

Market Sounding: Aboriginal Economic Development

Office of Social Impact Investment

26 June 2018



Agenda

Market sounding for Aboriginal economic development SII

1. Welcome and introduction

3. Aboriginal economic development policy context

5. Q&A session

2. What is social impact investment?

4. SII development guidance



Welcome

Presenter: Warren Mundine AO





What is social impact investment?

Presenter: Ben Gales

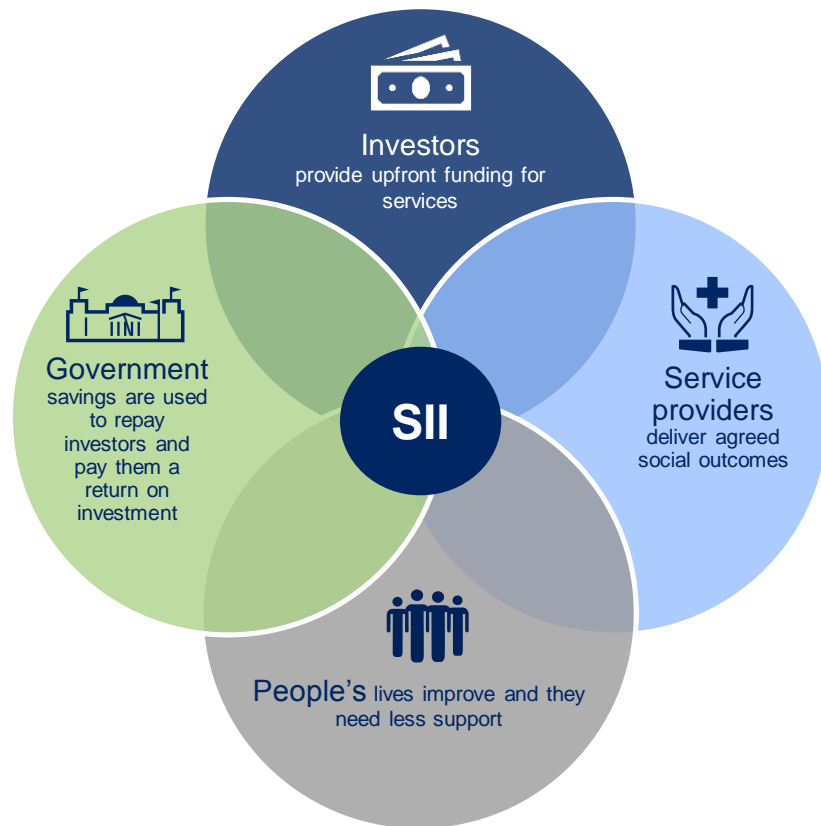
Executive Director Economic Strategy, NSW Treasury





What is social impact investment?

Investors, providers and agencies work together to generate social outcomes alongside financial return



