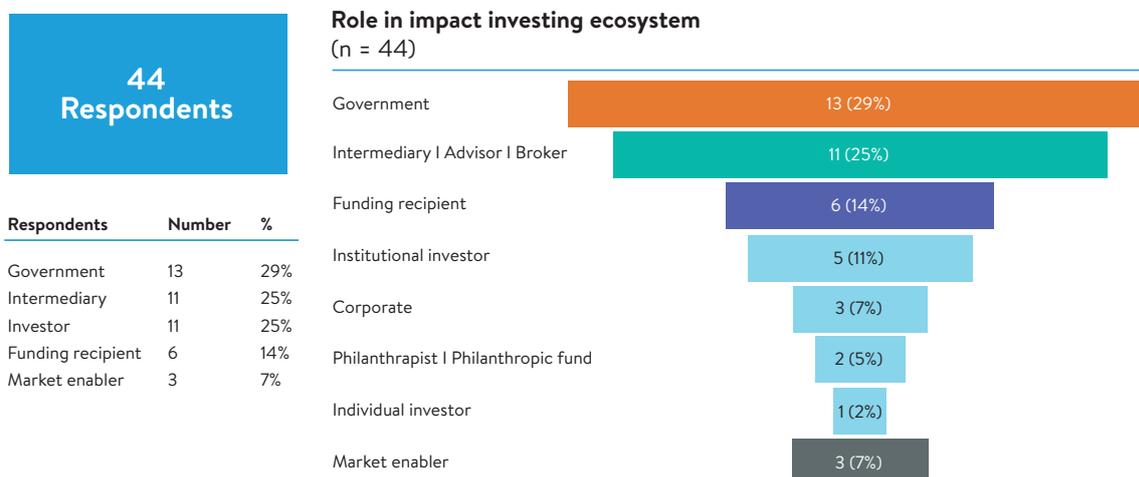


Views from the impact investing playing field: what survey respondents told us

Introduction

The Australian Advisory Board on Impact Investing (AAB) has recently undertaken a field scan to understand what is happening in the impact investing field in Australia. As part of that work the ABB spoke one on one with more than 45 people who are involved in impact investing and conducted a survey to try to understand what people on the ground think has been happening in the impact investing field in and from Australia and what is needed to help drive impact going forward. This paper provides an overview of the findings from the survey component. This is one input into the field scan and should be read in conjunction with the detailed report covering the findings from the full field scan is also available at <https://impactinvestingaustralia.com/resources/reports/>.

Who participated?



People from across the impact investing ecosystem participated in the survey. There was strong involvement from government (with 85 percent of those respondents working at a State and 15 percent at a Commonwealth level), financial intermediaries and investors. A smaller number of funding recipients and market enablers also participated.

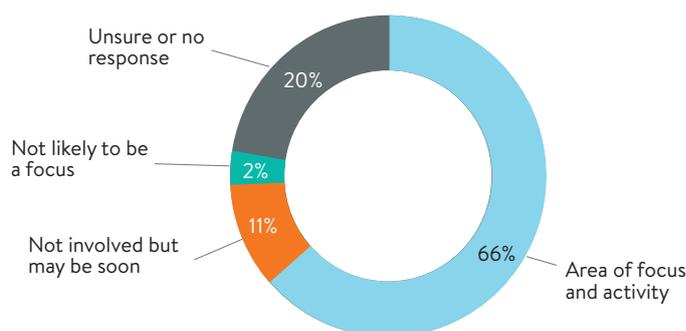
How are they involved in impact investing?

2 in 3 respondents identified that impact investing is currently an area of focus and activity for them or their organisation.

12 percent indicated that while they were not involved yet impact investing may become an area of focus soon. Only one respondent, an institutional investor, indicated that they did not think that impact investment was likely to be a focus for them going forward; the balance were unsure or did not comment.

Current and projected involvement in impact investment

(n = 44)



Involvement	Government	Funding recipient	Intermediary	Investor	Market enabler
Area of focus and activity	8	2	8	8	3
Not involved but may be soon	0	4	1	0	0
Not likely to be in focus	0	0	0	1	0
Unsure or no response	5	0	2	2	0

90 percent (18) of the 20 respondents for whom impact investing is an area of focus and who have been engaged in the field for 3 years or more indicated that they increased their involvement in impact investment activity over the last few years.

