

A scenic landscape at sunset. The sun is low on the horizon, casting a warm, golden glow through the trees. The foreground is dominated by large, spiky green plants, possibly yucca or agave, which are silhouetted against the bright light. In the background, there are rolling hills and a body of water, possibly a bay or a lake, with a few small structures or boats visible. The overall mood is peaceful and natural.

the  
**IMPACT**  
INITIATIVE

# A Roadmap for Impact

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The Impact Initiative Recommendations Summary Report  
*Prepared by the Ākina Foundation*

APRIL 2021

[THEIMPACTINITIATIVE.ORG.NZ](https://theimpactinitiative.org.nz)

This report was produced for the Social Enterprise Sector Development Programme, publicly known as *The Impact Initiative*.

The Impact Initiative is a partnership between the Department of Internal Affairs on behalf of the New Zealand Government and the Ākina Foundation supported by the Community Enterprise Network Trust (CENT).

To find out more about the programme visit The Impact Initiative website:  
[www.theimpactinitiative.org.nz](http://www.theimpactinitiative.org.nz)

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‘Ko te piko o te  
mahuri, te ra te tupu  
o te rakau.’

(The way that the young sapling is shaped will determine how the tree grows.)

– WHAKATAUKI, MĀORI PROVERB

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# A message from the Minister

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## Hon Priyanca Radhakrishnan – Minister for the Community and Voluntary Sector.

Social enterprises are businesses that are changing the world for the better. They are businesses whose primary purpose is to make a meaningful social or environmental impact. Our Government recognises the unique value and powerful potential of the social enterprise sector.

Our Government is focused on tackling the long-term challenges facing our nation and putting in place what we need to make Aotearoa New Zealand a fairer, more cohesive society that truly values diversity.

These are values and aims that I know are shared by social enterprises across the country. Like our Government, social enterprises are also committed to creating a more equal, inclusive, and sustainable Aotearoa New Zealand.

Complex social and environmental challenges cannot be solved by government alone. Social enterprises provide private sector solutions to address public problems, such as poor mental health, inequality, and waste management. Their work is not easy, but it is important.

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Our communities already experience some increased wellbeing and prosperity from the work of social enterprises. The Government has long recognised that these benefits can be amplified by encouraging the social enterprise sector to grow.

The Social Enterprise Sector Development Programme, also known as The Impact Initiative, was a partnership between Government and the Ākina Foundation. As a result of the programme's three years of research, delivery and engagement, we have identified how a flourishing social enterprise sector can be supported.

Given the economic challenges posed by the Covid-19 pandemic, it is now even more vital to increase social enterprise activity. This report recommends specific, strong, and significant actions that will create the necessary conditions for social enterprise growth.

By adopting and embedding these recommendations, we can lead the world by example, and help bring about a future where generating positive social and environmental outcomes lies at the heart of every Aotearoa New Zealand business.

**Hon Priyanca Radhakrishnan,  
Minister for the Community and Voluntary Sector**

‘Naku te rourou nau te  
rourou ka ora ai te iwi.’

(With your basket and my basket the people will thrive)

# A message from Ākina

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*When [The Impact Initiative](#) was announced in 2018, it represented a renewed governmental commitment to social enterprise that had been missing for many years.*

Running any business is challenging. Running an impact-led business like a social enterprise throws up additional challenges that don't have to exist. Through The Impact Initiative we now have a much better understanding of those challenges and how to address them. We have tested and proven the best ways to accelerate the positive impact of social enterprise.

These businesses or enterprises make our lives and our environment better – that's what impact is. We all want them to keep going, to keep growing, and to keep developing the solutions our communities and our whenua need in order to thrive.

Impact has a history in Aotearoa that stretches back to early Māori concepts of enterprise. Today, caring for people and caring for the environment are central to what we value as New Zealanders. This makes social enterprise the natural way to do business in Aotearoa New Zealand.

Thanks to the Government's investment in this programme, the way forward has become clear. We have identified the levers the Government can pull to increase the positive impact of government, and we've identified the targeted changes that will accelerate the development and the impact of social enterprises across the economy.

This programme is only a small part of a much larger journey. The challenge now is to keep going. We urge the Government to build on the investment made to date and to keep the momentum going by working with the sector and the wider economy on projects that progress the implementation of The Impact Initiative's recommendations. Positive impact is key to the future of our economy. We need to keep working together to bring that future to life.

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We need many solutions to the complex and connected challenges Aotearoa New Zealand faces. The housing crisis, the mental health crisis, the climate crisis, inequality and poverty are not challenges that government alone can solve. It's now up to the Government to lead the way and clear the path so that the organisations working to address these urgent challenges can go further, faster.

Thank you to our partners at the Department of Internal Affairs and at the Community Enterprise Network Trust for your support and your trust. Thank you to all the dedicated experts and remarkable enterprises that have been a part of this mahi.

The Covid-19 pandemic has reminded us of the power of working together. Now is the time to be bold. Whāia te iti kahurangi ki te tuohu koe me he maunga teitei: Aim for the highest cloud so that if you miss it, you will hit a lofty mountain.

The work goes on.

**Louise Aitken,**  
**Ākina CEO**

**Ben Kepes,**  
**Ākina Board Chair**





# A partnership for impact

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In 2018 the New Zealand Government engaged the Ākina Foundation to deliver The Social Enterprise Sector Development Programme.

The Impact Initiative, as the Programme came to be called publicly, was allocated \$5.5m in government funding over three years. It is delivered by Ākina in partnership with the Department of Internal Affairs with support from the Community Enterprise Network Trust (CENT).

The Programme is supported by a Sector Working Group, made up of leaders from Māori enterprise, Pacifica enterprise, social, community and youth enterprise and a Cross-Agency Advisory Group of government officials representing key focus areas of the Programme.

The Programme concludes in March 2021 with the delivery of the targeted recommendations outlined in this document and which are detailed further in a series of white papers. These recommendations were developed by the Programme in conjunction with government agencies and in consultation with sector representatives.

IMAGE CREDIT: TE PUOHO KATENE (ĀKINA), SHAY WRIGHT (TE WHARE HUKAHUKA), LOUISE AITKEN (ĀKINA), HON PRIYANCA RADHAKRISHNAN, AND MATTHEW LUXON (COMMUNITY ENTERPRISE NETWORK TRUST)

## THREE PROGRAMME PRIORITIES

1. Understanding and supporting the conditions for a thriving social enterprise sector in Aotearoa New Zealand
2. Making it clear how social enterprise is contributing to government's economic, social and environmental goals
3. Working with the Government to articulate what it needs to do to support social enterprises, after the Programme.



