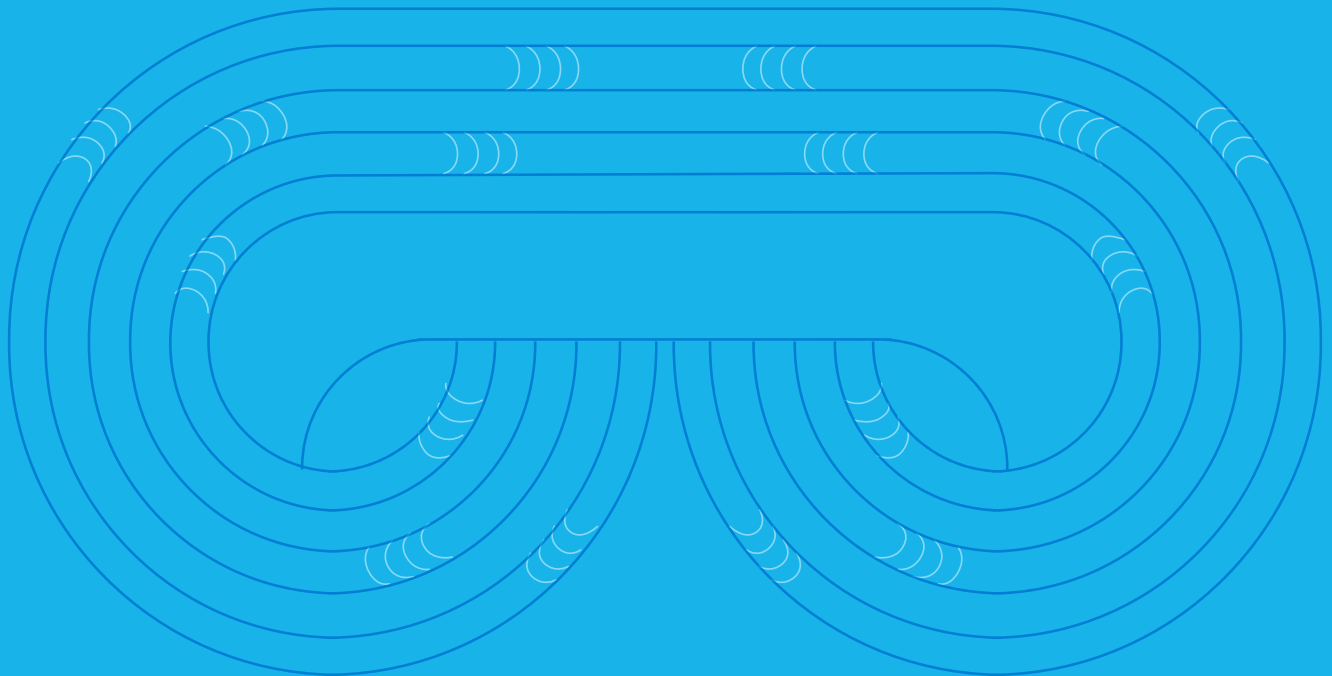




Philanthropy  
New Zealand

*Tōpūtanga Tuku Aroha o Aotearoa*



# Impact Investment in Action

INSIGHTS FROM THE FIELD  
IN AOTEAROA

APRIL 2021

The cover design motif is a variation on a waha graphic.

Traditionally, Waha is a term for the mouth, voice or a gateway. The waha, being a gateway or an inlet/outlet, is the first port of call for building partnerships and collaboration.

A significant portion of this report highlights and calls out direct quotes from collaborators.

The waha device, acting as the mouthpiece, is a simple connector to the many 'voices' in the report.

This independent research report was prepared by The Connective for Philanthropy New Zealand

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THE **CONNECTIVE**



# Executive summary

*Impact investments are investments made into organisations and funds with the intention to generate social and environmental impact alongside a financial return.*

– Global Impact Investing Network

While investing for social, environmental and cultural benefit is not new in Aotearoa New Zealand, an increasing number of practices are using the language and approaches of ‘impact investing’.

This independent research seeks to understand the emerging practice of impact investing in Aotearoa New Zealand through case studies of four different impact investing projects. The focus is on the way cross-sector partners and collaboration involving philanthropic and grant-making organisations has been initiated and managed, the capability built within these partnerships, and the stated impact of these investments to date.

