

Kaupapa Whakaaotau | Priority: Routine

Ngā Pānuitanga Whakamōhio | Briefing

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Minister for Economic and Regional Development

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Tairata | Title: **Government support for social enterprise**

Date: 15 December 2021

Ngā take matua | Key issues

This joint briefing details the Government's response to the Social Enterprise Development Programme's recommendations. It provides information on the contributions by the Ministry of Business, Innovation and Employment, and the Department of Internal Affairs, in the next phase of work.

Te mahi e rapua ana Action sought	Timeframe
<p>Note that the Social Enterprise Development Programme was a four-year government-funded initiative that explored the opportunities for, and barriers to, lifting the contribution of Social Enterprise in Aotearoa New Zealand;</p> <p>Note that the recommendations from the Programme largely align with current and proposed Government policy;</p> <p>Note the contributions from the Ministry of Business, Innovation and Employment (MBIE) and the Department of Internal Affairs (DIA) in progressing the Programme recommendations via their respective work programmes;</p> <p>Note the Social Enterprise Development Programme recommendations align with current work programmes within agencies, and further actions related to social enterprise will be undertaken within this existing context;</p> <p>Agree to proactively release this briefing on the MBIE and DIA websites.</p>	At your convenience

Contact for telephone discussions (if required)

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Te Kaupapa | Purpose

1. This joint briefing is provided by the Ministry of Business, Innovation, and Employment (MBIE), and the Department of Internal Affairs (DIA).
2. It summarises the recommendations provided at the conclusion of the Social Enterprise Development Programme (SEDP) and identifies opportunities for progressing these. It also outlines the appropriate roles and activities for MBIE and DIA.
3. The briefing builds on those provided by DIA on 9 April 2021 to the Minister for the Community and Voluntary Sector [CVS202100072 refers], and by MBIE on 23 June 2021 to the Minister for Economic and Regional Development [2021-4170 refers]. These briefings included summaries of the SEDP's final report, *A Roadmap for Impact* (the Report).

Social enterprises

4. A social enterprise is generally defined as a business or entity that aims for social, cultural and/or environmental impact alongside revenue generation. This dual focus means they are considered to be at the forefront of impact investment as an emerging trend.
5. Social enterprises are part of the private sector, but do not necessarily constitute a discrete sector of their own. A social enterprise can be a firm or entity of any shape or size with the intention to invest for social and/or environmental impact alongside financial return.

The Social Enterprise Development Programme (SEDP)

6. In June 2017, Cabinet agreed to fund the SEDP to explore the socio-economic contribution made by social enterprise in Aotearoa New Zealand, including growth opportunities and barriers [EGI-16-MIN-0309 refers]. This was a \$5.55 million-dollar investment phased over four years.
7. DIA and the Ākina Foundation¹ were responsible for the SEDP with support from cross-agency steering and governance groups. The SEDP concluded in March 2021 and provided the Report. The release of the Report represents the end of the Department's oversight of the SEDP.
8. Further detail on the SEDP scope and activity can be found in **Appendix A**.

SEDP report recommendations

9. Briefly stated, the Report found that social enterprise plays an important socio-economic role with potential to help Government progress financial, social and environmental priorities. To help realise this, the Report recommended use of the following levers:
 - **Social procurement:** use of social enterprise to support priorities through the government procurement process.

¹ A private sector consultancy with an emphasis on social and environmentally-focused initiatives.

- **Measurement:** consistent and transparent social enterprise outcome measures across the public sector.
 - **Investment:** dedicated social enterprise funding in partnership with the private sector.
 - **Capability building:** tools to assist to social enterprise development.
 - **Leadership and responsibility:** an identified agency with responsibility for a cross-government approach to progressing the above, and social enterprise support generally.
10. Specific recommendations accompanied each lever. These can be found in **Appendix B**.
11. The private-sector nature of social enterprises is reflected in the Report's recommendations, which focus more on impact investing than the creation of, or support for, social enterprises.

DIA contributes to the social enterprise sector through grants funding and support for charities

12. Although primarily business-focussed and part of the private sector, social enterprises can play a role in contributing to the community and voluntary sector's goals. DIA supports this through its grants funding and charities work programmes, albeit it in a limited way.

