

Building New Zealand's Impact Economy

The opportunity for economic recovery after Covid-19

**“Manaaki whenua,
Manaaki tangata,
Haere whakamua”**

“Care for the land,
care for the people,
go forward”

– Whakatauki, Māori Proverb





A NOTE ON THIS DOCUMENT

Building New Zealand's Impact Economy has been prepared by a small group of Ākina experts on impact, procurement and investment. It is built from our years of experience in supporting the delivery of impact through enterprise.

This document offers big ideas and broad thinking about the best areas of focus to help us transition to an economy that prioritises the delivery of positive impact. It outlines areas of opportunity with the intention of provoking conversation and sparking ideas. Meaningful progress will require planning, projects and partnerships that aren't detailed here.

As we move into the economic recovery phase of the Covid-19 crisis we're seeing many organisations stand up to demand the creation of a regenerative, sustainable and inclusive economy for New Zealand. Ākina supports those calls and we call for others to add their voice and offer their solutions too.

Building an impact economy for Aotearoa should be a core part of our recovery – but we know that many solutions from multiple sectors are needed to respond to this unprecedented challenge.

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From the Board

The Ākina Foundation Trustees

We are very proud to support the remarkable work of the Ākina Team. At the heart of *Building New Zealand's Impact Economy* is the idea that now is the time to evolve the old ways of doing businesses into something better.

As New Zealand recovers from the Covid-19 economic downturn, we cannot rely on government alone to bring about this change. This is a journey for all of us. Thankfully, many have started on that journey already.

Customers are increasingly demanding that businesses do more to operate ethically and sustainably. So are employees. So are boards and investors.

Taken together, these four impact economy principles of start well, run well, buy well and invest well provide a framework to help businesses and governors consider more than the bottom line.

If we challenge ourselves in this way, and don't just revert to prior norms, then the outcomes over time should be more of us living better quality lives, in healthier, more connected communities, and in a regenerating natural environment.

We ask you to take a look at your supply chain. Think about where your business is investing. Think about the impact your business is making – or could make in future – and set some goals that will help you understand that impact better. Ask for help. Listen to those around you, and be prepared to make change over time.

Ko te pae tawhiti, whaia kia tata; ko te pae tata, whakamaua kia tina.

Pursue distant horizons to bring them within your reach. Hold and cherish those that you attain.

The Ākina Board



Sophie Haslem
Chair



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TP Katene



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Rachel Sanson



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Malcolm Shaw

Foreword

Ākina CEO, Louise Aitken

These past few months have seen so much upheaval it's sometimes hard to get your head around it. Looking at the scale of the Government's *Rebuilding Together* budget helps us understand the scale of the economic crisis this Covid-19 health crisis has created.

As we begin to leave life under lockdown behind many of us can't wait to get back to how things were. It's easy to view that old life through rose-tinted glasses – forgetting the struggles of day to day life for many Kiwis, or the existential threats posed to our native flora and fauna.

'The Great Pause', as I've heard it called, gave many of us a chance to think. We're starting to realise this difficult truth; that 'old New Zealand' – the New Zealand of before this Covid-19 crisis – is a New Zealand of inequality, of child poverty, of polluted waterways, of an appalling suicide rate, and of unacceptably poor outcomes for many Māori and Pacific people. That New Zealand may not meet its carbon reduction targets in the fight against climate change. That New Zealand can't even guarantee our people a warm and dry place to live.

Many of these problems may well be exacerbated by an economic downturn. It's scary. That fear is why the temptation to get back to business as usual is so strong. We want to get back to a place where things aren't as bad as they might still become.

But, if we return to the way things were, we will miss the incredible opportunity that this disruption offers us. When do we ever have a chance to stop – as we have – and restart? When else have we had a chance to rebuild, as we have now? Not within living memory.

Change is hard, but the first step to making a change for the better is realising that change is needed.

At Ākina we've known for a while that the old way of doing things is simply not good enough any more. That idea is what's at the heart of every social enterprise we've worked with; the knowledge that it is possible to do business in a way that generates better outcomes for people and our planet. Whilst making a profit is generally good, it isn't everything!

Ākina is currently entering the third year of a partnership with the Government to help create the overall conditions for a thriving social enterprise sector. This programme of work is called *The Impact Initiative*.

What we've discovered is that programme has implications not just for social enterprises, but for all organisations right across our economy.