These four case studies are:

1. Soul Capital
2. Impact Enterprise Fund
3. New Zealand Housing Foundation
4. Te Pai Roa Tika o Te Taitokerau

Examining the application of Te Ao Māori was an important part of the approach taken in this research. For Māori, all investment is impact investment. Understanding Māori perspectives on what constitutes and is needed to achieve a ‘return’ or ‘outcome’ adds necessary and important substance to an understanding of the term ‘impact’ in a uniquely Aotearoa New Zealand context.

This report outlines key insights from the field and offers practical guidance at the end of each section, based on interviews with early investors (including philanthropic and grant-making organisations), fund managers, executives and staff from the case studies.

INSIGHTS FROM  
THE FIELD

## Philanthropic investors are recognising the opportunity to invest for a just and equitable economy

In the case study investments, the investors (including philanthropists and grant makers) are seeking varied financial returns (ranging from 15% to just above term deposit), diverse social, environmental and cultural outcomes, and to contribute to building the market and eco-system in Aotearoa New Zealand. Beyond capital, they contribute time, energy and expertise to build the knowledge of the field and to de-risk investments and the market for new entrants.

Learning how to 'do' impact investment is a key driver for philanthropic investors and information about this aspect has been a successful outcome of these case studies. For philanthropic organisations, undertaking impact investment can require changing orthodoxies and adopting a learning mindset.

## Strong, trust-based partnerships are crucial to success

While commercial and financial capability is an important aspect of impact investing, the ability to partner effectively is the key to unlocking transformative impact.

For Māori, relationship comes first and then transaction can follow. Investors are building better cultural capability to enable engagement and partnering more effectively with Māori.

Investors are advised to first understand what is needed by the communities in which they are investing (potentially working with trusted community intermediaries) and then determine whether a particular commercial enterprise or investment is the right approach. In some contexts, a market-based solution may not be the best way to achieve the desired outcomes.

## Learning by doing

In these early-stage impact ventures, there has often been a lack of sufficient evidence or data to fully inform investment decisions. Investors have needed to invest intuitively, based on values alignment and belief in the key people leading the funds and ventures.

Impact investment requires a paradigm shift, away from a culture of maximising profit in one sphere and 'giving back' in another, towards a culture of balanced returns across multiple dimensions. A learning mindset is key.

Working with external fund managers opens up opportunities via their networks, processes, impact expertise and experience in managing relationships with impact ventures.

Enthusiastic investors of all types are crucial to building the Aotearoa New Zealand market. However, the message across all case studies is clear: investor enthusiasm and commercial experience should not be mistaken for expertise in what is most beneficial for communities.

It is important to factor in the time and resources required to identify the right opportunities to deliver on the impact investors' intentions.

## Measuring, understanding and managing impact is complex but necessary

Each of the cases undertakes some form of impact reporting, with varied approaches. There is consensus that further work is required to develop impact management approaches that are relevant in an Aotearoa New Zealand context. Investors and fund managers need to align expectations with capacity and take a community-led, pragmatic, principles-based approach to understanding impact. At its best, impact measurement and management generates strategic insight that informs investment decisions and drives ventures forwards.

## Philanthropic capital continues to be critical in expanding the market

There is confidence and some evidence that there is an increasing supply of investible purpose- and kaupapa-driven ventures and investment opportunities. Nonetheless, the investors in these case studies indicated that raising funds, finding deals and making impact investments took longer and cost them more than they had anticipated. This was largely due to the lack of an enabling start-up eco-system for ventures focused on positive impact.

Philanthropists have played, and will continue to play, a critical role in building this eco-system and investment market in Aotearoa New Zealand. This role can be enabled by partnerships and collaborations that involve pooling capital, sharing learning, sharing power and trusting in committed people. Central government is also seen as having a key role in the development of the impact investment eco-system, as both a funder of service providers and an investor, albeit in investments of a scale that does not yet occur frequently in Aotearoa New Zealand.

*If [potential investors] genuinely have motivation, there's no better way to learn about impact investing and develop the market than actually doing it. I think we've got enough reports, we've got enough boards, we've got enough conferences. I think we just need more people doing deals, frankly*

– Chris Simcock, Impact Enterprise Fund

