charity Bond capital was used to buy and adapt 30 homes for 120 people supported by Mencap, service providers and advocates for people with learning disabilities.

Support includes providing people with learning disabilities with the opportunity to live in the right house, in the right place, with the right support, so that they can prosper, develop their independence and skills and contribute to their communities.

Catalytic Capital:

GLH raised £11 million from investors through the first charity bond listed on the London Stock Exchange's Order Book for Retail Bonds in 2014. The Bond offered 4.375% per annum due 2021.

GLH's 2nd Retail Charity Bond (£18 million) offering 3.9% due 2027 was fully subscribed, closing earlier than expected in November 2017.

Source: Impact Investing Australia, 2017, adapted from information on Golden Lane Housing and Retail Charity Bonds Website

Case Study 6: London Early Years – Early childhood learning

Bridges Fund Management · BIG ISSUE INVEST · ClearlySo · LEYF Nurseries

Research shows that nursery education best supports children's early development. Many parents, especially women, are locked out of the workplace because of the cost of childcare. As a result children, especially those from disadvantaged backgrounds, miss out on the high quality early education they need to set them up for life.

The London Early Years Foundation (LEYF), an award-winning group of 37 nurseries across London provides children from all backgrounds with an affordable nursery place. LEYF nurseries are located in some of London's most disadvantaged areas. Social investment has enabled LEYF to develop a cross-subsidy business model whereby profitable nurseries in affluent areas subsidise community nurseries in deprived parts of London.

Impact:

LEYF builds social cohesion by bringing children from all backgrounds together. It supports family wellbeing through education that increases the child's readiness for school while enabling parents to return to work.

In 2016, 43% of the children attending LEYF nurseries were provided free of charge places across 38 nurseries. LEYF grew 60% between 2013-2016, taking on 14 new nurseries and providing an additional 1500 nursery places for children.

Catalytic Capital:

In 2014, two leading social impact investors, Bridges Funds Management and Big Issue Invest invested £1.25m to support LEYF's growth strategy to reach 5,000 children and their families by 2017. National Westminster Bank, provided an overdraft facility to go alongside Bridges' and Big Issue's investments.

In 2015, LEYF successfully raised a second stage of investment worth £1.5 million, with the support of ClearlySo, an impact investing intermediary.

Source: Impact Investing Australia, 2017, adapted from information on London Early Years Foundation Website

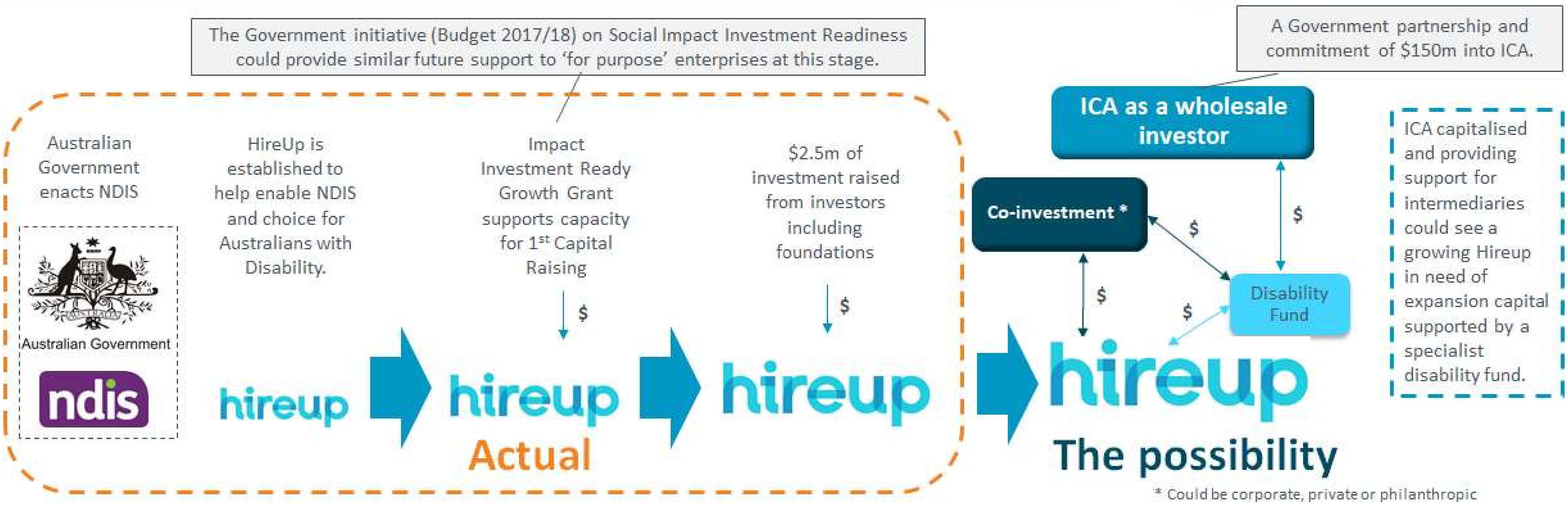
Case Study 7: The potential interaction of Government policy in the investment life-cycle of a 'for purpose' enterprise

