



**The Portuguese Social Innovation Initiative**

**Developing an impact investment ecosystem in Portugal and the role of Calouste Gulbenkian Foundation**

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# • MOTIVATION TO CATALYSE IMPACT INVESTMENT IN PORTUGAL



Impact ventures need the right combination of the following elements to deliver positive and lasting outcomes: **capital, skills and data**

Social investment is seen as an additional toolset that help impact ventures achieve lasting change



**Capital.** Impact ventures should have access to adequate forms of capital that are catered to their needs and specificities. Examples include social impact bonds, quasi-equity instruments, unsecured lending, hybrid finance instruments.



**Skills.** In order to achieve impact at scale and deliver lasting social change, impact ventures need to be investment and impact-ready. This requires a combination of management, strategy, financial and implementation skills that should be accessible to impact ventures.



**Data.** As deals flourish in the market, information should become available in an accurate and transparent way. This will lower transaction costs for impact ventures and allow for a better access to capital and skills.



- **EXAMPLES OF MARKET-BUILDING INITIATIVES IN PORTUGAL**



As a catalyst entity in the nascent Portuguese social investment market, Calouste Gulbenkian Foundation has been playing a blended role of **market-builder** and **market-player**.

**MARKET BUILDING**

Launched and funded the first social investment intermediary



Convened and launched the Portuguese Social Investment Taskforce



Launched the Portuguese unit cost database of social issues



**DEAL FLOW (MARKET PLAYER)**

Investor in 5 Social Impact Bonds



Investor in impact VC fund



Investor in the first hybrid finance deal in Portugal (grant and equity)



# • A SUMMARY OF OUR WORK AND APPROACH IN PORTUGAL



## 1. BUILD CAPACITY ON DELIVERY ORGANISATIONS

- > Feasibility studies in partnership with universities
- > 3-month acceleration programmes

Why? Prepare deal flow for Social Outcomes Contracts and improve readiness of delivery organisations

## 3. PROVIDE ACCURATE AND EASY ACCESS TO DATA

- > ONE VALUE platform [www.onevalue.gov.pt](http://www.onevalue.gov.pt) with 70+ indicators of government per capita investment in addressing social issues

Why? Reduce transaction costs associated to Social Outcomes Contracts and increase transparency



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## 2. TEST NEW FINANCIAL MECHANISMS: SOCIAL OUTCOMES CONTRACTS

- > Social Impact Bonds (9 launched in Portugal, 5 of which (1,3M) invested by the Calouste Gulbenkian Foundation)

Why? Experiment outcome-based mechanisms and attract other private investors

## 4. BUILD CAPACITY OF PUBLIC SECTOR ENTITIES

- > Outcomes Academy: training programme on Social Outcomes Contracts and community of practice

Why? Equip public sector teams with the tools and expertise to scale-up outcome-based commissioning



- **EARLY LESSONS FROM A NASCENT MARKET (1/2)**



### **Government engagement is critical**

Strong support at a Ministerial level since 2013 has played a critical role in assuring the development of the Portuguese Social Investment ecosystem. Changes in Government (Ministers) have not affected the social investment agenda.

### **The need for market champions**

Portugal Inovação Social is the catalyst entity in this nascent market. Calouste Gulbenkian Foundation is also acting as a cornerstone market player by simultaneously investing in market-building activities and specific transactions.

### **Having a clear vision**

Portugal will hardly be a sizeable social investment market due to its dimension and lack of scale. However, it can serve as a blueprint for other countries serving as an ideal place for experimentation and incubation (given its small scale and high flexibility) and further replication and scalability across other countries.



- **EARLY LESSONS FROM A NASCENT MARKET (2/2)**



### **Designing an action plan**

The Portuguese Social Investment Taskforce convened decision makers from the public, private and social sector and has laid out the foundations for the social investment ecosystem through 5 simple recommendations that tap into the key elements of the market. It is clear for all market players what is their role in implementing these recommendations.

### **Adapt to local context**

SIBs can embed different value propositions: in Portugal, its value doesn't only rely on potential savings but rather on the reallocation of risk to allow testing innovative interventions.

### **Quick wins are crucial**

Despite most of the times not being economically viable, pilot projects are important to test new financial mechanisms and to have its buy-in from key stakeholders. The market needs quick wins - launching a small scale pilot is crucial to create momentum and to convince about the applicability of the concept.