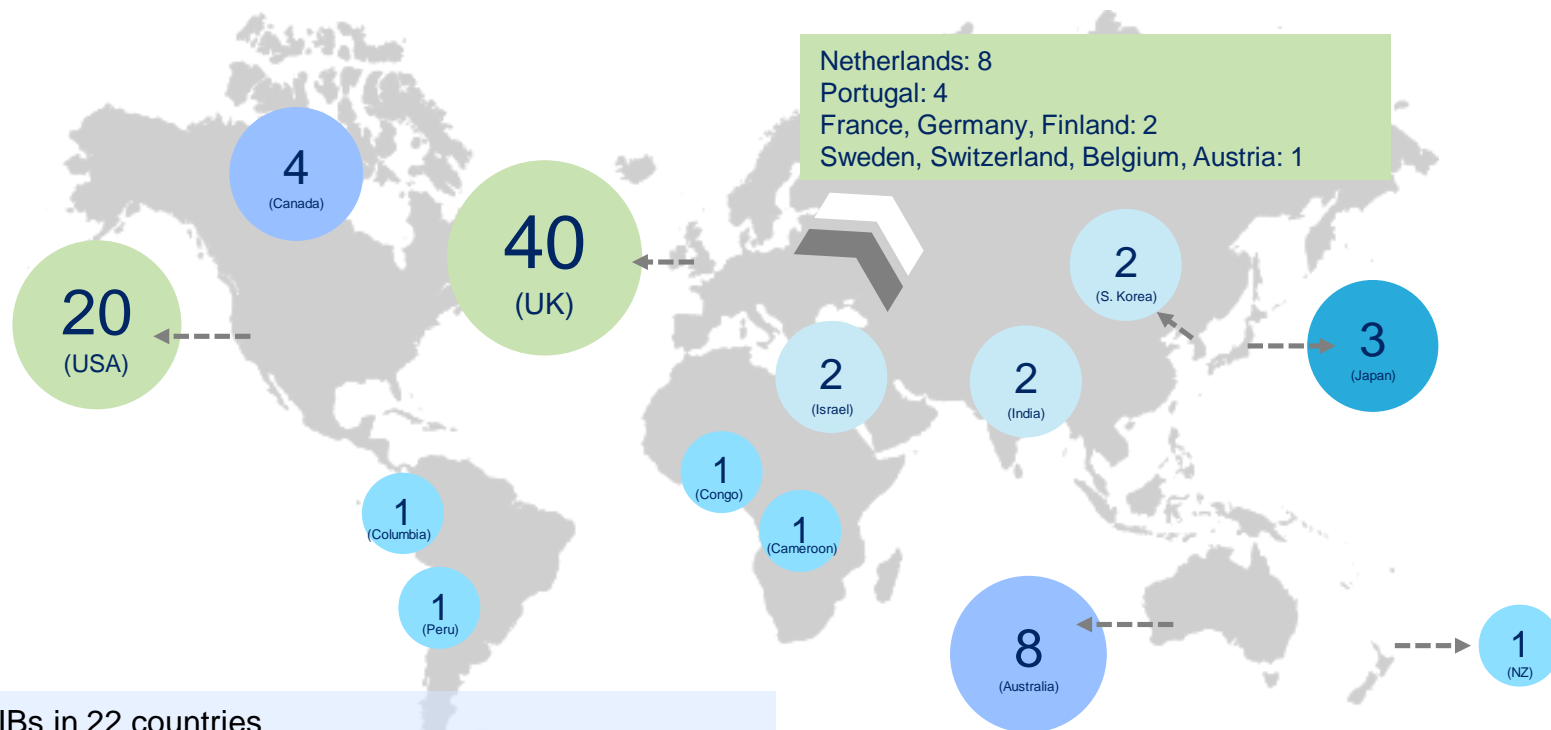
- Investors provide upfront funding for services and take on financial risk of outcomes achievement
- Investors include: superannuation funds, banks, foundations, and HNWI's

- Providers deliver outcomes and are free of input controls and restrictive service specification
- Providers include: Uniting, Benevolent Society, ACSO, Arbias, Flourish, Silverchain, St George Community Housing

- Agencies pay for outcomes achieved, driven by benefits and future savings associated with improved outcomes
- Agencies include: FACS, Ministry of Health and Correction Services NSW

Global reach

Social impact investment is a growing global phenomenon

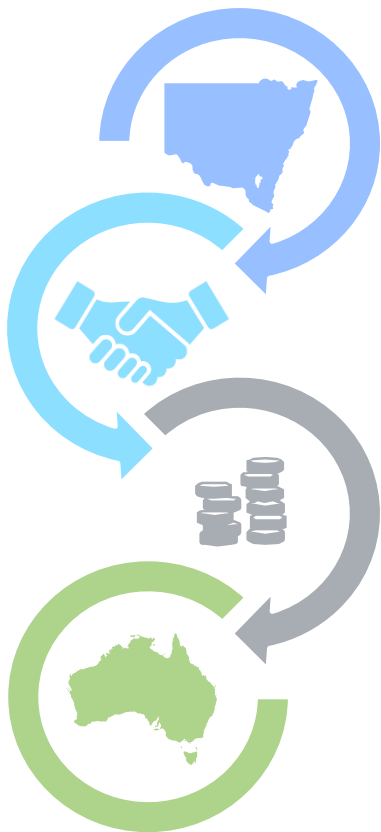


- 108 SIBs in 22 countries
- \$392m capital raised, reaching more than 700,000 people
- \$500b to \$1 trillion potential market value this decade

(Source: Social Finance 2017, Impact Bond Global database, <https://sibdatabase.socialfinance.org.uk/>)

SII in NSW

NSW remains a market leader in social impact investment



SII has operated in NSW since 2013. The **Office of Social Impact Investment (OSII)** and the Government Social Impact Investment Policy were launched in 2015.