Hireup:

Hireup is an online platform for Australians with disability to find, hire and manage support workers who fit their needs and share their interests. Users are able to search, message and book through the platform. Hireup allows people to manage their own relationships with support workers, with Hireup taking care of the necessary tax and super payments, insurance, payroll and workplace health and safety requirements.

Hireup ran a minimum viable product in late 2014 and early 2015. After proving the need and applicability of the model, Hireup then raised $2.5m via an impact investment in late 2015. As a two-sided marketplace, the funds raised are helping Hireup to scale quickly and in lockstep with the national rollout of the National Disability Insurance Scheme (NDIS).

An ICA seeded specialist disability fund could co-invest the capital to bring an investment such as Hireup to scale.



Source: Impact Investing Australia, 2017

Appendix 6: Additional budget measures to build the ecosystem

Additional measures outlined below complement ICA. These are designed to build government capacity and leadership, remove regulatory barriers, grow enterprising activity to tackle social issues and develop capacity for commissioning of services that improves outcomes and reduces costs over time.

The Budget measures proposed draw upon extensive work already done to develop useful and actionable policy frameworks for impact investment. Together, these measures are intended to stimulate different parts of the market and set the conditions for unlocking private capital and incentivising solutions that deliver better outcomes. They include recognition that government has important contributions to make to leadership and data that are often overlooked.

Identified as actions that can have the greatest impact, these measures complement the Australian Advisory Board strategy for the local Australian market, which reflects key recommendations of the global G8 Social Impact Investment Taskforce.

Summary of proposed additional budget measures:

Additional Budget Measure	Description	Costs
Remove regulatory barriers to facilitate growth	Low cost measures to remove regulatory barriers to market growth: ▪ Clarification of the fiduciary duties of philanthropic and superannuation trustees to put beyond doubt that impact can be considered in addition to risk and return by fiduciary decision makers; ▪ Ensure program and mission related investment is enabled to provide greater flexibility for philanthropic trusts and foundations to direct capital toward achieving their social mission through mission related investment; ▪ Assess the extent to which regulatory issues, accounting and balance sheet treatment of social infrastructure assets, including housing, is limiting capacity to attract private capital to these assets. This could be linked with policy work underway through the Council on Federal Financial relations to explore innovative mechanisms to boost affordable housing; ▪ Extend provision for unsolicited proposals to be brought forward from current parameters to include a transparent framework for unique proposals to develop the impact investment market or leverage private capital for priority policy priorities at scale; ▪ Amend the Corporations law to enable a clear legal framework for Benefit Corporations in Australia and investigate the application and impact of other innovations for purpose organisational forms; and	No administrative funding

