

OPENING STATEMENT TO SENATE ECONOMICS REVIEW
COMMITTEE INQUIRY into *Mechanisms and Options for the
Development of a Capital Market for Social Economy Organisations*
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Julie Margot White, Global Head, Macquarie Group Foundation

Thank you for inviting me here today and to address the committee. I am pleased to have been given this opportunity. Firstly, I would like to congratulate the Senate Economics Committee on taking the time and interest to examine a very important issue for the not-for-profit sector.

If I may just take a few moments to give the committee some background on the Macquarie Group Foundation and its focus.

The Macquarie Group Foundation is the philanthropic arm of the Australian based international financial services provider Macquarie Group.

Macquarie staff engagement in their local communities is the founding principle of the Foundation. Since inception in 1985, the Foundation has donated more than \$145 million to charities around the world. Together with Macquarie staff, the Foundation has contributed \$27.8 million to over 1,300 not-for-profit organisations in the 2011 financial year alone.

Staff connection

The Foundation gives priority to community organisations which can demonstrate a connection to Macquarie staff, whether through board positions, executive management service, volunteering or fundraising. Macquarie encourages staff to offer pro bono expertise or skilled volunteering to the not-for-profit sector to maximise their financial contribution.

Sector innovation

The Foundation also believes in the importance of capacity building and innovation within the not-for-profit sector to increase its effectiveness. However, from a corporate philanthropic perspective, we understand that there is so much more community need than can be met by government or private funders.

One of the current trends of particular interest to the Macquarie Group Foundation is the relatively new way of financing the not-for-profit sector through social finance, drawing on funds from individual and corporate

investors. We see this as an innovative way of unlocking alternative funds from private and commercial consortia and, importantly, as a progressive development that offers a productive new way of helping address social issues.

One of the challenges for government and the sector more generally is to look at how best to provide both a social and financial return through these new models of social finance. In some cases, it may be that there are already existing financial instruments and that with better understanding and education within the not-for-profit sector, these existing mechanisms can be better utilised.

The Macquarie approach

As noted, at Macquarie our commitment has always been to build capacity within the not-for-profit sector; we view innovative models of social finance as an extension of this. It is important that there is a solid understanding both within the not-for-profit and investment sectors on how best to develop this new approach to funding, and the role of intermediaries, with relevant financial skills and experience, will be crucial in developing this.

One of the Foundation's learning's, gleaned from our overseas experience, is that it is important to engage across the financial and not-for-profit sector spectrum when looking at how best to develop new social finance models.

In particular, through our experience with the Canadian Task Force on Social Finance it is clear that, similar to the work of this Senate Economics Committee inquiry, these discussions and engagement can provide a real catalyst for action and consideration of the best ways in meeting the ever increasing demands of financial support to the not for profit sector. I understand that out of the Canadian Taskforce, a Ministerial Committee has been established by the Canadian government, to further develop the findings of the taskforce. It is early days, but it may well be in the interests of this Senate Economics Committee to receive updates from the Canadian Ministerial Committee as their work evolves.

We believe that business should work in partnership with both State and Federal governments to alleviate budget pressure, and continue to build on the social finance trend that has seen the growth of private ancillary funds (PAFs) and social impact bonds.

Macquarie Group is one of a number of corporates to assist in the establishment of Social Enterprise Finance Australia (SEFA), which has attracted funding from the Federal Government's Social Enterprise Development and Investment Funds (SEDIF) for social enterprises and entrepreneurs.(and I know that the Committee has discussed in great detail both SEDIF and SEFA and had submission and appearance from SEFA today)

Senior Macquarie staff members have also (in a personal capacity) invested in SEFA, demonstrating that social financing is attractive to investors who also desire a social outcome.

Conclusion

This is an exciting time for commercial and government interests to work together to help develop social finance models. With a market-based philosophy attracting private investors to fund programs with a social return, the Foundation hopes to see this line of finance develop an increasing profile that engages all stakeholders.