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## Programme activity highlights

- Uncovering the ways in which social enterprises deliver against the Government's priority areas
- Developing cross-agency and public-private working and advisory groups to collaborate on social enterprise, including the formation of a Sector Working Group
- Uncovering legal barriers for social enterprises and exploring ways to address these
- Testing ways to support and grow social enterprises through place-based networks
- Undertaking research and publishing significant reports on; the history of the social enterprise sector, financing social enterprise, legal structures, and how social enterprises contribute to Government's goals
- Engaging strategically with government to support the development of broader outcomes through social procurement
- Developing and growing Aotearoa New Zealand's first social procurement marketplace (*fwd.org.nz*) and enabling marketplace access for government buyers
- Certifying over 100 social enterprise suppliers, and establishing a social procurement Buyer Group of 13 large organisations with a combined procurement spend of over \$20 billion.
- Supporting social enterprises to access capital and get ready for impact investment through the administration of two rounds of The Impact Investment Readiness Programme
- Creating and testing business development tools and resources for social enterprises
- Supporting sector representation and connection at The Social Enterprise World Forum in 2018, The Aotearoa Social Enterprise Forum in 2018 and Aotearoa Conversations in 2020.

# The journey so far

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## ‘Kia whakatōmuri te haere whakamua’

(I walk backwards into the future  
with my eyes fixed on my past)

This Māori whakataukī<sup>1</sup> speaks to perspectives of time in te ao Māori<sup>2</sup>, where the past, the present and the future are viewed as intertwined and life is viewed as a continuous process<sup>3</sup>.

This interweaving of the past, present and future provides a useful way to look at a programme that forms just a small part of a much longer journey of social entrepreneurship, and impact, in Aotearoa New Zealand. The current Programme stands on the shoulders of, and is the result of, the mahi, or work, of many. The wero, or challenge, that it lays out will likely be taken up by many more.

**1:** OR TRADITIONAL PROVERB; **2:** MĀORI WORLD VIEW **3:** RAMEKA, L. (2017). KIA WHAKATŌMURI TE HAERE WHAKAMUA: ‘I WALK BACKWARDS INTO THE FUTURE WITH MY EYES FIXED ON MY PAST’ AVAILABLE AT [HTTPS://RESEARCHCOMMONS.WAIKATO.AC.NZ/HANDLE/10289/11120](https://researchcommons.waikato.ac.nz/handle/10289/11120)

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The Programme's partnership with social, community, Māori and Pacifica enterprise has enabled the Government to benefit from the unique perspectives and experiences of organisations that have been involved in different phases of the journey. These organisations have their own identity and kaupapa<sup>4</sup> and have played different roles in getting us to this point, but are aligned on their vision of a better future for our mokopuna<sup>5</sup> and generations to come. In that sense, social enterprise is looking towards the future while keeping clear ties and links to the past.

The next phase for social enterprise in Aotearoa New Zealand is exciting and it may also be the most challenging. There is a clear need across our economy for new solutions to old and new challenges. On the basis of what the Programme has uncovered, learnt and delivered, there are clear and tested steps that the Government can take in collaboration with social enterprise and the wider economy.

The journey will take courage and true partnership and a deep commitment to impact. It will require us all to take learnings from the past and approach new challenges with the wisdom of our tūpuna<sup>6</sup>. It is a journey that Aotearoa New Zealand is now uniquely positioned to take.

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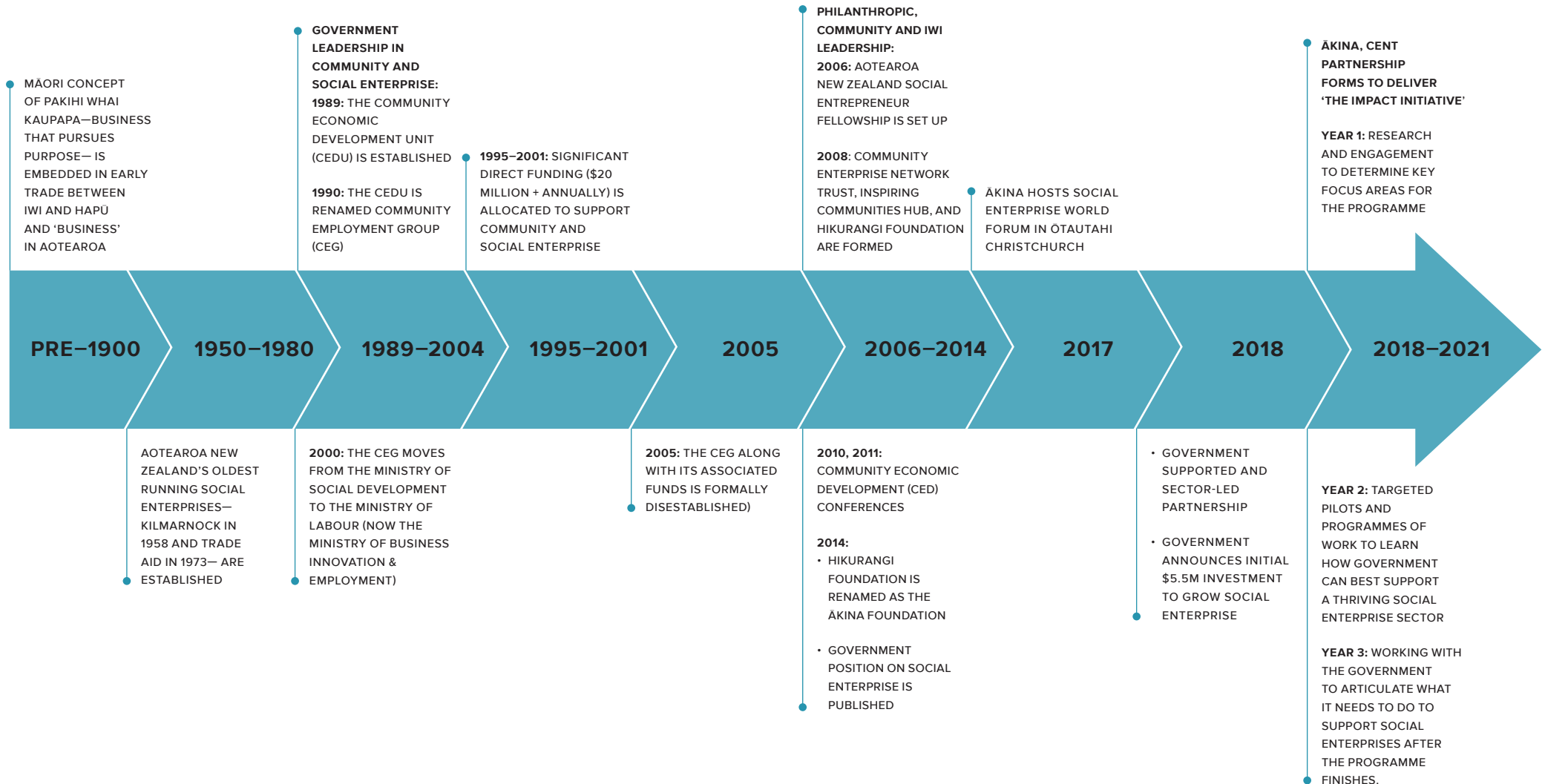
## A quick overview of social enterprise in Aotearoa New Zealand

- Social enterprises are impact-led organisations that trade to deliver positive social, cultural and environmental outcomes.
- A 2018 Business and Economic Research (BERL) report estimated the value of the impact created by social enterprise in Aotearoa New Zealand at \$2.9 billion and that the country's up to 6,600 social enterprises were contributing as much as \$1.7b to GDP.
- Social enterprises can be small or large. Some employ hundreds of people. They exist in sectors across the economy like agriculture, hospitality, tourism, technology and innovation, health and waste.
- Not all social enterprises identify with that term. Some use other terms like community enterprise or impact enterprise. They may identify primarily as a Māori or Pacifica enterprise. They may consider themselves businesses that are led by impact or purpose.

