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

Improvingsocial, economic and environmental outcomes

Social investment
- Supporting vulnerable New Zealanders
- Innovations in social services
- Gathering robust evidence
- Reducing long-term costs to government

Business Growth Agenda
- Jobs
- Innovation and entrepreneurship
- Private investment
- Regional economic development

Māori economic development
- Māori entrepreneurship
- Jobs and vocational training
- Regional focus
- Socio-economic transformation

NEW AND EXPANDED PROVISION

Business development and capacity building
- Incubation, mentoring, advice
- Growth services and accelerators
- Investment/contract readiness
- Formal education courses
- Workshops, seminars, conferences
- Advocacy

Policy and Regulation
- Sales and contracts
- Development grants
- Crowdfunding – donations, equity, loans
- Loans/peer-to-peer lending
- Shares/community shares
- Bonds/social impact bonds

Research and measurement
- New forms of finance
- Freed up

INTERMEDIARIES Social enterprise development; social finance brokerage

NEW FORMS OF FINANCE FREED UP
- Social enterprises
- Insufficient development
- Weak regional economic development
- Limited information on impact measurement models
- No investment mechanisms for investors
- Equity offers inaccessible or unsuitable
- Debt securities compliance costs

TOP RECOMMENDATIONS FOR GOVERNMENT ACTION

SCOPE Collect data on social enterprises and social finance: market scoping
CREATE Cross-agency social enterprise unit to tie social enterprise into government priorities, address policy barriers, and stimulate government responsiveness

STIMULATE
- 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

VISION

FLOURISHING SOCIAL ENTERPRISES AND A DYNAMIC SOCIAL FINANCE MARKET

IMPROVED SOCIAL, ECONOMIC AND ENVIRONMENTAL OUTCOMES

CAPITAL for all stages of social enterprise growth

PIPELINE of investable social enterprises

SUPPORTING

Social development; social finance

SCOTLAND

Exemplar:

After ten years of investment, Scotland now has 5199 social enterprises, employing 122,409 people, and contributing £1.68 billion to the economy.

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
- Coordination and promotion

Finance

The challenges to growing this market

Sector data and profile
- A fragmented social enterprise sector, not well understood
- Lack of data on social enterprises and their performance
- Limited information on impact measurement models

Social enterprise development
- Significant business development needs
- Weak regional economic development links
- Limited education and capability development for youth
- Māori, Pacific and ethnic social enterprise potential underdeveloped

Barriers for funders/investors
- 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

Finance for social enterprises
- Difficulty accessing development grants
- Constraints in competing for contracts
- Difficulty accessing loans
- Equity offers inaccessible or unsuitable
- Debt securities compliance costs

LIMITED FORMS OF FINANCE

Full range of social finance instruments

Full range of social finance instruments

Full range of social finance instruments

Full range of social finance instruments

Full range of social finance instruments