	▪ Leveraging procurement to shift the way in which services are purchased by requiring that a broader approach to value creation be considered.	
Promoting outcomes focus, efficacy and innovation	Promoting better outcomes, efficacy and innovation starting with design and feasibility for 2 initiatives with a view to moving quickly to a decision on implementation in the out years of the Budget. The focus is building capacity to use market-based mechanisms to attract capital to achieve strong social and economic outcomes, including through collaboration between the Federal and State Governments. The development work relates to the following. ▪ A dedicated **Outcomes & Innovation Fund** to support proof of concept and scaling what works through outcomes-based commissioning, including social impact bonds; and ▪ **Protocols for data sharing to inform efficacy and innovation** and facilitate more efficient and effective allocation of existing resources to achieve social impact.	
Government leadership and engagement	A suite of opportunities to build Government capacity and leadership and connect the Australian Government at the forefront of developments. ▪ Nominating senior observers to the Global Steering Group for Impact Investing and the Australian Advisory Board on Impact Investment. ▪ appointing a clear Ministerial lead on impact investment. ▪ Developing the whole of government advisory remit of Innovation and Science Australia by including social innovation expertise on the Board.	No administered funding required in the short-term pending feasibility

Appendix 7: About us

The Australian Advisory Board on Impact Investing

The Australian Advisory Board on Impact Investing (AAB) provides leadership and strategy for accelerating the growth of the impact investment market in Australia. It is Australia's national advisory board to the Global Steering Group for Impact Investment (GSG) the successor to the G8 Social Impact Investment Taskforce.

The GSG has 21 member jurisdictions with plans to build to 30+ member countries and an ambitions agenda to drive the global impact investing market to a tipping point by 2020.

The AAB led strategy to catalyse the market *in* and *from* Australia, has seen a program of leadership, action and policy delivered. Experienced leaders spanning the finance, business, not for profit, philanthropic and community sectors committed to growing the opportunities for impact investment contribute to the AAB and its work.

AUSTRALIAN ADVISORY BOARD ON IMPACT INVESTING

Members:

Rosemary Addis (Chair)	Impact Strategist and Trustee GSG
Adrian Appo OAM	First Australians Capital
Christopher Thorn	Ernst & Young
David Crosbie	Community Council of Australia
David Bennett	SEFA and NED
Eric Williamson	National Australia Bank
Fabienne Michaux	Deakin University and NED
Louise Sylvan (Vice-Chair)	University of Sydney and NED
Peter Munro	A.T. Kearney
Richard Brandweiner (Vice-Chair)	Pendal Group
Rob DiMonte	The Australian Centre for Social Innovation and NED
Sally McCutchan (ex-officio)	Impact Investing Australia
Sandy Blackburn-Wright	Social Outcomes
Sarah Davies	Philanthropy Australia

Ambassadors:

Carol Schwartz AM	Trawalla Foundation and NED
Carolyn Hewson AO	Non-Executive Director
Peter Shergold AC	Western Sydney University and CSI

Additional ICA Ambassadors:

Greg Hutchinson AM	Paul Ramsay Foundation; Bain & Co
Jillian Segal AM	Non-executive Director
The Hon. John Brumby AO	Non-executive Director; Professorial Fellow
Peter Hunt AM	Greenhill Investments
Rob McLean AM	Philanthropy Australia; McKinsey & Co
Simon Longstaff AO	The Ethics Centre
Simon McKeon AO	Monash University; Macquarie

Impact Investing Australia

Impact Investing Australia was established in 2014 in response to an industry-identified need for dedicated leadership, facilitation and capacity building. Its primary role has been to provide strategy development and execution support for the Australian Advisory Board on Impact Investing.

Responsible for driving the implementation of the Australian Advisory Board on Impact Investing's strategy to catalyse the market for impact investing, Impact Investing Australia provides a focal point for market development in Australia, as well as participating in international efforts to grow the market globally.

Partners and supporters

Impact Investing Australia's work is made possible through generous support from our partners and supporters and contributions of time and experience of a dynamic group of skilled volunteers.

Market Building and impact is made possible with collective action and resources. We thank our partners and supporters and welcome others who would like to contribute to realising the potential of impact investing in and from Australia.

Partners

G&S Consulting

Supporting organisations

McLeod Family Foundation

Donald Simpson Communications

English Family Foundation

Impact Investing Australia and the Australian Advisory Board on Impact Investing are pleased to partner with the RIAA Impact Investment Forum

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