The idea that businesses can generate *positive outcomes – or impact* – alongside profit doesn't have to be unique to social enterprises. It can be a priority at every level of our economy. We can include impact in how we invest and in how we procure goods and services. We can include impact in our business models, company charters and mission statements. Impact can be a core part of Government decision making. Impact can be reported on, and used in our storytelling. Impact can build connection and loyalty – encouraging people to *support local businesses*. This support will be so desperately needed in the coming months and years.

Corporate Social Responsibility is an *obligation*, but Impact is a *mission*, and it represents the kind of thinking we need now.

Yes, we want businesses to be profitable. Yes, we want enough secure jobs to ensure that people can provide for their families, but we can do better than that. Simply avoiding the worst of this crisis isn't a vision for the future in itself – and returning to the old ways will simply perpetuate old problems.

To build an economy that creates impact, we'll need to be bold. But, if not New Zealand, then where? If not now, then when?

This document sets out some of our 'top-level' thinking for how – out of this Covid-19 crisis – we can create an *Impact Economy* for New Zealand. We wanted to quickly share our thinking on some of the levers we've been exploring as part of *The Impact Initiative* because their potential is huge, and so is our collective need for new solutions.

We're planning to share this document as widely as possible in the hopes that it sparks conversation, generates ideas, and helps to steer us toward a path to positive change for our economy.

Our new economy should be resilient, regenerative, and inclusive. Yes, it will take a great many of us working together to effect lasting change – but do not underestimate the small actions you can take today, or the conversations you can have with others to spread this vital challenge.

Given the scale of this disruption our economy will change whether we like it or not. It's up to us to ensure that it becomes an impact-centred economy that works for *everyone* and for Papatūānuku.



Louise Aitken,
Ākina CEO

The opportunity

It is time to be bold. The Covid-19 crisis presents an unprecedented opportunity to shape our economic future. We can do better than simply returning to business as usual.

Together, we can build an **impact economy** for Aotearoa New Zealand, where the positive impact generated by businesses and the Government improves the wellbeing of people and our environment. An impact economy that is resilient, regenerative, and inclusive.

Our impact economy can better reflect who we are as a nation by being grounded in our shared values of manaakitanga, kaitiakitanga, and the principles of partnership of Te Tiriti ō Waitangi. It can value what we all care about; people, the planet and shared prosperity.

We owe it to one another, and to future generations, to build back a better, fairer economy than we had before.

He waka eke noa. We are all in this together.



New Zealand's economic recovery needs businesses that run well, start well, buy well and invest well.

Our economy should generate positive impact.

What is impact?

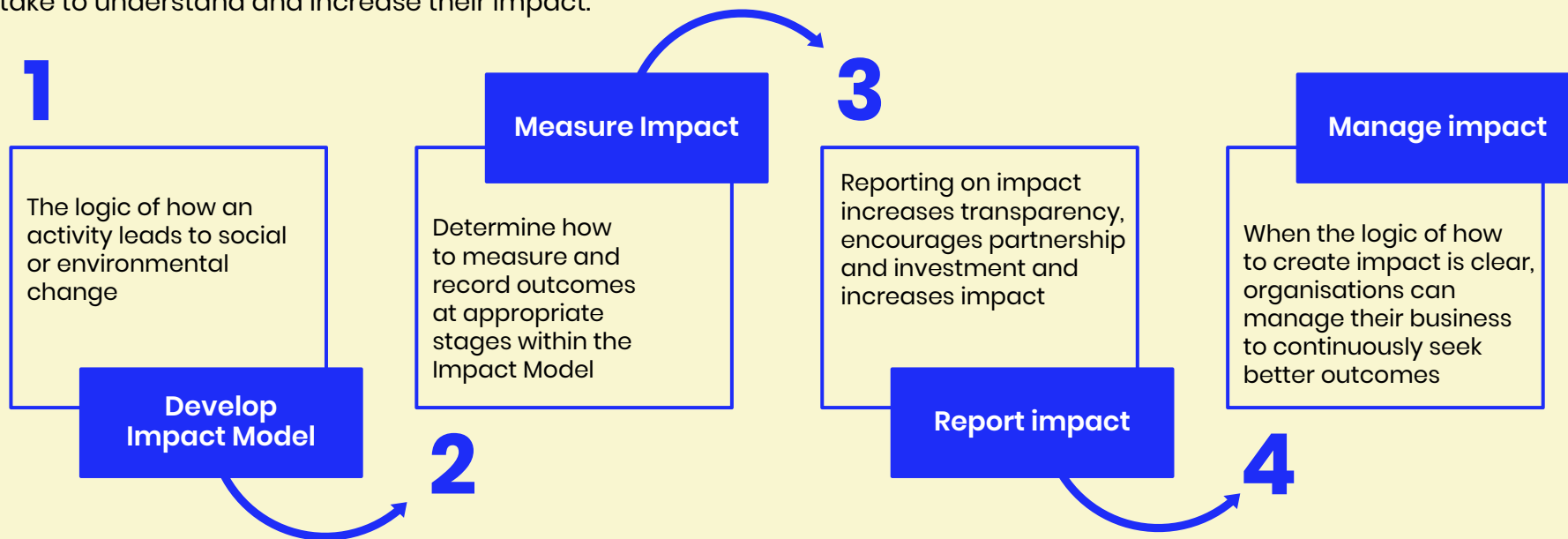
Impact is the positive social, environmental, cultural and economic changes, or outcomes, that happen as a consequence of an action.