Social enterprises can receive funding through grants schemes administered by DIA

13. Grant funding bodies, such as that from the Lottery Grants Board, are available for social enterprises to seek financial support from. Grant decisions are made by independent committees, and applications must relate to their priorities and those of individual funds.
14. There are some challenges if social enterprises prioritise this as a funding source. Social enterprises are generally able to generate their own capital. This means they are less of a priority for contestable, over-subscribed grants than community groups without access to the same level of business support.

DIA registers, monitors and supports charities

15. DIA can assist a social enterprise that wishes to register as a charity. To meet the requirements for registration under the Charities Act, the social enterprise needs to provide public benefit. Any profits created must be used for further charitable purposes. Recognising that social enterprises are primarily business-focussed and part of the private sector, this may limit the numbers of social enterprises that qualify. MBIE contributes to the social enterprise sector through its existing work programme.

MBIE contributes to the social enterprise sector through its existing work programme

16. As the Government's lead business-facing agency, MBIE's work programme offers opportunities to support impact investment and social enterprise in the private sector.

17. Examples of this include policy and operational work on procurement for broader outcomes, access to finance, and management capability and through its regional and business support programmes and networks.
18. One channel for support is the Regional Strategic Partnership Fund (RSPF), which is designed as an impact investment approach. This is one of the Government's first attempts to systematically implement an impact investment approach. Managed by Kānoa-RDU, a wide range of Māori, community and commercial partners will be worked with on projects from small scale to large to deliver RSPF impact investments framed by the PRISM vision for regional economies. This process will provide a foundation of data and experience which can be built on and shared across government.
19. **Appendix C** provides a matrix of Government responses to the SEDP Report recommendations and indicates possible options and areas of alignment for current and future work.

Nga tūtohutanga | Recommendations

20. We recommend that you:

- a) **note** that the Social Enterprise Programme was a four-year government funded initiative aimed at exploring the opportunities for and barriers to, lifting the contribution of Social Enterprise in Aotearoa New Zealand;
- b) **note** that the recommendations from the Programme largely align with current and proposed Government policy;
- c) **note** the contributions of MBIE and DIA in progressing the Programme recommendations via their respective work programmes;
- d) **note** the Social Enterprise Development Programme recommendations align with current work programmes within agencies, and further actions related to social enterprise will be undertaken within this existing context; and
- e) **agree** to proactively release this briefing on the DIA and MBIE websites.

Yes No



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23 / 01 / 2022



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Appendix A: SEDP – scope and activities

The SDEP commenced in 2018 and concluded on 31 March 2021. Its purpose was to:

- understand and support conditions for social enterprise to grow and be sustainable.
- obtain and use data to understand the social enterprise contribution to the Government's economic, social and environmental goals.
- Identify social sector support needs after the conclusion of the SDEP.

SDEP actions:

- produced and commissioned a series of reports on topics such as social enterprise history, financing social enterprise, legal frameworks, and contribution potential.
- Formed cross-agency and public-private working and advisory groups including a sector working group.
- Created an online social enterprise procurement marketplace.
- Tested place-based networks as a means of support for social enterprise.
- Assisted social enterprises in measuring, recording, and communicating their impact.
- Supported sector representation at the *2018 Social Enterprise World Forum*, *2018 Aotearoa Social Enterprise Forum* and *2020 Aotearoa Conversations*.
- Worked with MBIE on social enterprise-relevant resources for small businesses.
- Administered Impact Investment Readiness Grants, enabling social enterprises to access legal and financial support.