All but one of those respondents indicated that there was potential for them to increase their level of involvement.

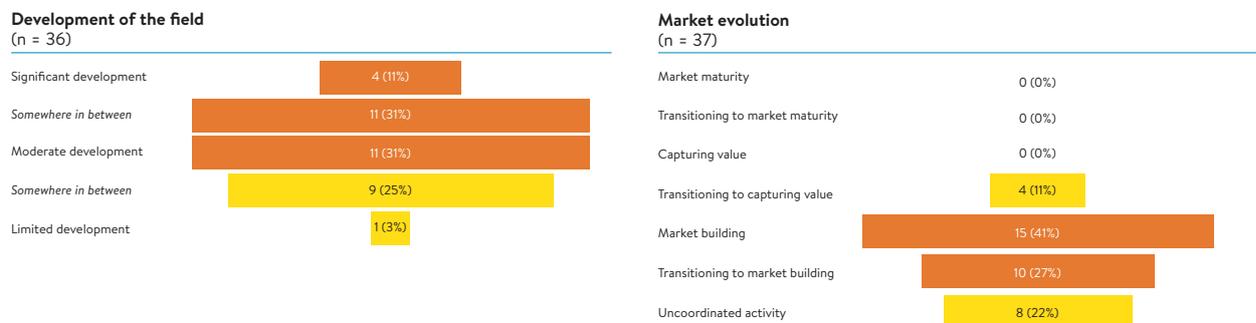
Seven of the government representatives and two of the funding recipients had been involved in a social impact bond. All of the other prospective funding recipients indicated that although they had not been involved in impact investing yet they had explored investment options with specialist intermediaries and, in one case, a commercial lender.

Two of the three corporates indicated that they are actively looking for business and investment opportunities that deliver a blended social and financial return.

What is the view of the field?

Respondents assessing the state of the field all indicated that they thought it had developed over the last few years. **Over 70%** thought the level of development had been substantial. Just over 1 in 10 thought the development had been significant.

2 in 3 respondents indicated that they thought the market was moving into or in the early stages of market building.



Respondents identified a number of areas where they had seen progress over the last few years including:

- The level of government engagement
- Increasing focus on outcomes and impact measurement
- A broader range of issues being covered
- The development of a stronger pipeline of investment and the emergence of a track record of activity
- Increasing capability across the service provider (NFP), intermediary and investor market and propensity to explore investment
- Deepening of the knowledgeable intermediary market and
- Improvements in the ability to match investment opportunities to prospective investors.

They also identified a number of areas they believe will require priority focus going forward to support the ongoing development of the market. Many of those build on the areas where progress has been being made. They include:

- Continuing to increase the level of government engagement
- Strengthening impact measurement
- Working to build a stronger pipeline of investment that meets the requirements of larger scale investors and continuing to build up a track record of activity
- Continuing to build capability across the impact investing ecosystem
- Continuing to deepen and skill up the intermediary market and
- Encouraging service providers to explore impact investing approaches.

Comparison of areas of progress and ongoing priority

Respondents were asked to identify areas that they had seen progress in over the last few years and the 3 - 5 most important areas to focus on going forward. We have ranked their responses based on the number of people who identified each item. The item with the most nominations got the highest rank. Where items received the same number of nominations they have been given the same rank.