Impact comes in many shapes. It could involve offering employment opportunities for marginalised or differently abled people, creating more connected communities, reducing the waste going to landfill, or efforts to increase biodiversity and regenerate our environment.

Impact can be delivered in many different ways by social enterprises, charities, governments or any business or organisation that works to be impact-driven.

Stages of impact

These stages of impact represent the basic building blocks of a journey any organisation can take to understand and increase their impact.



What is an Impact Economy?

New Zealand's economy isn't just made up of businesses, it's made up of people – each a part of our society and each living and working in our natural environment. Our collective response to the Covid-19 pandemic is a strong reminder that the wellbeing of our economy, our people and our environment are mutually dependent. Prosperous businesses require prosperous people who in turn require a thriving natural environment, free from degradation and the negative effects of climate change.

An **impact economy** is built around the idea that economic activity can create better wellbeing and environmental outcomes whilst also promoting recovery and growth. Building an impact economy requires optimal conditions for governments and organisations to create positive outcomes. These conditions stretch across investment, procurement and organisational capability. Once unlocked they would support the delivery of impact from Central and Local Government and big business, right down to small-to-medium enterprises and community organisations.

Prioritising the creation of an impact economy would build on work started with the adoption of Treasury's Living Standards Framework and the 2019 Wellbeing Budget.

By prioritising impact in our economic recovery Aotearoa New Zealand can be world-leading. We can do this by focussing our efforts on four broad principles: **run well, start well, buy well and invest well.**

Four principles for building an impact economy

1. Run well

Businesses and Government are supported to adopt principles of positive impact. The impact they create is measured, managed and reported on.

2. Start well

Where knowledge sharing and co-design from businesses, start-ups, community groups and Government builds a collective response to our economic recovery.

3. Buy well

Businesses and Government prioritise buying positive outcomes for New Zealand through their procurement practice and supply chains.

4. Invest well

Investment into organisations that create impact is prioritised, catalysing our recovery and long term wellbeing through the multiple positive outcomes these organisations deliver.



1.

Run well

Positive Impact

We face an unprecedented time where we need to reimagine whole sectors such as tourism, agriculture, horticulture and the service industry.

Intermittent tighter border controls and reduced immigration will change the nature of the New Zealand workforce and a key tenet of our recent economic growth. Both public and private organisations will need to change in New Zealand, and our local economy will become more important than ever.

We believe New Zealand businesses, Government agencies, charities and enterprises will need the right support over the next two years to increase their positive impact, diversify their revenue streams and become more resilient. If this is done right, it could support New Zealand's economic recovery as well as build a stronger economy that works for people and the planet. These organisations can run well and help achieve the Government's and our societies wellbeing goals.

What should we focus on?

1.1

Support organisations to adopt impact practices

How do we do it?

We must support organisations to make changes to their operations that benefit employees, customers, the community and the environment. These changes often increase the resilience of the organisation. For Government agencies and non-profits it can mean diversifying their revenue streams to ensure sustainability and increased impact.

We must help bridge the work of the public, private and community sectors to maximise impact in a mutually beneficial way.

