We Need to Talk About Impact…

Impact Investment Provocations Series

Sleeping giants: Generating Impact in Place through Anchor Investment

In our first provocation we focussed on how equity crowd funding could both democratise and grow the transformational potential of impact investment. Impact Investment in Australia has consistently cited a goal to shift entrenched disadvantage in particular communities or amongst certain groups. With this in mind, the idea of place-based impact investment has been canvassed a number of times in the last decade - and has been examined for application in Australia by one of the current authors (see Burkett, 2012). The value of placed-based investment in addressing disadvantage has also been by evidenced by 2019 Nobel Economic Prize winners Abjijit V. Banerjee and Esther Duflo. However, the practice and the policy needed to make this happen has not developed substantially over the past decade - for two key reasons:

1. One of the major ways to encourage place-based outcomes overseas has been through investment into ‘bricks and mortar’ businesses to stimulate local employment that in turn could reduce poverty and disadvantage through outcomes focussed venture capital and business loans. In Australia this sort of investment into mainstream businesses to generate employment specifically to help regenerate places has been limited in scope and size. We have a much greater reliance on welfare programs to mitigate the effects of disadvantage and less engagement with direct market-based programs to shift outcomes. That said, there has been some focus on investment into social enterprise in place, but this has been at a very low level of investment and not yielded the scale or longevity of employment opportunities that would be needed to really shift outcomes;

2. If we are to really significantly shift outcomes in some of Australia’s most disadvantaged postcodes then we need to approach this much more systemically, in ways that recognise that investment is only one part of the equation - alongside procurement, hiring, infrastructure and housing. What is needed is a much more concerted effort to not only attract new capital into places, but to utilise existing capital more strategically and effectively to generate impacts.

In this provocation we explore the market making potential of anchor institutions and, importantly, anchor collaboratives and suggest that these entities could help us move from idea to action in relation to place-based impact investment in Australia.

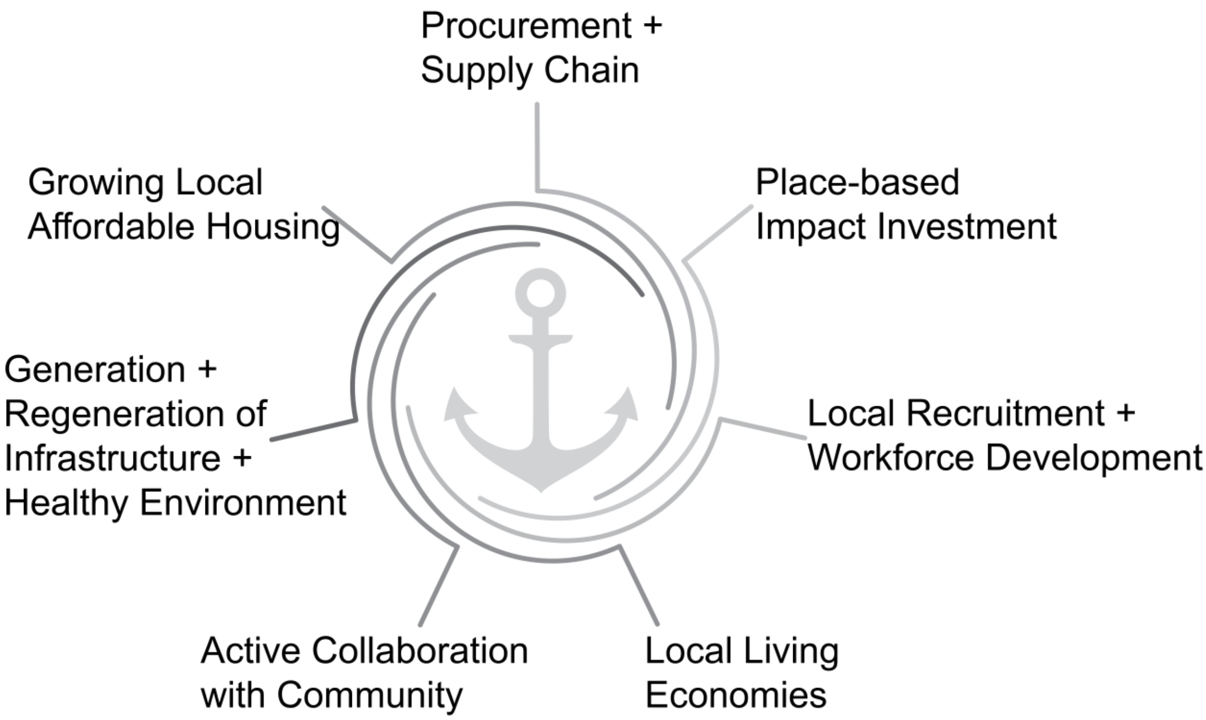

Figure 1: The Different Ways in Which Anchor Institutions can Support the Places + Communities in which they operate - based on Slay, 2019.

What are Anchor Institutions + Collaborations?