Appendix B: SEDP – levers and recommendations

<i>Category 1: Building government capability to measure and grow positive impact</i>	
Levers	Recommendations
1. Social procurement	<p>1.1. Develop clear cross-government leadership of social procurement to build momentum in key agencies.</p> <p>1.2. Coordinate action across government agencies and support their procurement teams with the development and implementation of broader outcomes within procurement.</p> <p>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.</p>
2. Impact measurement and management	<p>2.1. Build the capability of government funders, buyers and investors to measure, manage and maximise the positive social and environmental outcomes they achieve.</p> <p>2.2. Develop and implement a set of consistent outcome indicators that can be used to measure and improve impact.</p> <p>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.</p> <p>2.4. Utilise social enterprise models to achieve government goals.</p>
3. Impact investment	<p>3.1. Enable co-investment impact funds to grow a private led impact investment sector.</p> <p>3.2. Fund the delivery of a programme that increases the pipeline of businesses ready to take on impact investment.</p> <p>3.3. Partner with the Centre for Sustainable Finance to enable impact investing in Aotearoa New Zealand.</p>
<i>Category 2: Creating the conditions for social enterprises and impact-led businesses to thrive</i>	
Levers	Recommendations
4. Tools and support	<p>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.</p> <p>4.2. Provide guidance to impact-led businesses and their stakeholders that enables them to use company structures to protect and manage their impact.</p> <p>4.3. Offer targeted funding to social enterprise intermediaries and networks, enabling place-based support and collaboration, to build capability and accelerate solutions.</p>
5. Leadership and connection	<p>5.1. Give social enterprise a home within government by delegating a government agency with responsibility for social enterprise.</p> <p>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.</p>

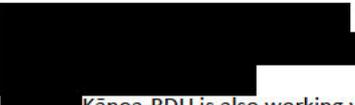
Appendix C: MBIE matrix of possible responses to the SEDP Report’s recommendations including possible options and areas of alignment for current future work

Social procurement recommendations	Proposed government response	Comment
<p>1. Strengthen the leadership of social procurement across government, by making a Cabinet-level Minister accountable for social procurement</p>	<p>The Government recognises the importance of Cabinet-level involvement in achieving more value for New Zealand through its procurement activity. Led by the Minister for Economic and Regional Development, Cabinet has already made major decisions aimed at aligning procurement activity, including social procurement, more closely to the Government’s priorities. This remains a priority for Cabinet.</p>	<p>Increasing the value for New Zealand obtained from procurement is already a Cabinet priority, with clear Ministerial authority. The value of creating a specific portfolio for social procurement is not clear and segmenting social from commercial procurement practices at portfolio level has significant risks. If Ministers wish, choices around Ministerial accountability could be considered as part of broad procurement system reform.</p>
<p>2. Coordinate action across government agencies by forming a central coordinating body for social procurement and implementing a targeted social procurement capability initiative</p>	<p>The Government agrees that better co-ordination across government agencies is critical. The Functional Leader for government procurement (Chief executive of MBIE) supported by a central Government Procurement unit are well-placed to lead this. In addition, building specialist capability, integrating procurement information and strengthening accountability for results will be important in achieving better co-ordination in practice.</p>	<p>Getting much better co-ordination across procurement activities is clearly desirable. Current arrangements (Functional Lead, NZGP) are a necessary element but not sufficient to make real gains beyond the status quo. A much better integrated and comprehensive procurement information system is critical to achieving better co-ordination. This is best addressed as part of wider system reform.</p>
<p>3. Develop effective market connections with social enterprises through the use of procurement intermediaries and by developing and using a set of consistent outcome indicators</p>	<p>The Government recognises that social enterprises can make an important contribution towards achieving the Government’s procurement objectives, and welcomes continuing engagement with the sector towards this end. We are committed to procurement for New Zealand that is fair and transparent. A set of outcome indicators that applies across the system – relevant to all suppliers and agencies – is a key element of ultimately delivering more public value to New Zealanders.</p>	<p>It is important not to configure the procurement system to favour one sector over another – fairness, transparency and accountability are fundamental to achieving the best possible outcomes. While recognising their (important) point of difference, we expect to continue to engage with social enterprises as with other supplier groups (small businesses; Maori businesses; Pasifika businesses; NGOs; etc.) with a view to maximising the benefits to New Zealand from government procurement.</p>