OSII has worked with hundreds of **NGOs, private investors, and intermediaries** to develop market capacity, test innovative services and build evidence of what works.

Six NSW investments valued at over **\$200 million** and are supporting better services for **16,000 people** and families in NSW.

Domestically, other jurisdictions draw heavily on NSW experience in developing SIIs. NSW has delivered 6 investments; Queensland (3); Victoria (2); and SA (1).

NSW SII Portfolio

Investments in a broad and diverse range of human services



Reducing OOHC
entry, helpline
reports and risk
assessments



Reducing
re-incarceration
of parolees in
Sydney



Supporting
stable housing
and employment
for young people

Restoring
children to
their families
and reducing
OOHC entry



Reducing
hospital usage
for palliative
care patients



Reducing
hospital
usage for
mental health
patients





Why SII in Aboriginal economic development?

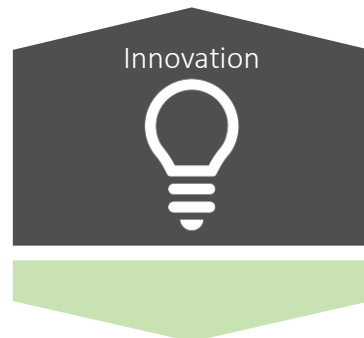
SII creates a unique opportunity for Aboriginal economic development

What makes social impact investment unique is that it combines the following four attributes which can create a valuable opportunity for a place-based Aboriginal economic development SII.



Measuring and paying for outcomes

SII will enable Government to build an evidence base of what works for future policy and service settings focused on Aboriginal economic development



Setting incentives and removing input controls on services

Complex and significant challenges require new and creative policy solutions. SII is an opportunity try, test and innovate with new approaches



With government and non-government sectors

Clear evidence that success in Aboriginal affairs requires Government to work with people and communities. SII involves genuine co-development and community-led implementation



Investing in early intervention and prevention to reduce long-term cost

Compelling case to invest earlier and improve long-term social and economic outcomes. SII is a proven model for driving change in individual service trajectory



Aboriginal economic development SII

Empowering Aboriginal communities in the NSW Budget 2018-19



The 2018-19 Budget has delivered investments to support the wellbeing of Aboriginal people across NSW.

This includes **\$10 million** over four years for a social impact investment in Aboriginal economic development opportunities.



Aboriginal economic development SII

Potential outcomes to be targeted in SII proposals

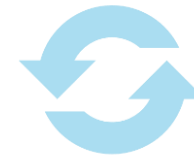


The Aboriginal economic development SII will provide place-based support with a focus on specific outcomes. Primary payment outcomes may fall under the following domains:

Economic – such as increased employment, income and Aboriginal businesses.

Education and training – such as increased post-secondary education.

Secondary evaluation outcomes may also include safety, health, and social and community outcomes.



Proposals will be assessed on the proposed outcomes as well as other factors including:

Additionality – how the service addresses an unmet need or targets those not currently accessing services, to maximise effectiveness and minimise duplication.

Scalability – proposals should also identify any opportunities for the service to be scaled up or replicated across the public sector.



Aboriginal economic development policy context

Presenters:

