Social Enterprise Development & Investment Funds (SEDIF)

Evaluation Report

CENTRE for SOCIAL IMPACT
SWINBURNE UNIVERSITY OF TECHNOLOGY
UNSW AUSTRALIA
SPRC Social Policy Research Centre

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List of Acronyms and Abbreviations

CFF-SE	Community Finance Fund – Social Enterprise
CSI	Centre for Social Impact
DEEWR	Australian Government Department of Education, Employment and Workplace Relations
Department	Australian Government Department of Employment
ESSEF	Early Stage Social Finance Fund
FASES	Finding Australia's Social Enterprise Sector
Foresters	Foresters Community Finance
SEDIF	Social Enterprise Development and Investment Funds
SEF	West Australian Government Social Enterprise Fund
SEFA	Social Enterprise Finance Australia
SEFF	Social Enterprise Finance Fund
SIA	Social Investment Australia
SIF	Social Impact Fund
SPRC	Social Policy Research Centre
SVA	Social Ventures Australia

Acknowledgement

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Evaluation team

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1.0 Executive summary

This report presents the findings of an evaluation of the Social Enterprise Development and Investment Funds (SEDIF) program of the Australian Government Department of Employment, over the period August 2011-June 2016. SEDIF was announced in 2010 and established in 2011, with the objectives of:

1. Providing a catalyst for market development
2. Testing capacity for and existing barriers to social impact investment and access to capital for social enterprises
3. Building capacity for social enterprises
4. Targeting investment in priority areas for impact.

SEDIF's long term objectives were to:

- Support development of infrastructure to build a marketplace for social impact investment
- Support innovative product development
- Attract longer-term investment in priority areas for impact (DEEWR, 2013*b*).

The evaluation took a program logic approach that examined the direct and indirect effects of SEDIF at micro (organisational), meso (social enterprise field) and macro (policy and national institutional) levels. The evaluation utilised mixed methods, drawing on original data from interviews with 48 stakeholders, combined with secondary analysis of: publicly available material on SEDIF, including fund managers' annual reports and policy and media documents; existing monitoring data and background documents held by the Department of Employment; existing research data from the Finding Australia's Social Enterprise Sector 2016 (FASES) held by CSI Swinburne; and archival material on policy debates drawn from Hansard.

The evaluation finds that SEDIF has been a program innovation, mobilising more than 124% of its original public investment in private finance to support public policy objectives. The evaluation finds that SEDIF has been a significant catalyst of the impact investment market in Australia, making a demonstrable contribution to growth in this field (Objective One). SEDIF has had strong direct effects on capacity building and scaling social impacts for 64 SEDIF financed social enterprises, modest indirect effects on developing capacity of 424 social enterprises both financed and declined finance by SEDIF fund managers, and a weak effect on growing and developing the impacts of the social enterprise field (Objective Three). Evaluation findings suggest that impact investors need to reassess how they evaluate investable opportunities and financial products and that the market for investable social enterprises needs to be further developed alongside ecosystem development (Objective Two). While there are limitations to retrospective evaluation in assessing and attributing the social impacts of the program, available data suggest that program investments contributed to positive social outcomes for 9051 people, including employment or employment readiness for more than 650 people. Although there is evidence of investment in priority areas established at the outset of the program, emerging needs and the nature of investment opportunities largely guided funds disbursement (Objective Four).

Like all innovations, one of the major opportunities of SEDIF is improvement through learning. While SEDIF has played a significant role in catalysing impact investing in Australia, it has had a more muted effect on scaling the activity and impacts of the social enterprise field. Uncoupling impact investing and social enterprise development objectives in future policy approaches is likely to enhance potential for positive impacts in each of these domains. The evaluation also illuminates the importance of flexibility in designing and implementing program innovations.

Recommendations arising from the evaluation include those related to social enterprise development, those related to advancing impact investing and those related to evaluating future funding.

Social Enterprise Development:

1. The evaluation findings suggest that, if the impacts of the social enterprise field are to be increased, it is important that new social enterprises can enter the field and existing social enterprises have opportunities to appropriately scale their impacts. It is recommended that future investments in social enterprise development should include business capability development (inclusive of but not confined to financial capability).
2. That future policy initiatives in social enterprise development take into account the need to grow the development ecosystem by funding specialist social enterprise development intermediaries, which were identified by (SEDIF financed and non-SEDIF financed) social enterprises and SEDIF fund managers as central to effectively developing the field.
3. Building on the most consistently suggested developmental approach raised in the evaluation, it is recommended that future policy initiatives support social enterprise development through market stimulation, by extending current commitments to Indigenous procurement to include social procurement from social enterprises.
4. Responding to a lack of coordinated voice and information access for social enterprise identified in the evaluation and other national research, it is recommended that work be done with social enterprise field leaders, other levels of government, and philanthropy to assess the need for establishing a national representative body that supports industry development and industry-government relations in the social enterprise field.
5. Based on the experiences of social enterprises interviewed in the evaluation and the observations of specialist development intermediaries, including but not limited to SEDIF fund managers, it is recommended that any future initiatives targeted at increasing social enterprises' access to finance include a breadth of social finance options – particularly grant finance, patient capital, and early-stage risk capital.
6. That future policy initiatives recognise the role of social enterprises in generating employment and providing employment pathways for people disadvantaged in the labour market.

Impact Investing:

7. Based on learnings from the evaluation about both the appropriateness of impact investing for social purpose providers and the challenges of matching priority investments with organisational capability, it is recommended that future policy initiatives in impact investment identify priority areas for impact investing based on potential for high value social impact and taking into account investment readiness of potential providers.
8. That future initiatives in impact investment respond to suggestions from SEDIF fund managers, co-investors and other impact investors to consider and redress regulatory barriers preventing further use of latent and untapped capital (e.g. Superannuation Funds) and the capability of a range of providers to facilitate additional capital for impact investing purposes.
9. That future initiatives in impact investment explore impact investment products and approaches beyond debt finance to social enterprises (e.g. social impact bonds, guarantees and social innovation funds that might address different social issues through a variety of providers).
10. That future policy developments give consideration to the suggestion raised by multiple interviewees, including some SEDIF co-investors and impact investment specialists, to establish a wholesale impact investment fund to support scalability of impact investing in Australia. Given the mixed results of SEDIF in generating field level impacts, it is recommended that any developments of this nature be conditional on establishing the purpose of such funds, and a quality outcomes measurement system to ensure the sector can effectively measure and demonstrate its impacts.

Evaluation and reporting:

11. That any future funding for social enterprise programs that seek to generate social impact include: evaluation and impact measurement from the program design stage; baseline data; build evaluation costs to providers into funding; and mandate consistent and program-logic relevant reporting frameworks for financial and social impact data.

2.0 Introduction

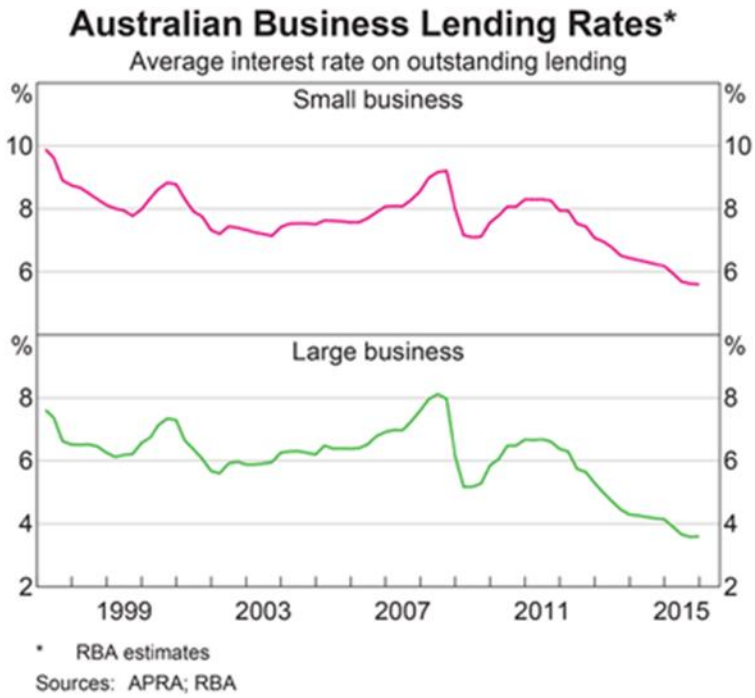
This report presents the findings of an evaluation of the Social Enterprise Development and Investment Funds (SEDIF) program of the Australian Government Department of Employment. The evaluation was conducted between February and June 2016 by the Centre for Social Impact (CSI) and the Social Policy Research Centre (SPRC). The evaluation sought to understand both the processes and outcomes of SEDIF since its establishment in August 2011.

3.0 Background and context

On July 13, 2010, the then Parliamentary Secretary for Social Inclusion and the Voluntary Sector, Senator the Honourable Ursula Stephens, announced the federal government's intention to establish SEDIF. Described as "an entirely new approach to providing financial support for the start-up and expansion of social enterprises in Australia", SEDIF was intended to generate "new partnerships between the finance, social and corporate sectors, as well as creating an independent financing mechanism for the start-up and expansion of social enterprises" (Stephens, 2010, p.1). SEDIF was formally established in August 2011.

Since SEDIF's establishment, we have seen growth in social enterprise and impact investing markets both locally and around the world. The estimated market potential of social impact investment in Australia to 2024 is $32 billion (Charlton et al., 2014). International developments, such as the establishment of the Social Impact Investment Taskforce in 2013, have provided stimulus for public discussion and new product development to support impact investing (Charlton et al., 2014) and the growth of social enterprise commercial capability. Domestically during this period, we have seen the emergence of new specialist intermediaries – such as The Difference Incubator, Impact Academy and One10 – in support of developing and accelerating social enterprises, as well as the establishment of a national social enterprise awards program. Impact investing has its own intermediary support, with the establishment of Impact Investing Australia in 2014. Traditional philanthropy, including the Lord Mayor's Charitable Foundation and mainstream financiers, such as National Australia Bank, have begun developing impact investing strategies. We have also seen the emergence of new impact investing business models and funds, and emergent products, such as grant/loan mixes and social impact bonds.

The macro-economic context for SEDIF during the period under evaluation has seen the Australian economy undergoing shifts away from the peak in the resource sector 'mining boom' to moderate economic growth outside of the resources sector. This growth, however, has not been uniform across the country or across industries with a significant downturn in commodity prices. This period also saw a more cautious household attitude to finance, with a gradual pick-up in consumer confidence. Dwelling construction and property prices have also increased toward the latter part of this period. Interest rates have been at multi-decade lows, with the figure below highlighting the downward overall trend in the average interest rate on outstanding lending to business. While the overall labour market picture has been below trend, with subdued wage growth, unemployment fell unexpectedly in 2015 before rising in 2016. The exchange rate value of the Australian dollar also fell. During this period there has been uncertainty in the global economy, with significant restructuring following the Global Financial Crisis and a slowing Chinese economy.



Source http://www.rba.gov.au/chart-pack/interest-rates.html

4.0 About SEDIF

The Social Enterprise Development and Investment Funds (SEDIF) is a social impact investment initiative announced in 2010 and implemented through the then Australian Government Department of Education, Employment and Workplace Relations (DEEWR). Influenced by government initiatives in the UK and the US, SEDIF's genesis was, in part, derived from the 2010 Productivity Commission Research Report that noted difficulties faced by not-for-profits in accessing capital resources. The impact investment market in Australia was nascent at the time and it was identified that potential existed for a modest investment by government to produce growth in social enterprise activity[1] through this aspect of social finance.

[111] While it is noted in the "Social Enterprise Development and Investment Funds: Program Guidelines" released in December 2010 that there is no commonly accepted definition of social enterprises, the initial definition used by the Department for SEDIF was aligned to the FASES 2010 definition: "Social enterprises are led by an economic, social, cultural or environmental mission consistent with a public or community benefit; trade to fulfil their mission; derive a substantial portion of their income from trade; and reinvest the majority of their profits/surplus in the fulfilment of their mission (DEEWR, 2010, pg. 4)." Flexibility in operationalising definitions of social enterprise by fund managers has been allowed under the program.

In 2010, the Government allocated $20 million dollars in the form of a non-refundable grant to seed the establishment of investment funds. (This money was drawn from the existing $650 million Jobs Fund, a grants programme targeting skill development and job creation through community, environmental and social infrastructure projects.) SEDIF funds were specifically for investment in social enterprises, with the broader aim of stimulating the social impact investment market in Australia (DEEWR, 2013*a*). SEDIF's principal objective was to establish two or more investment funds. Short term objectives included:

- Provide a catalyst for market development
- Test capacity for and existing barriers to social impact investment and access to capital for social enterprises
- Capacity building for social enterprises
- Target investment in priority areas for impact.

SEDIF's long term objectives were to:

- Support development of infrastructure to build a marketplace for social impact investment
- Support innovative product development
- Attract longer-term investment in priority areas for impact (DEEWR, 2013*b*).

In articulating the conceptual focus underpinning the Initiative, according to *SEDIF: Lessons from the implementation process*:

> *The SEDIF Initiative was intentionally designed to utilise investment funds as a mechanism to target sustainable support and finance for social enterprises to grow and develop. The funds were not designed to provide start-up or 'seed' funding [for social enterprises], but to provide later stage finance for organisations that have already been through that early phase of developing their operating model. The fund mechanism was selected because it offered the opportunity to: pool financial resources from multiple investors with different appetites for risk and return through a familiar structure for Government and other investors; target capital to social enterprises and recycle the capital through many enterprises over time; create a demonstration effect that forges a new path for government involvement in impact investment and introduces a range of investors to the social enterprise sector; and harness the skills and market-focus of experienced fund managers to guide investment decisions and further growth" (DEEWR, 2013a, p. 5).*

The program logic developed by DEEWR is provided in Appendix One. It should be noted that, as the initiative's implementation progressed, funding for early start social enterprises became a minor and originally unplanned feature of SEDIF, reflecting social enterprise and investor demand. A very small proportion of the overall funds was thus redirected to start up development. Figure One summarises the theory of change underpinning SEDIF. This was developed by the evaluation team based on historical SEDIF documentation including the program logic, with input from the Department of Employment.

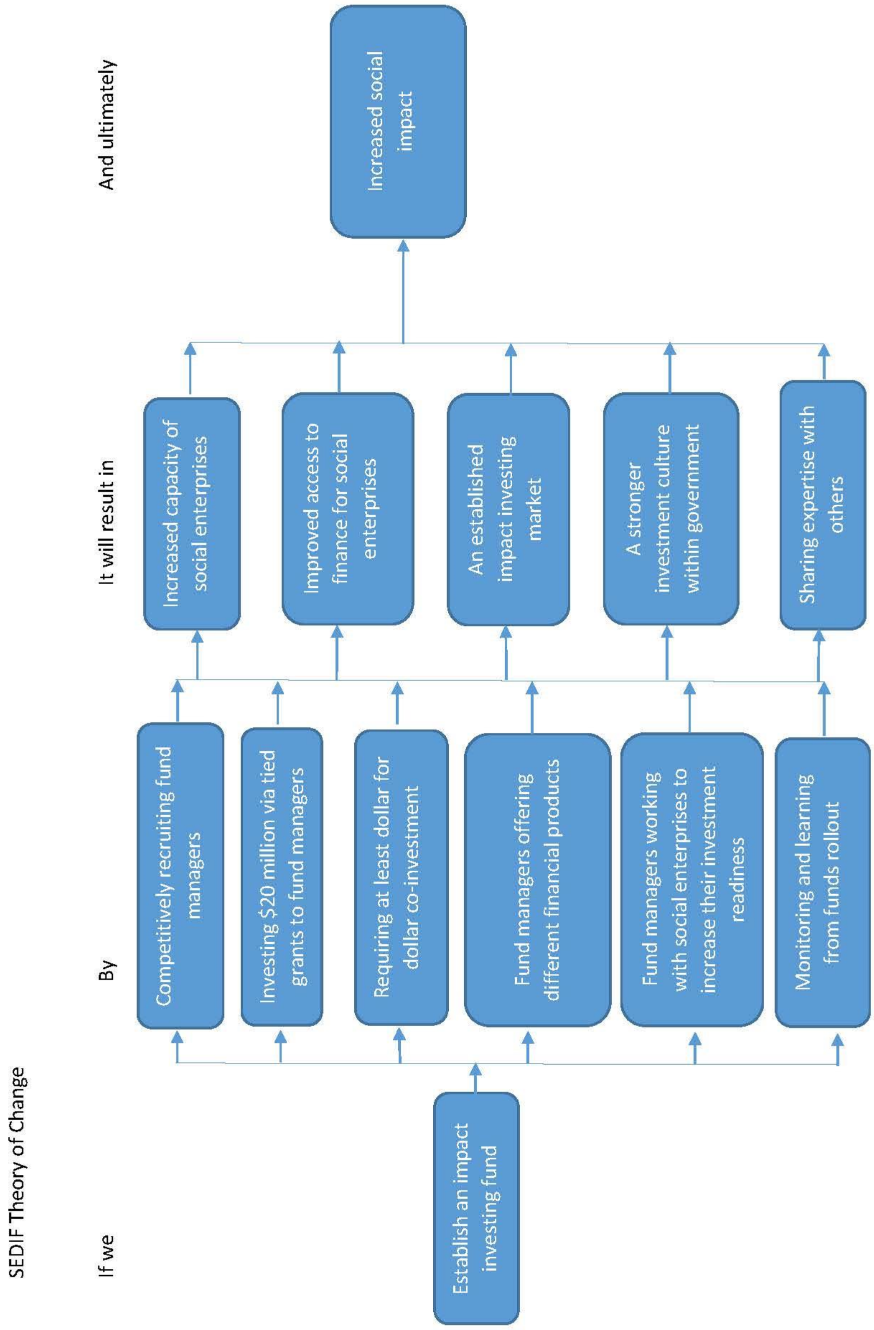


Figure 1: SEDIF Theory of Change

4.1 Program implementation

SEDIF policy design drew upon desk review of developments in international jurisdictions, conversations with international experts, consultancy services providing specialist assistance, and the establishment of an inter-departmental committee and an expert Advisory Committee. Following this initial policy design work, a consultation paper was distributed to a range of stakeholders, including relevant agencies of state and local government, social enterprise development intermediaries, research centres, not-for-profits, and philanthropic foundations. This consultation period led to further refinement of the program design. As part of the design process, the SEDIF project team met with Departmental legal advisers and the early engagement of the legal branch was considered to be an aspect of what worked well.