# A timeline of social enterprise in Aotearoa New Zealand

There have been four distinct phases in the journey so far:

1. Government leadership in community and social enterprise
2. Philanthropic, community and iwi leadership
3. Government supported and sector-led partnership
4. Recommendations for unlocking partnership and collaboration to support Aotearoa New Zealand to meet challenges



# The Impact Initiative Recommendations

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The Government's investment in the Programme has enabled research, testing and a series of targeted projects and initiatives designed to prove the best ways to tap into and maximise the impact of both social enterprises and government.

There are 15 Programme recommendations. Each fits under one of two broad categories:

1. Building governmental capability to measure and grow positive impact
2. Creating the conditions for social enterprises and impact-led businesses to thrive.

## **1. BUILDING GOVERNMENTAL CAPABILITY TO MEASURE AND GROW POSITIVE IMPACT**

One of the roles of central government is to create positive outcomes that improve people's lives and our environment. This is achieved in a variety of ways including through legislation and policy setting, funding or investment and the leadership of 'setting the agenda'.

The Impact Initiative has identified that, alongside the opportunity for the Government to enable increased impact through supporting the development of social enterprises, there is a larger and connected opportunity to develop the measurement and delivery of impact—or wellbeing outcomes—created by the Government. There are a number of proven and pragmatic changes that the Government could make that will have positive flow-on effects not just for social enterprises but for our communities and our natural taonga more widely.

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In order for the Government to effectively grow the wellbeing outcomes it creates, first more work needs to be done to build capability to effectively use the 'levers' that are at the Government's disposal to amplify impact. Those levers are:

**1.**  
**SOCIAL PROCUREMENT**

Using the buying power of government to unlock positive outcomes through government procurement practice and supply chains

**2.**  
**IMPACT MEASUREMENT  
& MANAGEMENT**

Enabling government agencies to effectively measure, manage and grow the positive outcomes that government creates

**3.**  
**IMPACT INVESTMENT**

Deliberately investing in funds that generate a positive social and environmental return and in initiatives that support impact-led businesses that seek investment



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## 2. CREATING THE CONDITIONS FOR SOCIAL ENTERPRISES AND IMPACT-LED BUSINESSES TO THRIVE

Social enterprises have many of the same priorities as the Government in that they exist to address specific challenges and seek to improve lives and the environment through the positive impact they create.

In the 2014 position statement on social enterprise the Government recognised that social enterprises deliver unique value and face unique barriers:

- ‘The Government recognises that emerging social enterprises face a range of challenges, including the need for business advice and funding tailored to their hybrid social/commercial nature. The sector currently lacks a solid support infrastructure and many social enterprises struggle to access external finance’.<sup>7</sup>
- Over the three years of The Impact Initiative these challenges, and others, have been explored through research and engagement across the social enterprise sector and within government. A range of initiatives have been tested and iterated. These include:
  - The formation of a leadership group of representatives from Māori, Pacifica, social and community enterprise sectors.
  - Testing and connection of place-based networks to strengthen ‘on the ground’ support for communities.
  - Creating and assessing impact-focused tools and resources to help social enterprises to start and develop their impact.

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*The Impact Initiative* has been able to identify the gaps in the support available for social enterprises and to test different ways to fill those gaps. Much more is now known about how social enterprises are contributing to the Government's priorities and how targeted government support of social enterprises would increase the positive outcomes they create.

The Programme recommendations that most directly relate to the 'support infrastructure' described in the Government's positioning statement fall under two categories:

## 4.

### **TOOLS & SUPPORT**

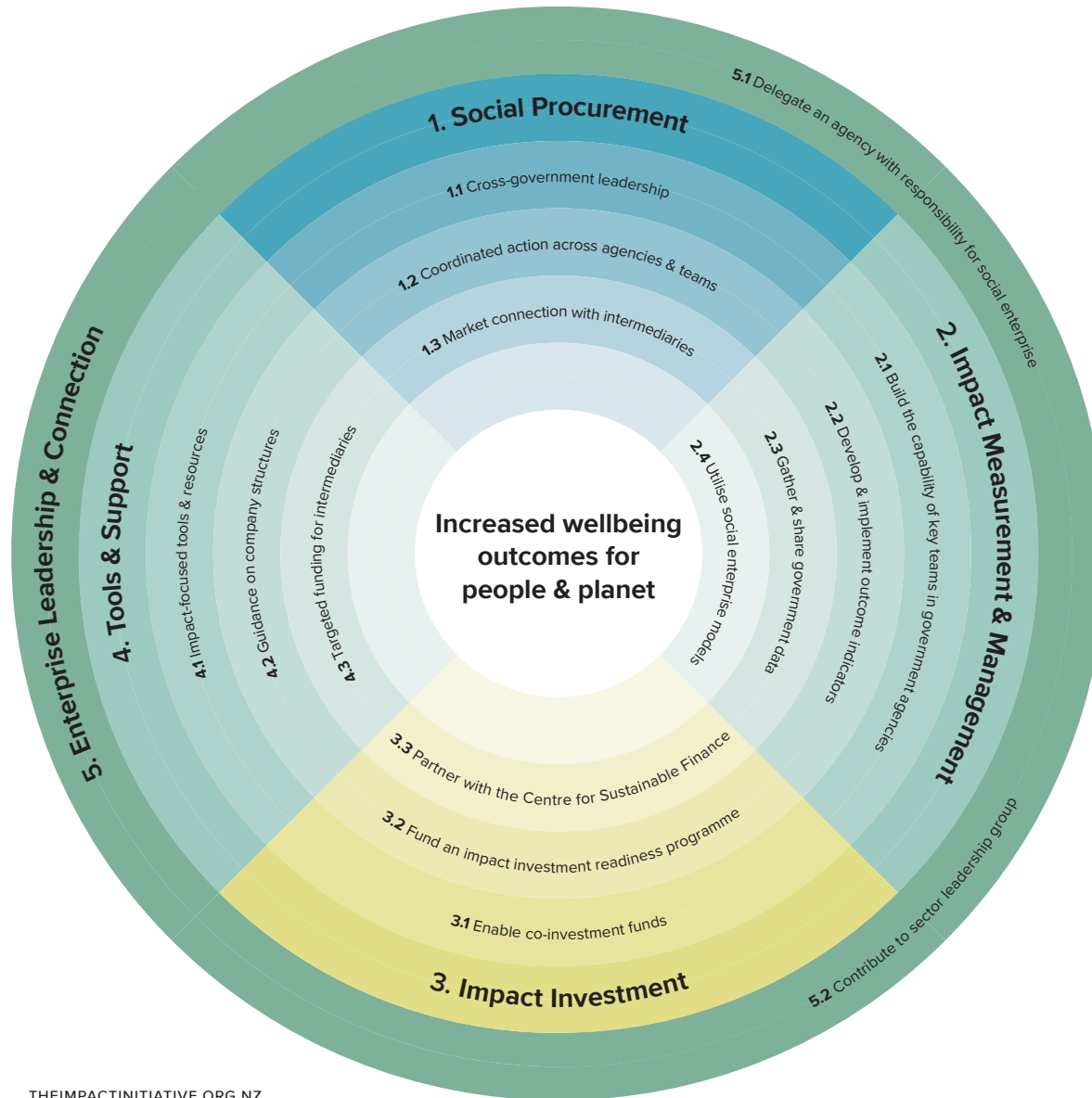
Targeted government support of social enterprises to enable more social enterprises to get started, access relevant support and grow their impact

