# SIINSA: Response to the South Australian Government's Discussion Paper – Building a Stronger Society

SIINSA is delighted to take the opportunity to respond to the *Building a Stronger Society.*

Our contacts across Australia have universally praised this document for its accessibility, clear explanations and balanced approach. The South Australian Government should be congratulated for taking the initiative in preparing and releasing this document and the authors of the document should be particularly congratulated.

We have not responded directly to the discussion questions posed in the paper as we have been in a position to share our views as part of the advisory meeting process and in private discussions. Instead we have made some more general comments about the challenge of building impact investment initiatives in South Australia.

SIINSA's broad position is to support the development of social enterprise investment in this State and in particular the development and issue of a pilot social impact bond. We seek the opportunity to be the State's strategic partner in this process and we believe that we can add considerable value to the effort. This value will be outlined later in this response.

Beyond the Discussion Paper we believe that the Government must articulate a vision for SIBs in SA and be clear about what they are seeking to achieve. Is the desired impact funding intended to address 'wicked problems' or to create a new investment vehicle or asset class, or is it a source of innovation?

We also believe that Government should look beyond issuing the first bond but must seek to create a structured approach to the broad array of social investment opportunities over time – not limited to SIBs. In effect we would encourage the development of a pipeline of varied investment approaches including additional bonds, collaborative PAF and PUF products, structured loans, over the horizon equity opportunities and so on. The challenge of motivating private capital to work on creating a better society, particularly institutional capital, will require a diverse product approach. It is clear that the Government should set targets for the roll out of social investment opportunities/entities over a five year time period, perhaps aiming to facilitate one instrument per year. The first SI bond issue should occur in 2015 at the latest.

Accordingly Government should seek to investigate means of compressing the planning and preparation timeframes. The two NSW bonds were two years in the making – SA must move faster.

Regretfully South Australia faces this task with handicaps which are related to our size and to the generally smaller scale of operations in this State. We do not have a sophisticated financial services infrastructure nor are there significant numbers of local experienced financial operators who have experience in developing new financial products. There are no intermediary firms operating in this State as there are in Brisbane, Sydney and Melbourne.

Consequently it is our view that Government should provide funds to support the establishment of an experienced intermediary presence to be domiciled in SA. Social Ventures Australia is such an experienced not-for-profit intermediary and it would be wholly desirable to provide some incentive for them or a similar not-for-profit intermediary to establish a local presence. We do not favour a scenario where all of the expertise required for this exercise is provided by others on a 'fly-in, fly-out' basis. South Australia as a State must ensure that there is local learning and local expertise developed such that we can provide leadership in this arena in the years to come.

Additionally we believe that Government should identify an experienced consultant who has the capacity to provide a full support service to the SA Treasury as was the case for the NSW Treasury.

Equally, NGOs in South Australia do not have the scale nor the financial resources and experience necessary to replicate the excellent work done by the Benevolent Society and Uniting Care Burnside. Some resources will need to be invested in capacity building in the local NGO sector. We note that this is particularly true for those agencies which do not have direct affiliations with faith organisations.

We recommend, therefore, that

- Capacity building funds should be made available for the establishment of a financial services intermediary and for supporting agencies in undertaking the planning effort
- An invitation (Registration of Interest ROI) should be issued broadly to all NGOs to seek interest in developing an SIB funded program in any of the four areas listed in the discussion paper
- Government should short list these ROIs on merit or on government expenditure or service delivery priorities. The top three responding NGOs should be provided with 'capacity building' funding to allow them to submit fully developed proposals. The quantum of these funds should be in the order of $50,000 and full proposals should be completed within 6 months of the funds being provided. SIINSA would be delighted to participate in the process of determining which three projects should be selected. We would also offer successful agencies our assistance in expending the capacity building funds effectively.

Once again, SIINSA wishes to congratulate the Government and the public service for moving quickly and effectively in this space. We cannot overstate the importance of maintaining the momentum which has been built so far. If South Australia is to be more than a branch office in the field of impact investment then decisive and speedy action is called for.