> *"The decision to engage with DEEWR's legal branch early in the process was also important as it provided the opportunity for the legal team to become familiar with social investment, a relatively new area given that DEEWR had not established an investment fund initiative of this type before. Ensuring the legal officers had adequate time to develop their understanding, rather than waiting until the initiative's Guidelines were developed, helped to expedite later stages of the assessment and negotiation process" (DEEWR, 2013a, pg. 14).*

SEDIF fund managers were recruited via an open two-stage request for tender process. In August 2011 the Australian Government announced Foresters Community Finance and Social Enterprise Finance Australia as the successful first round applicants. A second streamlined selection process led to the choice of Social Ventures Australia in June 2012 as a third fund manager. The following table summarises the commencement dates and terms of the Funding Agreements with the total for private investment and total funding as calculated by the Department during the SEDIF Funding Agreement period:[2]

Table 1: Funding agreement information

Fund Manager	Grant	Private Investment	Total Funding	Funding Agreement commenced	Funding Agreement Term
Social Enterprise Finance Australia (SEFA)	$10m	$10m	$20m	27/07/2011	5 years
Foresters Community Finance (Foresters)	$6m	$6.2m	$12.2m	4/07/2011	5 years
Social Ventures Australia (SVA)	$4m	$4.9m	$8.9m	17/05/2012	3 years

[2] Provided by the Department in email correspondence with the evaluation team.

The policy design of SEDIF established an arm's length role for government, with SEDIF fund managers operating independently. Each of the fund managers has different organisational characteristics, offer different SEDIF products, and have focused on different priority areas of investment. Details of the fund managers are provided in Appendix Two.

5.0 Evaluation approach

The evaluation was guided by the program logic developed by DEEWR, and sought to test the program's theory of change which was developed by the evaluators in consultation with the Department.

The evaluation included both process and outcomes analysis of the program's effectiveness in:

- improving access to finance and support for social enterprises to help them grow their business, and by doing so, increase their impact in Australian communities; and
- catalysing the development of the broader impact investment market in Australia – that is, the market for investments that intentionally deliver both positive social, cultural and/or environmental outcomes and some measure of financial return.

Given that SEDIF was formed with a goal of increasing social enterprise impacts and growing the impact investment market in Australia, we examined both direct and indirect impacts of SEDIF on the social enterprise and impact investing fields through a systems approach. A systems approach recognises that growing the impact investment market and social enterprise participation in it, involves developing the wider eco-system for take-up and use of impact investing. This requires influence on practice at macro (public policy and regulation), meso (impact investing intermediaries and investors), and micro (individual social enterprises) levels. The ecosystem metaphor also recognises interdependence between levels and that non-financial factors – such as organisational capacity, corporate and political governance arrangements, regulatory constraints, the public legitimacy of an emerging field, and prevailing business cultures – are likely to affect market development as much as the availability of capital and suitability of financial products.

The systems approach to evaluation informed: sources of data used; sample selection; types of interview questions asked; and the analysis of evidence collected. Figure Two summarises the approach:

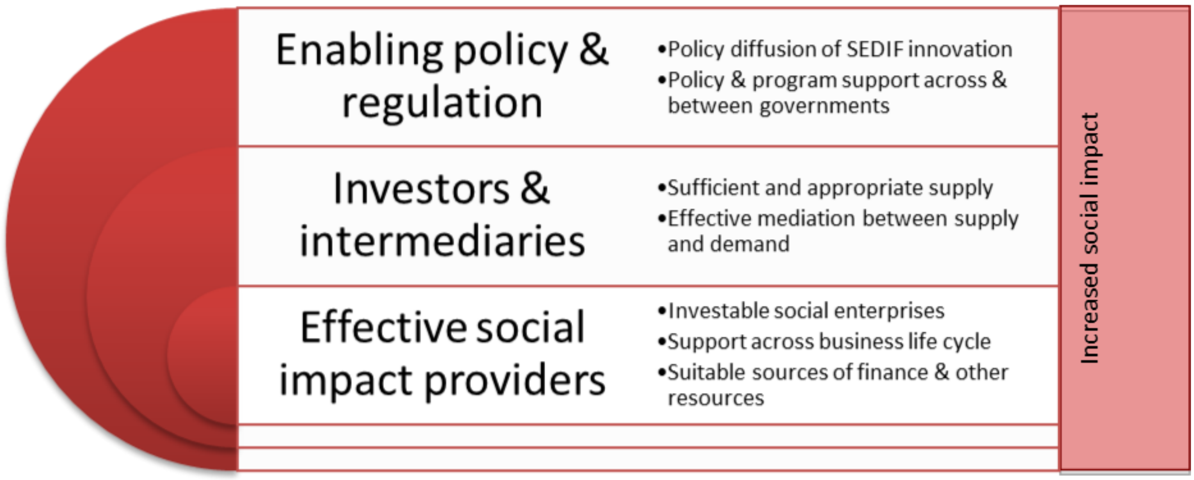


Figure 2: Systems Approach to SEDIF Evaluation

Our approach is also informed by the principle of materiality (that is, collecting and reporting only what is material to the evaluation) and sought to make efficient use of data to which the Department and the evaluation team had access (detailed in Methodology and Appendix Three).

In keeping with SEDIF's program logic, the primary evaluation questions were:

1. To what extent has SEDIF provided a catalyst for market development?
2. How has SEDIF tested capacity for and existing barriers to impact investment and access to capital for social enterprises?
3. How and to what extent has SEDIF enabled capacity building for social enterprises?
4. How has SEDIF targeted investment in priority areas for impact, as determined by fund managers?

The evaluation also explored the factors that constrained access to capital for social enterprises, the ways in which SEDIF enabled mobilisation of additional capital in priority areas of impact, and whether and how SEDIF stimulated innovation in impact investing and other social finance products.

5.1 Methodology

The evaluation methodology was based on a mixed-methods approach. Data to address the core evaluation questions were derived from both primary and secondary sources. Following ethics approval by both UNSW and Swinburne (participating universities of the evaluation team), research commenced in March 2016. The team reviewed publicly available material on SEDIF, including fund managers' Annual Reports and policy and media documents, accessed existing monitoring data and background documents held by the Department, and utilised existing research data from the Finding Australia's Social Enterprise Sector 2016 (FASES) held by CSI Swinburne. In addition, the team conducted 33 individual interviews with a range of SEDIF stakeholders and four group interviews with staff at the Department and the three fund managers. The total number of interviewees was 48. These semi-structured interviews provided an understanding of stakeholders' experiences of SEDIF, their perceptions of its effectiveness and influence, and lessons learned. The interview sample was purposively identified in order to elicit diverse perspectives and experiences of SEDIF. It included impact investors and social enterprises with a direct involvement with SEDIF, and social enterprises, social enterprise intermediaries and impact investors not directly involved with SEDIF. The sample also included government staff involved with the delivery of SEDIF and government staff involved in impact investing activities in different jurisdictions. In order to capture full learnings of SEDIF, the sample included current and former staff and directors of fund managers and former Department staff. Table Two summarises the sample:

Table 2: Overview of interview sample groups and number of interviews

Sample group	Interview type	Number of interviews	Number of interviewees
Current Department of Employment staff	Group	1	6
Current SEDIF fund management service staff (Foresters, SVA, SEFA)	Group	3	8
Current SEDIF fund management CEOs	Individual	3	3
Current SEDIF fund directors	Individual	3	3
Co-investors in SEDIF	Individual	3	3
Social enterprises* that were unsuccessful in securing SEDIF funds	Individual	4	4
Social enterprises that were eligible but declined SEDIF funds	Individual	1	1
Social enterprises that were successful in securing SEDIF funds	Individual	6	6
Social enterprise and impact investing intermediaries	Individual	4	4
Impact investors/brokers working outside SEDIF in Australia	Individual/Group	2	3
Former Department and Funds Manager staff centrally involved in SEDIF implementation	Individual	4	4
Academic SEDIF impact evaluators and advisors	Individual	2	2
State government staff leading current or past impact investment initiatives	Individual	1	1
Total		**37**	**48**

**Some social enterprises were successful in accessing SEDIF funds from one fund manager but not from another.*

Data analysis included: descriptive statistical analysis of SEDIF loan and investment trends; descriptive analysis of financial performance of fund managers; thematic and/or content analysis of documentary, interview and focus group data. Findings from different data sources were triangulated to identify commonalities in experience and performance, and to test and, where possible, verify evaluation participants' experiences of SEDIF.

A more detailed account of methodology is presented in Appendix Three, with the interview schedules provided in Appendices Four and Five. Media analysis is in Appendix Six and findings from the Hansard search of policy documents is in Appendix Seven.

6.0 Evaluation findings

The evaluation findings are organised to address the program logic of SEDIF and the evaluation questions, taking into account our systems-based and mixed methods approach. The first section of the findings overviews the lending and investing activity of SEDIF. Subsequent sections address each of the evaluation questions in turn. Data sources are integrated and compared throughout, to test accounts and verify findings where possible.

6.1 Overview of SEDIF funds disbursements during evaluation period

As of 31 March 2016,[3] Foresters received 884 enquiries and 209 applications of which 50 were successful which represents a 24% conversion rate. Neither SVA or SEFA record the use of a formal application, instead calculating where due diligence has been carried out. For SEFA, a total of 679 enquiries were received, 105 instances of due diligence provided, and 20 loans[4] disbursed which represents a conversion rate of 19%. SVA had 286 enquiries, 110 instances of due diligence and 11 loans approved (two awaiting disbursement),[5] which represents a conversion rate of 10%. This conversion rate is based on the number of funds disbursed. All fund managers approved funding where, for various reasons, the organisation chose not to take up the capital. For example, SEFA in their SEDIF Annual Report 2015 note that reasons can include a client withdrawing or taking up alternative finance including receiving bank finance or grant money.

[3] These conversion rates are based on email communication between the evaluation team and the fund managers.

[4] It should be noted that the majority of financial products took the form of loans to social enterprises and hence this terminology was used in the email correspondence regarding conversion rates. According to the SEDIF loan register, as of end March 2016, investment types were classified as: 61 loans, 2 facility investments, 4 loan and standby facility investments, 1 managed and investment fund, 4 split loans, 1 equity, 1 debt, 4 construction loans, and 2 business development investments.

[5] For the purposes of the analysis of funds dispersed by fund managers in the tables that follow, we will use the figure of 9 investments for SVA which reflects the SEDIF loan register information as of end March 2016. This figure does not include two capacity building grants.

There are no reliable data on loan conversion or acceptance rates for social enterprises with mainstream lenders. Given that small to medium enterprises and social enterprises experience some common issues – for example, information asymmetries and limited credit histories – in accessing debt finance (Barraket, Barth and Mason, 2015), loan acceptance rates of SMEs may be cautiously used as a benchmark. SEDIF conversion rates are considerably lower than the 80% loan acceptance rate of SMEs by mainstream lenders (Commonwealth of Australia, 2014), although this figure does not account for loan offers not taken up by businesses.

Based on the loan register (complete as of 31 March 2016), the following tables present information on disbursements by fund manager.

Table 3: Funds disbursed by fund manager

	Number	Average	Standard Deviation	Minimum	Maximum	Median	Total disbursed[6]
Foresters	50	$152,386	$183,438	$10,000	$732,515	$80,000	$7,619,314
SEFA	21	$411,050	$359,476	$50,000	$1,525,000	$376,000	$8,632,040
SVA	9	$555,444	$416,113	$100,000	$1,250,000	$450,000	$4,999,000

The average interest rate of funds was 9.86%,[7] and ranged from 5.40% to 17.00%. The most frequently reported term was 5 years, and terms ranged from 12 months to 15 years. There was a diverse range of conditions which included: principal and interest, and interest only loans; variable, fixed and combined variable and fixed loans; interest capitalised; secured and unsecured loans; and introductory interest rates.

As this table indicates, Foresters approved the most deals, but they were relatively small in size. SEFA distributed the most capital but with far fewer number of disbursements. Deal types reflect the different investment purposes of fund managers (see Appendix Two).

Across all fund managers, there were three loan defaults, one per fund manager. If based on a total of 80 investments, this represents 4% of funds disbursed. Data provided for the evaluation did not stipulate quantifiable risk tolerance of fund managers. According to one fund manager, there was no stated risk tolerance figure in any official documentation. It is challenging to benchmark this result as risk tolerance in social finance depends on the credit culture of individual lenders and the social purposes of lending and related risk-return considerations. Each default was handled differently. In one instance, following the voluntary administration and liquidation of the organisation, the property used as collateral was sold and the Australian Government-allocated SEDIF funds covered the remainder of the defaulted amount.

[6] If comparing to the total fund amount as provided in Table One (with the caveat that capital was also used for management and associated costs), the capital raised by Foresters Community Finance was $12.2 million, SEFA was $20 million, and SVA was $8.9 million.

[7] This is the average interest rate calculated based on the interest rate specified in the loan register and does not take into account the type of loan or the investment amount.

There was a common view across all groups interviewed that SEDIF had been slower to disburse funds than was originally expected. This is confirmed by the funds disbursement data, which indicate relatively limited funds disbursement in the first year of SEDIF operations and a total of 80 deals executed throughout the program implementation period evaluated.

Table 4: Funds disbursed according to calendar year

Year	Number	Average	Standard Deviation	Minimum	Maximum	Median	Total disbursed
2012	7	$440,788	$367,274	$35,000	$1,000,000	$450,000	$3,085,515
2013	15	$186,933	$202,780	$30,000	$675,000	$110,000	$2,804,000
2014	35	$218,984	$235,318	$20,000	$800,000	$103,900	$7,664,454
2015	20	$347,019	$436,966	$10,000	$1,525,000	$141,125	$6,940,385
2016[8]	3	$252,000	$153,727	$80,000	$376,000	$300,000	$756,000

The busiest year in respect of funds being disbursed was 2014, and the least active 2012; the latter reflects pipeline development at the outset of program implementation. The following figure illustrates that the peak for Foresters was in 2014 and for SEFA this was in 2015. Funds disbursement activity follows a similar decline in disbursements across SVA and Foresters for 2015 and 2016 (up to end March 2016 reflecting only a few months' activity). SEFA, however, shows an increase in 2015.

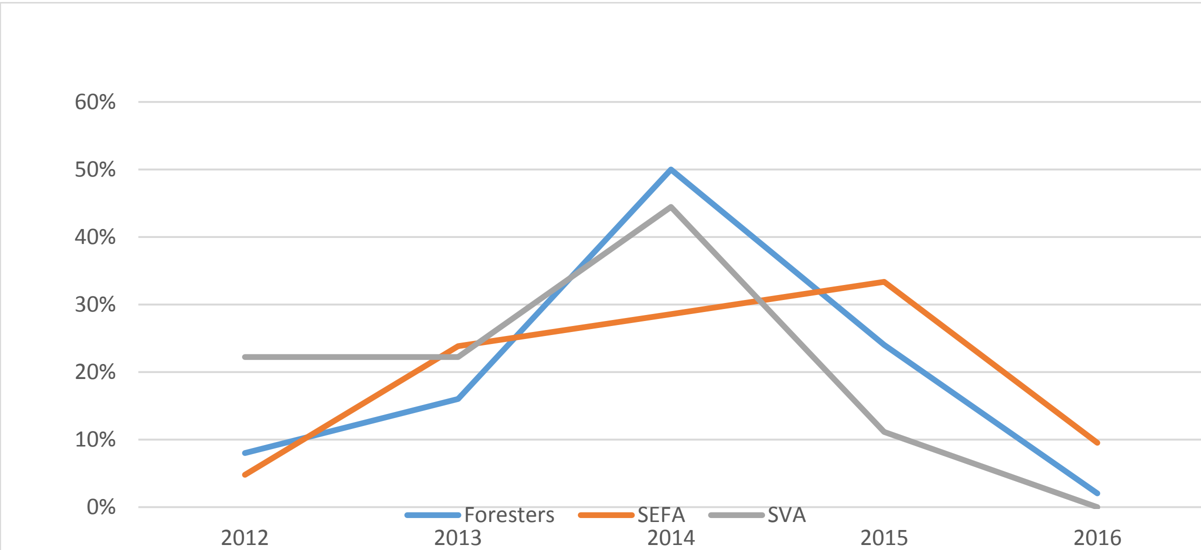


Figure 3: Percentage of deals per fund manager by calendar year[9]

Reasons cited by fund manager staff and directors for the slower than expected funds disbursement included:

[8] Up to end March 2016.
[9] Up to end March 2016.

- Lack of investable social enterprises and greater than expected investment of time and money in pipeline development and loan conversion as a consequence;
- Business development requirements of funds managers, with one commencing SEDIF as a start-up provider and another scaling significantly as a result of its SEDIF contract; and
- An historically low interest rate environment, resulting in competitive terms for debt finance from mainstream lenders.

6.2 Overview of funds' financial performance

The financial performance of the SEDIF funds was well documented in the annual reviews prepared by the fund managers. As noted in the table below, Foresters Community Finance had three funds under SEDIF and SVA and SEFA operated one fund (see Appendix Two for additional detail).

Table 5: Fund Overview

Foresters Community Finance:

Fund(s) Name	Community Finance Fund – Social Enterprises (CFF-SE) Social Enterprise Finance Fund (SEFF) Early Stage Social Finance Fund (ESSEF) *(established in 2013 and merged with SEFF in 2015)*
Financial product(s)	Social finance loans
Instrument	Unit trust
Funder	Australian Government
Investors since inception	Christian Super; private investors
Capital raised as of June 2016[10]	\$6 million from SEDIF grant \$6 million from Christian Super \$0.5 million from private investors

Social Enterprise Finance Australia:

Fund(s) Name	SEFA Loan Fund
Financial product(s)	Social finance loans
Instrument	Trust sourced from equity investment and debt
Funder	Australian Government
Investors since inception	Community Sector Banking; NSW Aboriginal Land Council; Triodos Bank; private investors
Capital raised as of June 2016[11]	\$10 million from SEDIF grant \$4 million bank facility \$6.4 million private investment \$3 million facility from the Lord Mayor's Charitable Foundation

Social Ventures Australia:

Fund(s) Name	Social Impact Fund
Financial product(s)	Social finance loans and equity finance
Instrument	Unit Trust
Funder	Australian Government
Investors since inception	37 investors including high net worth individuals, family trusts, private ancillary funds and institutional investor
Capital raised as of June 2016[12]	\$4 million from SEDIF grant \$5 million private investment

Documentation on the overall financial performance of the organisations is outside of the scope of this evaluation. Financial statements of the five funds, as of end June 2015 (audited in most cases), indicate the following:[13]

[10] This financial information was obtained by email correspondence in developing Appendix Two in consultation with the fund managers. FCF's Funding Agreement with the Commonwealth ends in July 2016.
[11] This financial information was obtained by email correspondence in developing Appendix Two in consultation with the fund managers. SEFA's Funding Agreement with the Commonwealth ends in July 2016.
[12] This financial information was obtained by email correspondence in developing Appendix Two in consultation with the fund managers. SVA's Funding Agreement with the Commonwealth ended in May 2015, but the agreement ensures that SVA's SEDIF funds operate until May 2017.

Foresters' SEFF improved its revenues on the asset base substantially; however, this was attributable to the decline in their asset base (5.9% gross return on assets in 2012 to 14.47% in 2015). Return on issued units fluctuated markedly from 4.1% in 2012 to 7.1% in 2014. 2015 revealed an operating loss, but a distribution was made to all unit holders that reflected a return of 7.1%. However, this return was financed by a reduction in the principal value of the issued units. Rather than viewing this as a return ON issued units, it is a return OF issued units. The issued units value was also reduced directly by the loss in 2015. The asset base of the SEFF in 2015 is a mere 17% of the asset base in 2012. The SEFF had the lowest management fees to revenue of 14% in 2015 compared to the other funds. For SEFF, $1.15 million of the fund came from the SEDIF grant and $0.5 million from private investors.