Impact measurement and management recommendations	Proposed government response	Comment
<p>4. <i>Build the capability of government funders, buyers and investors to measure, manage and maximise the social and environmental outcomes they seek to achieve</i></p>	<p>Kānoa - Regional Economic Development and Investment Unit (Kānoa-RDU) has partnered with the Ākina Foundation to develop an impact management framework to demonstrate the range of positive economic, social and environmental impacts being achieved by enterprises funded through the RSPF. Learnings from this will be used to support the further development and application of effective and consistent impact investment and management approaches across government.</p>	<p>The RSPF's impact management framework will be one of the New Zealand government's first attempts to systematically implement an impact investment and management approach. There is strong interest from other agencies in developing pragmatic indicators that are transferable and scalable and therefore able to be applied consistently across government. Kānoa-RDU will engage with other agencies during the implementation of the RSPF impact management framework. The purpose of this engagement will be to share learnings and support the development of impact management approaches that are consistent, better able to recognise the joint contributions of agencies to regional wellbeing outcomes, and identify opportunities to coordinate government investment and support that increases the Government's collective impact.</p>
<p>5. <i>Develop and implement a set of consistent outcome indicators that can be used across the public sector to measure and improve impact</i></p>	<p>Investing for impact is a growing area of interest across government, and there is strong interest in developing pragmatic indicators that are transferable and scalable and therefore able to be applied consistently across government. This is critical to be able to tell a more accurate and compelling story about the collective impact on wellbeing of various government investment programmes. Consistency of impact indicators across government will be achieved by the sharing of learnings and successes in a way that enables successive impact investment approaches implemented by agencies to build on what has gone previously. For example, The impact management framework developed by Kānoa-RDU, with Akina, includes a set of outcome indicators consistent with the Government's vision for a high wage, low emissions, inclusive economy. Learnings from the implementation of these indicators to RSPF investments will be used to support the development subsequent indicators by other agencies.</p>	<p>There is a significant amount of indicator-related work going on across government that the development of a consistent set of investment impact indicators will need to align with. Most of this activity is happening in the macro space (e.g. StatsNZ Indicators Aotearoa, The Treasury's <i>He Ara Waioro</i> framework, and Te Puni Kōkiri's Māori Economic Resilience indicators). It will be important that micro-level impact investment indicators complement these efforts.</p>

<p>6. <i>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</i></p>	<p>The gathering of effective data is an essential part of implementing impact investment approaches and, as agencies increasingly do so, will need to be built into programme design. As with the development of a consistent set of impact indicators, relevant data will be appropriately shared to enable stronger understanding of how social enterprise contributes to government goals, and the future development of successful impact investment support programmes.</p>	
<p>7. <i>Utilise social enterprise models to achieve government goals</i></p>	<p>The Government's support for the trend of impact investing, by implementing and learning from impact investment programmes like the RSPF, will contribute to greater adoption of social enterprise models by a range of firms and entities.</p>	

Impact investment recommendations	Proposed government response	Comment
<p>8. <i>Enable co-investment impact funds to grow a private led impact investment sector; this could, for example, involve the government contributing investment funds on an equal basis with private sector investors</i></p>	<p>The market appears to be shifting to doing more for the environment and society with very few firms remaining exclusively focussed on financial returns. Rather than establish another fund (in this case a co-investment impact fund) there are several existing interventions (e.g. via New Zealand Growth Capital Partners, New Zealand Trade and Enterprise, the Green Investment Fund, and the Ministries of Primary Industries and the Environment) that to varying degrees seek to crowd-in private investors who are increasingly focusing on broader outcomes. Government will look to support a greater focus on non-financial returns through existing arrangements. Through investments administered by Kānoa – RDU, our partnership approach through the RSPF will look to unlock additional private investment and support firms to access growth capital and finance opportunities.</p>	<p>There are already several interventions in this space (e.g. numerous environmental funds) another targeted fund won't materially shift the dial.</p> <p>However, if there were a desire to go further to support firms or firm processes that do more for the environment or society, more work could be commissioned to look into whether existing investment interventions and work programmes could be a vehicle to achieve this.</p> <p>Our view is that a general focus would better address the bigger concern that firms face several general barriers to grow, innovate, and modernise in NZ. We would advise against focusing on growing the 'impact investment' sector specifically – because the concept cuts across many types of firms, entities and goals.</p>
<p>9. <i>Fund the delivery of a programme that increases the pipeline of businesses ready to take on impact investment, by developing the financial savvy of social enterprises</i></p>	<p>A programme that contributes to the financial savvy of a wide range of enterprises already exists. InvestED is a free learning resource offered by New Zealand Trade and Enterprise to organisations looking to take on investment, which includes the thesis of impact investing.</p> <p>Recently we have seen NZTE's support for a number of Social Enterprises. Currently they have 75 (25%) companies in their pipeline of work with a social enterprise lens. We have also seen their ambition to develop bespoke solutions to support an ESG/impact lens and the further development of InvestED.</p>	<p>We need to understand if the investment needs of Social Enterprises are sufficiently different from the needs of the companies that NZTE already works with and warrant a bespoke programme. At this stage our advice is that a bespoke programme isn't warranted.</p>
<p>10. <i>Partner with the Centre for Sustainable Finance (the Centre) to enable impact investing. The Centre would be a forum for collaboration between the public and private sectors on the provision of sustainable finance. It is still at the proposal stage</i></p>	<p>The government is already in support of the Centre for Sustainable Finance and across government there are over 30 sustainable finance initiatives (e.g. 18 funds, and several dozen policy programmes).</p>	<p>Rather than focus on the lack of impact investing, a much bigger concern is the fractured finance landscape with numerous funds that aren't big enough to make a difference on a sector or economy-wide scale. However, if necessary and other work reprioritised, we could lean into this recommendation, and would start by initiating a discussion with the Centre about this busy landscape and their views about impact investment.</p>