We must help develop impact strategies to support investors, businesses and philanthropy to increase the impact they have through their community investments. They can become more focused, form better partnerships and be more aligned with community goals.

1.2

Focus impact efforts on the things that work

Nationally, what impact do we as a society want to see? How can we facilitate alignment on those goals? Could the Living Standards Framework and the SDGs be an answer and how would it work in practice for the economy?

We must support the private sector to get aligned on what we want to measure, co-developing indicators with public, private and social sectors. We can explore options for mandatory impact reporting, using consistent, relevant and measurable indicators.

We must explore how we can value the things that matter for our economy's resilience, for New Zealanders and for the environment.

We can support the Government and the private sector to share evidence of what works and help develop more of these initiatives.

What should we focus on?

1.3

Measure and manage to increase impact

How do we do it?

You can't manage what you don't measure. Just as testing and measuring and tracking was vital in the response to Covid-19, impact management can be vital to our recovery.

We must support organisations to understand their impact, to measure the things that matter, and to use the information generated to make informed decisions that increase their impact.

1.4

Access impact capital through procurement and investment

We must support organisations to access sustainable capital and realise their significant growth potential through social procurement and impact investment (discussed further below).

This could include a diagnostic tool to identify the most suitable ways for businesses to access additional capital (likely through procurement or investment opportunities), providing them with support to prepare for any identified opportunities, and then connecting them to the buyer/investor when ready.

1.5

Create positive impact from infrastructure projects

The Government has appointed an Infrastructure Industry Reference Group to select infrastructure projects that are ready to be started as soon as the construction industry is ready to operate in order to stimulate economic activity.

There is an opportunity to proactively select those projects on the basis of the anticipated economic, social and environmental benefits and to then monitor the project and make decisions that will optimise for that impact.

Customers and employees are demanding impact

74%

Of Millennials and Gen Z say they would leave an employer who is not supporting community.

93%

Of Kiwis say they wouldn't buy from an unethical company.

SOURCE: COLMAR BRUNTON BETTER FUTURES REPORT 2019





2.

Start well

Capability Building

As the economy recovers, new businesses will emerge.

Existing businesses will be looking to be more resilient. Businesses will explore new ways to respond to the needs and demands of customers, employees and investors. In addition to the work the Government already does to grow business, the Government and the wider startup ecosystem can help businesses to be designed in a way that works: for people; for the environment; and for future economic resilience.

What should we focus on?

2.1

Build the capability of existing impact businesses

How do we do it?

Throughout New Zealand there are communities, Iwi and entrepreneurs already developing businesses to achieve some positive social, environmental, cultural or economic impact. These may be called social enterprises or community enterprises or Iwi enterprises, or they may have identified as none of these but they may still have been established for the purpose of achieving positive impact.

There are opportunities to build their capability to start and run effective businesses, to understand and maximise the impact they can have and, to increase their access to markets through social procurement, or to investment through impact investment.

2.2

Deliberately incubate new impact businesses

If we believe business is a useful tool, we should look for opportunities to use that tool to generate positive impact. When we see markets failing, broken systems, or where communities are identifying needs or goals, we should look for opportunities to start businesses that can achieve positive impact in response to those challenges.

Businesses can serve the needs of people or the environment while generating a revenue stream to fund the positive impact, reducing the need for ongoing Government or philanthropic funding. New businesses could be started and incubated by communities, by Government or by industry and are most likely to succeed if done in partnership.

What should we focus on?

2.3

**Co-design with
community to shape
our recovery**

2.4

**Share data and insights
to achieve impact**

How do we do it?

Increase access to unheard communities to facilitate co-design. Businesses have historically been designed in the image of the founders, who might not be representative of most New Zealanders.

Imagine an economy that embraces diverse thinking from design phase through to executive level decision-making.

Unlock Government data and insights into what works to achieve impact. This information could lead to more fit-for-purpose businesses and sustainable, effective NGOs, rather than just being available for Government policy-makers. A strategy for knowledge sharing could be developed through a collaboration with the Social Wellbeing Agency and representatives from the private and social sectors.

A man with a beard and glasses, wearing a yellow high-visibility vest over a white t-shirt, stands in a warehouse with his arms crossed. He is holding a blue hard hat under his left arm. The background shows tall blue metal shelving units filled with cardboard boxes.

3.

Buy well

Social Procurement

The Government has already taken a significant step to leverage its buying power for impact.