Foresters' CFF-SE has performed consistently over the period, with a gross return on assets ranging from 4.4% to 5.9% in their initial year. The return to unit holders has also had a similar range of 2.9% to 4.5% in their initial year. Unlike SEFF, where the fund asset base is diminishing, CFF-SE has maintained a consistent asset base and associated issued units. However, the composition of assets has changed significantly, with a greater emphasis on cash and loans receivable in the past two years. In 2012 the CFF-SE asset base was 95% cash, in 2015 cash accounted for approximately 30% of assets, with 20% current loans and 50% non-current loans. This strategy reflects a focus on issuing loans. Management fees for CFF-SE were midrange compared to the other funds, with 29% of revenue being expended as management fees, similar to SVA. The CFF-SE was the largest Foresters fund and included $4.3 million from the SEDIF grant and $6 million from Christian Super.

Foresters' ESSEF operated for 2 years with $300,000 of issued units, in 2014 generating a gross return on assets of 3.8% followed by an operating loss in 2015. The 2015 loss was reflective of the loss in SEFF (both being attributable to impairment expenses). Similar to SEFF, a distribution was made to all unit holders, reflecting return on issued units of 6% (2.8% in 2014) which was financed by a reduction in the principal value of the units.

For Foresters Community Finance overall, $500,000 was granted for operating expenses and set up costs[14]. In addition, a variation on the agreement provided a further $700,000 from the grant funds in 2015. There is $4.8 million in funds remaining across the funds.

The SEFA Loan Fund has improved its gross return on assets from 5% in 2012 to 9.2% in 2015. Whilst both the asset base and revenue have decreased, the proportional decline in assets has been greater than the proportional decline in revenue, giving the fund a higher gross return. Conversely the external borrowings have not changed markedly and the return to debt investors has ranged from 5.2% to 4.3%, approximating market returns for the

[13] There has been significant change over the 2015/2016 financial year which is not captured in this financial analysis given the timing of the evaluation. This includes the merging of Foresters' ESSEF with SEFF in December 2015 and, for SEFA, a $4 million bank facility and $3 million facility from the Lord Mayor's Charitable Foundation. As of June 2016 both Foresters' CFF-SE and SVA's Social Impact Fund are currently closed to new capital.

[14] According to Foresters Community Finance internal calculations, the organisation as a whole incurred a further $3.4 million in operating costs under the SEDIF agreement.

period. SEFA has significantly reduced its cash investments from 97% of total assets in 2012 to 80% of total assets in 2015. SEFA's loan receivable (assets) have grown over time, reflecting growth in their loan book between 2012 and 2015 The most noticeable observation about SEFA is the accumulation of surplus profit with no distributions to unit holders at any time; rather, the issued unit value has doubled due to undistributed profits. The reduction in the government funding liability is starting to approximate the undistributed profits.

External borrowings and issued units of the SEFA Loan Fund have remained constant., with the SEDIF fund reduced to 67% of capital allocation as at the end of the 2015 finance year[15] In 2012, SEFA had a funding arrangement of 50% SEDIF: 40% external borrowings: 10% issued units. However, this had altered in 2015 to 36% SEDIF: 42% external borrowings: 22% issued units, reflecting a shift towards recapitalising the SEDIF funding to private funding.

SEFA did not explicitly identify 'management fees',[16] hence comparison with the other funds is difficult. However, we can identify 'administration expenses' as 53% of total revenue in 2015. Compared to the other funds 'management fees' this appears to be large. However, caution needs to be exercised as these costs may not be comparable to the other funds' management fees.[17] SEDIF fund managers were each differently structured, offering different products, and at different stages of business development when SEDIF commenced, which is also likely to have affected cost structures.

SVA's Social Impact Fund has generated the highest gross returns on assets ranging from 9.1% in 2013 to 12.6% in 2015 with a slight reduction in the asset base and minimal change in the revenue. Contrary to SEFA, surplus profits are distributed annually to the unit holders giving unit holders a return of 8% in 2013, 6.55% in 2014 and 7.5% in 2015 significantly in excess of the other funds. There has been minimal decline in the asset base, with a change in the asset composition, with cash holdings reducing by 15% offset with a fourfold increase in loans receivable i.e. loans to customers. This reflects a strategy of increasing tailored finance options as identified in the SEDIF objectives. SVA's management fees approximated 27% of revenue in 2015, similar to Foresters' reported CFF-SE management fees.

As of the end of the 2015 financial year, SEDIF funds had reduced to 65% of the original capital allocation. Initially SVA had a funding arrangement of 50% SEDIF: 50% issued units. However, this had altered in 2015 to 33% SEDIF: 67% issued units, reflecting a shift towards recapitalising the SEDIF funding to private funding.

Overall Expense to Funds Ratio

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[15] As noted earlier, this financial account does not take into account SEFA's significant fund growth in the 2015/2016 financial year.

[16] Management fees was a category used in SEFF and CFF-SE to describe 'remuneration of Manager i.e. remuneration received or receivable by the manager, directly or indirectly from the trust in connection with the management and operations of the trust'. SVA also had 'management fees' but did not define them.

[17] In reviewing the management fees calculations, it is important to keep in mind the intensive nature of financial capability development and capacity building of social enterprises and subsequent pipeline development activities undertaken by all fund managers as part of their offering to social enterprises.

An overall expense to funds ratio analysis must be treated with care, given that expenses can relate to the number of loans written and the associated due diligence rather than loan amounts. This analysis is presented to enable comparison across funds, although differences in fund structures and purposes must be recognised. In analysing the financial performance of these five funds, a review of Foresters' accounts was done. However, the operating costs incurred directly by Foresters and considered as SEDIF overheads was not discernible from the financial statements. Foresters stated in a May 2016 review paper that they had accumulated revenue for the period 2012 – 2015 of $1.959 million attributable to both SEFF and CFF-SE funds (ESSEF was not explicitly discussed as it was rolled into SEFF). However, combined expenses per the financial statements from all funds for the same period totalled $715,000 whilst the Foresters review paper reported accumulated SEDIF expenses approximated $4.7 million, reflecting significant costs incurred by Foresters for overhead, employment costs and administration salaries approximating $4 million. This would give Foresters an expense to funds ratio of 47% across all three funds.

In operating only one fund, in comparison, for the same time period, SEFA had an expense to funds ratio of 23% with recorded accumulated expenses approximating $4.7 million on funds of $20 million. Whilst SEFA funds ($20 million) were approximately double that of SEFF and CFFSE (combined $10 m) SEFA's proportional expenses (23%) were approximately half that of the Foresters' funds. As with SEFA, SVA had a comparable accumulated expense to funds ratio of 23%. As noted earlier, caution must be exercised in making comparisons as each fund manager used different categories to calculate their management fees; there were different processes used to support pipeline development and capacity building; Foresters had three funds; and, beyond Foresters' internal review of the cost of SEDIF to their organisation as a whole, we do not know overall organisational impact based on SVA's or SEFA's financial reports. Finally, the impact of the operating costs of the funds on the various fund managers is unclear as the 'total operating costs' are non-comparable due to different funding structures as well as 'impairment losses'.

Overall Funds' Financial Performance

Whilst all five funds have a different incorporation structure, the broad principles for accounting for 'contributed equity 'or 'issued units' is similar in that they represent the net assets of the fund. For example, Foresters – as the recipient of SEDIF funding – distributed this funding in the form of 'issued units' to their subsidiary funds, SEFF and CFF-SE; and received private funds from Christian Super and 'issued units' to Christian Super, thereby accounting for their total funding as 'issued units'.

The Australian Government funding was provided as a grant and the Government did not receive a capital return on their SEDIF investment. The Government grant was accounted for differently in each fund.[18] However according to the trust deed 'issued units' (in SEFF and

[18]We believe a consistent approach should be adopted for reporting to SEDIF that ensures government grants are reflected as a liability in the financial statements of the 'ultimate fund'. (Forester Community Finance being the recipient of SEDIF funding distributed this funding in the form of 'issued units' to their 'subsidiary funds', SEFF and CFF-SE. Whilst this treatment is acceptable, the financial statements do not clearly indicate the government's grant as 'deferred revenue' or a liability; which would be a fairer representation of the

CFF-SE) are recognised as a liability and any distributions to unit holders in excess of their contributions is considered a borrowing expense.

SEFA and SVA utilised a combination of equity and debt to account for their funding. SEFA recognised their SEDIF grant as a non-current liability and their private funds as a mixture of 80% debt/20% equity. The distribution to private investors reflects both interest paid and dividends paid, although it should be noted that, since inception, there has not been a distribution of dividends as of the end of the 2015 financial year.

SVA also recognised their SEDIF fund as a non-current liability and their private funds as equity. The distribution to private investors reflects dividends paid, of which they make a 100% dividend distribution annually. All funds except SEFA distribute all their surplus; with SEFA exhibiting an internal growth strategy of retaining all of their surplus funds reflecting 'organic' growth

As a mechanism for the recycling of money to social enterprises through the impact investment instrument, this overall analysis would indicate that while all fund managers had success in matching the initial government grant, and therefore increasing available capital to social enterprises, increasing investor activity and fund regeneration/recapitalisation, at least until the end of the 2015 financial year, appears to have been more limited. While social impact is discussed separately, as a mechanism for providing a financial return for co-investors, the overall analysis indicates there were substantial differences in the expenses associated with managing the funds, the returns to investors and the recapitalisation of the SEDIF grant.

6.3 SEDIF as a catalyst for market development

With its dual purpose of improving capacity of social enterprise and stimulating impact investment, the signals of market development for SEDIF are twofold. The first is growth in the number and/or scalability of social enterprises. The second is growth in volume and activity in impact investing supply. It must be noted that SEDIF's program logic focused on scaling the impacts of existing social enterprises rather than supporting the start-up of new businesses, although the latter may occur indirectly as a result of increasing impact investing activity.

An analysis of media coverage about both social enterprise and impact investment suggests that there has been significant increase in media attention during the evaluation period, with coverage of impact investing gaining traction in national press and growing rapidly over the past two years (see Figure Four below). Media coverage of impact investing has been linked particularly to social impact bonds. SEDIF has received limited direct coverage, with

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funding.) As espoused in the *Australian Accounting Standards Board (AASB) - Conceptual Framework for Financial Reporting*, the principle of 'faithful representation' represents the substance of an economic phenomenon instead of merely representing its legal form; hence the government grant should be reflected clearly as a liability. Given this, a government grant may have implications for the financial attractiveness of impact investment funds for investors.

15 out of 348 (4.3%) items identified directly referencing SEDIF in a systematic search. This reflects the role of fund managers as the public face of the program. SEDIF program staff and some social enterprises interviewed identified relatively limited media coverage and promotion of SEDIF as a constraint on market catalysation and social enterprise access to SEDIF.

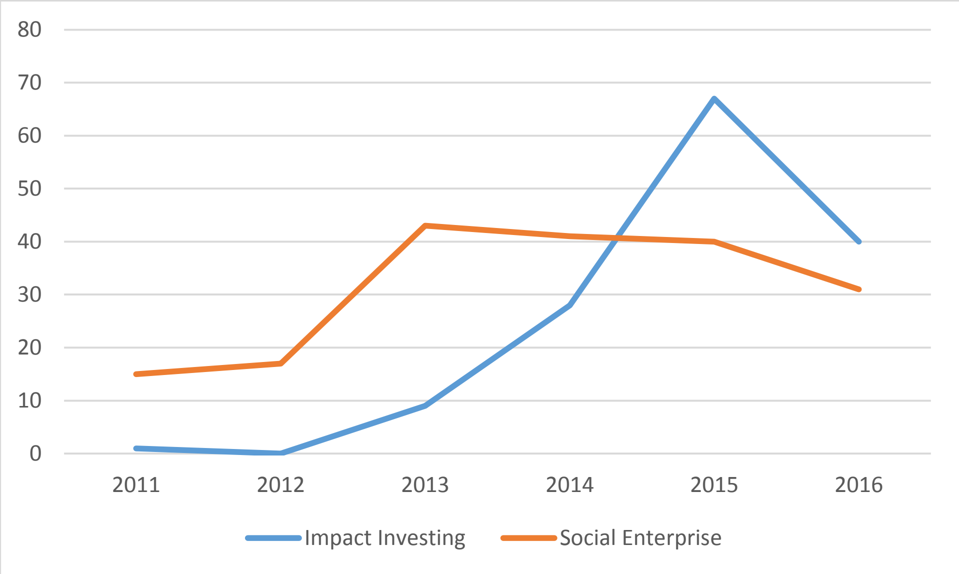

Figure 4: Number of online, print and radio media coverage of social enterprise and impact investing between 2011-2016

6.3.1 Catalysing social enterprise development and scale

The population of social enterprises in Australia is unknown, making measuring growth in the field notoriously difficult. The FASES 2016 data presents some evidence, however, of growth in entrants to the social enterprise field.

At the level of individual organisations, there is evidence that SEDIF supported new venture development by SEDIF financed social enterprises. This is detailed in Section 6.5. While the program logic of SEDIF did not prioritise financing social enterprises at the start-up or seed funding stage, in 2013 Foresters Community Finance established an Early Stage Social Enterprise Fund (ESSEF) for social enterprises operating for less than three years. The total fund value was $0.3 million and comprised $200,000 from two investors and $100,000 redeemed from SEFF with the Department's consent. The fund was geared toward business development with social enterprises able to access up to $50,000 in debt capital. According to the loan register, there were a total of seven loans made through this Fund prior to its merging with SEFF in 2015. The interest rate for these loans ranged from 10% to 15% and the investment purpose included website development, marketing, creating new business products, leasing premises and building costs, and equipment and vehicle purchases.

At the meso or social enterprise field level, there is very limited evidence that SEDIF has played a direct role in growing the number of social enterprises in Australia. This reflects SEDIF's program logic to focus on scaling social enterprise impacts by investing in mature organisations. Fund manager data suggest that new ventures were thus a very limited focus of funds disbursed. Only one fund focused directly on early stage social enterprises and another fund – managed by SVA – provided two capacity building grants.

Qualitative data from FASES 2016 finds no reporting by start-up social entrepreneurs of the use of SEDIF funds to enable their business development. Indirectly, SEDIF's influence on catalysing impact investing supply, detailed below, may have influenced start-up social enterprises' access to new forms of social finance, with some start-up social entrepreneurs reporting awareness of non-SEDIF impact investment or newly structured sources of philanthropy when accessing finance. However, neither the evaluation data nor the FASES 2016 results suggest that start-up social enterprises have substantially improved access to suitable forms of finance. Within the national FASES 2016 study, social enterprise start-ups repeatedly reported high transaction costs and problems with information asymmetries in accessing both social and mainstream finance. Social enterprises structured as not-for-profits also noted structural and governance challenges in accessing start-up funds, while social enterprises structured as private-for-profit firms noted that they had virtually no access to government and philanthropic resources targeting social enterprise development.

SEDIF has had a modest direct effect on scaling the impacts of social enterprises through investment in scalable businesses. Sixty-four organisations received access to $21,250,353 of SEDIF finance through 80 transactions. This, in turn, enabled SEDIF financed social enterprises to leverage additional external finance from both public and private sources, and to generate new revenue streams. The investment purposes reported by social enterprises receiving SEDIF finance included: business facility/building construction or renovation (30.7%); property purchase or lease (25.9%); business operations (20.1%); product or service development (11.5%); marketing (6.7%); and technology development (4.8%).

The scale of social enterprises includes both the scale of their businesses and the scale of their social impacts. The latter is reviewed in relation to investment in priority areas of impact in Section 6.7 below.

At the micro level, some interviewees – including fund managers and SEDIF-financed and SEDIF-declined social enterprises – suggested that interactions between SEDIF and social enterprises had increased social enterprise managers' and directors' awareness of debt finance options and stimulated their use of these options, both through SEDIF and through mainstream lenders. At the social enterprise field level, most respondents acknowledged that SEDIF stimulated the development of new financial products to support social enterprise development.

Various interviewees, including representatives of fund managers, social enterprise development intermediaries not delivering SEDIF, and some social enterprises, noted that the potential for developing social enterprise and its impacts had not been fully realised by

SEDIF, with respondents expecting a greater number of organisations to have received direct investment and a greater proportion of SEDIF funds to have been invested since SEDIF commenced. Lack of realisation was attributed by some to internal program factors – such as the scale of the funds, costs of social enterprise capacity building, the need to strike a balance between sustainable asset management and social enterprise development, and the newness of the program and the learning required of all involved. It is notable that all non-SEDIF specialist social enterprise development intermediaries attributed the modest developmental effects of SEDIF on social enterprise to the finance-first logic of the program, suggesting that business capability development was an important preceding step:

…with the SEDIF, the government was saying, "Well we're going to help develop capital supply." But were actually not helping to develop the broader needs around ecosystem as well…definitely sort of taking a more whole of ecosystem view of that, and part of that is also – so recognising the importance of…advice and support….

Social enterprise development intermediary

The limited effectiveness of SEDIF on stimulating social enterprise development was also attributed to the types of products that were available through the program. Interviewees, including fund manager staff and directors, social enterprises that were and were not SEDIF financed, and social enterprise development intermediaries, noted that social enterprises require non-returnable forms of finance at early stages of business development and that an emphasis on impact investment should not preclude the continuing importance of effectively targeted grants on developing the social enterprise field. Impact investors not delivering SEDIF also noted the importance of patient (or long term) capital within the suite of impact investing options. While patient capital was not explicitly precluded from SEDIF, interviewees perceived that the program's time frame limited fund managers' capacity to offer patient terms. Some also suggested that such terms were not appealing to impact investors seeking financial returns, although this is not verifiable based on the data available. Constraints on patient capital has implications for the potential social impact of SEDIF on complex social problems that require long time frames to address, clear pathways for change to occur and systems to track change over time.

In addition to questions about the appropriateness of SEDIF products in meeting the developmental needs of social enterprises, some respondents – including staff and directors of two fund managers, Department staff, a SEDIF-financed social enterprise, and some non-SEDIF specialist intermediaries – suggested that the risk appetite of fund managers was too low, and this negatively affected the catalysing effects of the program. This observation must be balanced against sustainability challenges of fund managers, which is discussed further below.

At the macro level, there is limited evidence that SEDIF has directly catalysed policy frameworks or regulation that has supported social enterprise development in Australia. Beyond SEDIF itself, there appears to have been no systemic Federal Government support for social enterprise development within the program-funding period and evaluation participants did not point to additional developmental supports offered by the Australian Government. A search of Hansard for the period covering the SEDIF program indicates that references to SEDIF in other policy debates were very limited. Where SEDIF was mentioned in parliamentary committees and debates, it was primarily linked to financing the not-for-profit sector and stimulating employment opportunities for particular groups, including people with a disability and Indigenous Australians. SEDIF was also noted in private members' businesses to have provided little or no support to cooperatively owned businesses through its eligibility criteria, although there is nothing that specifically precludes cooperatives according to the original specifications or definitions of social enterprise utilised by SEDIF.