## 5.

### **LEADERSHIP & CONNECTION**

Renewing the Government's position on social enterprise by clearly signalling where social enterprise 'fits' within government, alongside continued support for a group of sector leaders

# The Impact Initiative's recommendations are grouped around five interconnected areas



Each area represents a lever that the Government can pull to unlock wellbeing outcomes in our economy, generated by government and by social enterprises.

Each area connects between two and four related and targeted recommendations for government action.

The recommendations draw on three years of research, collaboration, partnership and delivery by the Programme team, sector leaders and government agencies.

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# 1. Social Procurement

Recent changes to the Government Procurement Rules have paved the way for the Government to deliberately buy wellbeing outcomes. This change should now drive impact-led procurement practice across all of government.

Government procurement is a strategic activity that seeks to achieve public value such as the promotion of jobs, sustainability and Māori and Pacifica businesses. Social, community and impact-led enterprises are also providing public value for their communities, often in line with government priorities. Government procurement was expanded in 2019 to include consideration of broader outcomes, the environmental, social, economic or cultural benefits that go beyond the immediate purchase of the goods and/or services.

There is an opportunity to enable and embed social procurement practices to more effectively grow positive outcomes from government expenditure. Through clear leadership, coordinated cross-government action and effective connection with the market, social procurement can become best-practice across all of government. Leadership from central government will also help drive social procurement in the regions through local government, building economic resilience and development.

**Social procurement:** Intentionally using procurement activities as a tool to generate positive social, cultural, economic and environmental outcomes in addition to the goods, services and works being procured.

## WHY IS CHANGE NEEDED?

### Inconsistent setting and passing through priorities

Currently there is mixed engagement with procurement at the executive leadership level in agencies. In some agencies strategic procurement priorities are set by the Minister and passed on to the individual agencies and through them to their procurement teams, while others are not.

### Mixed market engagement

Social procurement activity within agencies depends on prioritisation, leadership and the engagement of the procurement function. There are pockets of social procurement activity with engaged buyers who are working closely with social procurement initiatives, partners and intermediaries, but the variable level of market engagement means practice is inconsistent, or sometimes non-existent, in and across government agencies.

### Inconsistent reporting of outcomes

Reporting on progress is qualitative and highly dependent on agency capability. Reporting has been focused at an ‘activity’ level, rather than on capturing the outcomes achieved by social procurement initiatives at an agency level or in a consolidated way across government.

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## Recommendation 1.1

Develop clear cross-government leadership of social procurement to build momentum in key agencies.

### WHAT THIS MEANS

Government has a leadership role in procurement, setting the 'tone at the top' for both the public service and the market. It also has an opportunity to deliver more value for all New Zealanders' by strategically purchasing in line with its priorities, for example, reducing inequality, inclusive employment or zero-carbon public service. There is an opportunity for the Government to:

- Strengthen the leadership of social procurement across government by designating accountability for government procurement to a Cabinet-level minister, and engaging executive leaders in priority key agencies, the Treasury and the Public Service Commission; and
- Encourage key agency ownership of procurement by mandating agency-specific social procurement plans, using a consistent approach.

### WHAT CHANGE WILL ENABLE

Cross-government leadership will mobilise and empower the key layers of the executive, enabling government procurement to drive positive change and improved outcomes for Aotearoa New Zealand. Clear leadership and ownership would create coordinated momentum within key agencies and equip agencies with the freedom to focus on priorities within their unique operating context.

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## Recommendation 1.2

Coordinate action across government agencies and support their procurement teams with the development and implementation of broader outcomes within procurement.

### WHAT THIS MEANS

The task of embedding change in procurement across government is significant due to a wide range of agency contexts and the typically risk-averse approach to public procurement. Government's existing procurement structure—the Procurement Functional Lead (PFL)<sup>9</sup>—needs to coordinate social procurement across government and to be resourced to activate the required step-change in practice and outcomes. The goal is that social procurement is simply how the Government undertakes all procurement. There is an opportunity for government to:

- Form a central coordinating body for social procurement with dedicated resources and funding as part of the PFL; and
- Implement a targeted social procurement capability initiative for procurement professionals in key agencies.

### WHAT CHANGE WILL ENABLE

A coordination body will act as a strategic partner to agencies and a social procurement centre of expertise across government. It would work with key agency teams to collate practice, build targeted capability, measurement and reporting and so provide a single point of government contact to market organisations and stakeholders.



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## Recommendation 1.3

Put in place effective market connection with social procurement intermediaries to connect with the private/community sector and to grow the market of impact-driven suppliers.

### WHAT THIS MEANS

Effective market connections are essential to government as the outcomes sought in social procurement are delivered via the market. There is an opportunity to build upon existing activity and initiatives such as supplier certification schemes and capability development that would accelerate social procurement within government procurement. The next step requires a consistent approach to outcome measurement across government and development of a common language for outcome areas, indicators and impact reporting.

- Put in place effective connections between government and the market by leveraging existing initiatives, partnerships and intermediaries.<sup>10</sup>
- Develop and implement a set of consistent outcome indicators that can be used to measure and improve social procurement.<sup>11</sup>

### WHAT CHANGE WILL ENABLE

Social procurement intermediaries provide an internationally-proven model to connect supply and demand and to connect with local and global best-practice. Strong connections between the market and government will provide important engagement and feedback mechanisms for government to drive successful wellbeing outcomes in Aotearoa New Zealand through social procurement.

**10:** AMOTAI AND ĀKINA (FWD PROGRAMME) ARE INTERMEDIARIES WORKING IN THE SOCIAL PROCUREMENT SPACE. BOTH ARE WORKING WITH BUYER ORGANISATIONS TO IMPLEMENT SOCIAL PROCUREMENT BY PROVIDING SUPPORT SUCH AS STRATEGY, CAPABILITY-BUILDING AND CONNECTION WITH IMPACT-LED SUPPLIERS. AMOTAI IS FOCUSED ON SUPPLIER DIVERSITY AND MĀORI AND PACIFICA-OWNED BUSINESSES. FWD (ĀKINA) IS FOCUSED ON GROWING MARKET ACCESS AND DEAL FLOW FOR SOCIAL ENTERPRISES; **11:** THIS RECOMMENDATION IS CONNECTED TO RECOMMENDATION 2.2, AS IT REPRESENTS A TIMELY AND TARGETED OPPORTUNITY FOR THE GOVERNMENT TO MEASURE THE VALUE OF WELLBEING OUTCOMES DELIVERED THROUGH SOCIAL PROCUREMENT

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‘If government, as a buyer, uses its procurement spend to stimulate demand for suppliers who deliver positive impact AND government interacts with the market effectively, THEN the market, including impact-led suppliers like social, Māori and Pacific enterprises, will grow and evolve to respond to increased demand RESULTING in more positive social, environmental, cultural, and economic impact.’