To clarify the jargon, 'Anchors' are organisations and institutions based in a place - whether than be a suburb, town, city or region - for the long term, with a mission or purpose that is tightly connected to that place (Smallbone et al, 2015; Slay, 2019). They are significant because they are among the largest employers and spenders in that place, and can align their resources (e.g. HR, estates, construction, facilities, financial assets, procurement) to benefit the community in which they are anchored (beyond their core services) (see figure 1). Anchor organisations can be local governments, universities, colleges, health providers, arts centres, museums, foundations, sports clubs, transport providers, and so on.

Examples of anchor collaboratives include:

- Cleveland's Greater University Circle Initiative: a collaborative of 19 organisations that facilitated US$3bn in targeted local procurement, US$140m of local investment, and has incubated multiple community innovations, such as Evergreen Co-operatives (see Schnoke et al, 2018; Wright et al, 2016).
- The Preston Model in the UK: that (as a response to austerity measures post the GFC) has increased local procurement by £75m, incubated the development of a number of employee-owned community enterprises, and established a community development fund (see CLES and Preston CC, 2019; Lockey and Glover, 2019).
- In Australia, GROW in the Geelong region could be classified as an anchor collaborative, with 5 councils, a community foundation and an array of businesses and public organisations collaborating to shift spend and grow jobs in key postcodes where indicators of disadvantage are consistently high.

'Anchor collaboratives' are networks of local anchor institutions that work together to align their collective resources to benefit the place they are anchored in, usually through formalised alliances and strategies (see Porter et al, 2019). Like much 'new economies' work gaining traction at the moment, the practice of anchor collaboratives is not new. However, what ***is*** new is how such collaboratives move the practice of local economic development from the implicit and informal to the explicit and intentional, and as a result we are seeing a growth in incidence and impact of such initiatives.

The multiple and intersecting ways in which anchor collaboratives can significantly influence investment, procurement, employment and local economic development through intentionally and proactively using their existing resources is beginning to be recognised in terms of its transformational potential. Mainstream financial markets often illustrate their disregard for people and places - boasting about their capacity to benefit investors because the investments are decoupled from place and transcend people's wellbeing. In contrast, economies that are rooted in place - where the health of capital is intimately tied to the health of the local economy - is what characterises the mutuality and

"Anchor collaboratives bring together large employers - often health care and higher education institutions - along with local organisations and residents to identify, design and improve the economic ecosystem so that local residents and businesses can tap into needed resources over the long term" (Porter, 2019;p.8).

Figure 2: The 'impact multiplier effect' of investing in place: of place-based impact investment

directness of benefits that lie at the heart of anchor collaboratives.

Big Spenders, Hirers and Potential Investors/ Investees

The expenditure of institutions such as Universities in Australia (around $37billion per annum according to TEQSA, (2019) with 10% of this being CAPEX). Some of these institutions are rooted in regions where they are amongst the largest economic contributors. And then when they join with other institutions such as hospitals (public and private), local governments, TAFE and utilities, it becomes clear that the scale of spend, investment and employment has real potential for shifting outcomes in place. In terms of developing markets for social procurement and a pipeline of opportunities for placed-based impact investment, anchor institutions (and collaboratives) have huge potential. Universities and hospitals are, perhaps, less obvious protagonists of impact investment than banks and financiers, but they have a ready alignment on public purpose, a direct interest in the socio-economic health of places, offer significant market making potential and physical assets, and also have considerable balance sheet capacity. Individually and as collectives, Anchors have the capacity to be facilitators of local and regional impact economies – and a significant opportunity, within the context of growing impact finance in Australia, is to unlock this potential.

At Griffith, we’re currently looking to mobilise the University’s anchor potential, and explore an anchor