FASES 2016 data indicate that the need for increased policy support for social enterprise development was a strong theme in focus group discussions. This was reinforced by FASES 2016 survey data – albeit from a relatively small sample of Australian social enterprises – which indicated that more than 80% of respondents thought increased policy support for social enterprise was needed to increase the effectiveness of the field.

6.3.2 Catalysing impact investing

There has been increased activity in impact investing in Australia since SEDIF was implemented. This was noted by most interviewees and is verified by a recent impact investors' survey undertaken by Impact Investing Australia (2016).

There is clear evidence that SEDIF directly contributed to catalysing impact investment supply at an early stage of market development. The grant conditions for matched funding leveraged at least $24.9 million of private investment through SEDIF co-investors (see Table Five). Therefore, SEDIF successfully raised 124.5% of the original funding committed by Government. All fund managers met their contractual obligation to recapitalise the SEDIF grant and at least match the government contribution. This is an important point of difference for SEDIF when compared to the historic allocation of funding directly from governments to not-for-profits. It demonstrates the added value that can be leveraged through an intermediary fund manager for particular types of social initiatives. By increasing funding, it may potentially increase the scale of initiatives and their impact (but further research, consistent outcome measurement and counterfactuals are needed to understand whether this is the case).

SEDIF fund managers offered unique products to social enterprises and realisable investment vehicles for impact investors. SEDIF co-investors noted that government leadership and financial investment sent a significant message to the market that impact investment was a credible opportunity:

I think overall [SEDIF's] demonstrating two things. One…that it's possible to…lend fairly and profitably to the social sector…and two, that it is actually possible to improve the ability of social sector organisations to deliver on their social objectives through helping them to grow their capacity financially.

SEDIF co-investor

I think the sheer existence of the SEDIF has worked wonders for the market. I think the fact that there is a fund means that this idea is validated…that social enterprise…is possible. It is something that is to be valued and something to be…backed...So the fact that it was developed with government support as the initial instigator and then private money has come in to support that, is a real sign that actually the Australian not-for-profit market…is ready for this sort of financial instrument.

SEDIF co-investor

Fund managers also noted that government investment provided 'first fail' finance, which improved the value proposition of fund managers to prospective investors:

I think it's demonstrated to investors there are opportunities in this, in this area… I guess you've got to be realistic and realise that, you know, the government has helped cushion some of the – the downside by, you know, the cost of the fund… it is small funds… but it was very helpful that the government's money has gone some way to meeting the costs of running the fund, certain potential – well, any loss that fund might suffer, but that has then encouraged investors to come in, look, invest, see social enterprises being funded, looking at that, the growth and the implications for all of that… the test will be going out now and raising funds without the government support.

SEDIF fund manager

There was a sentiment amongst interviewees that capacity building with social enterprises and the development of an investment track record had a positive flow-on effect in the social finance and impact investing field. In this way, SEDIF was viewed to have catalysed impact investing more broadly by creating new opportunities for other investors, including mainstream lenders, to identify opportunities for impact and/or to try to understand the specific needs of social enterprises. A number of interviews, including but not limited to fund managers, reflected on this:

I look at a market where those funds didn't exist five years ago and now the people running them get named as the most influential people in the not-for-profit sector. To me that tells us that we've moved, you know, among other things, that we moved a market. We always expected they would have a bumpy road as new funds in a new market.

Former SEDIF program staff

…just having the access that we get to organisations now, now that we can partner with foundations that we can talk with a broad range of investors about impact investing is very different to what it was initially when you had to…constantly explain what a social enterprise was. You know what impact investing meant. So there's been a huge shift and there's definitely more people in the market now than there was five years ago.

Fund manager staff

Fund managers also reflected that their organisational learning arising from managing SEDIF funds contributed to their capacity to broker new arrangements that leveraged further investments in support of priority social impacts. This included the capacity to test for areas where larger scale capital might be usefully used, which supported SVA's efforts in establishing a $30 million impact investing fund with industry superannuation fund, HESTA.

Institutional impact investors not directly involved with SEDIF also noted that they were working directly with SEDIF fund managers in extending the reach of their impact investments:

We actually have helped [one fund manager] with some funding so that they can extend the reach of their program.

Institutional impact investor working outside SEDIF

While there was agreement that SEDIF had played a role in initially catalysing impact investment in Australia, there was concern expressed by some co-investors that this activity remained marginal and had not leveraged substantial new private capital into SEDIF funds themselves beyond matching the government grant.

I'd say [SEDIF has been a catalyst] but I'd say the market is so small there's only really a handful of products out there, I think I'm invested in most of them but there's only a handful of things out there. So a catalyst maybe it's a good product, yes, but there's – there's SEDIF, there's Newpin Social Benefit Bonds – there's a couple of others, there's just not that much out there. So I think it's a good product but I'm not sure it's catalysed much yet.

SEDIF co-investor

There was a sense amongst most interviewees that, while impact investing activity and interest had grown demonstrably during the evaluation period, it remained relatively small scale and pre-paradigmatic.

I think [SEDIF's] struggled to prove that you can do that without scale and I think it's probably shown that while impact investing can work at small scale for a year or two, if it's going to be really successful, it needs to grow so that the costs can be borne across a larger pool of assets.

SEDIF co-investor

A number of interviewees, particularly fund manager staff and directors and SEDIF co-investors, suggested that government leadership in investing in larger-scale funds would help impact investing realise its potential.

SEDIF has been the seeding of the idea. A big impact fund would be the coming of the idea.

SEDIF co-investor

There is clear evidence that SEDIF also contributed indirectly to growth in the market infrastructure for impact investing in Australia. SEDIF's original Social Innovation Analyst, who played a lead role within government in the program design, went on to found Impact Investing Australia subsequent to her role with DEEWR. SEDIF fund managers reported that they were fulfilling a variety of development roles related to impact investment in a voluntary capacity; these included: sitting on advisory boards of other impact investing institutions; providing formal and informal advice to prospective impact investors and state and local governments seeking to initiate or draw on impact investment for social programs. Former senior fund manager staff interviewed were also involved in supporting the impact investing market, both through voluntary roles on SEDIF fund manager credit committees and in their wider professional activities. Program staff from the Department also reported that they were active in sharing experience and expertise with other government departments and with philanthropists and institutional investors who subsequently entered the impact investment market. Previous internal review of SEDIF also noted that two fund managers had been active in cultivating relationships with NSW and Victorian state governments (DEEWR 2013*b*), each of which has subsequently made commitments to impact investment in various portfolio domains. We find subsequent to this review that fund managers have developed similar relationships in Tasmania, where state government staff have been active in linking SEDIF fund managers with prospective investable social enterprises.

Recent developments have also seen SEDIF fund managers collaborate on high impact deal development. Efforts to develop a syndicate to fund a socially and environmentally sustainable, affordable co-housing model in Melbourne begun in 2015, were consolidated in 2016, with SEFA and SVA contributing – along with other private investors – towards an overall loan of $5.816 million to fund the construction of the co-housing model, Nightingale Land Holdings.

This evaluation reconfirms the conclusion from an earlier internal review that, with regard to stimulating impact investing supply:

> *SEDIF has…produced a number of secondary effects on the market, including the development of new networks and relationships across the government and social sectors. As with other innovation models, such effects can often be one of the most powerful and enduring impacts of catalytic investment”* (DEEWR, 2013*b, p. 6*).

Related to the weak to moderate effects of SEDIF on developing the social enterprise field, there is limited evidence that SEDIF directly stimulated the demand side of the impact investing market. This is discussed further in sections 6.5 and 7.0 below.

6.4 Testing capacity for and barriers to impact investing

SEDIF has been an important intervention in the impact investment market, creating new conversations, opportunities, partnerships and collaborations. The evidence illustrates that over the past five years, the program has been able to show impact investors that they need to reassess how they evaluate investable opportunities, especially in schemes with government backing, and products with capacity-building components.

The SEDIF was able to bring those investors in, of which we only have one small super fund in SEDIF. But it probably made it a whole lot easier for people then to kind of look at the next fund without government funding and would see that we've got a team. We've been in the business of deploying capital. We've made some investments. Most of them have been reasonably successful. So I think that's certainly helped us and its encouraged people who otherwise would have thought that would have seemed either risky or incorrectly priced as an investment.

SEDIF fund manager

The role of government as an enabler of the impact investing field also presented strongly in the interview data. Fund managers and co-investors reflected that government leadership represented a show of faith in both impact investing and social enterprise fields. This has proven beneficial to fund managers, who use this backing to leverage their work with co-investors, new investors and social enterprises.

I think it's a lot easier now than it was. You know there were challenges in the early days and that was just getting people to understand what it was and understanding what we were trying to do and thinking and - and coming up against them saying oh but I've got a foundation, you know I'll invest in a foundation that will do good. I don't want to be commercial, you know we don't want to be commercial, we just want to give our money away. And so I think kind of turning that around and saying well actually you can be more impactful by putting your money in us, because that dollar will all keep working, it'll come back and it'll go out again. I think that getting that message out there has been really successful.

SEDIF fund manager

In structuring those pooled funds it allowed really a whole range of investors across a spectrum to participate in ways that they had not been able to before. It's laid out a set of models because the three fund managers are all quite different in terms of how we went about structuring our approach. So it's laid out a set of approaches. It provided some lighthouse examples of investment and so some of the challenge before SEDIF would have been investors would say yes, yes we think it's a great idea. Yes, we're really interested. But it would never convert. So, these series of transactions in structuring these funds showed conversion was possible and really changed the conversation.

Former SEDIF fund manager staff

Government leadership of SEDIF has been beneficial within government itself – sparking cross-departmental discussion and lesson-learning. This creates opportunities for departments to seek new ways to develop similar programs that engage with impact investors in priority areas of impact:

Other government departments are really interested in talking to the guys about how they're managing things and what's happening. So I think there, there will definitely be things that happen out of this… when SEDIF started it would have been totally different, but now, we've got results to go out and show people and there's lots of pockets of impact investment happening across government, so if we can join that up, that would be really good.

SEDIF program staff

So, and I just emphasise this because it's five years down the track it's easy to lose perspective on some of these things that actually getting that done from within government, getting it done on a basis that made sense for the market and bringing that leverage to the table was something that had not been done before and these kind of social policy departments and that there was actually we were pushing against the perception that it couldn't be done successfully.

Former SEDIF program staff

There was a common view among co-investors, fund manager staff and directors, social enterprise intermediaries and some social enterprises that the SEDIF funds were too small to achieve scale, particularly as they were distributed across three fund managers. Respondents noted that fund sizes: limited asset growth; constrained fund managers' investment in capacity building at the individual organisation and social enterprise field levels; limited risk appetite to responding to financial needs that could be met through mainstream financial providers; and generated perverse outcomes in deal negotiations involving multiple prospective investors. While the low interest rate environment was a frequently cited external inhibitor of funds development, the principal investment size and its distribution across three providers was more widely viewed as a fundamental constraint.

6.5 Access to capital for social enterprises

The evaluation finds that SEDIF has had a moderate effect on access to capital for social enterprises. Fund managers reported a total of 1,849 enquiries received. As noted in Section 5.1, disbursement of SEDIF funds was slower than expected, with a total of 80 loans or investments distributed to 64 social enterprises as of end March 2016.

Social enterprises in receipt of SEDIF finance also noted that initial SEDIF investments enabled them to extend their businesses through new business opportunities independent of SEDIF support.

I definitely, definitely know that without the SEDIF fund the [new venture we've started] wouldn't be where it is today, even though we haven't borrowed any money [for this venture].

SEDIF financed social enterprise

Interest rates and access to alternative sources of finance deterred some eligible social enterprises from taking up SEDIF loans:

we were offered the [SEDIF] funds to assist with establishing our social enterprise, and … I suppose the board of our organisation was just not comfortable with the terms under which that investment was being offered…

Social enterprise not financed by SEDIF

Others recognised that interest rates offered by SEDIF fund managers reflected the financial risk profile of the deals they sought:

it's expensive finance, that's the reality, if you'd expected finance but we understand why it's expensive. The nature of our organisation is that we're not able to offer property for security…

SEDIF financed social enterprise

Others attributed what they experienced as being relatively high interest rates to the level of due diligence and partnership work undertaken by the fund manager(s):

I think the big – the big thing to say about [the fund manager] – and I think this is the reason that makes the cost of lending a little bit higher is that the – the amount of due diligence that [they] do … I think some people in the sector find … probably a bit – a bit tough but we – I definitely thrive and live off it. SEDIF funded social enterprise

In four out of six cases, the social enterprises concerned reported they were not in a position to securitize loans due to the nature of their assets or regulatory conditions on their use of fixed assets, which contributed to the financial terms offered by SEDIF fund managers. In two cases, social enterprises noted that this was an impediment to them accessing loans through banks, which had rejected them prior to their seeking SEDIF finance. The enterprise that did not take up a SEDIF loan successfully sought finance through an alternative social financier (a philanthropic foundation). This organisation noted that the loan terms – including interest rates and no requirement to secure the loan – through this alternative source were substantially more competitive than the SEDIF product they sought.

Social enterprises' experiences of accessing mainstream finance and the SEDIF response were also mirrored by comments from one mainstream lender that has recently engaged with impact investing:

The issues we have is for [lending to] social enterprises that don't have security, trying to get out to them is really tough…If they have complicated legal structures, that's where we - we do struggle a lot, because it doesn't fit within our regulated and process-driven systems…so that's where, I think these smaller SEDIF funds can play a role because they're a bit more nimble.

Impact investor not directly involved with SEDIF

Interview participants – including social enterprises, Department staff, and fund manager staff – reported geography as a barrier to accessing SEDIF finance, with all three fund managers located in east coast capitals – Sydney, Brisbane and Melbourne. This experience is confirmed by the actual geographic distribution of SEDIF funds, in Figure Five below, with almost all SEDIF funds distributed in Eastern Australia.

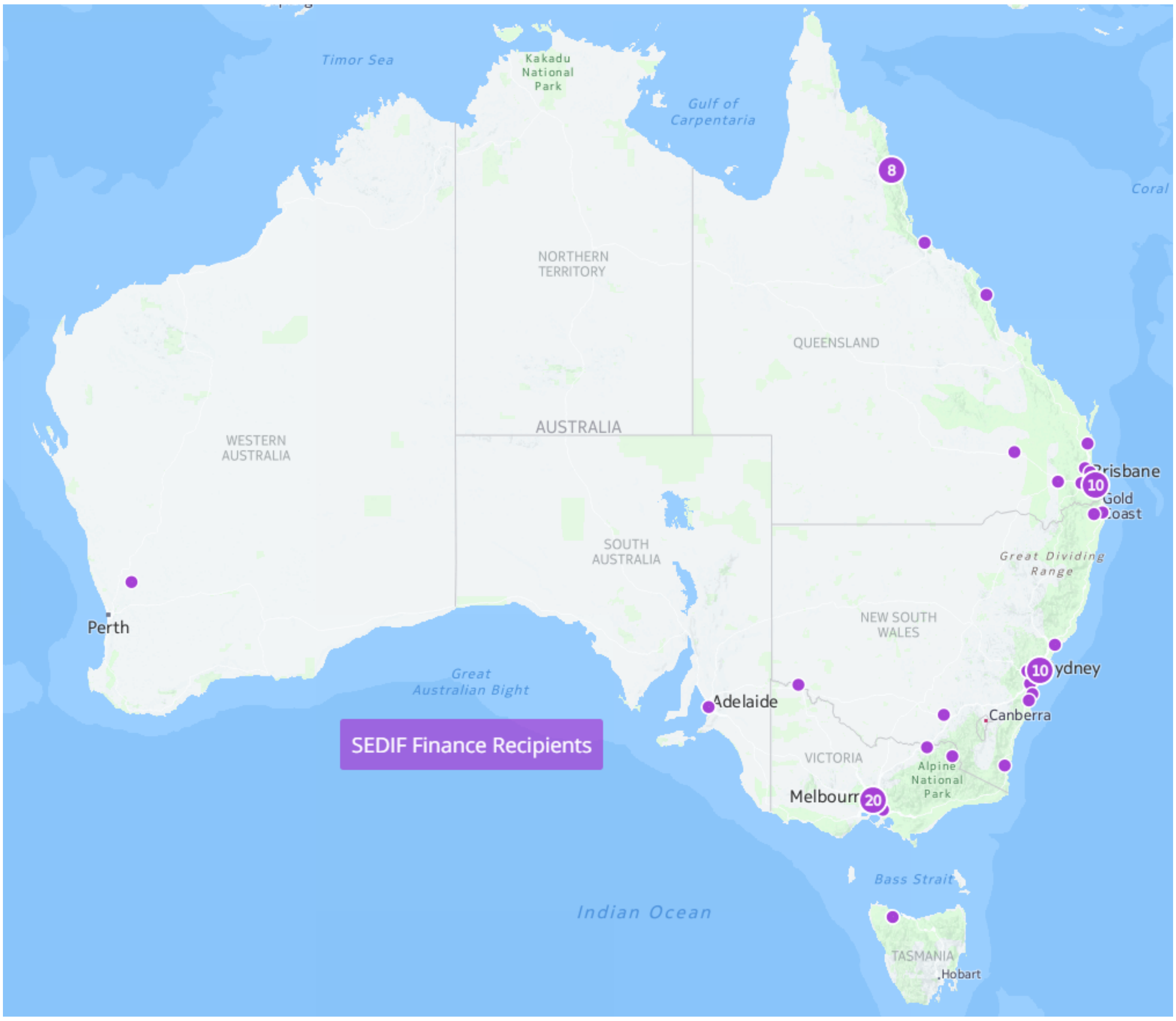

Figure 5: Locations of SEDIF Finance Recipients

It should be noted that this geographic pattern largely mirrors the known population of social enterprises in Australia (see Barraket et al, 2016), which suggests that the pattern of funds disbursement may reflect an appropriate pattern of investment. In order to test this, we overlaid data from FASES 2016 about social enterprises' reported access to suitable forms of finance with SEDIF funds' locations, depicted in Figure Six below. The results suggest that, while dissatisfaction with access to suitable forms of finance is reported by social enterprises in various parts of Australia, there is particular dissatisfaction in Western Australia, where very limited SEDIF funds have been disbursed. These disbursements reflect the origin of SEDIF enquiries, which predominantly emanated from Eastern states (the Western Australian Government offered a social enterprise grant fund during the early stages of SEDIF implementation, which may have affected demand). This suggests that geographic dispersion may have affected social enterprises' knowledge of SEDIF and fund managers' awareness of social enterprises, rather than there being any conscious bias in funds distribution. It is notable that respondents to a recent survey of impact investors conducted by Impact Investing Australia (2016) were also exclusively located in Eastern states.

