

SOCIAL ENTERPRISE AND SOCIAL FINANCE: A PATH TO GROWTH

THE OPPORTUNITY

to unlock new sources of capital and support innovative social enterprises

- We know that:**
- Social enterprises are creating innovative, commercially viable, locally-responsive approaches to wide ranging social needs
 - Social enterprise appeals to business-minded entrepreneurs wanting to achieve social good, and to community organisations seeking to diversify their income streams
 - Potential sources of finance include investors seeking socially responsible investments and philanthropists wanting to invest more strategically
 - Social enterprise and social finance markets are in the early stages in New Zealand
 - Comparable countries are benefiting from policies that remove barriers, build capacity and catalyse investment.

Government has an opportunity to support this market to contribute to more sustainable communities and a strong economy


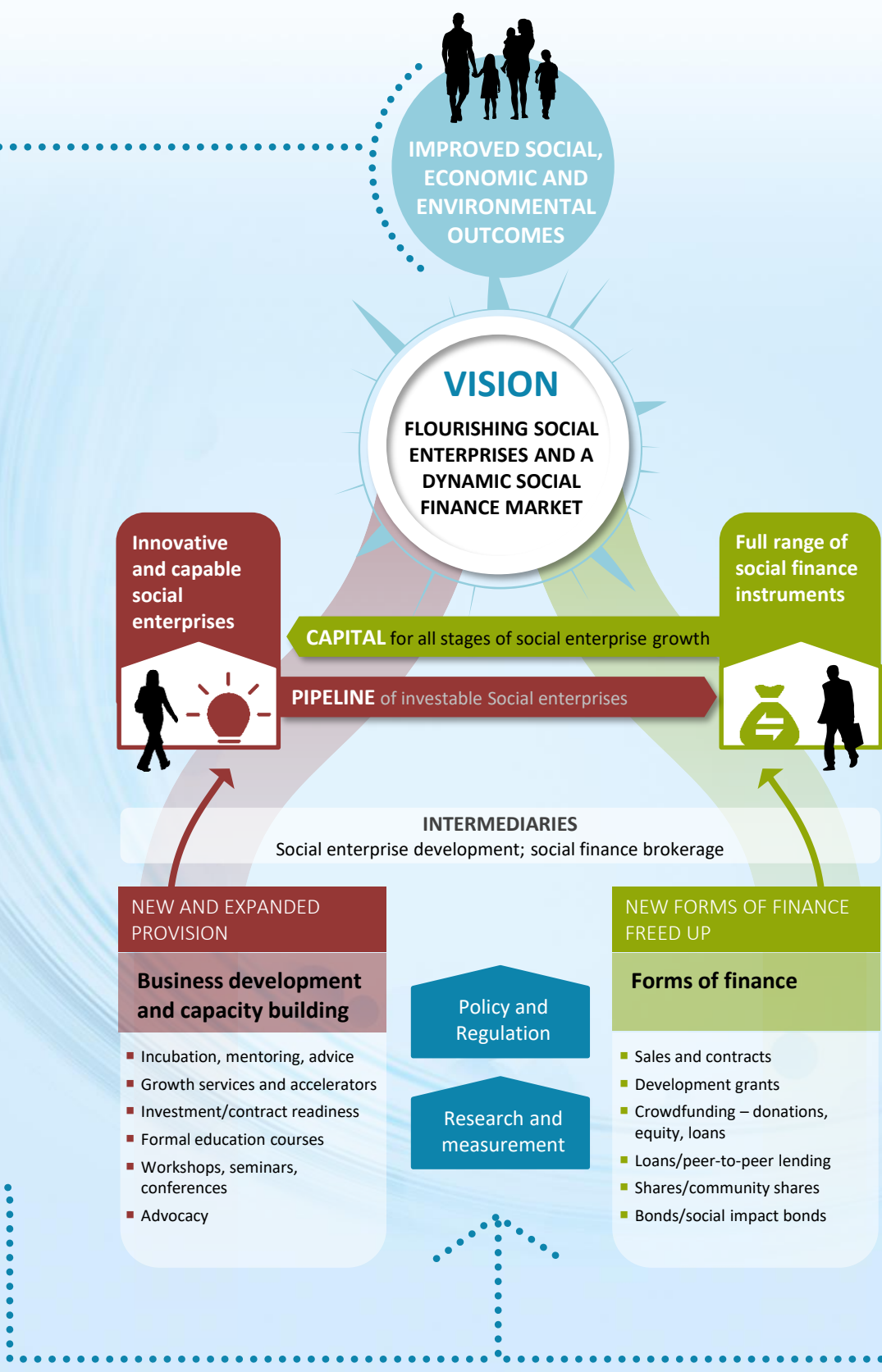
SUPPORTING GOVERNMENT PRIORITIES

Improving social, economic and environmental outcomes

Social investment	Business Growth Agenda	Māori economic development
<ul style="list-style-type: none"> ▪ Supporting vulnerable New Zealanders ▪ Innovations in social services ▪ Gathering robust evidence ▪ Reducing long-term costs to government 	<ul style="list-style-type: none"> ▪ Jobs ▪ Innovation and entrepreneurship ▪ Private investment ▪ Regional economic development 	<ul style="list-style-type: none"> ▪ Māori entrepreneurship ▪ Jobs and vocational training ▪ Regional focus ▪ Socio-economic transformation

Exemplar: SCOTLAND

After ten years of investment, Scotland now has 5199 social enterprises, employing 112,409 people, and contributing £1.68 billion to the economy.

THE CHALLENGES

to growing this market

Sector data and profile	Social enterprise development
<ul style="list-style-type: none"> ▪ A fragmented social enterprise sector, not well understood ▪ Lack of data on social enterprises and their performance ▪ Limited information on impact measurement models 	<ul style="list-style-type: none"> ▪ Significant business development needs ▪ Weak regional economic development links ▪ Limited education and capability development for youth ▪ Māori, Pacific and ethnic social enterprise potential under-developed
Barriers for funders/investors	Finance for social enterprises
<ul style="list-style-type: none"> ▪ Barriers for charities wishing to fund profit-distributing social enterprises ▪ Compliance costs for loan-makers ▪ Lack of specialised financial intermediaries ▪ Uncertainty about social enterprises models ▪ No investment mechanisms for investors 	<ul style="list-style-type: none"> ▪ Difficulty accessing development grants ▪ Constraints in competing for contracts ▪ Difficulty accessing loans ▪ Equity offers inaccessible or unsuitable ▪ Debt securities compliance costs

AREAS FOR ACTION

Actions for government, lead sector organisations, philanthropic trusts, universities, social enterprise networks and others around:

Policy and regulation	Social procurement
Business development	Measurement and research
Finance	Coordination and promotion

TOP RECOMMENDATIONS FOR GOVERNMENT ACTION

SCOPE	CREATE
Collect data on social enterprises and social finance: market scoping	Cross-agency social enterprise unit to tie social enterprise into government priorities, address policy barriers, and stimulate government responsiveness
STIMULATE	
<ul style="list-style-type: none"> ▪ Fund a development intermediary to maintain progress in growing social enterprise ▪ Establish a development grant fund for early stage social enterprises, in coordination with philanthropic trusts and corporates ▪ Participate in sector-led investigation of a social impact investment fund 	