We have seen how the change to the Government Procurement Rules is encouraging businesses up and down supply chains to focus on the positive impact they have. Businesses are moving to proactively increase their positive impact through their supply chains, and are now seeing an opportunity to meet the expectations of the Government.

Social procurement is off to a positive start in New Zealand; we now need to embed the practice, and grow it. Government procurement will be used as a core response to the economic challenges we now face. The use of expenditure to improve outcomes is at the forefront of the UK building response known as “Levelling up and getting Britain building”, which puts the most vulnerable in UK society at the heart of this investment. We have a similar opportunity to simply make this the way we do procurement in New Zealand.

What should we focus on?

3.1

Unlock broader outcomes for shovel-ready projects

How do we do it?

Actively work with Government agencies and the business sector to implement social procurement in key programmes of work such as infrastructure, construction and regional economic development. This includes supporting Crown Infrastructure Partners and other key agencies to unlock broader outcomes across “shovel-ready” projects.

3.2

Embed social procurement as standard practice

Support the private and public sector to embed social procurement as standard business practice and growing access to contracts for impact enterprises. We look to the work of Social Traders (our sister organisation) in Australia who have facilitated \$105 million of social procurement deals generating 700 jobs and enabling 220,000 hours of employability skills and training over a two year period as a indicator of what is possible in New Zealand.

3.3

Identify the outcomes most important to NZ

The Government could build upon Broader Outcomes within the Government Procurement Rules to provide more guidance and certainty to the economy on the outcomes that are important to New Zealand. Establishing common language and clear outcomes are fundamental to everyone working together and moving as one.

What should we focus on?

How do we do it?

3.4

Measure success with cross-agency indicators

Develop a key set of cross-agency indicators/measures that are endorsed by industry and community and are used to measure success at a national level, whilst being available broadly for use by everyone involved in procurement, both Buyers and Suppliers.

3.5

Develop regional procurement initiatives

Develop place-based procurement initiatives based on anchor institution expenditure such as Government, Local Government and other institutions (see similar initiatives from Preston and Cleveland). This could potentially be applied in every region of New Zealand and we already have interest from lead agencies in the Waikato, Nelson and South Canterbury areas for such an approach.

3.6

Link-up funding with contracts that buy outcomes

Buying outcomes more effectively through Government funds by providing greater links between funding and contract opportunities that provide financial sustainability and growth. We see the future in organisations that intentionally adapt or form to meet specific market needs while focussing on priority areas of impact.

**Impact through
social procurement
Is a significant
opportunity**

\$596 billion

Spent by NZ businesses

Annual Enterprise Survey 2018, Stats NZ

\$45+ billion

Spent by central Government

\$10+ billion

Spent by local Government

SOURCE: STATS NZ





4.

Invest well

Impact investment

High impact businesses are innovative, sustainable, and and deliver long term value alongside positive impact.

Globally, investors, consumers and employees are increasingly prioritising this combination, meaning billions of dollars are now available to organisations that can demonstrate positive impact (among other things).

Investment will be a crucial lever to catalyse New Zealand's recovery from a recession. If investors prioritise impact businesses then the investment can stimulate both economic growth and the achievement of wellbeing outcomes. We see an opportunity for the Government to use its own investment as a lever to support businesses to achieve wellbeing outcomes. We also see opportunities for Government to enable the private sector to lead the impact investing market, and contribute to New Zealand's recovery in the process.

What should we focus on?

4.1

Unlock impact returns from Government investments

How do we do it?

The Government invests significantly in business growth and is also the biggest “buyer” of impact, or wellbeing outcomes. What opportunities are there to align these? How can the Government deliberately invest for impact and support the development of these businesses? There are opportunities to ensure Government incubators and business grants are accessible to and effectively support impact businesses, and to focus these on sectors where business can best contribute to wellbeing.

There are also opportunities to continue the Government’s exploration of Contracting for Outcomes and enable organisations to bid for contracts to deliver outcomes.

4.2

Enable the investment market to achieve impact

The Government has unique levers it can pull to accelerate private led impact investment. Government could actively work to better understand the value investing into impact focused businesses can deliver both the Government and for New Zealand. In doing so, it should engage experienced international stakeholders, including the Global Steering Group for Impact Investing and New Zealand's own National Advisory Board for Impact Investing.