Figure 6: Reported access to finance and SEDIF funds disbursements

Social enterprises located in remote areas reported that capital city location of SEDIF fund managers affected their access to SEDIF funds and fund managers' understanding of their needs. Some social enterprises financed through SEDIF that were physically distant from fund managers reported weaker effects in terms of the strength of relationships with fund managers and access to non-SEDIF resources as a result. This experience was not universal, however, with at least one SEDIF financed social enterprise in a regional area noting the substantial opportunity created for them through the fund:

[For] people like ourselves who are looking – especially in I suspect outside of the large cities, for people like ourselves there are very few ways of actually taking an entrepreneurial step and finding funding for it. And to have those sorts of funds available has just opened, certainly for us, has opened a whole new avenue of where we can go with our business and with the community itself, and if it's happening for us I'm sure it's exactly the same for a lot of other organisations, especially in small towns.

SEDIF financed social enterprise

A significant contributor to relationship strength was the quality of SEDIF staff and the availability of on-the-ground support and face-to-face contact between social enterprises and SEDIF fund managers. An important part of the positive experience of most SEDIF financed social enterprises interviewed is the people working directly with social enterprises, often involving site visits from senior fund manager employees, to show commitment to both SEDIF program values, and each social enterprise receiving their support:

[About fund manager staff] I know that they're spending a lot of time capacity building these organisations, getting them to the right stage. So I think that's been fantastic and probably due to a mix of the people that have been employed at these funds as well who, in my experience, all genuinely care about showing that this can work as an idea, impact investing and actually having a genuine passion for social impact and that's one thing I'd reflect across everyone I've spoken to involved in the SEDIF funds. There's a genuine interest in achieving social impact which is why these people are working in these organisations.

Academic

Another barrier cited by program staff, fund manager staff and directors, social enterprises, and impact investors not directly involved with SEDIF included the risk appetite of fund managers, with the majority of interviewees suggesting that SEDIF should have been more targeted at higher-risk/harder to finance social enterprise deals, particularly as mainstream financiers enter the impact investing field:

When the banks came into market, they had more power… and a greater ability to lend…Now, what should have happened then, is that our focus should have changed and moved…to the higher risk end, which is really where - you ask me where the real demand is, that's where the real demand is, from - from social enterprises and - and not-for-profits at the higher risk, what would be determined to be a higher risk.

SEDIF fund director

Well we would have expected [SEDIF fund managers] would take more risk than they are, because really, there is a huge number of social enterprises out there that are seeking…sort of like below market debt, or equity, and they're just not able to get it from those three organisations.

Impact investor not directly involved with SEDIF

Fund managers noted that there was a trade-off between risk profile of their investments and fund sustainability:

I remember many of the initial discussions with Commonwealth as a key stakeholder, and to be fair, with some of my other investors, where they're saying why are you not doing more deals. Now I can always - I said to them all the time, "We can do more deals every day of the week, but we're going to be taking more risk. And do you want us to take more risk. So there was a slight disconnect between getting pressure from Commonwealth and from other *stakeholders saying, "We want you to take more risk" – sorry, "Want you to do more deals", but at the same time, saying that, "No, we don't want you to change our risk profile."*

SEDIF fund manager

Again, these findings suggest that the scale of funds and related commercial sustainability of fund managers inhibited SEDIF's intended supply of capital to social enterprises.

6.6 Enabling capacity building of social enterprises

SEDIF fund managers were consistent in citing that their primary contribution to capacity building of individual social enterprises occurred through due diligence and relationship building that occurred as a result of the lending/investment process. SEDIF fund managers also reported making a contribution to social enterprise capacity building at a field level through public speaking, workshop and media engagements they undertook as part of their business development activities. Reporting on these activities was inconsistent in fund managers' quarterly and annual reports and is thus likely to have been under-reported. Table Six summarises the reported types and numbers of capacity building activities undertaken by fund managers. Reported activities are clustered according to those aimed at investors, those specifically aimed at social enterprises with the express purpose of building their capacity, and marketing/promotional activities.[19]

Table 6: Fund Managers' Development Activities

Investor Driven Activities	Capacity Building Driven Activities	Marketing/Promotional Driven Activities
Examples include: -Investor presentations for prospective investors -Meetings with prospective investors -Reporting to investors on fund performance -Discussions regarding establishing investor networks -Collaborations with fund managers -Making connections with key federal and state government personnel and intermediaries	Examples include: -Workshops on social impact reporting -Social enterprise capacity building workshops -Capacity building workshops for staff -Mentoring -Briefings -Meetings with potential clients	Examples include: -Fund launch events -Attendance at conferences, summits, government roundtables and forums -Input into strategy development and consultations -Report production -Media releases, articles, newsletters, information flyers, web and social media engagement -Joining Responsible Investment Association of Australia and listing on international directories -Sponsoring awards

[19] These distinctions are overlaid on the material by the evaluation team rather than being reported in this manner by fund managers. There may be overlap between the categories.

Fund managers all noted that these activities were labour intensive and, in the case of business development, two of three fund managers reported that they had reduced their activity in this area over the previous 18 months in order to contain costs. With regard to lead times required to build investment readiness of social enterprises, both fund managers and social enterprises noted that these varied, in extreme cases taking up to 18 months.

While fund managers noted the costs of loan pipeline development as being somewhat prohibitive to running their funds sustainably, they also recognised the capacity building effects of this work for individual social enterprises:

[SEDIF] has been targeted at exactly the types of social enterprises that we were expecting, so small to medium-sized social enterprises that are providing really valuable services to the communities that they operate in. It's been successful, I think, in growing the capacity of those organisations that it's worked with, so that not only do they have the loan funding which in, in itself gives them an opportunity to purchase property or expand operations, expand their services, but with the loan funding has come I guess the technical support.

SEDIF Co-investor

The majority of interviewed social enterprises that received SEDIF finance confirmed this view, citing wider benefits of receiving finance for the profile of their organisations. These benefits included: increased access to resources through new relationships; improved public profile; and access to professional development support, including targeted training.

Some social enterprises that secured SEDIF finance noted that their relationships with fund managers extended the range of relationships and expertise to which they had access. These enterprises reported that fund managers had been proactive in linking them with other investors, potential partner organisations, targeted support from other specialist social enterprise intermediaries, and professional advice.

…I think without that it wouldn't have been where we are today but I think more importantly than that [financial opportunity] is the time that [the fund manager] committed to the project on a pro bono basis to get it towards finance, and [the fund manager representative] must have spent at …least two days a week on the… project over the last year…and he's put his heart and soul into it and that's more than a [development] grant would have been.

SEDIF financed social enterprise

One SEDIF financed social enterprise reported that they explicitly chose a SEDIF product over other financial options that offered more competitive financial terms because they saw important non-financial benefits accruing from their involvement with the SEDIF fund manager:

…because what we wanted from the loan…wasn't really the money. It was the expertise that comes with it …we wanted the link and connection to [the fund manager], to the training and to the ongoing support that they offered…then we've had secondary benefits along the way…So, connections from [the fund manager] to some other potential businesses [and specialist intermediaries who helped our promote our business]…So too - we've been

able to build up our network, not just on a state wide level but on a national level so for a small community organisation, that's been really beneficial.

SEDIF financed social enterprise

SEDIF financed social enterprises observed that active promotion of their organisation by SEDIF fund managers was beneficial to them:

[The fund manager] did a bunch of promotional things and probably used us as an example for other lending groups

SEDIF financed and SEDIF declined social enterprise

These benefits were particularly identified by smaller and more geographically remote social enterprises, who noted that they did not have internal capacity for significant marketing activity.

SEDIF financed social enterprises also identified that being in receipt of SEDIF resources increased the public legitimacy of their businesses. This included credibility arising from being associated with particular fund managers, who social enterprises saw as having strong reputations in the field. It also included increased public profile arising from fund managers' promotion of their organisations through professional events and national awards programs:

I mean, these guys have access to PR teams which we would never have access to. They – they've been really keen to nominate us for awards and stuff which has been good. It in turn raises their profile but also raises our profile…

SEDIF financed social enterprise

There is also evidence to suggest that SEDIF financed social enterprises have utilised this initial support as a springboard to access mainstream finance. Their participation in the program, with access to finance coupled with finance-related capacity building, strengthened the enterprise and enabled them to move on:

Something else we've seen happening a little bit lately is a number of social enterprises who have borrowed money through…the SEDIF funds are now looking at refinancing with mainstream banks…they've repaid their SEDIF loans and they're now going to mainstream banks. So even though, from a SEDIF program perspective we'd love our fund managers to have all the loans for social enterprise, if social enterprise is now able to access mainstream finance, then that obviously opens up a much larger pool...

SEDIF program staff

Social enterprises that were unsuccessful in securing SEDIF funding also reported that the process of applying for funds improved their organisational capacity. In one case, a declined SEDIF application was reported to catalyse an organisation's board to focus on its declining financial performance, which led to improvements in the organisation's financial sustainability over time:

So what [the loan rejection] did for the board was rather than me say look there's no point in us applying, it actually, we went through the process and then they got evidence, I guess, to say yeah look our situation is limiting us.

Social enterprise declined by SEDIF fund manager

Other evaluation participants – including fund managers and social enterprise intermediaries not involved with SEDIF – observed that the implementation of SEDIF had some effect on raising awareness of financial capability issues amongst social enterprises.

Fund managers also observed an indirect effect on social enterprises with whom they had conducted preliminary due diligence:

I think we've done a lot of capacity building work that's not recognised as part of what we do…some of those organisations that we chat to sort of six months down the track have actually progressed and have done really, really well.

SEDIF fund manager staff

These findings suggest that, at the level of individual organisations, SEDIF has made a contribution to capacity building of social enterprises with which it has interacted. At the level of the social enterprise field, we find that SEDIF has enabled some growth but has not made a strong direct or indirect contribution. As noted above, SEDIF fund managers have taken a purposefully minimal role in direct capacity building activity outside their investment and market development activities. Social enterprise development intermediaries not involved with SEDIF were unanimous in their assessment that SEDIF had had a weak field-level effect on social enterprise capacity building, in part because of the limited capacity building activities of SEDIF fund managers and in part because of the finance-first logic of the program and the types of financial products offered. SEDIF's weak field level effect was acknowledged by fund manager staff and directors. It is notable that a considerable number of interviewees identified the capacity building programs of non-SEDIF specialist intermediaries as significant contributors to field-level social enterprise development. Seventy-one references were made to non-SEDIF intermediaries during interviews[20]. The intermediaries referenced were Social Traders (45 references, 63%), the School for Social Entrepreneurs (15 references, 21%), and The Difference Incubator (11 references, 16%). The developmental work of these intermediaries was variously cited by current and former program staff (28 references), SEDIF fund manager staff (11 references) and CEOs, and social enterprises (7 references). Social Traders were referred to in interviews in terms of proposed collaborative work with key government agencies, their social enterprise development work through the Crunch program, and their advocacy role. Both the School for Social Entrepreneurs and The Difference Incubator were cited in reference to the small number of non-SEDIF intermediaries who play a role in field-level development and capacity building.

[20] We have excluded from this count interviews conducted with representatives of these organisations, in order to avoid skewing the results.

6.7 Targeting investment in priority areas for impact

Priority areas for investment were determined by fund managers in negotiation with the Department at the outset of contract negotiations. Priority areas were deliberately broad and the Department purposefully avoided prescribing priorities based on narrow portfolio areas. In some cases, SEDIF co-investors also contributed to identifying priority areas for investment. As outlined in Section 4.1 and Appendix Two, priority areas of focus included: secured property and general enterprise development; employment creation; enhancing the environment; addressing Indigenous people's needs; and responding to socio-economic disadvantage.

Interview data and quarterly reports suggest that fund managers have placed considerable emphasis on assessing impact potential as part of their investment criteria:

I'll always look at two things really; whether or not it kind of sits in the priority investment areas and what the nature of that social impact is. And then whether there is a kind of a suitable financial model that sits underneath it. So our investment committee's put a pretty high standard on the sorts of social enterprises and the social impact that we're after. So those are kind of the core areas that social impact is really are the focus of what we do.

SEDIF fund manager staff

However, it was reported by fund managers and current and former program staff that original priority areas were typically not adhered to due to: the limited pipeline of identifiable investable deals in priority areas; and emerging opportunities and needs identified by fund managers as they engaged with their markets:

[One fund manager] did outline several priority areas for investment -- one of those was Indigenous enterprise and I think that they definitely found it a lot harder to find the investment ready enterprises in that space. While there was every attempt to prioritise those, they couldn't find the opportunities ... I think all the fund managers have got on board with that probably they didn't envisage right at the start was the affordable housing market, and I think they're all seeing a lot of potential in there now.

SEDIF program staff

Initially perhaps there was the hope that we would be able to specifically target certain areas and community organisations operating in specific sectors. But I think over time, it's been obvious that we just need to work with those organisations that are close to being ready to take loan capital, rather than targeting specific impact sectors. I think the market hasn't perhaps been as deep in terms of demand for the capital as we thought it might be.

SEDIF co-investor

Table Seven summarises funds dispersals according to social purpose.

Table 7: Funds disbursed according to social purpose.

	Number	Average	Standard Deviation	Minimum	Maximum	Median	Total disbursed
Education	5	$126,000	$69,857	$80,000	$250,000	$100,000	$630,000
Indigenous	12	$300,371	$287,643	$20,000	$800,000	$150,000	$3,604,455
Employment Creation	5	$271,600	$410,049	$35,000	$1,000,000	$100,000	$1,358,000
Disability/ Mental Health	16	$334,526	$270,489	$20,049	$1,030,000	$255,000	$5,352,424
Environmental	2	$90,000	$84,853	$30,000	$150,000	$90,000	$180,000
Community	10	$226,900	$461,045	$10,000	$1,525,000	$67,000	$2,269,000
Health	1	$450,000					$450,000
Housing	10	$500,171	$356,808	$72,000	$1,250,000	$484,355	$5,001,710
Youth	5	$117,000	$62,809	$50,000	$185,000	$150,000	$585,000
Art & Culture	9	$133,363	$227,448	$24,000	$732,515	$50,000	$1,200,265
Other	4	$129,875	$124,368	$24,000	$300,000	$97,750	$519,500
Not recorded	1	100,000					$100,000

Social enterprises that were focused on responding to the needs of people with disability or mental illness, Indigenous populations, general community, housing, and arts based initiatives were the most common recipients of loans, as depicted in Figure Seven below. Social enterprises engaged in housing had the highest average loan amounts. These purposes reflect the best opportunities for impact investment based on demand. It is notable that FASES 2016 identified the most regularly cited purpose of social enterprises to be creating meaningful employment for a specific group.

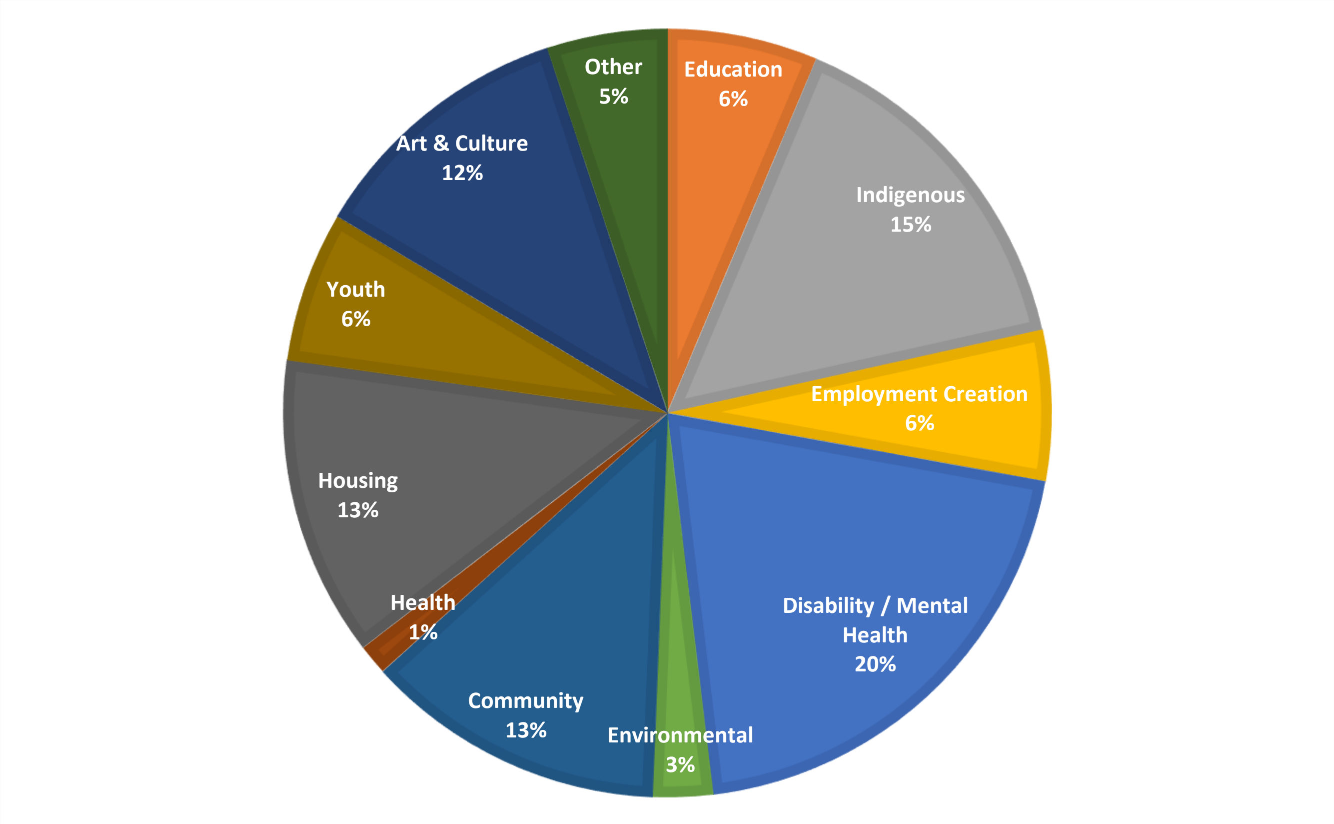

Figure 7: Percentage of funds disbursed by social purpose

Indigenous community needs were the second most frequently funded social purpose of SEDIF investments with those in other categories also potentially seeking to address Indigenous community needs. Of the loan defaults, one enterprise targeted Indigenous youth (youth); one worked to employ Indigenous workers (Indigenous), and one focused on Indigenous artists (art & culture). SEDIF fund managers reflected that challenges in distributing and acquitting funds in support of Aboriginal and Torres Strait Islander needs included: lack of investable opportunities; lack of fund manager knowledge of and relationships with the wider communities in which SEDIF financed organisations were located; and high turnover of staff and directors within Indigenous organisations with whom they were working to develop deals. Aboriginal-owned social enterprises interviewed during the evaluation reported that challenges in accessing and using SEDIF funds included cross-cultural differences in communication; limited opportunities for relationship building between Aboriginal social enterprises in remote locations and capital city-based fund managers; and the fact that SEDIF funds were not under management by Aboriginal owned and controlled organisations:

..the [SEDIF fund managers] and all those organisations are trying to do the right things, but they're not Indigenous organisations…with funds that are set up for Indigenous causes if you sort of… understand.

SEDIF declined social enterprise

Given the relatively small number of Aboriginal owned and controlled organisations involved in the evaluation, the generalisability of this experience cannot be verified. What can be verified is acknowledgement from both fund managers and social enterprises that there were challenges in meeting priority goals in this area.