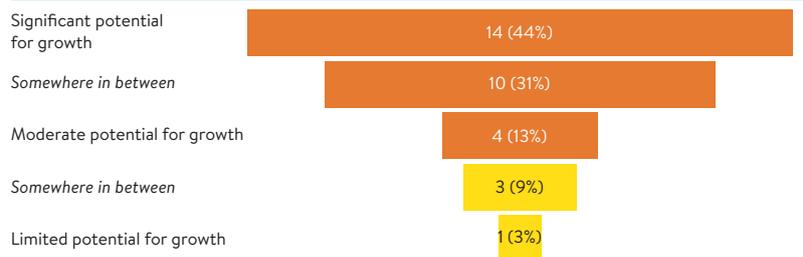
Top 10 areas of progress	Ranking	Top 5 areas of requiring ongoing focus	Ranking
Involvement of government in catalytic / market building activities	1	Availability / range of quality investment ready opportunities	1
Increasing focus on outcomes and impact measurement	1	Availability of benchmarking data on which to base investments / against which to measure performance	2
Diversity of social / environmental issues covered	2	Involvement of government in catalytic / market building activities	3
Availability / range of quality investment ready opportunities	3	Availability of fit for purpose investment products	3
Growing pool of people with talent and experience in the impact investing area	4	Growing pool of people with talent and experience in the impact investing area	4
Growing track record / local examples of successful investments or awareness of them	5	Availability of specialist / knowledgeable intermediaries to help broker and support investments	4
Propensity of NFP organisations to take up non-traditional funding sources	6	Increasing experience / ability of intermediaries and investors to assess the risk and return of available investment products / approaches	9
Capability of NFP organisations to develop business cases and financial propositions required to engage investors	7	Emergence of investment opportunities with the liquidity and scale able to attract large scale investors	4
Ability on the part of investors to identify available investment options	7	Emergence of aggregation options to help reduce transaction costs and address scale issues	4
Emergence of strong market leaders	8	Availability of professional training / development to help build understanding of impact investing area	5
Availability of specialist / knowledgeable intermediaries to help broker and support investments	8	Propensity of NFP organisations to take up non-traditional funding sources	5
Increasing experience / ability of intermediaries and investors to assess the risk and return of available investment products / approaches	9	Capability of NFP organisations to develop business cases and financial propositions required to engage investors	5
Increase in innovative activity / translation of ideas into investable enterprises or products	9	Growing track record / local examples of successful investments or awareness of them	5
Increasing preparedness of NFP organisations to invest time required to negotiate / set up investments	9		
Ability on the part of demand side delivery organisations to identify potential funding options or investors	10		
Increasing ability of investors to measure non-financial returns	10		
Navigation of fiduciary considerations	10		

What potential is there for growth?

Respondents considering the potential for growth in impact investing in and from Australian all indicated that they thought that there was potential to do more.

88% thought the potential for growth was substantial. Just over 1 in 5 thought it was significant.

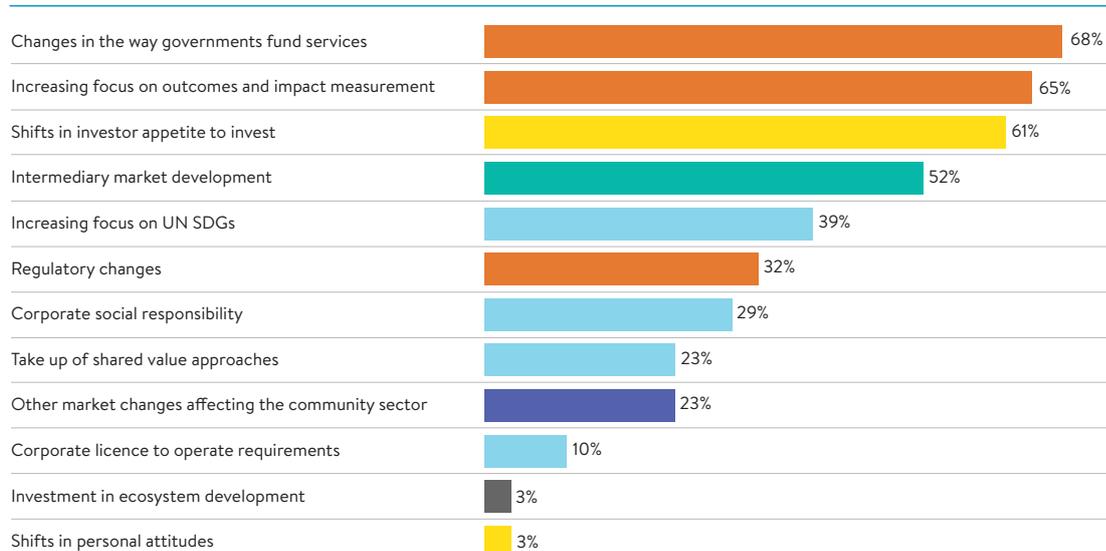
Perceived potential for growth (n = 32)



What factors are likely to help drive growth?