Haylene Grogan, Director Policy and Reform Aboriginal Affairs NSW

Karl Eaves, Director Community Partnerships Aboriginal Affairs NSW



OCHRE

Social Impact Investment Aboriginal Economic Development



Opportunity, Choice, Healing, Responsibility, Empowerment

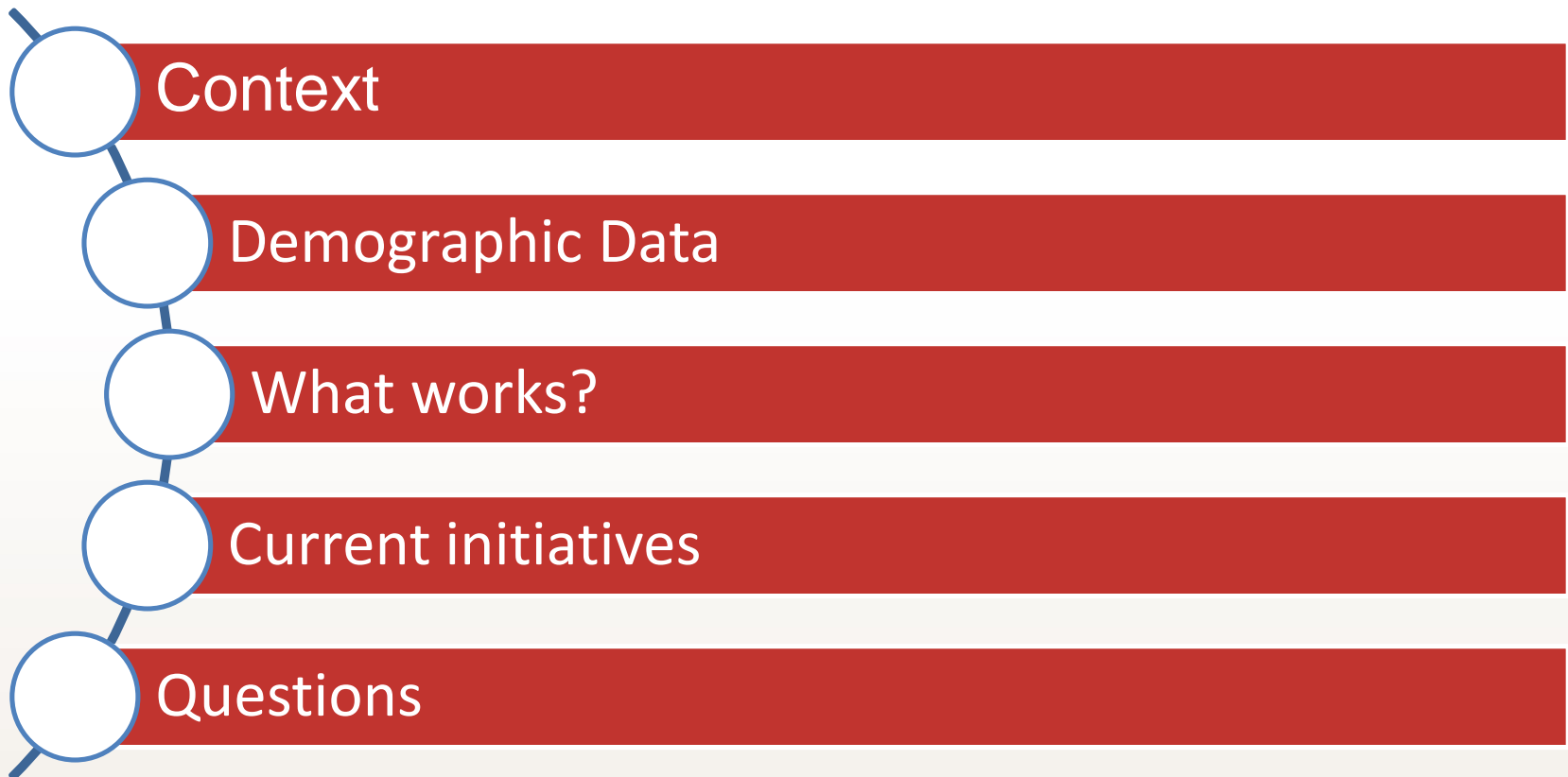


Aboriginal
Affairs





Agenda for today





Context



Economic Development in an Aboriginal Context – Overview

Historically, Aboriginal people were systemically excluded from much of the mainstream economy, relegated to largely agricultural and menial labour.

While this has been gradually changing, there remain significant differences in economic participation and outcomes.

There is a significant opportunity to boost the NSW Economy by working with Aboriginal people to realise their economic aspirations.