This could catalyse investment in priority sectors through enabling investment into impact enterprises and establishing co-investment funds, and better enable Government and the wider market to identify how business can best contribute to New Zealand’s wellbeing.

What should we focus on?

How do we do it?

4.3

Build impact investment readiness

Alongside increasing investment activity, the pipeline of impact businesses to invest into in the future should also be accelerated.

Ākina delivers NZ's leading Impact Investment Readiness Grants programme, learning from the ongoing effective programmes internationally. The grants help impact businesses pay for professional services support to get ready for investment. This commonly includes legal, financial, or impact management advice. Following the programme, grant recipients on average obtain investment of over 20 times the value of the grant.

Prioritising impact investment specific capability development like this will increase both private investment activity and the outcomes achieved by impact businesses.

4.4

Attract greater foreign investment

Globally, the impact investment market is worth over \$500 billion, and growing significantly. New Zealand's economy is well-placed to attract that investment, with opportunities in clean energy; regenerative farming; sustainable tourism; health and wellbeing; science and technology and many more.

We should actively support the growth of businesses in high impact industries, and clearly position those businesses to attract both the investment and the expertise within the growing international impact investment sector.



Investors want
to invest in
business making
a positive impact

\$31 trillion

Sustainable investment
worldwide

\$502 billion

impact investment market
worldwide

\$5+ billion

Forecast size of NZ impact
investment market in five years.
Currently **\$889 million.**

SOURCE: RIAA IMPACT INVESTOR INSIGHTS, AOTEAROA NEW ZEALAND

In 2020 New Zealanders took collective action to break the chain of transmission of Covid-19. We prioritised the wellbeing of our people over business as usual. Our success in 'flattening the curve' has been lauded around the world. This extraordinary action from our team of five million shows what can be achieved when we work together.

Now, as our economy recovers from the shutdown, let's set our sights on recovery from poverty and recovery from inequality. Let's take collective action to combat climate change. It's time to be bold.

We invite you to join the conversation

Let us know your ideas for building an impact economy for Aotearoa New Zealand, in one of the following ways:

- By emailing ceo@akina.org.nz
- By tagging us on social media @akinafoundation
- By contacting one of our team (details on the next page)

About the authors



Louise Aitken

Chief Executive

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Louise is a strong advocate for social responsibility and impact. Louise joined Ākina in 2016, following a successful corporate career, which included the management of New Zealand's largest corporate social responsibility programme. She sits on the Board of the Impact Enterprise Fund (NZ's first impact investment fund) and on the National Advisory Board for Impact Investing Network Aotearoa New Zealand.



Clementine Baker

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Clementine has ten years experience helping organisations to grow and increase their social impact as a social impact consultant, board director and lawyer. She has worked with non-profit, Māori and Aboriginal, government, and corporate clients to design and implement strategies, outcomes management solutions and organisational changes.



Dr. Seán Barnes

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Seán's experience includes advisory roles that support business, social enterprise and Government agencies in the areas of procurement, strategy, and sustainability. Seán is recognised as a creative thinker and communicator who connects people, thinking and ideas to lead change. He brings technical knowledge, systems thinking, enthusiasm and trust-based relationships to his work.



Jackson Rowland

Director, Impact Investment

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Jackson is a firm believer in the potential impact investing has to transform the challenges facing New Zealand. From an initial career in corporate law advising on capital raising transactions, Jackson has since worked either within impact oriented organisations or helped them gain investment. He has advised large numbers of organisations on their impact investment goals and worked with them on their journey to achieve these.



**Ākina is Aotearoa New Zealand's
leading impact development
organisation.**

Ākina is a not-for-profit consultancy that helps businesses of all shapes and sizes generate more positive impact. We've lead the creation of New Zealand's first impact investment fund, and first social procurement marketplace. We're currently working with the New Zealand Government to help create the overall conditions for a thriving social enterprise sector.

We're on a mission to make the world a better place by putting positive social and environmental outcomes at the heart of how business is done in New Zealand. Together, we can help you make a positive difference.

www.akina.org.nz

**ĀKINA IS A TE REO MĀORI
WORD MEANING:
'TO CHALLENGE, TO ENCOURAGE,
OR URGE ONWARDS'**

**IT'S A POWERFUL CALL TO
BOLD ACTION.**

BE BOLD.
ĀKINA MAI.
ĀKINA ATU.

Challenge yourself. Challenge others.