



27 February, 2017

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

TO WHOM IT MAY CONCERN,

## Draft comments on the Australian Government's Social Impact Investing Discussion Paper

Thank you for the opportunity to comment on the Social Impact Investing Discussion Paper. Healthy Land and Water is an independent, not-for-profit organisation working to improve the sustainable use of land and waterways in South-East Queensland. Our evidence-based knowledge, innovative tools and extensive networks mean we are well-placed to reduce the leading pressures on our natural environment and provide best-practice scientific advice to inform waterway and landscape investment.

While the paper has a primary focus on social impact investment, it makes the clarification that social impact investing includes social and/or environmental outcomes to intractable social or environmental problems (page 8). The paper seeks feedback through 29 questions. This submission deals with questions one to eleven given the nature of our organisation.

Impact investment may provide an opportunity to better quantify and therefore solve environmental outcomes across a number of challenges including improving water quality, flood mitigation and resilience, mitigating climate impacts, and similar issues where current engineering approaches are becoming either too expensive or are not working. A ready example lies in the assessment completed by the Productivity Commission into natural disaster recovery funding. It recognised the importance of flood resilience work to ameliorate the financial contributions made by governments for disaster recovery. This provides a situation where impact investing could result in optimised value for money for the Commonwealth.

We offer the following feedback to questions one to eleven:

1. The main barriers to growth include: the ability to capitalise funds for environmental solutions in the same ways as engineering solutions are able to be capitalised; the difficulty in establishing measurable environmental outcomes given natural solutions take a few years to return benefits and achieve their outcomes; a general lack of market involvement and understanding of environmental opportunities; and over the past decade or so, a general decline in government *practical* expertise and understanding of environmental issues.



2. Increasing understanding of new and emerging approaches to natural asset alternative solutions to increasingly unaffordable engineered solutions (mainly emerging through new policy approaches to offsite solutions to environmental licensing) will allow for impact investment to be readily compared to and measured against traditional approaches. The offset approach is already fostering the basis for this aspect to emerge.
3. Environmental and social outcomes involve more than just one level of government. Experience with the current approaches to regulatory frameworks shows there is a major and continuing lack of coordination between jurisdictions which the market is highly unlikely to understand or appreciate. Coordination between jurisdictions would be very helpful.
4. The Australian Government would greatly assist impact investment in environmental outcomes through improved policy which allows investment to be capitalised for initial works and maintenance to be part of the investment process until the outcomes are achieved. For example, where climate resilience works might involve the restoration of mangrove and saltmarsh habitat instead of constructing concrete barriers (given both approaches will mitigate sea level rise), the initial habitat restoration works could be capitalised in the same way as a concrete sea wall, and both works maintained through operational expenditure until the outcomes performance is achieved.
5. Environmental outcomes are place dependent, not level of government or jurisdiction dependent. All levels of government should/could be involved in the investment, with the lead agency coming from the accountable jurisdiction.
6. Where regulatory standards are legislated; for example, *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) outcomes for matters of environmental significance, grant programs may be helpful; however, may not achieve impact outcomes. The process of creating a financial instrument for investment may facilitate an optimal approach with clear performance requirements for the matter. This may de-risk investments through tighter project management.
7. Where there are environmental regulatory costs (EPBC Act compliance costs etc.) where existing processes are based on traditional approaches, there is an opportunity for innovation and improved outcomes using an investment approach. The issue of additionality contained in the EPBC Act would need attention in working up an impact investment opportunity.
8. The Queensland Government is experimenting with offsite solutions to environmental licensing issues because of the lower costs involved in achieving the same regulatory outcome. Commonwealth support and improved frameworks for delivery of environmental outcomes which also support regulatory outcomes would be valuable.
9. Governments at all levels are suffering from a major decline in public trust. This has been happening over the past two decades and despite many attempts, the decline continues. Knowledge hubs could become an important resource for coordinated and trusted action. Not for profits which maintain independence



have a major role to play in assisting governments get data available and usable and to be completed from all sources. Perhaps an accreditation process could be implemented to ensure the data can be shared appropriately.

10. The Queensland Government, industry entities and local governments in Queensland already have an advanced data sharing policy and framework. We understand the Queensland Government also has data sharing arrangements with the Commonwealth. To optimise the impact investing process, data sharing is crucial.
11. The principles make sense. There needs to be some effort given to how the principles apply to environmental outcomes given the different risks and profile of environmental works. Some thought about "Force Majeure" issues associated with environmental impact outcomes needs to occur.

Healthy Land and Water congratulates the Commonwealth for moving this important agenda forward. We are keen to be involved in the progression of environmental impact assessment given the many and varied environmental challenges facing our country.

Yours sincerely

A handwritten signature in black ink, appearing to read "Louise Orr".

Louise Orr

Chief Operating Officer