Data provided by fund managers suggest that SEDIF contributed to a range of outputs and outcomes consistent with their stated social purposes. The primary mechanisms by which SEDIF fund managers contributed to positive outcomes of individual organisations were: resourcing new social enterprise development by established organisations; investing in the expansion or scaling of existing social enterprises; supporting business improvements of existing organisations so that their services were not lost; and, investing in service innovations by established social enterprises.

Fund managers produced annual impact reports and used a wide variety of reporting mechanisms to comment on their social impact. These included: use of Impact Reporting and Investment Standards (IRIS), Impact Mapping, Investment profiles (adapted from Global Impact Investment Network's case studies), and descriptive case studies of the social enterprises that received funds.

Evaluating the full social outcomes and impacts of SEDIF investments at the level of individual organisations is challenging due to the diverse purposes of SEDIF financed social enterprises, lack of baseline data and no standardised requirements of fund managers or financed social enterprises to report this information. Attribution of social outcomes at the level of individual organisations also needs to be treated with care, given that factors other than SEDIF inputs will have affected the social outcomes and impacts generated by SEDIF financed social enterprises since the program commenced.

The following cumulative outcomes and outputs can be ascertained from fund manager reports between the period of 2011 to end June 2015. There was a reported social impact on the lives of at least 9,051 people.[21] This number cannot be disaggregated according to type of social impact, but includes:

- People who are homeless or at risk of homelessness housed in crisis accommodation, families/individuals provided with affordable housing/home ownership, and people accessing affordable retirement homes;
- Consumer and farmer families benefiting from a fresh and affordable produce network;
- Carers of people with mental illness (or cognitive disorders) receiving respite;
- Indigenous job seekers accessing training;
- Individuals employed across social enterprises, including disadvantaged people;
- Additional clients accessing disability support services;

[21] This figure is derived from information contained in the *Foresters Impact Report as at 30 June 2015* and email communication with SVA (26.5.16) and SEFA (19.05.16). The evaluation team cannot attest to the accuracy of the source data upon which the figure is based but, in calculating this figure, the team drew upon the reported social impact outcome and output measures directly related to individuals.

- People supported through community centres' activities or being actively involved as volunteers;
- Artists enabled to create cultural work; and
- Children at risk of social exclusion engaged in new playgroups.

Other outputs reported by fund managers included:

- At least 656 training and employment opportunities were created with a particular focus on those classified as disadvantaged (data from two fund managers);
- At least 18,437 tonnes of e-waste were recycled;
- At least 76,714 community services/sessions were provided[22];
- 5 doctors were employed.

7.0 Testing the Theory of Change: lessons learned

SEDIF sought to increase the positive social impacts of social enterprise by growing the field's capacity through access to finance. In so doing, it also sought to catalyse the impact investing market in Australia. The evaluation identifies six key lessons arising from the implementation of SEDIF and its underpinning theory of change.

1. Government leadership can play an important role in catalysing new approaches to social finance – the evaluation finds substantial evidence of SEDIF providing both symbolic and practical leadership for the development of impact investing supply in Australia. While growth in the field is not entirely attributable to SEDIF, it is clear that the program has stimulated market development by modelling new approaches; providing risk capital that increased investor confidence; increasing the profile of the field; disseminating learning; and contributing to growing professional activities in the field. SEDIF leveraged at least 124% of its initial public investment in private capital contributions. Its presence has played a wider indirect role in growing appetite for and activity in impact investing in Australia.

2. Innovation requires flexibility. The evaluation finds sound evidence of flexibility between the Department and SEDIF fund managers in terms of sharing learning and adapting some elements of program design and reporting as the program implementation rolled out. However, there is also some evidence that contractual obligations created rigidities in the types of finance offered:

because the government I think in - went in with pre-determined view as to how it would work or be operating, they felt that people would invest in a trust structure and the trust would expire or something and so they went down that path. But it wasn't flexible enough to allow for the other structures.

Former SEDIF fund manager staff

[22] This figure is based on the cumulative social outcomes as at end of March 2016 (up to the FY2015) provided by Foresters.

but I think some of the fund managers at the top level – I think it just comes down to those two things, level of risk and I'd like to see the funds a little bit more flexible and willing to do larger deals. Our project would have been up and running 12 months ago if we had a fund that was willing to not have as high level – was with – a fund that was willing to take a little bit more risk I think. If it meant good social outcomes and I mean, at the end of the day, using the market to solve some complex social problems is a really, really good and cost effective way of doing it but we just need access to that suitable finance.

SEDIF financed social enterprise

Innovation inside government can also face challenges where social benefits of programs accrue across jurisdictions or portfolios:

SEDIFs didn't have a narrow employment focus but I think part of the challenge for [the Social Innovation Strategist's] team at the time was they were trying to do something in a department that did have a narrow employment focus and so they were sort of outriders having to do a lot of internal battling about what this fund was about and how it could be done. And - and that probably I imagine was an energy drainer for them. It didn't allow them the time to think properly about where this should be located.

Former SEDIF fund manager staff

Finally, social innovation requires co-production to effect best design of services. While there was evidence of early consultation related to the design of SEDIF, wider formative evaluation and engagement with key stakeholders – including Aboriginal organisations, specialist social enterprise development intermediaries, and emerging impact investors – could have improved program design and impacts.

3. Developing social enterprise and establishing an impact investment market have some overlapping aims but are not naturally interdependent. SEDIF has made a demonstrable contribution to catalysing the impact investment market but has had a weaker effect on growing the size and impacts of the social enterprise field. The evaluation finds consistent evidence that social enterprises require access to diverse types of social finance – including grants, patient (long term) debt finance, and blended capital - in order to improve their sustainability and scale their impacts. These needs are variously affected by the stage of business development, the legal and governance structures, the sizes and geographic locations of social enterprises. Impact investing can contribute to the social finance repertoire that supports social enterprise development but is not the only relevant vehicle and often not the most suitable. Further, while there was some evidence that the finance-led model of social enterprise capacity building has supported capability development amongst SEDIF-financed social enterprises, there was an alternative view put that supporting the business development that precedes access to external debt or equity finance would have been a higher value investment.

Access to finance as the challenge, the key word is 'access'. It's not that there's not enough capital, you know, the biggest challenges in impact investment is everyone is focussing on the supply side and thinking if you set up funds and you put cash out in the system that will help…The word is access. People can't access it because they're not ready for that kind of capital. And so it was a misnaming of the initial problem.

Social enterprise intermediary

Conversely, there was acknowledgement amongst interviewees that impact investing is not confined to investment in social enterprise, and that emerging financial instruments and asset classes that may or may not involve social enterprises are becoming of interest as impact investors seek financial and social returns:

[the government] could look at social impact bonds at a federal level, nationwide. Those sorts of things I think would be good for government to help grow the fledgling impact investing market.

SEDIF fund manager

4. Developing an emerging field takes time and multiple levers – time and financial resources required to build the SEDIF pipeline – particularly in relation to identifying investment opportunities and building social enterprise demand – were significantly under-estimated in original program timing and contract commitments. This has contributed to limited early distribution of SEDIF grant and co-investment funds and consequent fund development since the program was implemented. While SEDIF was not designed as – and cannot be – a universal response to social enterprise development needs, responses to the evaluation suggest that the social enterprise field growth objectives of SEDIF require wider investment in the development ecosystem for social enterprise than can be achieved by SEDIF alone. Uncoupling social enterprise development from impact investing in future policy interventions is likely to be helpful to advancing the impacts of social enterprises:

So to me at the moment, with the SEDIF, the government was saying, "Well we're going to help develop capital supply." But [they] were actually not helping to develop the broader needs around ecosystem as well…so definitely sort of taking a more whole of ecosystem view of that, and part of that is also – so recognising the importance of advice and support.

Social enterprise intermediary

5. Sustainability in impact investing requires scale – a consistent theme throughout the evaluation was that the scale and distribution of the initial SEDIF investment constrained the impacts it was able to achieve. As a pathbreaker, SEDIF has been effective in demonstrating what is possible with impact investing and cross-sector commitments to financing social impact. However, greater initial investment and/or containment to one or two fund managers would have enhanced the ongoing sustainability and impacts of the investment.

…it's such a small fund split into three; ridiculous.

Social enterprise intermediary

6. Evaluating innovation is important. Ongoing reporting by fund managers to the Department has provided important data sources to evaluate the activities and outputs of SEDIF. However, incorporating evaluation at the outset of the program design would have allowed baseline measures to be established, which would have improved the summative analysis of SEDIF's effects. Further, while the diverse purposes and products of SEDIF are a program strength, some attention to establishing standardised outcomes indicators at an early stage of program implementation would have been helpful in evaluating the outcomes and impacts of SEDIF.

8.0 Future opportunities

As part of the evaluation, interviewees were invited to articulate future opportunities that they saw for the Australian Government in supporting social enterprise development and/or impact investing practice in Australia. Future opportunities for developing the social enterprise field identified within the evaluation included: investing in the wider development ecosystem to support a diversity of social enterprises fulfil their missions and deepen their impacts; broadening the social finance products available to social enterprises; and developing markets for social enterprise through social procurement. The latter theme was clearly articulated in interviews with fund managers, social enterprises, Department staff, and specialist social enterprise intermediaries not involved with SEDIF:

We want to see more capacity building, and we want to see definitely some social procurement that can build some strong social enterprises. If we've got a bit more of a push for social procurement, then we could see more sustainable social enterprises. There are social enterprises that probably don't work and probably the funds get a lot of approach from is those who want to go and start landscaping and gardening businesses but they don't have a contract in place and you'd probably see a lot of that. So if we can see a bit of a push in sector capability built around social procurement, um, social enterprise and development, but to more flexible funding, if we can make more flexible funding for social enterprises available especially large scale ones it would be a game changer.

SEDIF financed social enterprise

I mean, there are many ways government can help through…recent sort of procurement policies are great, and I think that's the best way government can help… through buying power and you know um by creating market incentives for, to give Indigenous business sort of a tail wind

SEDIF declined social enterprise

With regard to future opportunities for impact investing, the primary theme that emerged was the need to increase the scale of supply in order to increase the sustainability and impact of managed funds. As discussed in section 6.3.1, some interviewees called for greater government investment to denote a shift from putting a 'toe in the water' to making a substantial forward commitment. Others noted potential for government regulation to enable mobilisation of new sources of private capital, with crowd-sourced equity and superannuation funds particularly identified:

Any industry fund has confidence that a, there's the potential for a ten to 20 year return of something close to 12 percent, it doesn't have to be 12 percent, and a reasonable security that that's deliverable, they're going to be excited; they'll be in.

SEDIF fund director

Superannuation funds could be encouraged [participate] in this area. The housing's a classic one, you know, you would have thought they would have got there by now. There's no need for the State to build the housing. The State can do it by guarantee or by other measures and it can cost a lot, lot less when you release resources from somewhere else.

Former fund manager staff

Given the success of SEDIF in leveraging private capital to support public policy objectives, opportunities for governments to adopt funds-matching and impact investment logics were also identified by government staff and SEDIF co-investors as a future opportunity for financing complex social and environmental challenges:

I think this venture was a very bold venture, you know, to the extent that…governments make grants I think taking some of that grant money and looking at alternative forms of financing that are going to create more sustainable long term growth opportunities to these businesses is a far better way to go. So I'd encourage the government to keep trying to be innovative. You know I think my gut feel is that SEDIF has been successful, that the investors are going to be happy with their rate of return and there'll be…demonstrable…return on investment and social change and – and long term growth for these organisations …I think there needs to probably be a round two. From my personal point of view so far I've been, you know, happy with the return and happy with the social change and I would reinvest my money and probably give them more.

SEDIF co-investor

9.0 Conclusions and recommendations

The SEDIF program is an innovative partnership-based approach to financing social impact led by the Commonwealth Government. SEDIF has been successful in growing its initial public investment by at least 124%, stimulating impact investment in Australia more widely, and providing direct and indirect support for business development of 424 social enterprises. While there are limitations to retrospective evaluation in assessing the social outcomes and impacts of this work, available data suggest that program investments contributed to positive social outcomes for 9051 people, including employment and employment readiness for more than 650 people. In catalysing the impact investment market, SEDIF has established the potential for attracting longer-term investment in priority areas for impact.

Like all innovations, one of the major opportunities of SEDIF is improvement through learning. While SEDIF has played a significant role in catalysing impact investing in Australia, it has had a more muted effect on scaling the activity and impacts of social enterprises. Uncoupling impact investing and social enterprise development objectives in future policy approaches is likely to enhance potential for positive impacts in each of these domains.

Recommendations arising from the evaluation include those related to social enterprise development, those related to advancing impact investing and those related to evaluating future funding:

9.1 Recommendations for Social Enterprise Development:

1. The evaluation findings suggest that, if the impacts of the social enterprise field are to be increased, it is important that new social enterprises can enter the field and existing social enterprises have opportunities to appropriately scale their impacts. It is recommended that future investments in social enterprise development should include business capability development (inclusive of but not confined to financial capability).
2. That future policy initiatives in social enterprise development take into account the need to grow the development ecosystem by funding specialist social enterprise development intermediaries, which were identified by (SEDIF financed and non-SEDIF financed) social enterprises and SEDIF fund managers as central to effectively developing the field.
3. Building on the most consistently suggested developmental approach raised in the evaluation, it is recommended that future policy initiatives support social enterprise development through market stimulation, by extending current commitments to Indigenous procurement to include social procurement from social enterprises.
4. Responding to a lack of coordinated voice and information access for social enterprise identified in the evaluation and other national research, it is recommended that work be done with social enterprise field leaders, other levels of government, and philanthropy to assess the need for establishing a national

representative body that supports industry development and industry-government relations in the social enterprise field.

5. Based on the experiences of social enterprises interviewed in the evaluation and the observations of specialist development intermediaries, including but not limited to SEDIF fund managers, it is recommended that any future initiatives targeted at increasing social enterprises' access to finance include a breadth of social finance options – particularly grant finance, patient capital, and early-stage risk capital.
6. That future policy initiatives recognise the role of social enterprises in generating employment and providing employment pathways for people disadvantaged in the labour market.

9.2 Recommendations for Impact Investing:

7. Based on learnings from the evaluation about both the appropriateness of impact investing for social purpose providers and the challenges of matching priority investments with organisational capability, it is recommended that future policy initiatives in impact investment identify priority areas for impact investing based on potential for high value social impact and taking into account investment readiness of potential providers.
8. That future initiatives in impact investment respond to suggestions from SEDIF fund managers, co-investors and other impact investors to consider and redress regulatory barriers preventing further use of latent and untapped capital (e.g. Superannuation Funds) and the capability of a range of providers to facilitate additional capital for impact investing purposes.
9. That future initiatives in impact investment explore impact investment products and approaches beyond debt finance to social enterprises (e.g. social impact bonds, guarantees and social innovation funds that might address different social issues through a variety of providers).
10. That future policy developments give consideration to the suggestion raised by multiple interviewees, including some SEDIF co-investors and impact investment specialists, to establish a wholesale impact investment fund to support scalability of impact investing in Australia. Given the mixed results of SEDIF in generating field level impacts, it is recommended that any developments of this nature be conditional on establishing the purpose of such funds, and a quality outcomes measurement system to ensure the sector can effectively measure and demonstrate its impacts.

9.3 Recommendations for Evaluation and Reporting:

11. That any future funding for social enterprise programs that seek to generate social impact include: evaluation and impact measurement from the program design stage; baseline data; build evaluation costs to providers into funding; and mandate consistent and program-logic relevant reporting frameworks for financial and social impact data.

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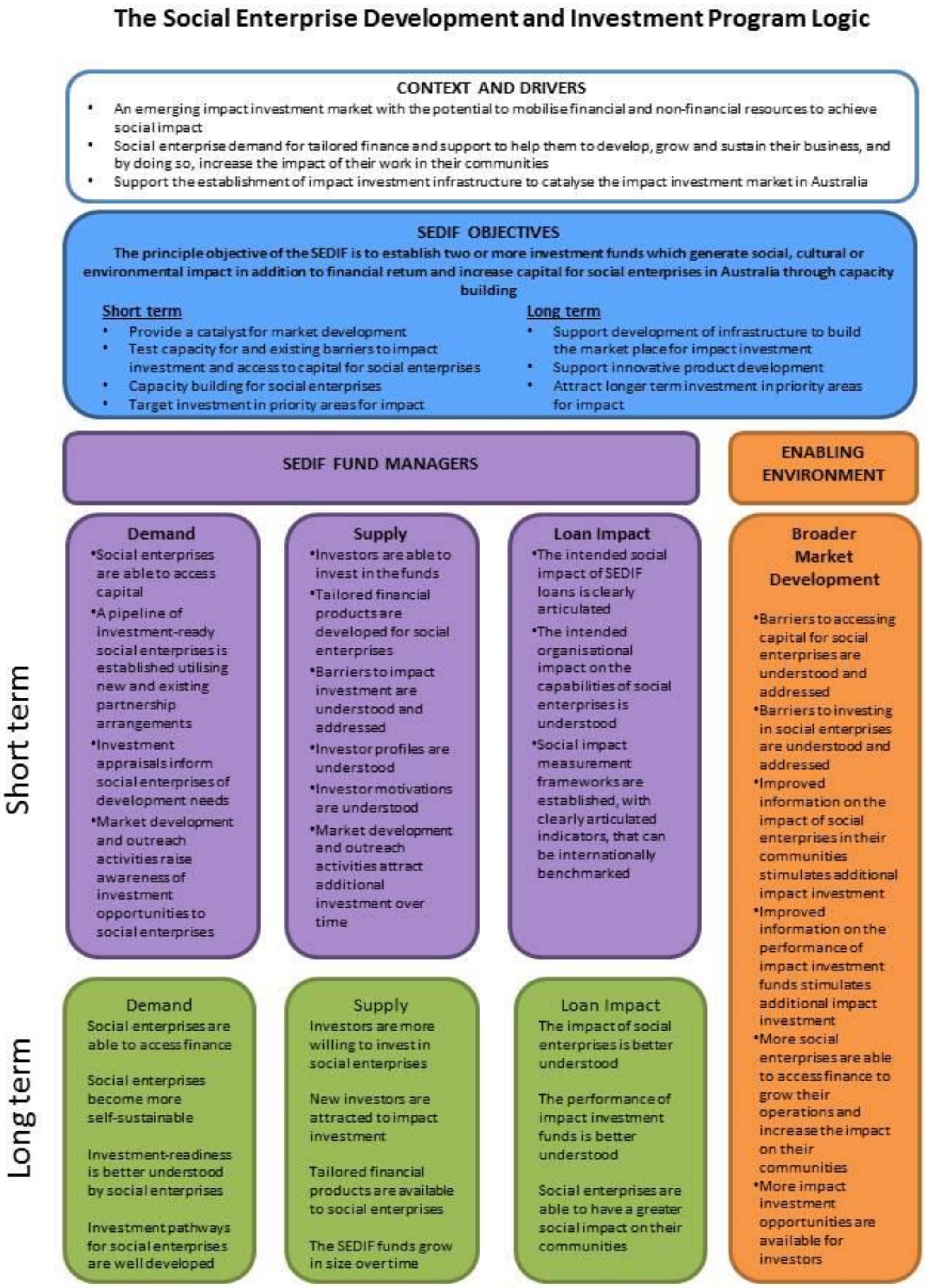
Appendices

Appendix One: SEDIF Program Logic



Source: DEEWR, 2013*b*, pg. 56.