Tools and support recommendations	Proposed government response	Comment
<p>11. <i>Support the creation of accessible impact-focused tools and resources, making available programs into tools that would enable more social enterprises to learn how to create and sustain positive impact</i></p>	<p>Business.govt.nz can support the creation of positive impact through the adaptation of business.govt.nz content, tools and resources. Business.govt.nz's 2021-2022 work programme includes customer-centred content, tools and resources designed to help businesses to increase their sustainability, reduce their carbon footprint and demonstrate positive social impact.</p> <p>The implementation of existing impact investing initiatives will support this process. For example, to deliver the RSPF, Kānoa-RDU will partner with firms and entities that are investing for impact to support them to demonstrate their broader social, cultural and environmental impacts. The results of this effort can be used to help further develop effective tools and resources.</p>	<p>Undertaking evaluation and funding programme reviews and communicating the lessons learned and findings more widely.</p>
<p>12. <i>Provide guidance to impacted businesses and their stakeholders that enables them to use company structures to protect and manage their impact</i></p>	<p>Using existing practices to report on broader impacts and methods to do so will be of focus e.g Environmental, Sustainability and Governance reporting is a recognised practice for communicating the positive differences firms have beyond their profitability.</p>	<p>Long-term there could be adaption of tools to support point 2 but this would be budget dependent and business.govt.nz's budget for the 2021-2022 financial year is limited.</p>
<p>13. <i>Offer targeted funding to social enterprise intermediaries and networks, enabling intermediaries and networks in the community to support social enterprises</i></p>	<p>As a consistent approach to impact investment across government is developed and refined, by building on existing initiatives, opportunities to work with intermediaries and networks can be considered. Some examples of this already exist and could also be built on. For example, Kānoa-RDU has worked successfully with Poutama Trust to facilitate \$4.6 million of impact investment into regionally-based pakihī Māori.</p>	<p>The outcome focus of the Poutama Trust partnership was to scale up existing enterprises who could add sustainable jobs. \$4.6M (plus 8% cost of delivery) was delivered to 74 pakihī māori SME across construction, agriculture, food and beverage, forestry, trades and aquaculture. As a final milestone Poutama are surveying the recipient businesses to review the process and their outcomes with a final report to Kānoa-RDU in mid-December.</p> <p> Kānoa-RDU is also working with the MBIE Small Business team to understand the Regional Business Partners Network and how that could be extended to support a focus on Māori SME growth and development.</p>

<i>Leadership and connection recommendations</i>	Proposed government response	Comment
<p>14. <i>Give social enterprise a home within government by making one government agency responsible for ensuring a coordinated and consistent approach to social enterprise across government</i></p>		<p>There are a number of things to work through e.g. resourcing, appropriate lead/s for the respective component parts, lead Minister/s and how that would best operate.</p>
<p>15. <i>Commit the funding and representation required to enable a collective of sector leadership organisations tasked with supporting the government to implement the recommendations in the Report</i></p>		<p>Recommend a two stage process where if Ministers are interested in progress (stage 1) they direct relevant agencies including DIA, MBIE and Treasury to report back on the potential options.</p>