



The Portuguese Social Innovation Initiative

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

Luis Jeronimo, Director of the Cohesion and Social Integration Programme, Calouste Gulbenkian Foundation, Portugal





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

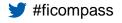






Investor in impact VC fund





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 <u>www.onevalue.gov.pt</u> with 70+ indicators of government per capita investment in addressing social issues

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







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.