Appendix Two: Fund Managers

Foresters Community Finance

Foresters Community Finance (Foresters) history began in 1855, with the Friendly Society movement of the 1850s, born of the Ancient Order of Foresters (1855) and the Australian Natives Association of Qld Friendly Society (1885) (Foresters Community Finance, n.d.a; Foresters Community Finance, n.d.b). Along with a minority of banks, credit unions, and philanthropic societies, Foresters aimed to explore the implementation of innovative social and community investment strategies in the modern Australian economy (Foresters Community Finance, n.d.b). In 1996 the Foresters ANA Friendly Society was founded (Foresters Community Finance, n.d.b). In 2008, Foresters ANA Friendly Society became Foresters Community Finance. Foresters' mission is to be Australia's leading community development financial services provider. This mission is reflected in Foresters' commitment to connecting individuals, organisations and communities in mutually beneficial ways to build the prosperity of communities (Foresters Community Finance, n.d.*a;* Foresters Community Finance, n.d.*d*).

Foresters provides loans to social enterprises, non-profit organisations and individuals, to nurture financial capacity and promote sustainability (Foresters Community Finance, n.d.*a)*. Foresters offers a range of impact investment products to investors seeking both a financial and social return (Foresters Community Finance, n.d.*a*). Social Investment Australia (SIA), which holds an Australian Financial Services (AFS) licence, is the capital management arm of Foresters, allowing delivery of finance and investment products. SIA is co-owned by InterFinancial Corporate Finance Ltd. In addition to the Funds set up with the SEDIF grant, Foresters runs a number of other Funds including Arts Business Innovation Fund (launched in 2014) and Community Finance Fund Non-Profit (launched in 2012) (Foresters Community Finance, 2015*b*).

Foresters established the Social Enterprise Finance Fund (SEFF) and the Community Finance Fund Social Enterprise (CFF-SE) in June 2011 following a successful first round tender for the SEDIF grant. Both Funds are classed as an unregistered managed investment scheme and a pooled mortgage fund. As a result of the tender, DEEWR provided $6 million and as a co-investor Christian Super provided $6 million to match the government grant. This $6 million was combined with $4.3 million from the SEDIF grant to form the CFF-SE. For the SEFF, $1.15 million came from the SEDIF grant with a further $.5 million from private investors (Foresters Community Finance, 2016).

The Social Enterprise Finance Fund was set up to assist with social enterprise growth and development by providing access to unsecured finance. The CFF-SE was established to provide secured property and enterprise loans to more established social enterprises as a means of supporting and growing their financial resilience. According to Foresters' website, the aim of the Fund is "to offer a range of social impact outcomes in urban and regional areas through employment in social enterprises" as well as contributing to social, cultural and environmental social outcomes (Foresters Community Finance, n.d.*c*). A third fund, the Early Stage Social Finance Fund (ESSEF) was launched in 2013.

In December 2015, SEFF and ESSEF were merged into a redesigned SEFF Fund (Foresters Community Finance, 2016). The merged Social Enterprise Finance Fund was set up to support smaller and emerging social enterprises through the provision of secured and unsecured loans. Other than a target of 20% allocation to early stage social enterprises, SEFF does not have any particular geographic, loan category or asset allocation targets (Foresters Community Finance 2015*b*). Foresters has displayed strong lending activity over the course of the Funding Agreement with more than $7.5 million disbursed across 49 loans.[23]

Operational delivery has resulted in net costs to Foresters of $3.4 million.[24] In order to support operational delivery, Foresters drew down $300,000 in March 2014 and a further $700,000 in September 2014 from the SEDIF funds through the SEFF. $300,000 was replaced in July 2014 and $100,000 was replaced in October 2015 by introducing two new investors. Foresters' capital raising activities are ongoing to raise the remaining funds. Foresters has made changes to the structure of SEFF to make it more marketable to investors and has targeted high net worth investors, family foundations, family offices, ethical financial advisers and super funds (Foresters Community Finance 2015*a*). A boutique super fund has indicated a desire to invest from August/September 2016. According to the Fund Summaries, as of end March 2016, investors in CFF-SE include Christian Super and Foresters and for SEFF there are five investors (Foresters Community Finance, 2016). According to Foresters' website, the CFF-SE is currently closed to new investors with Foresters actively seeking new investors for SEFF (Foresters Community Finance, n.d.*c*). There is $4.8 million remaining to be distributed to social enterprises across both Funds.

Social Enterprise Finance Australia (SEFA)

Social Enterprise Finance Australia (SEFA) was founded in August 2011 and was the second organisation to receive the SEDIF grant during the first selection round in 2011 (SEFA, 2016*a*). SEFA consists of three legal entities: 1) Social Enterprise Finance Australia Ltd, (SEFA Ltd), a public company limited by shareholding. Stichting Triodos holds a single 'golden' share in SEFA Ltd; 2) SEFA Loan Fund Trust and 3) SEFA Investments Ltd. The SEFA Loan Fund is a unit trust with the trustee of the SEFA Loan Fund being SEFA Ltd. The beneficiary and unit holder of the loan fund is SEFA Investments Ltd, a wholly owned subsidiary of SEFA Ltd (SEFA, n.d.*b*).

SEFA's mission is to drive the development of social impact lending in Australia by applying innovative solutions to nurture a stronger and more dynamic social enterprise sector. This aim is reflected in SEFA's commitment to fostering positive community, Indigenous and environmental impact and delivering financial returns (SEFA, 2016*a*). SEFA provides finance

[23] Letter from Department of Employment to Foresters 29 March 2016

[24] Foresters Community Finance (2016) SEDIF/SIA Analysis May 2016

to organisations that struggle to access mainstream finance. SEFA's mission is aligned directly with SEDIF's objectives. SEFA is governed by a Board of seven members whose combined experience include financial and social industry expertise (SEFA, 2016*a*). SEFA specialises in debt social finance rather than providing equity, grants or consulting services. SEFA was certified as a B Corporation in 2015 (SEFA, 2015).

SEFA generally approves loans of between $50,000 to $2 million. SEFA looks for:

- *a clear mandate and objectives in community development, enhancing the environment and/or Indigenous enterprise;*
- *a viable business to create economic value that identifies sources of income and business activity, and that uses standard management tools to demonstrate a viable working enterprise and the ability to service a loan;*
- *a commitment that a proportion of surpluses generated will be applied to social objectives* (SEFA, n.d.*a*).

As part of its funding agreement to match the $10 million Commonwealth SEDIF grant by 30 June 2016, SEFA raised an initial $2.14 million of equity and $1.4 million of debt in 2011 from shareholders and individuals. In its 2015 Annual Report the organisation reported that it had raised another $100k of equity and $2 million of unsecured debt from foundations, self-managed superannuation funds and private ancillary funds (SEFA, 2015, pg. 27). Important initial investors were Community Sector Bank, NSW Aboriginal Land Council, and Triodos Bank (headquartered in the Netherlands).

As at June 2016, aside from the remaining SEDIF grant, the Fund composition includes a $4 million bank facility and $6.4 million from private investment (SEFA, 2016*b*). SEFA also secured a $3 million facility from the Lord Mayor's Charitable Foundation to be used for affordable housing projects in Victoria. Several of SEFA's loans are property secured, which reflects the nature of its clients, which includes crisis accommodation, disability accommodation, and social and affordable housing providers. SEFA continues to seek new capital growth for the Fund (SEFA, 2016*b*).

Social Ventures Australia (SVA)

Social Ventures Australia (SVA) was founded in 2002 by the Benevolent Society, the Smith Family, WorkVentures and AMP Foundation (SVA, 2016*c*). SVA is a non-profit organisation whose mission is to help overcome disadvantage in Australia (SVA, 2016*c*). SVA focuses on the keys to overcoming disadvantage in Australia, including great education, sustainable jobs, stable housing and appropriate health, disability and community services. SVA does this through the provision of advice, funding and investment to support its partners to deliver social impact. SVA's services include venture philanthropy, impact investing and consulting (SVA, 2016*c*). The Board of SVA governs the overall direction and purpose of the organisation (SVA, 2016*a*). The SVA Board is comprised of a diverse range of social sector, government, philanthropic, business and financial expertise (SVA, 2016*a*).

Social Ventures Australia (SVA) was the final organisation to receive SEDIF funds in 2012 and was chosen during the second selection round. SVA was granted an Australian Financial Services (AFS) licence in November 2012. According to its IRIS Metrics, the SVA Social Impact Fund mission is to “support social enterprises that provide opportunities to disadvantaged Australians through the provision of finance and capacity building grants” (SVA, 2015, pg. 20). The objectives of the Fund are: capacity building, community development, employment generation and income/productivity growth. Set up as a loan and equity fund, the Social Impact Fund provides loans and equity finance to social enterprises that support disadvantaged Australians with a focus on small-to-medium enterprises (SVA, 2015, pg. 20). Literature on the Fund places an emphasis on the selection of sustainable and high impact social enterprises across a range of areas rather than a particular focus on one priority area.

According to the SVA website, the Fund provides for-profit and non-profit social enterprises loan or equity finance between $150,000 to $1 million (potentially higher as determined by each case); terms of 1 to 5+ years; interest rates of cash rate plus 3% to 7% dependent on risk; potential repayment holiday in the early years of business establishment; and no penalties for early loan repayment. The investment criteria areas are listed as:

- *Clear social mission to provide opportunities for disadvantaged members of the community;*
- *Located in Australia and predominantly serving Australian communities;*
- *Financially sustainable model;*
- *Strong management;*
- *Collateral may be required (such as security, pledge and/or guarantee)* (SVA, 2016*b*).

According to its first quarterly report to DEEWR, in order to match the SEDIF fund allocation of $4 million, SVA held 50 meetings with investors resulting in the initial raising of $4.6 million from 33 investors. As of June 2016, the Fund has raised $5.0 million in total from 37 investors. These investors included a mix of high net worth individuals, family trusts, private ancillary funds and one institutional investor with a reported two thirds of these investors being new to social finance (SVA, 2012, pg. 1). Investors receive an annual distribution of return on investment depending on the Fund’s performance (with the annual return details publically available on SVA’s website). As of 30 June 2015 there was $2,608,575 of funds remaining to be distributed to social enterprises (SVA, 2015). According to the SVA website, the Fund is now closed to new capital (SVA, 2016*b*).

Appendix Three: Methodology

Background

In February 2016 the Australian Government Department of Employment, Workforce Strategies Branch contracted the Centre for Social Impact and the Social Policy Research Centre (University of New South Wales) and the Centre for Social Impact Swinburne (Swinburne University of Technology) to undertake a process and outcomes evaluation of the SEDIF. In their Request for Quotation (RFQ) the Department sought research to cover these areas:

- Understanding the overall broader context for SEDIF including the development of the Australian impact investment market since 2011;
- Understanding expectations and barriers faced by fund managers and social enterprises including perceptions and expectations of SEDIF in catalysing the impact investment market, expectations around fund disbursements, capacity building, and the long-term sustainability of fund managers and social enterprises supported through SEDIF;
- Understanding drivers of limited access to capital for social enterprises including factors such as institutional and procedural factors as well as institutional factors inhibiting the development of an impact investment market;
- Providing a point-in-time update and analysis;
- Understanding what SEDIF elements worked well and what could have been improved so as to identify opportunities and strategies to shape future government policy.

In undertaking to evaluate these five key areas, the evaluation team took a systems-analytical approach that examined both the direct and indirect impacts of SEDIF on the field. A systems approach recognises that growing the impact investment market and social enterprise participation in it involves developing the wider eco-system for take-up and use of impact investing. A systems approach also involved examining SEDIF influence on practice at macro (public policy and regulation), meso (impact investing intermediaries and investors), and micro (individual social enterprises) levels. The ecosystem metaphor further recognises interdependence between levels and that non-financial factors – such as organisational capacity, corporate and political governance arrangements, regulatory constraints, the public legitimacy of an emerging field, and prevailing business cultures – are likely to affect market development as much as the availability of capital and suitability of financial products. The systems-analytical approach is outlined below:

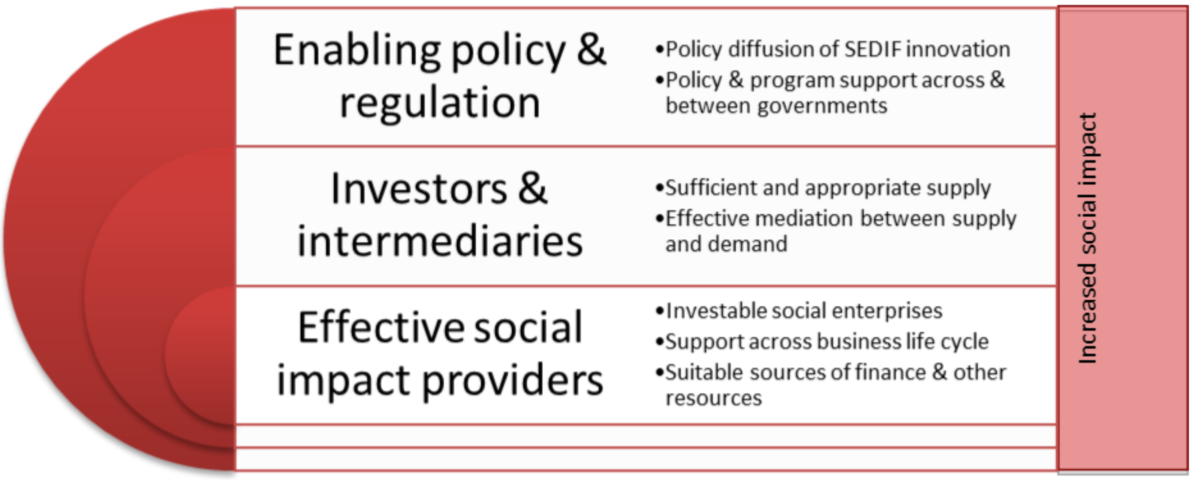


Figure A3.1: Systems Approach to SEDIF Evaluation

In keeping with the above, the key evaluation questions explored in this evaluation included:

1. To what extent has SEDIF provided a catalyst for market development?
2. How has SEDIF tested capacity for and existing barriers to impact investment and access to capital for social enterprises?
3. How and to what extent has SEDIF enabled capacity building for social enterprises?
4. How has SEDIF targeted investment in priority areas for impact, as determined by fund managers?

The evaluation also explored the factors that constrain access to capital for social enterprises, the ways in which SEDIF has enabled mobilisation of additional capital in priority areas of impact, and whether and how SEDIF has stimulated innovation in impact investing and other social finance products.

Methods

The evaluation adopted a mixed methods approach, drawing on primary and secondary data to respond to the evaluation questions and, where possible, aimed to verify findings through triangulation.

Data Sources and Methods
Data sources included:

- Interviews with internal and external stakeholders (detailed below);
- Original program documentation, monitoring and reporting data;
- Financial data provided by fund managers to the Department;
- Policy documents and political transcripts accessible through Hansard and The Australian Social Enterprise Policy Corpus (Mason & Moran, n.p.);
- Industry and mainstream media reports accessible through Factiva.

Table A3.1 summarises the application of data sources to the evaluation questions.

Table A3.1: Overview of Evaluation Questions and Data Sources

Evaluation Question	Indicator(s)	Data Sources	Methods of Analysis
To what extent has SEDIF provided a catalyst for market development?	Number and types of impact investment providers and products has grown as a result of the establishment of SEDIF Number and types of impact investment and social enterprise intermediaries has grown as a result of the establishment of SEDIF SEDIF funds management has achieved financial sustainability New sources of capital have been leveraged in support of SEDIF products and other impact investing products	Documentary Sources Interviews (non SEDIF impact investors, intermediaries, state government) SEDIF and funds manager monitoring data	Content analysis Thematic analysis Descriptive statistical analysis
How has SEDIF tested capacity for and existing barriers to impact investment and access to capital for social enterprises?	Products and approach of SEDIF managed funds have been tested and adapted since inception New impact investing vehicles and products have become available due to SEDIF influence	Documentary Sources SEDIF and fund manager monitoring data Interviews (Department staff, fund managers, SEDIF co-investors, other impact investors, intermediaries, former key staff)	Thematic Analysis
How and to what extent has SEDIF enabled capacity building for social enterprises?	Number of social enterprises receiving capacity building assistance has grown as a direct result of the establishment of SEDIF Number of social enterprises receiving capacity building assistance has grown as an indirect result of the establishment of SEDIF (eg. through intermediary response to gaps) Evidence of increased financial	SEDIF and fund manager monitoring data Interviews (social enterprises, fund managers, consultants, intermediaries) FASES 2015 data	Thematic analysis

	performance and/or investability of SEDIF supported social enterprises Institutional and procedural barriers to SE access to capital have been identified and addressed		
How has SEDIF targeted investment in priority areas for impact, as determined by fund managers?	Number and types of investment in priority areas for impact by fund managers has grown steadily SEDIF investments have produced demonstrable outcomes (eg. increased employment creation for highly disadvantaged) in priority areas SEDIF priorities have attracted long term investment from non-SEDIF sources	Fund manager monitoring and evaluation data Interviews (fund managers, social enterprises)	Descriptive and inferential statistical (i.e. econometric) analysis Meta evaluation

Primary Data Collection

A purposive sample of interview participants was drawn from publically available information and supplemented through snowball sampling. The sample included those with direct experience with SEDIF, as well as representatives of organisations active in impact investing and/or social enterprise development. The sample sought to elicit diverse views competent to respond to the evaluation questions. Group interviews were conducted with Department staff and with staff teams of the fund managers. Forty-eight people participated in the interviews. Table A3.2 summarises the sample by interview type.

Table A3.2: Overview of interview sample groups and number of interviews

Sample group	Interview type	Number of Interviews	Number of Interviewees
Current Department of Employment staff	Group	1	6
Current SEDIF fund management service staff (Foresters, SVA, SEFA)	Group	3	8
Current SEDIF fund management CEOs	Individual	3	3
Current SEDIF fund directors	Individual	3	3
Co-investors in SEDIF	Individual	3	3
Social enterprises* that were unsuccessful in securing SEDIF funds	Individual	4	4
Social enterprises that were eligible but declined SEDIF funds	Individual	1	1
Social enterprises that were successful in securing SEDIF funds	Individual	6	6
Social enterprise and impact investing intermediaries	Individual	4	4
Impact investors/brokers working outside SEDIF in Australia	Individual /Group	2	3
Former Department and Funds Manager staff centrally involved in SEDIF implementation	Individual	4	4
Academic SEDIF impact evaluators and advisors	Individual	2	2
State government staff leading current or past impact investment initiatives	Individual	1	1
Total		**37**	**48**

*Some social enterprises were successful in accessing SEDIF funds from one fund manager but not from another.