– **STRENGTHENING GOVERNMENT PROCUREMENT, WHITE PAPER**





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## 2. Impact Measurement & Management

Continue the kaupapa of the Living Standards Framework and Indicators Aotearoa by building the capability of key teams in government agencies so they can measure and grow the positive impact of their activities.

The Government can enable more informed decision-making and policy-making, as well as better communication of outcomes and impact to key stakeholders by building the capability of key teams in government agencies, implementing outcome indicators and by collecting and sharing data that shows what's working. There is also an opportunity for the Government to use social enterprise models to start new self-sustaining organisations that deliver against government priorities. This measure would enable communities to address social and/or environmental challenges that occur in their community.

Impact: the broader social, environmental, cultural or economic change that occurs within the community, society or environment as a result of the Programme or activity's outcomes.

**Outcomes:** The positive or negative changes that happen as the direct result of a programme or an activity and can occur over the short term, medium term or longer term.

### WHY IS CHANGE NEEDED?

#### Measuring what matters

Across government, the social sector and the private sector, very few organisations are measuring what matters to New Zealanders—the positive outcomes businesses and government activity creates for our communities and for the environment.

#### Visibility of outcomes and impact

Most government agencies do not have visibility of the medium and long-term outcomes or impact of their activities. Current government processes are weighted towards outputs, activities and are not designed to gather the right information to measure outcomes.

#### A shared language of outcomes and indicators

We don't yet have a consistent way to talk about and measure outcomes. The Living Standards Framework and Indicators Aotearoa provide a starting point, but this work must continue. When it comes to measuring outcomes, organisations are overwhelmed with thousands of indicators in global databases and frameworks, which do not necessarily reflect the context in Aotearoa New Zealand.

#### The need for better data and evidence

The Government has access to data and evidence that supports the work of social enterprise, but it doesn't share this in a way that is easy for social enterprises and other impact-led businesses to access and use to measure their value.

## Recommendation 2.1

Build the capability of government funders, buyers and investors to measure, manage and maximise the positive social and environmental outcomes they achieve.

### WHAT THIS MEANS

Progress is being made to better measure the impact of public service delivery and set a clear agenda for Aotearoa New Zealand that is focused on wellbeing outcomes with the Living Standards Framework<sup>12</sup> and a wellbeing budget.<sup>13</sup> There is an opportunity to focus not only at the top overarching level, but to build impact measurement capability at the action level within government teams who are working to achieve wellbeing outcomes, including via non-governmental organisations.

### WHAT CHANGE WILL ENABLE

Greater outcomes measurement and management capability will enable agencies to have enhanced visibility of the outcomes they are creating on a continual and long-term basis beyond case studies or an annual evaluation report. Improved decision-making and improved communication will help to grow an outcomes-focused culture that continuously works to increase the wellbeing outcomes of the Government. Clear outcome goals will enable social enterprises and other impact-led businesses like Māori and Pacifica businesses to identify opportunities to contribute and innovate.



**12:** THE LIVING STANDARDS FRAMEWORK IS A FRAMEWORK THAT SUPPORTS GOVERNMENT POLICY DEVELOPMENT ACROSS THE DIFFERENT DIMENSIONS OF WELLBEING  
[HTTPS://WWW.TREASURY.GOV.T.NZ/INFORMATION-AND-SERVICES/NZ-ECONOMY/HIGHER-LIVING-STANDARDS/OUR-LIVING-STANDARDS-FRAMEWORK](https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework)

**13:** IN 2019, THE GOVERNMENT IMPLEMENTED A WELLBEING BUDGET THAT RECOGNISED THAT ECONOMIC GROWTH ALONE DOES NOT GUARANTEE IMPROVEMENTS TO LIVING STANDARDS

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## Recommendation 2.2

Develop and implement a set of consistent outcome indicators that can be used to measure and improve impact.

### WHAT THIS MEANS

There is an opportunity to develop standardised indicators to help the Government and its partners to consistently deliver, measure and improve outcomes. The indicators should be designed to be relevant and accessible to multiple agencies. A set of indicators can be used to measure progress on a project, an investment or at grant level. A standardised set of indicators creates an opportunity to measure the impact government is having when it undertakes activities directly and also when government engages with external organisations to deliver goods and/or services.

### WHAT CHANGE WILL ENABLE

The Government is uniquely placed to take a leadership role in developing outcome indicators to ensure its goals are communicated to the social sector and private sector to deliver and to measure and communicate against the Government's priority outcome areas. Consistent indicators will ensure a more aligned approach that will increase the effectiveness of activities designed to improve Aotearoa New Zealand. This consistency will help social enterprises and impact-led businesses to communicate their value to customers, investors and funders and, ultimately, to increase their impact for the wellbeing of Aotearoa New Zealand.

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## Recommendation 2.3

Invest in gathering and sharing relevant government data, so that the Government and social enterprises have greater understanding of how social enterprise is contributing to government goals.

### WHAT THIS MEANS

Programme research suggests that social enterprises are making a significant contribution to government goals. Further, more extensive research is needed on an ongoing basis to provide evidence of the scale, impact and growth of this contribution to the economy. The Government is well placed to support the collection and sharing of that evidence through the Social Wellbeing Agency, Statistics NZ and through partnerships with organisations like BERL and Ākina. Ongoing research and partnerships could assess how many organisations are utilising a social enterprise model, what financial contribution those organisations are making, what impact they are having on Aotearoa New Zealand's wellbeing objectives and how this is growing over time.

### WHAT CHANGE WILL ENABLE

An increased understanding and valuation of the wellbeing outcomes delivered by social enterprise in Aotearoa New Zealand will assist the Government and the private and social sectors to make decisions that support these organisations and so continue to grow their impact. This greater understanding will enable social enterprises to be recognised for the contribution they make socially, environmentally, culturally and economically.



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## Recommendation 2.4

Utilise social enterprise models to achieve government goals.

### WHAT THIS MEANS

Government should see social enterprise models as a powerful vehicle to help achieve its goals. Social enterprise models present a unique opportunity for government agencies to work in partnership with the community and to take innovative approaches to addressing social and environmental challenges. In targeted instances, the Government should explore using a social enterprise model to design enduring and self-sustaining organisations that achieve outcomes on a long-term basis in partnership with communities.

### WHAT CHANGE WILL ENABLE

If correctly utilised, these models of delivering wellbeing outcomes could allow communities to acquire more of their essential goods and services from organisations that are designed with and run by those communities. This approach could lead to communities being more self-sufficient, economically resilient and empowered to set their own goals. Meaningful systems change at scale could be achieved by piloting and then rapidly scaling proven models nationally.

