Thank you for the opportunity to address the Committee and be part of the contribution that this inquiry will make to the development of a capital market for social economy organisations in Australia. A market that has the potential to significantly increase the amount of capital available for identifying and implementing solutions that address social and environmental challenges facing our communities.

As a matter of background, I have actively worked in the area of impact investing since 2004 when I was recruited to establish a capital markets team for Unitus, a US based non-profit organization that focused on building scale of microfinance in the developing world. In 2008 the team was spun out of the non-profit to become Unitus Capital, a private financial advisory firm which raises capital for microfinance institutions and social businesses in India and south-east Asia. Since its launch in 2008, Unitus Capital has advised on capital raisings of more than US$600 million. We have strong relationships with impact investors throughout the world seeking impact investments in the bottom of the pyramid. On returning to Australia in 2009 I have divided my time between my role with Unitus Capital and developing the field of impact investing domestically. Currently I serve as the Social Investment Fellow at the Centre for Social Impact and lead the social finance initiative of Ecotrust Australia. I was a member of the Advisory Committee for the Social Enterprise Development and Investment (SEDIF) aswell as consulting to the team at DEEWR on the development of SEDIF. Prior to transitioning to the field of impact investing I spent 11 years working in commercial and investment banking.

My comments to the Committee are however made in my personal capacity and I do not represent or speak on behalf of any of the organizations with which I am affiliated. My colleagues at CSI and Ecotrust have already had the opportunity to address the Committee in prior hearings.

The terms of reference set forth by the Committee are extremely broad reflecting, in some way, the nascent stage of impact investing in Australia and the fact that there is much to be done to establish a robust market that meets the diverse capital requirements of social economy organisations and actively engages a range of private and institutional investors. A market that requires true cross sectoral engagement in order to garner the diverse skill set and expertise necessary to ensure delivery of financial, social and environmental returns.

My comments to the Committee are arranged across three overarching elements I consider critical to development of a market for impact investing in Australia. Efficient intermediation is essential to unlock private capital, enabling industry infrastructure is needed to encourage investor engagement and confidence, and the absorptive capacity of social economy organisations must be developed to ensure high quality deal flow.

A number of recent initiatives of the Australian Government such as the SEDIF and the pilot for Community Development Financial Institutions (CDFIs), along with the announcement by NSW Government to pilot Social Benefit Bonds, serve to commence the process of developing efficient intermediation. These initiatives will help to establish demonstrative funds, develop backable fund managers and create accessible investment product, and are commendable first steps. It is likely however that further similar or complimentary initiatives will be needed to effectively address the challenge of intermediation.

Well designed, enabling infrastructure will serve to catalyze the industry and encourage scale. Neccessary infrustructure includes some very practical items such as a common language platform, robust and accepted performance metrics and publicly available benchmarking data. It also extends to conducive policy and regulation that incentivizes private sector capital into impact investing.

Tax incentives, encouraging investors to put their money into under-invested or disadvantaged communities or sectors, are recognized as a principal policy tool available to governments to incentives investors. The New Market Tax Credit (NMTC) in the US and the Community Investment Tax Relief (CITR) in the UK are good examples of tax incentives used internationally to encourage investing in the social economy. The report by the Canadian Social Investment Task Force released late 2010 recommends consideration be given to similar initiatives and also raised the possibility of tax supported debt instruments analogous to the tax-free municipal bonds in the US.

Beyond tax incentives, policies such as the Community Reinvestment Act (CRA) and Program Related Investment (PRI) in the US encourage financial institutions and charitable foundation to undertake investment in under-invested or disadvantaged communities and sectors.

In Australia, policy that facilitates the engagement of charitable foundations (including PAFs) in impact investing will be important to catalyse the market. Given the social purpose of charitable foundations and PAFs they are natural first movers. Alone unlocking, say 10%, of net assets of PAFs would release an estimated $200 million into the market which I believe could have a significant catalyzing affect.

True scale is however likely to be dependent on engagement of superannuation funds which from antidotal evidence will require a rethink of the application of the sole purpose test or introduction of mechanisms that effective level the financial return of such investors recognizing that the delivery of impact typically carries costs.

A market, no matter how good the intermediation and the enabling infrastructure, will not however exist without quality deal flow. There is much education needed to develop the absorptive capacity of social economy organizations such that they may present themselves as investment ready. All to often in conversations with organizations it is clear there is little knowledge and appreciation of the role of investment capital, the different forms of investment capital and the responsiblity that comes from taking investment capital into an organisation. Investment capital ultimately needs to be returned to investors requiring organizations to be confident of their revenue generation and financial sustainability.

Finally, as you have heard in a number of prior submissions throughout the hearings, I would like to conclude my comments by encouraging consideration be given to support for the establishment of a forum similar to the Social Investment Taskforce as was undertaken in the UK in 2000 and more recently in Canada in 2010. In both these jurisdictions the respective task forces were instrumental in galvanizing stakeholders across the private, government and non-profit sectors around a common vision and strategy for development of a social capital market. While there is an increasing level of conversation in Australia on the topic it is largely uncoordinated and needs to be structured to ensure that we move forward in a considered manner that truly recognises success is dependent on cross sectoral engagement.

Thank you for the opportunity to address the Committee and I look forward to our conversation.