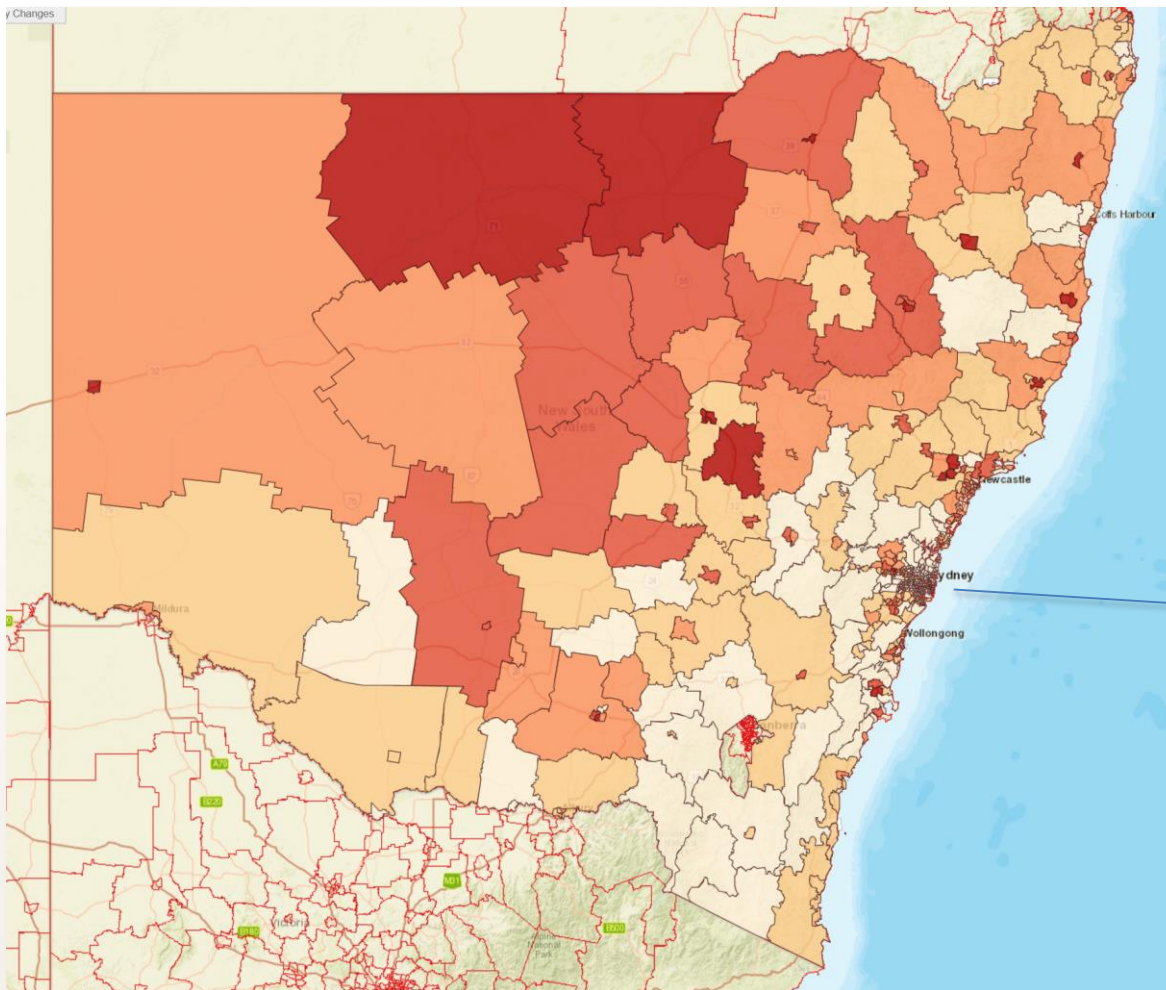
Deloitte Access Economics estimate that if Aboriginal people were fully engaged in the NSW Economy, that NSW would benefit by \$7.4 billion per annum, or 1.5% of Gross State Product.



Demographic data

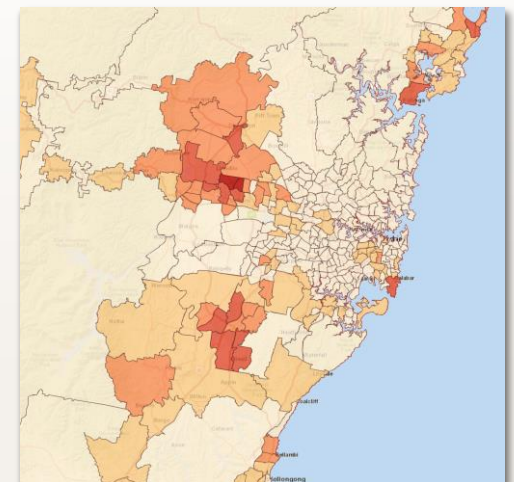


Where Aboriginal People Live



4 out of 5 Aboriginal people in NSW live in cities or major regional centres.