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## 3. Impact Investment

Impact investment is a powerful way to increase wellbeing. Targeted government support will accelerate the growth of Aotearoa New Zealand's impact investment market and increase the flow of capital to businesses that create social or environmental outcomes.

As more businesses are driven not only by financial growth but also by delivering social and environmental outcomes, investors are now also starting to invest specifically to grow wellbeing outcomes alongside the financial productivity of the business. This is impact investing, where investment is made intentionally to deliver social and/or environmental outcomes alongside financial returns.

The growth of impact-led businesses will, in turn, grow the positive outcomes they contribute to local economies and our national economy. In Aotearoa New Zealand there is currently a lack of impact-focused capital and a lack of impact investment readiness; these deficiencies are limiting the growth of impact-led businesses. Initiatives targeting co-investment funds, readiness and ongoing government partnership and engagement with the sector will rapidly accelerate the growth of the market.

**Impact Investment:** Investing with the intention to generate positive measurable social and environmental impact alongside a financial return.

### WHY IS CHANGE NEEDED?

#### **Insufficient impact capital**

While there is an increasing amount of impact investment available in Aotearoa New Zealand, the current supply serves only small portions of the businesses which are seeking capital. Businesses that sit outside of the current targets, including many productive impact-led and Māori businesses, have limited or no options for impact investment, which reduces their ability to grow their business and impact.

#### **A lack of impact investment readiness**

There is limited experience and knowledge around what impact-led businesses need to do to get ready for impact investment and limited examples to demonstrate and share this capability. While many entrepreneurs are experienced in preparing a financially driven business for investment, most do not have experience preparing a business for investment that also prioritises impact and are unsure how to manage and communicate this to investors. This inexperience makes it more difficult for impact-led businesses to access investment.

#### **Partnership and engagement with government is critical**

While the impact investing sector has grown significantly in recent years, it is still at an emergent stage, with significant growth expected. Close engagement between government and the private sector is critical through this growth stage to ensure the sector is aligned to the Government's priorities and that barriers to achieving impact investing's potential are removed.

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## Recommendation 3.1

Enable co-investment impact funds to grow a private led impact investment sector.

### WHAT THIS MEANS

Current impact capital supplies small segments of impact-led businesses and is focused largely on businesses that are capable of delivering high financial returns through highly scalable business models. Programme research<sup>14</sup> has found that ‘a balance of capital (finance first, impact first, and mixed)<sup>15</sup> is a prerequisite for a flourishing and genuine social enterprise sector’. A large variety of important businesses fall outside the criteria for existing funds, including many productive small to medium businesses and Māori businesses, despite being profitable and sustainable contributors to our economy and to wellbeing. There is an opportunity for the Government to allocate funding to establish impact co-investment funds targeted at businesses that deliver wellbeing outcomes alongside positive financial returns to overcome these supply gaps and entry barriers.

### WHAT CHANGE WILL ENABLE

By structuring this allocation as a ‘fund of funds’,<sup>16</sup> each distinct fund will fill a gap in Aotearoa New Zealand’s impact investing capital spectrum, making it possible for a broader variety of productive businesses to receive impact investment and increase their contribution to Aotearoa New Zealand’s wellbeing.



**14:** TRANSFORMING OUR ECONOMY’ (2018) WHITEHEAD, NASH & GREENWOOD. [HTTPS://WWW.THEIMPACTINITIATIVE.ORG.NZ/PUBLICATIONS/TRANSFORMING-OUR-ECONOMY](https://www.theimpactinitiative.org.nz/publications/transforming-our-economy); **15:** SEE THE WHITE PAPER USING IMPACT INVESTMENT TO INCREASE WELLBEING OUTCOMES (PAGE 6) FOR MORE DETAIL ON THE CAPITAL SPECTRUM [HTTPS://WWW.THEIMPACTINITIATIVE.ORG.NZ/PUBLICATIONS/WHITE-PAPERS](https://www.theimpactinitiative.org.nz/publications/white-papers); **16:** I.E. MADE AVAILABLE, UPON APPLICATION, TO EXISTING INVESTMENT FUND MANAGERS TO MANAGE AND INVEST VIA DISTINCT FUNDS

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## Recommendation 3.2

Fund the delivery of a programme that increases the pipeline of businesses ready to take on impact investment.

### WHAT THIS MEANS

The growth of impact-led businesses in Aotearoa New Zealand is currently limited by a lack of impact investment ready businesses. While 'readiness' varies for businesses at different stages, taking on significant investment generally requires clear and validated business and impact models as well as appropriate financial and legal information to demonstrate the business is ready for its intended next phase of growth. Impact investment readiness programmes are a proven way to build the readiness of businesses and professional advisors. These programmes have been successfully delivered in Aotearoa New Zealand, Australia and the United Kingdom.<sup>17</sup> Current programmes could be scaled through a government contribution, building on the significant success to date.

### WHAT CHANGE WILL ENABLE

Providing targeted funding to enable impact-led businesses to become 'impact investment ready' will increase the:

- Capability of impact-led businesses to get ready for impact investment
- Capacity of professional services to support impact-led businesses; and
- Pipeline of productive, sustainable and inclusive businesses to invest into.

**17:** THE IMPACT INITIATIVE HAS SUPPORTED THE DELIVERY OF A SUCCESSFUL IMPACT INVESTMENT READINESS PILOT PROGRAMME. THERE ARE EXAMPLES OF SCALED UP IMPACT READINESS PROGRAMMES IN THE UK AND AUSTRALIA TOO.



**FURTHER READING:** THESE RECOMMENDATIONS ARE DETAILED FURTHER IN THE WHITE PAPER *USING IMPACT INVESTMENT TO INCREASE WELLBEING OUTCOMES* [HTTPS://WWW.THEIMPACTINITIATIVE.ORG.NZ/PUBLICATIONS/WHITE-PAPERS](https://www.theimpactinitiative.org.nz/publications/white-papers)

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## Recommendation 3.3

Partner with the Centre for Sustainable Finance to enable impact investing in Aotearoa New Zealand.

### WHAT THIS MEANS

The challenges facing Aotearoa New Zealand are far greater than either the public or private sectors can tackle on their own. To truly improve wellbeing across the country all sectors need to contribute, learn and work together. Impact investing is an extremely effective lever to increase the scale of impact-led businesses and improve wellbeing and one that the private sector is well placed to lead due to the knowledge, including mātauranga Māori, capital and investment experience, they have developed. There is an opportunity for the Government to partner

with the private sector to help develop the potential of the impact investing sector during this period of critical growth. The Centre for Sustainable Finance,<sup>18</sup> as proposed by The Aotearoa Circle,<sup>19</sup> is a logical spokesperson for the private sector and partner to the Government. The Government should ensure it is actively working with this organisation to enable Aotearoa New Zealand's impact investing market.

### WHAT CHANGE WILL ENABLE

Government partnership and engagement with the private sector will support development and growth of impact investing, ensuring wellbeing outcomes stay at the core of impact investing as it accelerates.



