The Portuguese Social Innovation Initiative – Challenges and success factors

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Pioneer government initiative

EUR 150 million | European Social Fund

MAIN OBJECTIVES:

. Social Innovation
. Social Entrepreneurship
. Social investment
. Private-Public Partnerships

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Four financing instruments

- Capacity Building for Social Investment
  - **Grants** for developing management competencies.

- Partnerships for Impact
  - **Matchfund** for leveraging philanthropy.

- Social Impact Bonds
  - **Outcome payment instrument** for contracting and pay for results.

- Social Innovation Fund
  - **Debt instrument** that provides loan guarantees.
  - **Equity instrument** that co-invests in a deal by deal approach.
Four financing instruments

. Capacity Building for Social Investment

. Partnerships for Impact

. Social Impact Bonds

. Social Innovation Fund

The role of the Investor

The Social Investor presents a non-binding Letter of Interest.

The Social Investor supports 30% of the project.

The Social Investor supports 100% of the project and is fully reimbursed if social outcomes are met.

Banks provide loans and Social Investor matches the SIF in equity or quasi-equity investments in SMEs.
## Results so far...

<table>
<thead>
<tr>
<th>337 PROJECTS</th>
<th>36 million EUR Approved financing</th>
<th>14 million EUR Social investment</th>
<th>&gt; 300,000 Impacted individuals</th>
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</thead>
<tbody>
<tr>
<td>281 Social Organisations</td>
<td>320 Social Investors</td>
<td>#ficompass</td>
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Capacity Building for Social Investment

100%

CAPACITY BUILDING PLANS
(up to EUR 50,000)

Mandatory Diagnosis of Training Needs

On-the-job consultancy (co-creation)

Pay for deliverables

Letter of Interest from social investor

201 projects
EUR 7.4m

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Partnerships for Impact

Grants
(> EUR 50,000)

70%

Social Investors
(Private or Public)

30%

128 projects
EUR 25m
EUR 11m social investment

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Social Impact Bonds

Investors fully reimbursed if Social Outcomes are met

- Measurable social outcomes
- Public policy priorities
- Private organisation implements the project
- Social investor finances the project
- Public Entity validates project
- Applications are submitted in partnership
- Real costs reimbursement if outcomes are met (No remuneration | Tax relief for Social Investors)

8 projects
EUR 3,2m

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Social Innovation Fund

- Public Fund
- Leverage private investment in Social Innovation
- Facilitate access to financing from organisations with Social Innovation projects
- Fund Manager: PME Investimentos

www.fis.gov.pt

EUR 82m

SIF Debt

Guarantees of 80%
Longer loan maturities up to 10 years
Fully subsidised interest rate
Financing up to 100%
Open call until June 2023

SIF Equity

Co-investment up to 70%
Deal-by-deal
Up to 10 years
Call option in the first 6 years
Open call until end 2023

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Challenges

- SI projects often have **multisector approaches** and don’t fit thematic calls (ESF not prepared to combine social and environmental impacts)

- ESF funding is still mainly based on the **reimbursement of expenses**

- **Heavy bureaucracy** outmatches the size and experience of small entrepreneurial organisations

- **Limited practice of payment for results** in Public Administration

- **Lack of data** to measure outcomes

- **Corporate investors** are still hard to mobilise

- How to measure **Social Impact**
Key Success Factors

• Political support at the center of the Government

• A central Mission Unit for implementing the Social Innovation public policy

• Financing instruments aligned with the needs of each stage of a Social Innovation project life cycle

• Activation team in the field

• Strategic partnerships with key players (public and private)

• A growing market of highly qualified and committed intermediaries

• International cooperation