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Housing Unit Manager
Social Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: socialimpactinvesting@treasury.gov.au

Dear Sir/Madam,

Blue River Group congratulates the Government on consulting with the community on ways the Australian Government can develop the impact investing market. We are pleased to provide this submission addressing a select number of questions in the Social Impact Investing Discussion Paper (Discussion Paper).

1. About Blue River Group

Blue River is an independent impact investment services firm. We help mobilise capital towards the rapidly growing local and global impact investment markets. We are a profit with purpose business.

The sole purpose of Blue River is to undertake projects and deals that generate economic returns for investors but equally achieve positive and measurable social or environmental outcomes.

Blue River enables impact investment through a broad spectrum of services spanning from the creation and incubation of ideas through to impact advisory and financial services. Importantly, we believe impact investing is an approach across asset classes, rather than an asset class in itself.

In October 2016, Blue River purchased the iconic Wagga Wagga dairy brand *Riverina Fresh* from Fonterra Australia. Riverina Fresh has been producing dairy products since 1922 and has earned a reputation as a high quality award winning milk, which is sourced from a dedicated group of farmers in the Riverina region. We are committed to the ongoing success of the Wagga Wagga business, the sustainability of the dairy industry, and the broader Riverina regional community.

In February 2017, the Prime Minister, the Hon Malcolm Turnbull MP, announced Project Bridge, a major dairy and agriculture project in the Wagga Wagga region. It is an industry led initiative that will establish a commercial dairy farm showcasing Israel's leading dairy and agricultural technology. In addition, a world-class agricultural and food technology hub will be created around the farm for the testing and commercialisation of ideas by researchers and entrepreneurs.

Project Bridge enables Blue River Group to continue its commitment to a more sustainable dairy and agriculture sector by creating a collaborative ecosystem that is outcome focused.

2. Initial comments

Blue River notes that the Discussion Paper uses the term ‘social impact investment’ throughout rather than ‘impact investment.’ The Financial Systems Inquiry used the term ‘impact investment’ in both their interim report and final report. Blue River strongly encourages the Government to replace references to ‘social impact investing’ with ‘impact investing’ as the latter term encapsulates all opportunities that offer social, as well as environmental and cultural returns (as well as of course financial returns) – instead of limiting the focus just to social returns. We will adopt the phrase ‘impact investing’ throughout this paper.

Secondly, Blue River is concerned that submissions are to be directed to the Housing Unit Manager in the Social Policy Division of Treasury. In addition, in the media release accompanying the release of the Discussion Paper, the Treasurer, the Hon Scott Morrison MP, spoke at length about the applicability of impact investing to housing. Blue River agrees that there is significant application of impact investing to affordable housing, but urges the Australian Government to not view it exclusively through that lens. There are so many areas where impact investing could be applied and we recommend the establishment of a dedicated unit in Treasury to address these areas, rather than just using the Housing Unit to have carriage of the matter.

3. Role of the Australian Government in the impact investing market

- **Question 4: What do you see as the role of the Australian Government in developing the social impact investing market?**
- **Question 5: Do you see different roles for different levels of government in the Australian social impact investing market? For example, the Australian Government as co-funder with State and Territory Governments continuing to take the lead in developing social impact investments?**
- **Question 6: Are there areas where funding through a social investment framework may generate more effective and efficient policy outcomes than direct grant funding?**

Blue River endorses the three areas identified by Impact Investing Australia in which the Australian Government can support growth in impact investing: building the market, participating in the market and market stewardship.

Blue River Group does not necessarily endorse the view that the fact the State Governments are leading on impact investing is consistent with their responsibility for the delivery of many services which could be delivered through impact investing.

The Australian Government could be leading the way – as identified in the Discussion Paper, there are a number of possible areas of opportunity that are principally the role of the Australian Government. There are also a number of State Government led impact investments that would benefit from co-operation with the Federal Government. For example, comprehensive services in the area of homelessness may also reduce Medicare costs and unemployment, and it would excellent to count these savings towards the total savings generated. Transactions

could potentially be of larger scale and be more attractive to investors if the Australian Government co-operated with the State Government and was prepared to combine the savings generated.

One way to do this would be to create a new unit in Treasury that could work on joint impact investment initiatives with State Governments, amongst other initiatives. This would help ensure that proper liaison between the two levels of Government occurs as well as facilitate measuring impact, data sharing, savings and growth of the impact investing market.

Blue River also encourages the Australian Government to help build the market through capacity building. As identified in the Discussion Paper, one challenge with growing impact investing in Australia is the lack of 'impact investment readiness' in many organisations. It is recommended that the Australian Government consider providing grant funding for capacity building, specifically by supplementing the Impact Investment Ready Funds, which have been initially funded by NAB.

The Australian Government could also consider participating through direct investment as opposed to grant funding. Direct investment does not necessarily need to be in the form of cash. Other possibilities may include acting as guarantor for a component of the capital at risk (eg. contingent capital), which may encourage private sector capital to participate in a transaction if it was viewed as outside their normal risk tolerance.

4. Potential areas of opportunity for the Australian Government

- **Question 8: What Australian Government policy or service delivery areas hold the most potential for social impact investing?**

Blue River endorses the seven policy areas identified by EY where impact investing could be applied.

Blue River would strongly urge adding sustainable agriculture to the list. Agriculture is one of the largest challenges facing the world. This is an enormous opportunity for Australia. World food demand is forecast to double in the next 30 years¹ and Australia will need to produce more food in a more efficient way. The impact thematic for agriculture includes the following:

- Investment in rural communities
- Food sustainability
- Reducing food waste
- Food security

Creating a sustainable agricultural sector is a core focus of Blue River.

5. Australia's Impact Investing Principles

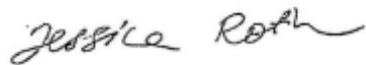
¹ <http://www.theaustralian.com.au/national-affairs/malcolm-turnbull-sows-seeds-for-farmers-to-grow-bigger-ideas/news-story/51bc635e1c5ae4b0e2576f31efb77aae>

- **Question 11: We are seeking your feedback on the four proposed Principles for social impact investing.**

Blue River broadly supports the principles outlined. However, we are less concerned with the objective that they facilitate a consistent approach to the impact investing market across the Australian Government. In some ways, we think the desire for consistency may constrain the objective to be sufficiently flexible to respond to changes in the impact investing market and the Government's strategic priorities. In addition, consistency could limit the desire to achieve a streamlined approach. We believe that minimising bureaucracy and making the process as straightforward and streamlined as possible should take priority.

Please do not hesitate to contact us on the details below should you require any further information or wish to discuss the matters raised in this submission further.

Your sincerely



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