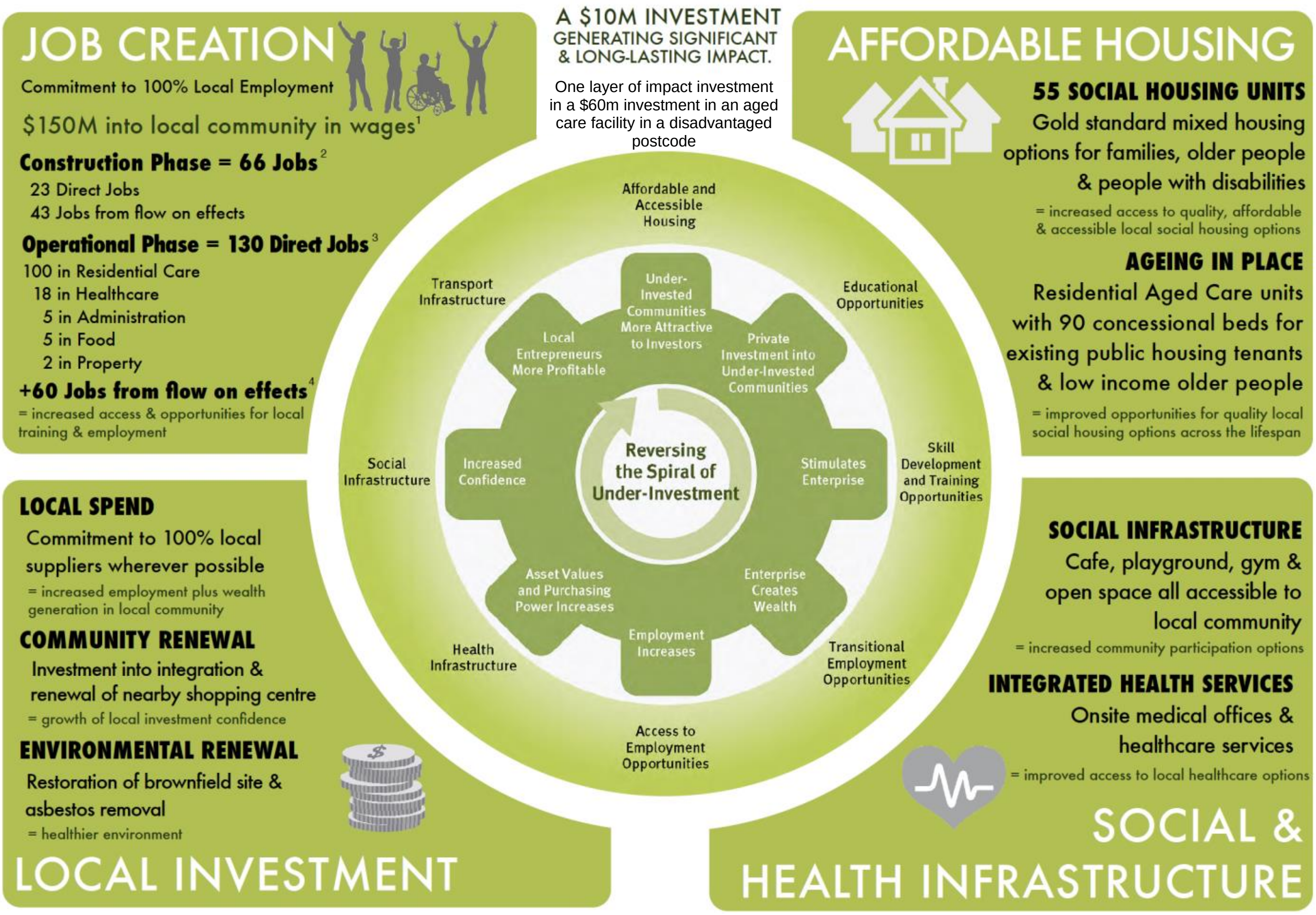

Figure 3: Calculation of potential impact for a $60million project, of which $10M was sought through impact investment

collaborative around one of our campus sites. We are looking to capitalise on the potential multiplier effects that could be grown in place that could benefit not only the community in which we work, but also our students and staff. This work is beginning by changing procurements policies and practices, action research into how we can up-cycle waste streams in partnership with local social enterprises (e.g. converting laptop batteries into power packs for e-bikes), and establishing an incubator for impact and migrant-led businesses at our Logan campus. We are exploring the potential of an "impact multiplier effect" that could make the university an integral part of this contributing to positive outcomes in this community for generations to come (see figure 2).

From recent experience, the concept of Anchor collaboratives is an idea that quickly gains traction and broad support when communicated well. Given the tangible benefits that Anchor strategies can deliver, especially in the context of place-based development, it brings into play new strategies and stakeholder groups to grow impact investment, and another angle to engage different agencies and levels of government.

The potential of anchor strategies could be further amplified by:

- Greater collaboration with Indigenous businesses, authorities and corporations;
- Explorations of Anchor developments that leverage the economic resources of entities such as Local Investment Corporations to deliver impact alongside infrastructure (See figure 3 for an example of the impact that can be generated from investment into such an ‘anchor development’, in this case an aged care facility in a disadvantaged postcode);
- Building regional and sectoral (i.e. universities) anchor alliances to generate momentum and further leverage economic and impact through strategic investment, procurement and hiring and thereby address some of the regional inequities that are growing in Australia.

Like equity crowdfunding connects customers, communities, and innovators horizontally at a micro-level, Anchor collaboratives facilitate bottom-up growth of community wealth from the meso-level. These horizontal, or distributed, approaches lend themselves to being inclusive and generative, expanding participation in both investment *and* production. This creates the possibility of systems transformation rather than being limited to tackling specific issues and ‘deficits’ through top-down approaches. They are complementary to conventional investment approaches, and ensuring they are recognised in national / whole of market (meta-level) development strategies enhances the overall potential, potency, and applications of impact finance.

Authors

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Ingrid is a social designer, designing processes, products and knowledge that deepen social impact and facilitate social innovation. She has contributed to the design of policy and processes in a diversity of fields, including community development, local economic development, disability, procurement and social investment.

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The Yunus Centre equips people with the know-how to navigate change and create positive, societal impact. We are interested in how a progressive, regenerative and inclusive future can be achieved through new models of innovation, entrepreneurship, and enterprise.

Specifically, we’re focused on navigating impact-led innovation, developing impact literacy, growing the impact economy and fostering impact entrepreneurship.

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