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## 4. Tools & Support

The Government plays a vital role in supporting the development of New Zealand businesses. However, there's work to be done to support more businesses and enterprises to develop the capability to generate wellbeing outcomes.

The impact that social enterprises create makes them the best of business – but their uniqueness means they face unique barriers to accessing existing business support. Targeted changes are required to create the conditions that will enable more impact-focused businesses, including social, community, Māori and Pacifica enterprises, to start and to thrive.

Expanding existing business development and support services to include tools and resources that focus on impact, combined with enabling intermediaries that understand the unique value of social enterprises will provide targeted and on the ground support. Guidance around ways to use business structures to enable impact will help clarify the best ways for enterprises to protect and manage their impact. Together these recommendations will help develop the pipeline and scale of impact-led businesses to move on to procurement and investment opportunities.

**Capability building:** The process by which individuals and organisations obtain, improve and retain the skills, knowledge, tools and other resources needed to run their businesses well.

**Social enterprise intermediaries:** Organisations that work with social enterprise including community-led enterprise, Māori enterprise and impact-led business to build their capability either through growing knowledge, building connections or practical help.

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## WHY IS CHANGE NEEDED?

### **Limited impact support through government business support providers**

‘Doing business’ as a way of creating positive outcomes requires an understanding of ‘impact needs’ alongside ‘business needs’. There is currently low understanding from government business support providers of how to provide this balance of support to impact-led businesses.

### **Low availability of relevant tools and resources**

It is hard to find impact-focused tools and resources that are designed for Aotearoa New Zealand businesses and which offer specific support in areas like impact measurement, social procurement readiness and impact investment readiness.

### **Confusion around the balance of impact and profit**

Within the business sector, there are entrenched perceptions that profit is delivered by business and that broader social and environmental impact is delivered by charity. Businesses that explicitly aim to deliver both profit and impact are often met with a variety of challenges, including questions around the integrity and suitability of pursuing impact and profit at the same time.

### **Underfunded social enterprise intermediaries**

Social enterprise intermediaries are currently providing critical support to social enterprises; but are largely underfunded or unfunded.<sup>20</sup> There is a significant gap in access to enduring funding to deliver services that support the development of social enterprises.

**20:** THIS POINT WAS DEMONSTRATED DURING THE PROGRAMME'S ‘REGIONAL HUBS’ PILOT, WHICH FOUND THAT FINANCIAL SUSTAINABILITY REMAINS A SIGNIFICANT BARRIER TO INTERMEDIARIES DELIVERING SUPPORT TO SOCIAL ENTERPRISES IN A CONSISTENT AND ONGOING WAY. SEE MORE IN THE HUBS INSIGHTS REPORT. AVAILABLE AT: [HTTPS://WWW.THEIMPACTINITIATIVE.ORG.NZ/PUBLICATIONS/HUBS-INSIGHTS-REPORT](https://www.theimpactinitiative.org.nz/publications/hubs-insights-report)

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## Recommendation 4.1

Support the creation of accessible impact-focused tools and resources, so that more enterprises can learn how to create and sustain positive impact.

### WHAT THIS MEANS

‘Doing business’ as a way of creating positive outcomes requires a set of tools and resources that cover business compliance—but in a way that doesn’t put social or environmental missions at risk or add extra complexity. Businesses which would not label themselves a social enterprise are also looking to increase their sustainability, reduce their carbon footprint and demonstrate positive social impact. There is an opportunity for the business.govt.nz team at the Ministry of Business Innovation and Employment (MBIE) to co-develop and share impact-focused tools and resources through existing platforms like business.govt.nz, so that all businesses can consider and grow their positive social and environmental impact.

### WHAT CHANGE WILL ENABLE

Government-led impact tools and resources will encourage the growth of businesses that create wellbeing outcomes, whilst still allowing space for organic sharing and creation through the sector itself. Providing access to impact-focused tools will support current business.govt.nz work programmes, which involve tailoring products to the needs of individual businesses.

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## Recommendation 4.2

Provide guidance to impact-led businesses and their stakeholders that enables them to use company structures to protect and manage their impact.

### WHAT THIS MEANS

Social enterprises and other impact-led businesses face unique challenges due to entrenched market perceptions around the purpose of a business and the purpose of a charity. These perceptions create a higher level of scrutiny for impact-led businesses accessing capital and investment. The actions these businesses take in response often limit their ability to receive or raise capital and therefore innovate and grow. There is an opportunity to reduce these challenges by:

- Educating businesses and their advisors on how to protect and manage impact within a Limited Liability Company (LLC) structure;
- Developing methods to monitor impact-led enterprises; and
- Supporting broader reporting to demonstrate impact.

### WHAT CHANGE WILL ENABLE

Clarity and education about how to protect impact within a company structure will reduce unnecessary compliance burdens and the need for social enterprises to operate through complex combinations of legal structures. Education and demonstrated impact through reporting will reduce outdated market perceptions. These changes will support social enterprises and other impact-led businesses to access capital to innovate and grow within existing legal structures.



IMAGE CREDIT: DELEGATES AT THE AOTEAROA SOCIAL ENTERPRISE FORUM (2018)

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## Recommendation 4.3

Offer targeted funding to social enterprise intermediaries and networks, enabling place-based support and collaboration, to build capability and accelerate solutions.

### WHAT THIS MEANS

Social enterprise intermediaries across Aotearoa New Zealand are demonstrating their strength in creating opportunities that enable social entrepreneurs and enterprises to thrive. While the needs in their communities and the way they deliver support may differ, these organisations share a focus on collaboration, inclusion, increasing productivity and local economic resilience. Intermediaries build on the ground relationships and provide targeted solutions to the challenges facing social enterprises. There is an opportunity for government to:

- Ensure funding for social enterprise intermediaries is established and sustained;
- Support a national network of social enterprise enablers and communities of practice to share experience and accelerate solutions collaboratively; and
- Incorporate social enterprise into existing services like the Regional Business Partners Network.

### WHAT CHANGE WILL ENABLE

Directly prioritising funding for these intermediaries will allow intermediaries to redirect their energy away from chasing funds that don't fit towards delivering effective programmes to support social enterprise with funding that is designed to fit. Social enterprises will benefit from growth in the continuity and breadth of support that is accessible and relevant to them both geographically and based on their stage of development.

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## 5. Enterprise Leadership & Connection

Recognise the importance and value of social enterprise by supporting a sector leadership group and by giving social enterprise a home within a government agency.

The diversity of Aotearoa New Zealand's social enterprise sector is significant and includes Māori, Pacifica, community and more-than-profit enterprises. The Impact Initiative has demonstrated the ability of representatives from each of these branches of social enterprise to work together in support of the Government's goals.

Establishing an official home for social enterprise within government and contributing to the running of a collective of sector leadership representatives will enable the kaupapa of The Impact Initiative to continue. This enduring partnership will ensure the Government benefits from the sector's experience, insights and desire to support the Government's social and environmental goals beyond the life of the Programme.

