



Australian Government

Prime Minister's Community Business Partnership

The Hon Scott Morrison MP
Treasurer
Parliament House
CANBERRA ACT 2600

CC: The Hon Christian Porter MP, Minister for Social Services

Dear Treasurer

I am writing on behalf of the Prime Minister's Community Business Partnership (the Partnership).

We were all incredibly encouraged to receive your letter in relation to the discussion paper on Social Impact Investing as part of the government's reply to the Financial System Inquiry. It indicates the importance of this area and also the commitment to focusing on and growing this in Australia.

The Partnership is tasked by Government to consider the potential of innovative investment and finance models, and other structures to support a culture of giving and volunteering. As part of this work we have engaged with a broad cross section of stakeholders and experts and in particular we have had a number of roundtables with the key stakeholders in the impact investing community.

The key barriers that have been raised in those roundtables have been:

Investors/intermediaries/Private/Public Ancillary Funds (PAFs and PuAFs):

- Lack of regulatory flexibility to allow PAFs and PuAFs investment money to be used for impact investment.
- Lack of opportunities.
- Lack of skilled professional advisers.

Social Enterprises and Impact Businesses:

- Cost and complexity of creation of legal structures.
- Limited ability to raise capital.
- Limitations on the potential investors (PAFs are the natural fit as a key stakeholder).
- Capacity building.

Social Impact Bonds:

- Transparency.
- Direction around the key areas.
- Capacity Building.

Accordingly, the Partnership sees the role of the Australian Government in developing the social impact investing market in the following ways:

1. *Helping with removing barriers and initiating legislative changes that reduce cost and complexity* – e.g. by further exploring the merits of developing a hybrid legal model for social enterprises/impact businesses. Also adjusting the sophisticated investor test and

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providing more guidance to help PAFs and PuAFs get greater comfort about impact investing parameters.

2. *Taking a leadership role around SIBs and looking for Australian Government opportunities where this supports existing State Government programs and where such opportunities align with the Australian Government portfolio priorities.*
3. *Considering the wider possibilities of PRIs and impact investing through PAFs/PuAFs/Superannuation funds.*
4. *Working with specific intermediaries to help build capacity and investment opportunities – like SVA, SEFA, Social Traders and the Impact Investment & Contract Readiness fund or facilitating capacity building activities. Also using the Australian Government procurement process to increase opportunities for smaller impact businesses in accordance with the Global Sustainable Development Goals.*
5. *Data sharing - Coordinate and/or support initiatives to develop and make available data and evidence that support social impact investing, for example, data repositories. Also providing support and development of capabilities in outcomes measurement, evaluation, benefit cost analysis, data analysis and modelling.*

Yours sincerely



Angela Perry
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27 February 2017