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CALOUSTE GULBENKIAN

LABORATÓRIO DE  
INVESTIMENTO SOCIAL

# **Portuguese Social Investment Taskforce**

## **Summary of the 1<sup>st</sup> meeting of sub-group 3 “Financial Instruments and Legal Framework”**

**October, 2014**



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## MEETING: 1<sup>st</sup> meeting of sub group 3, OCTOBER 6<sup>TH</sup>

9:00AM

### ATTENDEES

#### Sub-group:

- Ana Frasilho, *CMVM*, (Financial Regulator)
- Fernando Amaro, *Montepio*, (Bank)
- João Amaral Tomaz, *Banco de Portugal*, (Central Bank)
- Jorge Portugal, *Casa Civil do Presidente da República*, (The Presidency of the Portuguese Republic)
- Nuno Fernandes Thomaz, *Fundo Bem Comum* (Social Investor)
- Paulo Amorim, *Montepio* (Bank)
- Tiago Ravara Marques, *BPI* (Bank)

#### Calouste Gulbenkian Foundation:

- Luís Jerónimo
- Luísa Valle

#### Social Investment Lab:

- António Miguel

### MEETING OVERVIEW

The main goal of the first meeting was to identify the priority topics that shall be study in order to efficient and effectively mobilize capital into the social sector and to establish the favourable legal framework. Sub-group 3 - composed by senior representatives of the most influential financial institutions in Portugal, has appointed the following topics:

1. **Identification of the adequate channels to link capital and the social innovation initiatives**
2. **Assess the potential of implementing innovative social finance instruments in order to fund social innovation, such as Social Impact Bonds**
3. **Assessing the key elements of a favourable legal and fiscal framework for social investments**

The next meeting, which shall gather all the Taskforce members, will be held on the 7<sup>th</sup> of November, 9 am, at the Calouste Gulbenkian Foundation. The sub groups will present the priority topics set.



## PRIORITY TOPICS:

### 1. Identification of the adequate channels to link capital and the social innovation initiatives

During the meeting, several experiences about the existing mismatch of the available financial instruments and the actual needs of the social initiatives were shared and addressed:

- The social innovation initiatives pipeline is small and unprepared to present attracting investment deals;
- The existing financial instruments is not adequate for the reality of such initiatives, due to the existing unfeasible requirements and the development stage of the initiatives;
- The access to finance for the organization's overheads is constrained, which results into a bigger difficulty to attract and retain talent for the project execution.

In this sense, two examples were presented: 1) Big Society Capital in the UK and 2) the recently announced Portuguese fund for social innovation. Even though very few information has been published about the latter, both of them follow a wholesaler logic and intend to catalyse the social investment market by funding retail bodies that, on their turn, finance social enterprises.

In both contexts, the retail entities are accountable for the matching of capital and social innovation projects, while creating a solid knowledge base about the real needs of the sector and their characteristics.

The recommendations postulated by the sub-group might become relevant for the implementation process and the definition of the adequate channels for the matching between capital and projects.

The sub group asked the social investment lab for a detailed benchmark on relevant international case studies, namely Big Society Capital, as well as a report on the main needs of the social sector in Portugal. This work will inform an in-depth analysis and reflection about the topic.

### 2. Assess the potential of implementing innovative social finance instruments in order to fund social innovation, such as Social Impact Bonds

Apart from the definition of the adequate funding channels for social innovation projects, the team has reflected about financial innovative instruments to finance them. In this sense, Social Impact Bonds were introduced, as a recent innovation already implemented in several countries. The feasibility of Social Impact Bonds are currently been assessed in Portugal and the Social Investment Lab shared an education project that has already been announced and that shall be funded by this instrument. The project regard the introduction of coding classes in primary education curriculums in order to improve the overall grades of students. A reduction of the retention rates on primary education students might result into significant savings for the local public sector (the Lisbon City Hall). The Mayor has already committed to share part of the savings with the investors.

The subgroup has acknowledge the importance of such financial instruments and has reinforced the need to engage the public sector in these projects.

It has been agreed that the Social Investment Lab will produce a detailed document about the application of SIB in other contexts and areas and also their results to date. This document will be used to inform a further reflection on the applicability of such instruments in Portugal, potential challenges and obstacles – including legal barriers – so that the group can draw in final recommendations.



### 3. Assessing the key elements of a favourable legal and fiscal framework for social investments

While discussing the public sector role, the group highlighted the potential that might exist in the creation of fiscal incentives for the social investment so that the market attracts more capital to the sector. In this sense, the UK Social Investment Tax Relief was presented and discussed.

Following the debate about the required legal framework, the existence of a framework for the European social entrepreneurship funds – EuSEF.

#### **NEXT STEPS:**

The agenda for the following months will be divided into sub group meetings – exclusive to the members of each sub-group, and general meetings, which all be attended by all the members of the Taskforce. We invite the members to take note of the followings dates for the general meetings that will be held at Calouste Gulbenkian Foundation:

- **Intermediate meeting, 7th of November, 9 am**
- **Intermediate meeting, 6th of February, 9 am**
- **Intermediate meeting, 8th of May, 9 am**
- **Final meeting, 3rd of July, 9 am**

The sub-group meetings will be booked later, depending on the availability of the respective members. If relevant, individual meetings will be solicited in order to collect information and feedback on specific topics.

Until the next meeting, the Social Investment Lab will be working on the priority topics defined by the sub group, in order to answer to some questions raised in the work session and to inform the debate in the following events.