In order to make the most of the initiatives outlined in these recommendations, it is vital to have expert insights and connections across the sector as well as experience-based policy and strategy development. Resourcing a collective of social enterprise leadership organisations is an efficient and effective way for the Government to achieve this.

### WHY IS CHANGE NEEDED?

#### Engagement with government across diverse sectors

The concept of social enterprise is practised by a large variety of organisations across a wide variety of sectors. While this diversity is a strength, it also creates engagement barriers, meaning:

- It is difficult for the Government to engage with the social enterprise sector collectively and benefit from the sector's experience, insights and desire to support the Government's social and environmental goals; and
- It is difficult for the sector to engage collectively with the Government and gain insights into what it can be doing to best support the social and environmental crises we are facing.

#### Challenges in delivering to cross-agency priorities

Social enterprise delivers to priorities across government agencies, but the separation between the economic (Ministry of Business, Innovation and Employment and The Treasury) and wellbeing outcomes of social enterprise (Ministry of Social Development, Ministry of Health, Department of Corrections, Ministry for the Environment, Department of Conservation, Social Wellbeing Agency, Department of Internal Affairs) creates barriers in leadership, ownership, prioritisation and progress of programmes of work through relevant government agencies.

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## Recommendation 5.1

Give social enterprise a home within government by delegating a government agency with responsibility for social enterprise.

### WHAT THIS MEANS

The Impact Initiative has represented the Government's commitment to, and position on, social enterprise. At the conclusion of the Programme there is an opportunity to:

- Identify which government agency should take ongoing responsibility for supporting the development of social enterprise and impact-led business within Aotearoa New Zealand; and
- Build an explicit consideration of social and environmental outcomes into early-stage policy development.

Given the nature of the other recommendations emerging from the Programme and the fact that 'doing business' is core to social enterprise, there is broad support from the Government that the Ministry of Business, Innovation and Employment is the most appropriate agency.<sup>21</sup>

### WHAT CHANGE WILL ENABLE

Clear ownership and prioritisation will support the implementation of the recommendations set out in this roadmap and unlock the potential of social enterprises to deliver wellbeing outcomes across the economy and across government priority areas. It will also assist the broad range of agencies that engage with social enterprises.



**21:** THE PROGRAMME RECOGNISES THAT THERE IS LIKELY TO BE, AND SUPPORTS, SIGNIFICANT ONGOING SOCIAL ENTERPRISE ACTIVITY IN PARTNERSHIP WITH OTHER GOVERNMENT AGENCIES SUCH AS THE MINISTRY OF SOCIAL DEVELOPMENT, MINISTRY FOR THE ENVIRONMENT, DEPARTMENT OF INTERNAL AFFAIRS AND OTHERS.



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## Recommendation 5.2

Commit the funding and representation required to enable a collective of sector leadership organisations tasked with supporting the Government to implement the recommendations to continue.

### WHAT THIS MEANS

The Programme took a collective impact approach to ensure that The Impact Initiative represents the sector, and reflects social enterprise intermediaries and practitioner’s viewpoints. The core of this approach was the establishment of a sector leadership group of 8–10 individuals, each representing organisations that work within various branches of social enterprise. There is an opportunity for the Government to implement the recommendations alongside the sector by supporting ongoing engagement with this group to provide the Government with insights from the sector and contribute to the continued development of a flourishing and effective social enterprise sector.

### WHAT CHANGE WILL ENABLE

Ongoing engagement with sector leaders will provide the Government with support for the implementation of the recommendations and an opportunity to continue to access valuable experience and expertise and build on Programme momentum. Ongoing engagement will support self-determination, consensus building, and a sense of ownership and partnership as the sector and government seek to address shared issues.

# Additional reading

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## KEY PROGRAMME REPORTS

***The Business of Impact: How social enterprise contributes to Government's priorities***

– Prepared by the Ākina Foundation, 2020

***The Hubs Pilot Insights Report: Building social enterprise capability in our regions***

– The Ākina Foundation: Zara Losch, Hélène Malandain & Anne Purcell, 2019

***Structuring for Impact: Evolving legal structures for business in New Zealand***

– Dr. Jane Horan, Amber Hosking, Steven Moe, Jackson Rowland & Phillippa Wilkie, 2019

***Transforming our economy: Financing the social enterprise sector in Aotearoa New Zealand***

– Lucie Greenwood, Thomas Nash, Esther Whitehead & Jackson Rowland, 2018

***Part of a Larger Whole: 30 years of social enterprise development in New Zealand***

– Billy Matheson, 2018

## INSIGHT REPORTS

***Programme insights reports: year one***

***Programme insights reports: year two***

***Programme insights reports: year three***

## PROGRAMME SUMMARIES

***Year one summary***

***Year two summary***

***Year three summary***

## CASE STUDIES

***The Impact Initiative: Social Enterprise Stories***

Find out more at: [theimpactinitiative.org.nz](https://theimpactinitiative.org.nz)

# Appendix

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## PROGRAMME GOVERNANCE AND ADVISORY

### Cross Agency Advisory Group

- Department of Conservation
- Department of Corrections
- Ministry of Business, Innovation and Employment
- Ministry for the Environment
- Ministry of Education
- Ministry of Foreign Affairs and Trade
- Ministry for Primary Industries
- Ministry of Youth Development
- Ministry of Social Development
- Statistics New Zealand
- Social Wellbeing Agency
- Te Puni Kōkiri
- The Treasury

### Sector Working Group

- Beatrice Faumina  
*Pacific Business Trust*
- Cliff Colquhoun  
*Community Enterprise Network Trust*
- Gareth Cartwright  
*Community Energy Network*
- Liam Mcleavey  
*Pathways Horowhenua*
- Matthew Luxon  
*Envision*
- Nicola Patrick  
*Thrive Whanganui*
- Shay Wright  
*Te Whare Huka Huka*
- Teresa Tepania-Ashton  
*Māori Women's Development Inc*

### Governance Group

- Anita Balakrishnan  
*Department of Internal Affairs*
- Donna Purdue  
*Chief Economist, Ministry of Business, Innovation and Employment*
- Jane Pierard  
*Department of Internal Affairs*
- Louise Aitken  
*Chief Executive, Ākina*
- Michelle White  
*Department of Internal Affairs*
- Sophie Haslem  
*Chairperson of the Board, Ākina (until Nov. 2020)*

# Appendix

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## PROGRAMME DELIVERY

### Ākina Programme Team

- Tessa Hogg  
*Programme Manager*
- Anne Purcell  
*Lead, Capability Building*
- Clementine Baker  
*Lead, Impact*
- Edward Watson  
*Lead, Programme Communications*
- Jackson Rowland  
*Lead, Invest*
- Matthew Luxon  
*Lead, Sector Engagement*
- Seán Barnes  
*Lead, Social Procurement*

### DIA Programme Team

- Frances Aiken  
*Department of Internal Affairs*
- Tania Janssen  
*Department of Internal Affairs*

# the **IMPACT** INITIATIVE

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## **A ROADMAP FOR IMPACT**

The Impact Initiative Recommendations Summary Report

*Prepared by the Ākina Foundation*