NSW is home to 1/3 of Australia's Aboriginal people.





Current Engagement in the NSW Workforce

Participation

54.3% of 15+ in the workforce

An increase from 51.2% in 2006

Compared to 69.5% of non-Indigenous residents of NSW.

Employment

15.3% unemployment

An improvement from 19.3% in 2006.

Compared to 6% of non-Indigenous residents of NSW .

Regional Context

Significant regional differences

33.7% of Aboriginal people in Sydney employed in full time work, compared with 22.9% in the regions.

Aboriginal unemployment in Sydney is 11.3% compared to regional NSW at 18.1%.

Aboriginal participation rate in Sydney is 59.3% compared to regional NSW at 50.3%

Occupation

More likely to be employed in Public Administration, Health and Education.

Less likely to be employed in Finance, the Professions, Wholesale Trade.



Revenue, Assets and Capital

Income

Median equivalised household income \$650-\$799 p.w.

An increase from \$507-759 in 2006

Compared to \$1000-1249 for non-Indigenous residents of NSW.

Home Ownership

41.7% home ownership.

Compared to 65.3% for non-Indigenous residents of NSW.

29.2% of renters in housing authority housing, compared to 11.6% of non-Indigenous residents.

Self Employment

10.2% of employed Indigenous people are self employed

An increase from 5.8% in 2011.

Compared to 15.4% for non-Indigenous Australians

Business

30% increase in Indigenous people in business since 2011

Revenues growing at 12.5% per annum.

Supply Nation businesses reported \$1.15 billion in revenue in 2014-15.



Other Useful Data Sources

Aboriginal Affairs NSW Research

<https://www.aboriginalaffairs.nsw.gov.au/new-knowledge>

Australian Government Indigenous Clearinghouse

<https://www.aihw.gov.au/reports-statistics/population-groups/indigenous-australians/overview>