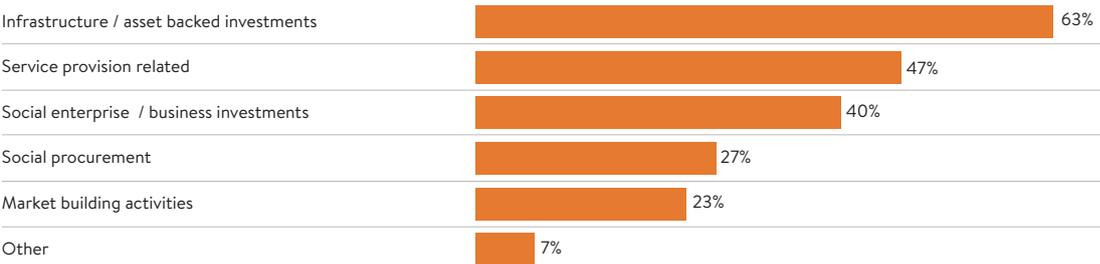
Respondents identified a range of market factors that they thought were likely to help drive growth. Government commissioning was seen as being a key lever for growth as was increasing the focus on outcomes and impact measurement. Helping to develop a pro-impact investment mindset and appetite to invest and harnessing mechanisms like the UN Sustainable Development Goals, shared value and corporate social responsibility to incentivise and focus activity and investment were also highlighted, as was developing the intermediary market and removing regulatory constraints inhibiting social business development and investment. Other factors influencing the contestability and dynamics in the community sector were also expected to play a role.

Factors that can help drive growth (n = 31)

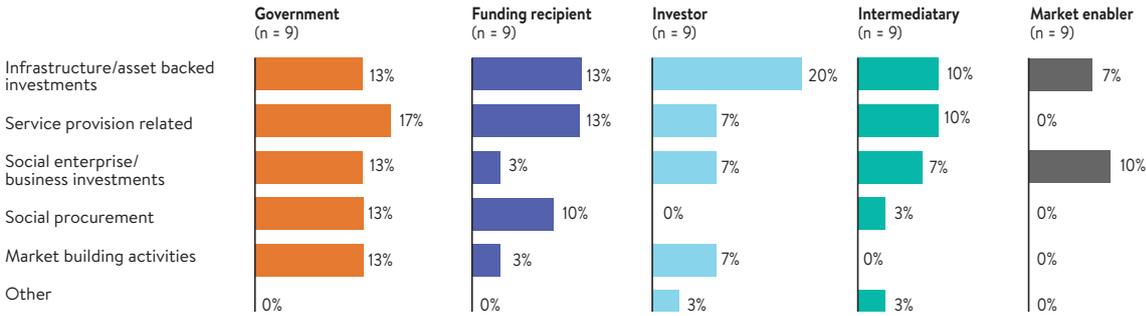


What types of investment are likely to be most attractive?

Types of activity seen as being most attractive for investment
 (n = 30) Shown in aggregate and broken down by respondent group



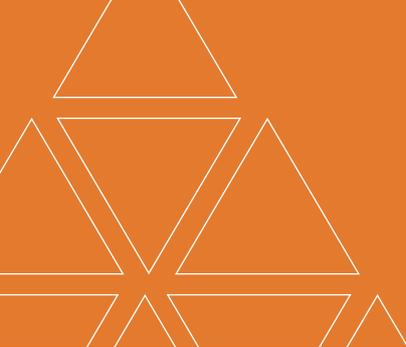
Involvement	Government	Funding recipient	Intermediary	Investor	Market enabler
Infrastructure / asset backed investments	4	4	3	6	2
Service provision related	5	4	3	2	0
Social enterprise / business investments	4	1	2	2	3
Social procurement	4	3	1	0	0
Market building activities	4	1	0	2	0
Other	0	0	1	1	0



Infrastructure / asset backed investments were nominated as being likely to be the most attractive form of investment across almost all of the response groups, particularly investors.