All interviews took place either face to face, over the telephone or by Skype and took from one to one and a half hours to complete. All interviews were digitally recorded and transcribed, where interviewees agreed to this. Where permission to record was not agreed, hand written notes were taken. Interviews were transcribed, and interviews and notes were de-identified for analysis.

Secondary Data Collection

In addition to the primary data collection, the evaluation drew on multiple data sources including publically available information on SEDIF and the fund managers, documentary data on SEDIF impacts on policy and programs derived from Hansard and media sources, and existing focus group data on financial challenges and opportunities of social enterprises collected as part of Finding Australia's Social Enterprise Sector 2015 research project. (Participants in the FASES 2015 research consented to the research being used for additional research purposes.) Details on the secondary data sources are provided below.

1) Media Analysis

The evaluation team undertook a media analysis of Australian media using the search terms:

- "SEDIF" but only in the Australian market (to distinguish from an organisation using the same acronym in France)
- "Social Enterprise Development and Investment Fund"
- "Impact Investing" and "Impact Investment" "Social Enterprise"
- And DEERW in association with the terms impact investing and social enterprise.

This search was then broken down year by year from 2011 to 2016. While a large amount of articles were identified in the media review, only a small selection (n=15) directly linked to the SEDIF program or DEEWR. The articles making these links were all published in 2012-2015, with no relevant articles found in 2011 or 2016. As the search was focused on evaluating the larger impact of SEDIF over time, articles from 2010 discussing the SEDIF launch were not reviewed.

2) Policy and Program Analysis

The evaluation team searched The Australian Social Enterprise Policy Corpus (Mason & Moran, n.p.) using the search terms:

- "Social Enterprise Development and Investment Fund"
- "SEDIF"
- "Social Ventures Australia"
- "SVA"
- "Foresters"*
- "Social Enterprise Finance Australia"
- "SEFA"
- "impact invest*"
- "social finance".

The search produced 20 results of relevance to the influence of SEDIF on the impact investing market. An additional search of Hansard using the following search terms rendered the following results:

- "Social Enterprise Development and Investment Fund": 28 results obtained
- "SVA": 67 results
- "SEFA": 22 results
- "Foresters": 3 results.

** The number of results listed above for each of the search terms are indicative of the number of relevant results, not the total number of results. For example, when searching "Foresters" there were many results relating to the Forestry industry and/or results related to Foresters Community Finance that were not relevant to SEDIF.*

3) SEDIF and Fund Manager Monitoring and Reporting Data Analysis

As an initial step in developing a thematic analysis, the evaluation team undertook a search of the three fund managers' websites using the search terms below. (SEFA does not have a search function on their site, but a google search using: *SEDIF site:.sefa.com.au* raised 1.5 pages of results where SEDIF was mentioned on the SEFA website.)

- "Social Enterprise Development and Investment Fund"
- "SEDIF"
- "Social Ventures Australia"
- "SVA"
- "Foresters Community Finance"
- "Social Enterprise Finance Australia"
- "SEFA"
- "impact invest"
- "impact"
- "invest*"
- "financ*"
- "capital"
- "social finance"
- "philanthrop*"
- "grant".

In addition, the CEOs of the fund managers provided consent to the evaluation team to access organisational documents not publicly available. These included contract information, the loan register, SEDIF Fund Managers' Working Group minutes, and quarterly and annual reports provided to DEEWR and the Department of Employment. Where data gaps existed, the evaluation team directly approached the fund managers for information.

4) FASES 2015 Database Analysis

The evaluation team drew upon FASES 2015 data that included a NVIVO dataset drawn from transcripts from 13 focus groups involving 75 participants collected from November 2014 to March 2015 and survey data from 100 participants and additional organisational data from 259 organisations (collected between June 2015 and December 2015). Key terms used to search these datasets included:

- "Social Enterprise Development and Investment Fund"
- "SEDIF"
- "social Ventures Australia"
- "SVA"

- "Foresters Community Finance"
- "Social Enterprise Finance Australia"
- "SEFA"
- "impact invest*"
- "impact"
- "invest"
- "Financ*"
- "Capital"
- "Social finance"
- "Philanthrop*"
- "grant".

Data Analysis

Data analysis included:

- Policy and media documents were thematically analysed to identify the influence of SEDIF on policy developments and the overall reach of SEDIF.
- Interview data were coded using NVivo 11, with the evaluation questions providing the starting point for node development.
- SEDIF monitoring data was descriptively and inferentially analysed using SPSS and Excel to identify trends in loan conversion rates, demand and uptake, and repayment and fund performance.
- An evaluation was undertaken on the financial statements of the SEDIF Fund Managers based on the financial information provided in the annual reports from 2012 to 2015 (to match fund operational years for all fund managers). This review was undertaken principally to determine the extent of quality reporting within the organisation, a review of the overall financial statements of the organisation and to consider comparative analysis between organisations. A template for an Income Statement, Statement of Financial Position (Balance Sheet) and Cash Flow Statement was created. Data from the downloaded financial statements were extracted and reclassified for comparability and inputted into the template.
- Descriptive geospatial analysis of evaluation data and FASES 2015 data was applied to generate insights about the geographical effects of the program. CartoDB was utilised to map results presented in the report.

In keeping with the mixed-methods approach, findings arising from the various data sources were integrated to identify commonalities of experience and, where possible, to verify program effects and subjective experiences of SEDIF.

Appendix Four: Interview Guide (individual interviews)

Social Enterprise Development and Investment Fund (SEDIF) Evaluation
This semi-structured interview is focused on exploring the progress of the Social Enterprise Development and Investment Fund (SEDIF) towards achieving its goals and objectives.
This interview is designed to explore any constructive feedback about SEDIF including suggested areas of focus for SEDIF and social impact investment more broadly.
Stakeholders

1. Can you please describe for me your involvement with SEDIF (prompt: tailor question to type of stakeholder)
2. Can you outline for me how you would describe the SEDIF initiative?
3. In your experience, what elements of SEDIF have worked well?
4. Thinking back on changes in the impact investment market, do you think that SEDIF has been a catalyst for market development? (prompt: explore how)
5. Are you aware of ways that the SEDIF has:
    a. tested capacity for and existing barriers to impact investment? (prompt: if yes, explore further and mention fund managers)
    b. enabled capacity building for social enterprises? (prompt: if yes, explore further and mention fund managers)
    c. targeted investment in priority areas for impact? (prompt: insert these; long term investment)
    d. supported development of infrastructure to build a marketplace for impact investment?
    e. supported innovative product development? (prompt: e.g. new financial products; new capacity building programs)
6. To what extent do you think the SEDIF has met expectations for:
    a. Distributing funds to social enterprises?
    b. Building capacity of social enterprises?
    c. Building the long-term sustainability of social enterprises?
    d. Building the long-term sustainability of fund managers?
7. Do you think there are any factors that have inhibited the effectiveness of SEDIF? If so, what are these? (prompts: supply side factors; demand side factors; program focus or structure)
8. Looking to the future, how do you think government could support:
    a. Strengthening and developing social enterprises?
    b. Growing the impact investment market and its effectiveness?

Appendix Five: Interview Guide (group interviews)

Social Enterprise Development and Investment Fund (SEDIF) Evaluation
The Department and SEDIF Fund Management Service Staff
This semi-structured group interview is focused on exploring the progress of the Social Enterprise Development and Investment Fund (SEDIF) towards achieving its goals and objectives.
This interview is designed to explore any constructive feedback about SEDIF including suggested areas of focus for SEDIF and social impact investment more broadly.

1. Can you outline for me how you would describe the SEDIF initiative and your organisation's role in it?
2. In your experience, in what ways has SEDIF worked well?
3. What have been the challenges of delivering SEDIF? What could have been done differently?
4. Thinking back on changes in the impact investment market, do you think that SEDIF has influenced market development? (prompt: explore how)
5. To what extent do you think SEDIF has tested capacity for and existing barriers to impact investment and access to capital for social enterprises? (prompt: explore how)
6. To what extent has SEDIF enabled capacity building for social enterprises? (prompt: explore how)
7. To what extent has SEDIF targeted investment in priority areas? (prompt: insert areas)
8. Overall, what do you think hindered social enterprises and fund managers in meeting the aims of SEDIF?
9. Looking to the future, how do you think government could support:
    a. Strengthening and developing social enterprises?
    b. Growing the impact investment market and its effectiveness?

Appendix Six: Media Analysis

Summary

Overview of Media Analysis

A media analysis of Australian media using the search terms was undertaken in April and May 2016:

- 'SEDIF' but only in the Australian market (to distinguish from an organisation using the same acronym in France),
- 'Social Enterprise Development and Investment Funds',
- 'Impact Investing' and 'Impact Investment' 'Social Enterprise',
- And DEERW in association with the terms impact investing and social enterprise

This search was then broken down year by year from 2011 to 2016, and the quantities of articles listed below.

Change in trends over time – social enterprise: the theme of reporting very much shifts from the early days of 2011, when social enterprise was an emerging field in Australia. Much of the narrative in the media is devoted to explaining what social enterprise is and revealing it in practice through the showcasing of new social enterprises. The narrative then moves over time to funding models for social enterprise and celebrating best practice in addition to ongoing profiling of specific social enterprises and their initiatives. Very few address the role of social enterprise as a model for creating beneficial social impact, or what market failure/social need the enterprises are meeting in any depth. There is also no exploration of how the impact of social enterprise is quantified or qualified. The tone of the articles and broadcast pieces is neutral to positive.

Change in trends over time – impact investment: reporting on impact investment or impact investing has been dedicated to informing the public and unpacking terminology, revealing models of impact investment in practice – particularly in the early years of development for impact investment. There was a peak in reporting on Social Impact Bonds (SIBs) from 2012 – 2014 which would often conflate impact investment. As the impact investment market has matured, the story has evolved to focus on results of investors' return and examples of who investors are, and showcasing case studies. The media narrative has also tried to quantify the vision for impact investment and the potential for a market in impact investment. On the periphery of these searches were other articles around ethical investing through super funds and share portfolios.

Reporting on social enterprise is more heavily weighted to social purpose vertical press whereas the topic of impact investment has cut through in national, political, financial, business and social affairs press and broadcast; and financial and investment verticals in addition to social purpose verticals.

A tabulated media analysis with references to the search terms and types of media is provided below. Links to relevant articles are provided for reference under the respective year. Please note that no media search can be exhaustive as there are many print and broadcast outlets who do not provide a digital record of media coverage.

Media Analysis: SEDIF and DEEWR Summary

While a large amount of articles were identified in the media review, only a small selection (n=15) directly linked to the SEDIF program or DEEWR. The articles making these links were all published in 2012-2015, with no relevant articles found in 2011 or 2016. Articles typically reported mainly on SEDIF rather than DEEWR, although sometimes identified that SEDIF was established as a DEEWR initiative. Several articles were prompted by conferences happening, reports being released or surveys being undertaken about circumstances in the Australian social sector or about impact investing. Of the 15 articles, all were in print and 11 appeared in *Pro Bono Australia*, with the four remaining publications spread between the *Sydney Morning Herald*, *Dynamic Business*, *Start Up Smart* and *abc.net*. The focuses of the articles are detailed by year below.

Articles in 2012 focused on the circumstances around allocation of the SEDIF grant, including reporting on organisations who had and had not taken up opportunities to become a fund manager. Articles in this year also focused on the growth of social entrepreneurship in Australia in general, highlighting SEDIF as a key example of growth. Articles in 2013 continued to focus on the growth of social entrepreneurship and particularly impact investing in Australia, again using SEDIF as a key example of growth. One article framed impact investing as a key trend influencing the Australian social sector. Also in this year, there was some discussion of emerging complexities around take up and implementation of SEDIF, for example, the challenge that many social enterprises were not "investment-ready" to take up SEDIF funds. 2014 and 2015 saw the continuation of discussion of these types of complexities, with further articles identifying that while SEDIF had a role in funding "mature" or well-developed social enterprises, they were inappropriate for early-stage or mid-stage ventures and thus that there was a need to find other options to fund these other projects. This saw SEDIF positioned by the media as a key and important funding option, but not the only funding option of importance to the social sector.

Other than this, media reporting in 2014 and 2015 focused on early indicators of the success of SEDIF, identifying them as an element of the regulatory and policy framework that was having a positive impact on the social sector and reporting on growth in the number of loans able to be offered under SEDIF funds. 2015 also saw case study articles emerging in the media of social businesses that had received funding under SEDIF.

As such, the media narrative follows the development and implementation of SEDIF. It moves from the excitement of early take up, to complexities and lessons learnt throughout implementation, to finally reporting, qualitatively, on some of the perceived outcomes or businesses developed under these funds. The media thus tracks the SEDIF story.

Overall Media Analysis

2011

Term	2011			Links to SEDIF or DEERW / DERW
	Print	Broadcast	Online	
SEDIF or DEERW in association with the below messages	1			
Impact Investing	5			
Social enterprise		3	7	

2012

Term	2012			Links to SEDIF or DEERW / DERW
	Print	Broadcast	Online	
SEDIF or DEERW in association with the below messages	1		3	http://probonoaustralia.com.au/news/2012/06/sva-to-manage-new-social-impact-fund/ http://www.smh.com.au/business/ethics-brawl-at-ethical-investment-20120328-1vy2x.html http://probonoaustralia.com.au/news/2012/04/study-reveals-australias-growing-fourth-sector/ http://www.dynamicbusiness.com.au/entrepreneur-profile/social-entrepreneurship-fastest-growing-sector-of-economy-16042012.html
Impact Investing				
Social enterprise	1	4	12	

2013

Term	2012			Links to SEDIF or DEERW / DERW
	Print	Broadcast	Online	
SEDIF or DEERW in association with the below messages			5	http://probonoaustralia.com.au/news/2013/01/top-trends-for-the-social-sector-2013/ http://probonoaustralia.com.au/news/2013/10/investment-readiness-critical-for-social-enterprises/ http://www.startupsmart.com.au/advice/growth/indigenous-owned-social-start-ups-set-to-flourish-via-new-fund/ http://probonoaustralia.com.au/news/2013/05/role-of-specialist-financial-intermediaries-report/ http://probonoaustralia.com.au/news/2013/04/growth-of-impact-investing-in-australia-report/
Impact Investing	2		7	
Social enterprise	2	4	37	

2014

Term	2014			Links to SEDIF or DEERW / DERW
	Print	**Broadcast**	**Online**	
SEDIF or DEERW in association with the below messages			3	http://probonoaustralia.com.au/news/2014/12/1-5-million-to-develop-early-stage-social-enterprises/ http://probonoaustralia.com.au/news/2014/09/state-of-the-not-for-profit-sector-survey-revealed/ http://probonoaustralia.com.au/news/2014/10/social-enterprise-funding-support-grows/
Impact Investing	11	2	15	
Social enterprise	11	2	28	

2015

Term	2015			Links to SEDIF or DEERW / DERW
	Print	**Broadcast**	**Online**	
SEDIF or DEERW in association with the below messages		1	2	http://probonoaustralia.com.au/news/2015/04/why-australian-social-enterprise-needs-more-than-impact-investment/ http://www.abc.net.au/local/stories/2015/06/30/4264260.htm\ http://probonoaustralia.com.au/news/2015/04/impact-investing-in-real-estate/
Impact Investing	14	1	52	
Social enterprise	2	9	29	

2016 (as of 9 May)

Term	2016			Links to SEDIF or DEERW / DERW
	Print	**Broadcast**	**Online**	
SEDIF or DEERW in association with the below messages			1	
Impact Investing	10		30	
Social enterprise	2	1	28	

Appendix Seven: Policy and Program Analysis

In order to map marketing and policy discourse activity on the Social Enterprise Development and Investment Funds (SEDIF) both The Australian Social Enterprise Policy Corpus (Mason & Moran, n.p.) and Hansard (2010-2016) were searched. These searches provided indication of the influence of SEDIF in the media and on policy documents. The evaluation team searched The Australian Social Enterprise Policy Corpus (Mason & Moran, n.p.) using the search terms:

- "Social Enterprise Development and Investment Fund"
- "SEDIF"
- "Social Ventures Australia"
- "SVA"
- "Foresters*"
- "Social Enterprise Finance Australia"
- "SEFA"
- "impact invest*"
- "social finance".

The search produced 20 results of relevance to the influence of SEDIF on the impact investing market. The majority of these results were from the DEEWR 2013 SEDIF progress report.

An additional search of Hansard using the following search terms rendered the following results:

- "Social Enterprise Development and Investment Fund"
- "SVA"
- "SEFA"
- "Foresters".

The number of results listed above for each of the search terms are indicative of the number of relevant results, not the total number of results. For example, when searching "Foresters" there were many results relating to the Forestry industry and/or results related to Foresters Community Finance that were not relevant to SEDIF.

Of the 28 mentions of "Social Enterprise Development and Investment Fund", these results included press releases, articles, newspaper clippings, House of Representatives (HoR) documents, joint committee Hansard documents, Senate committee Hansard documents, results from the Australian Parliament website, results from the Tabled Papers Register and a Senate Estimate. Most results were press releases or results from the Senate Committee. While search results included references between 2010 to present, most results were published between 2010-2011, with a minority of results published from 2012 to present. This may indicate an initial concerted effort to launch and implement SEDIF followed by a waning of SEDIF policy activity as the initiative progressed.

There were 3 Hansard search results for Foresters (Community Finance), all of which were published in 2013 and retrieved from the Australian Parliament Website.

There were 22 Hansard search results for Social Enterprise Finance Australia (SEFA), which included press releases, articles, newspaper clippings and Senate committee Hansard documents. Most of these results were published in either 2011 or 2014, with a minority of documents published in other years.

While relevant Hansard search results for Foresters Community Finance and Social Enterprise Finance Australia were more clearly discernible, Hansard search results for Social Ventures Australia (SVA) were less clear. Many links to document resources were corrupt and in most instances, the relevance of search results was not clearly discernible from the title alone, as titles were often vague. A maximum of 67 SVA Hansard search results were considered potentially relevant (due to corrupted links and vague titles, this may have been an overestimation). Search results included press releases, articles, newspaper clippings, House of Representatives (HoR) documents, joint committee Hansard documents, Senate committee Hansard documents, results from the Australian Parliament website, results from the Tabled Papers Register and a Senate Estimate, Radio and TV transcripts and Political Party Documents. The vast majority of SVA Hansard search results were newspaper clippings. The publication years for SVA Hansard search results were noted to be more evenly distributed than Hansard search results for the other fund managers, however caution is advised in extrapolating meaning from this finding due to the lack of scope to accurately discern the relevance of results.

The Hansard search results reported for the SEDIF fund managers were not necessarily explicitly focused on the SEDIF initiative. In many instances, only the titles of search results were accessible and the focus of the document was not clearly discernible from the title alone.

The clustering of Hansard SEDIF search results between (2010-2011) indicates that the highest incidence of media coverage and the greatest influence of SEDIF on policy documents has occurred at and immediately following the launch of SEDIF. Differences in the number of search results for each of the SEDIF fund managers may also be indicative of differences in the ways individual fund managers have promoted their funds.