Centre for Aboriginal Economic Policy Research

<http://caepr.cass.anu.edu.au/>

Harvard Project on American Indian Economic Development

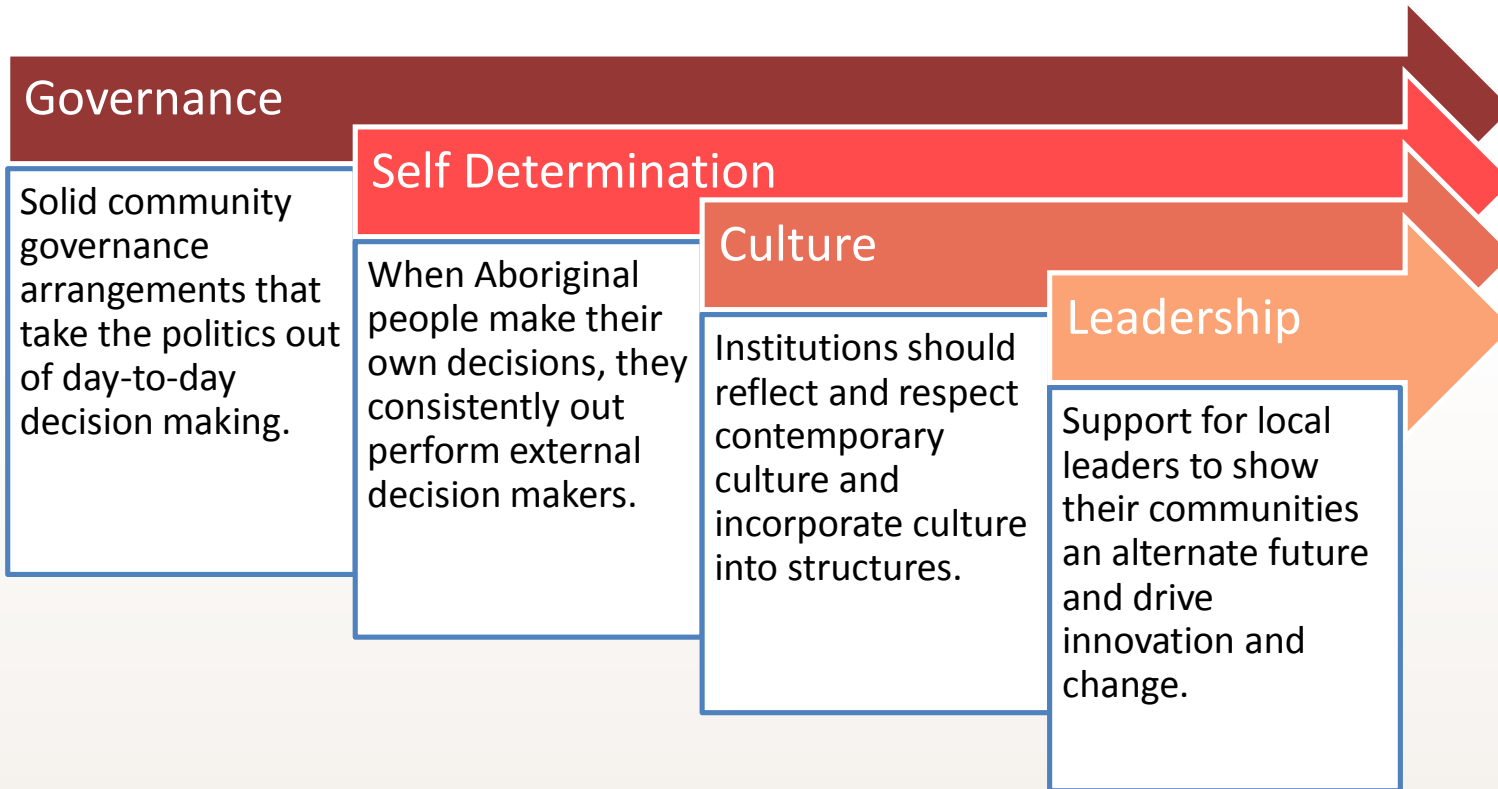
<https://hpaied.org/>



What works?



Research Demonstrates How Economic Development Can Occur





Positive Narratives Based on Strengths, Not Disadvantage

Current dialogues of disadvantage and deficit help generate a disempowering culture of failure and reinforce race-based stereotypes.



“Closing the Gap”, “Overcoming Indigenous Disadvantage”, “Emergency Response” are all examples of a dialogue starting from a deficit perspective.



Emerging research suggests that adopting strengths based approaches and language could contribute to breaking down stereo-types and improve outcomes.



That is not to say we should ignore current outcomes, but that we can address them through a positive narrative focused on opportunity and aspiration instead of deficit and disadvantage.



Current Initiatives



Existing Initiatives That Could Align to a Social Investment

Aboriginal Procurement Policies

- Recent changes to Aboriginal Procurement Policies have adopted aspirational targets for NSW Government procurement from Aboriginal owned businesses. Supply side constraints have been identified as a risk to achieving the targets. Initiatives that help incubate small Aboriginal businesses and start ups, or help small businesses grow to medium size could be an area of interest.

Aboriginal Land Agreements

- The NSW Government is working with a number of Local Aboriginal Land Councils to resolve outstanding land claims under the NSW Aboriginal Land Rights Act. There could be opportunities for Land Councils to partner with the private sector to develop strategies to unlock the economic potential of land gained through the land agreement process.

Local Decision Making and Agreement Making

- A number of Aboriginal regional governance structures have emerged in recent years to drive community priorities and work with governments to help realise community aspirations. Initiatives such as Local Decision Making and Solution Brokerage see government making formal agreements with these bodies. Opportunities to help build the capacity and capability of these structures should lead to improved economic outcomes.



SII development guidance

Presenter: Katie Feeney

Director, Office of Social Impact Investment





Capacity Building

OSII will provide a range of opportunities and resources to support proponents

Training

- OSII will host
 - capacity building sessions
 - financial modelling training
 - online modules



Technical guide

- Guide and supporting factsheets to develop a rigorous measurement framework and financial basis

Financial model template

- Supports proponents to assess the feasibility of their proposed social impact investment