Service provision related investments, including outsourced government service provision (e.g. using social or environmental bond or pay for results type contracts) were also identified as likely to be a focus area by government, institutional investors and intermediaries, as well as funding recipients.

Social enterprise and social business based investments were also identified as being an area of projected interest.



Social procurement and investment in market building activities were less popular. The latter attracted narrower interest and, notably, were not expected to attract interest by any of the respondents identifying as market enablers. The need for investment in market building activities came through strongly, however, with a number of respondents noting the need to “*support the development of increased market infrastructure*”.

A number of respondents noted the need to build a stronger pipeline of investment ready opportunities and to ensure that those opportunities meet investor liquidity, size, risk and return requirements, particularly those of larger scale investors including the superannuation funds

What sectors are most likely to drive growth?

Government, institutional investors and philanthropy were seen as being the three sectors most likely to drive growth.

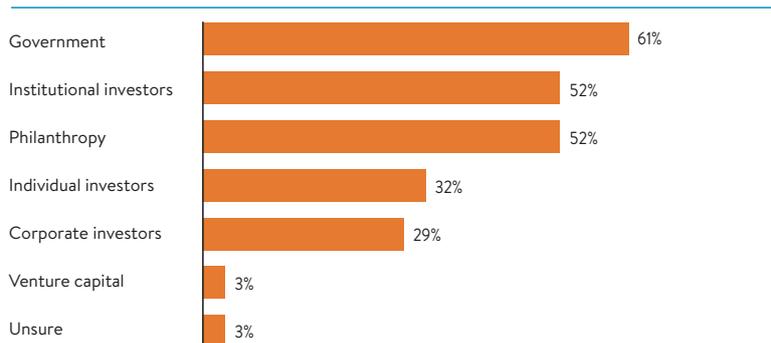
A number of respondents called for “*active participation by Federal and State Government to facilitate and enable the [impact investing] sector.*”

They saw government as playing an important role in helping to enable and support the development of the impact investing market in three key areas:

- Market stewardship - establishing a supportive regulatory environment / removing barriers to investment
- Market participation - using impact investment as a policy tool and
- Market building - supporting the development of the impact investing ecosystem by investing in market building initiatives.

Respondents noted that there was a need to coordinate activity at a State and Commonwealth level and that there was value in government playing a clearer role in helping to signal areas of policy interest to help focus effort and investment.

Sectors most likely to drive growth
(n = 31)



The role of government
(n = 34)



Key insights

- The impact investing field in Australia is developing
- People can see a field of practice emerging as we move from early stage exploration into market building
- People see real potential for growth
- There is a need to work at both ends of the innovation and investment pipeline to help deliver that growth
- While there is recognition that there will need to be activity across the impact investing system to support the ongoing development of the field in Australia, government, institutional investors and philanthropy are all seen as playing a key role in helping to drive growth
- Government commissioning is seen as providing an important opportunity to help build the focus on outcomes and drive impact
- The UN SDGs and ideas like shared value and corporate social responsibility are also seen as being levers for growth
- The development of a broader specialist intermediary market is also seen as being a key enabler of growth and
- There is an ongoing need to build awareness, pro-impact investment mindsets and skills to help grow impact investing activity in order to achieve impact at scale.

Written: on behalf of the Australian Advisory Board on Impact Investing (AAB) by Regina Hill and Rosemary Addis with support from the team at Impact Investing Australia and the AAB's Strategy Working Group

January 2018

ISBN Print: 978-0-9925906-8-0

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Acknowledgements

The Australian Advisory Board on Impact Investing is grateful to its partners and to all of the people who participated in the field scan on which this report is based. We thank all of those who contributed to the study by participating in interviews and completing the field survey for their time and for being prepared to share their experience and insights. The Board is particularly grateful to the Lord Mayor's Charitable Foundation for the funding that it provided to support this work.

We would also like to thank the Strategy Working Group of the AAB for their oversight of this project. The work that has been undertaken has benefited from their input and guidance.

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