Co-development pilot

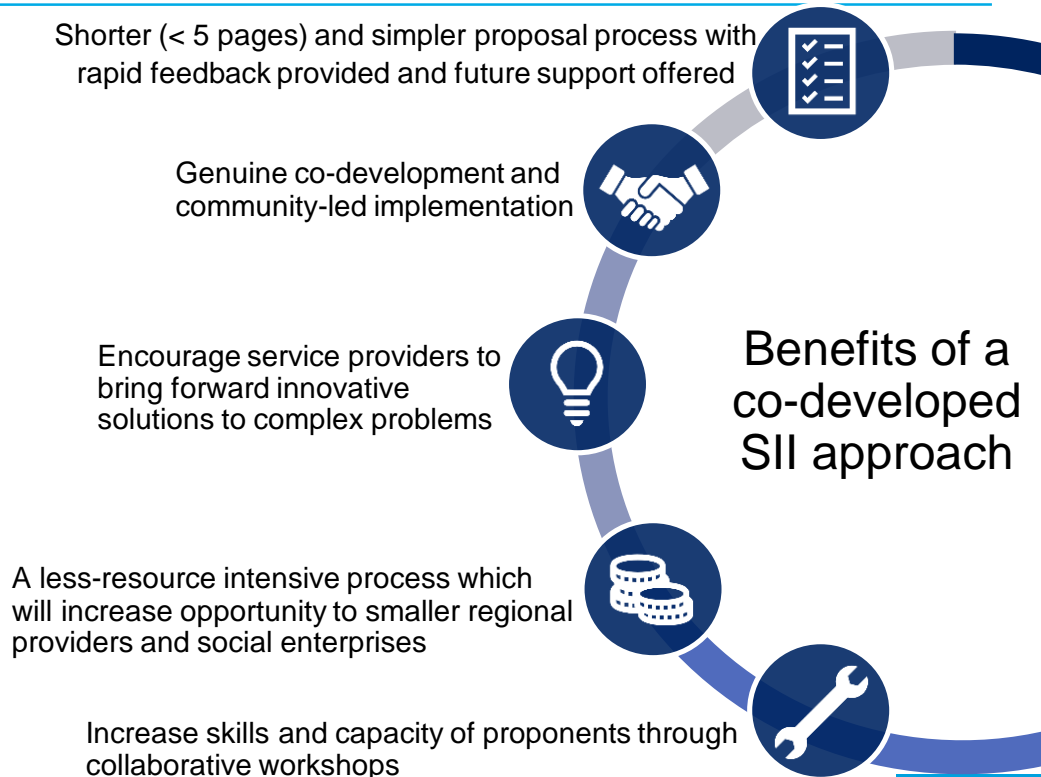
- OSII is trialling a co-design approach to SII development which will see OSII and agencies working closely with proponents to design all proposal elements

Co-development of SII

An opportunity for proposals to be designed collaboratively with OSII

OSII is trialling a new streamlined co-development approach to SII proposals. The process will allow proposals to be tested, designed and progressed collaboratively with OSII and the relevant agency before joint development phase.

This process will be used to progress the Aboriginal Economic Development SII which will ensure the investment is community-led.





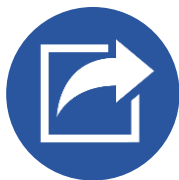
Co-development of SII

A five-stage gated approach will progress viable proposals to the joint development phase



Stage 1:
Pre-submission stage

Proponents develop capacity for SII through accessing online modules, SII workshops and informal meetings with OSII



Stage 2:
Initial concept review stage

Proponents submit 5-page proposal, including background information and summary of proposal



Stage 3:
Development of initial concept

Shortlisted proponents enter co-development sessions with OSII which includes regular workshops to develop the proposal



Stage 4:
Evaluation of detailed proposal

Government assesses detailed proposal



Stage 5:
Joint Development Phase

Proponent formally enters Joint Development Phase with agency to finalise proposal



Next steps





Useful reading

A number of resources are available on the OSII website

- [Previous RFP Documents](#)
- [Lessons Learnt from previous RFP](#)
- [Sample Legal Documentation including Joint Development Agreement](#)
- [SII FAQs](#)
- [SBB Case Studies](#)



Q & A

Panel:

- Ben Gales, Executive Director Economic Strategy, NSW Treasury
- Haylene Grogan, Director Policy and Reform Aboriginal Affairs NSW
- Karl Eaves, Director Community Partnerships Aboriginal Affairs NSW
- Katie Feeney, Director, Office of Social Impact Investment



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