

# Portuguese Social Investment Taskforce

September  
2018

**Progress  
report**

Three years of  
learning, achievements  
and new challenges

# Executive Summary

**In 2018 we celebrate the third anniversary of the public launch of the national strategy for investment and social innovation, based on a report entitled “A blueprint for Portugal’s emerging social investment market”. This strategy was presented by the Portuguese Social Investment Taskforce and represents a mid to long term path towards a dynamic social investment ecosystem, to be achieved in 2020.**

**The current report intends to monitor progress made thus far regarding recommendations from 2015, an invitation for all the sector's players to reflect on the topic. The report seeks to answer the following questions: Have the action plans established for the first years been carried out? How have the various recommendation areas progressed? Which areas have developed the most? Which areas should be prioritised in the coming years?**

**The first chapter of the report presents a general assessment of recommendation compliance, while the following five chapters detail the implementation of each recommendation and the achievement of their respective goals in the first years. These chapters highlight a few examples of initiatives implemented during this period, with most relevance to the progress made in each area. The final chapter presents the main conclusions and priorities for the coming years.**

**This document was elaborated by the Calouste Gulbenkian and MAZE teams, having been discussed and validated within the scope of the Portuguese Social Innovation Taskforce.**

**maze**



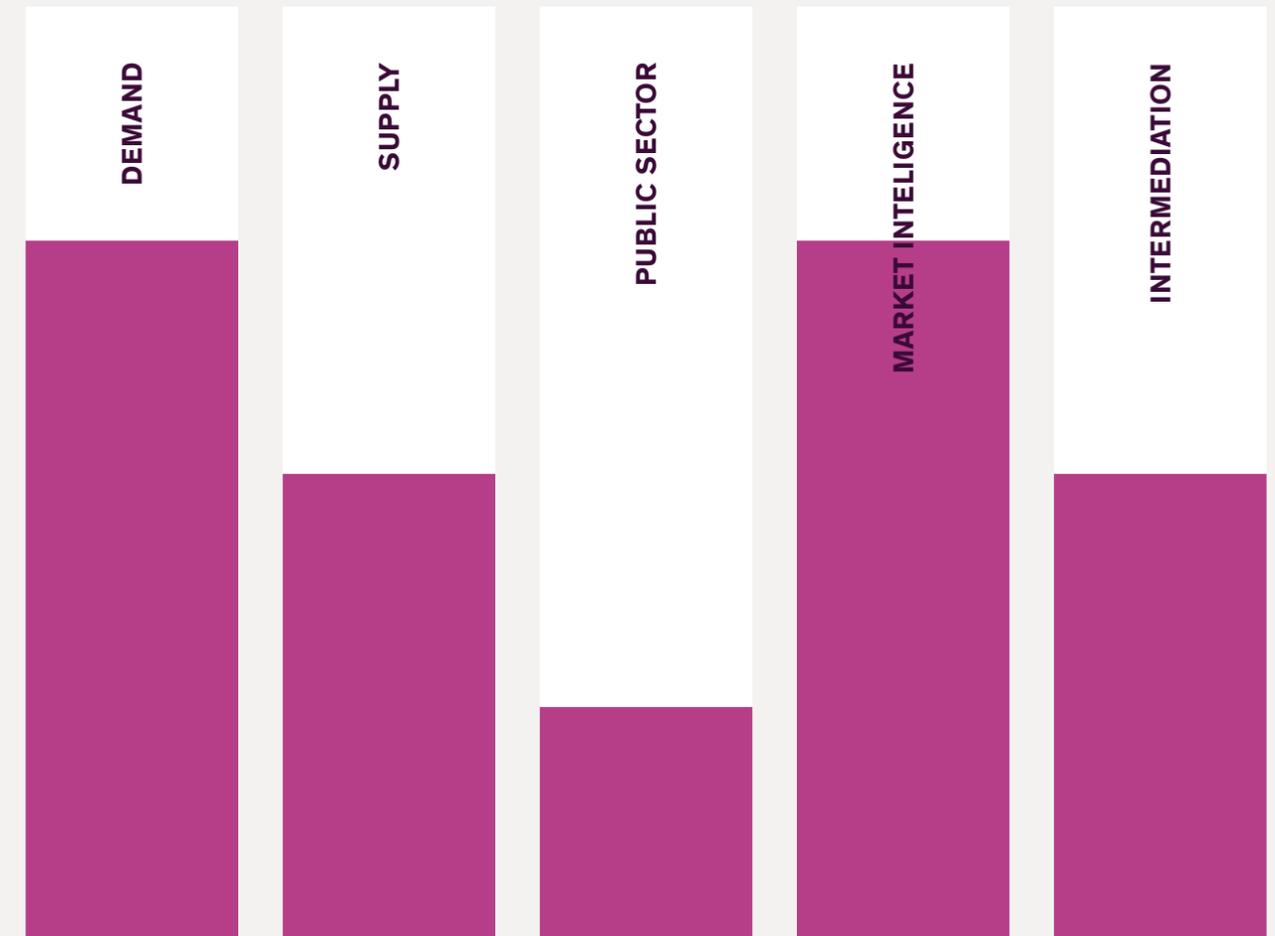
# 2 Progress summary

António Miguel, managing director at MAZE, leading a workshop at the first impact acceleration program for impact ventures Launched in Portugal – Impact Generator



The Portuguese Social Investment Taskforce proposed five recommendations to promote social investment in Portugal. Each recommendation includes an action plan with various initiatives, to be implemented within a five-year period. The table below summarizes the progress each recommendation has observed in the last three years.

- #1** Strengthen social organisations through capacity building programmes
- #2** Introduce financial instruments suited to social organisations and social innovation
- #3** Promote an outcomes-based culture in public services
- #4** Set up a knowledge and resource centre
- #5** Promote specialist intermediaries to facilitate access to capital



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## 6 The portuguese social investment taskforce

The Portuguese Social Investment Taskforce has the goal of promoting a social investment ecosystem in Portugal, with the aim of guaranteeing that larger and improved investment is channelled towards solving social issues in our country. The coordination of the Taskforce was assured by a consortium of entities that includes **MAZE – decoding impact** (ex-Laboratório de Investimento Social), **Social Finance UK** and the **Calouste Gulbenkian Foundation**.

Social investment (or impact investment) is investment, because it presupposes the possibility and goal of obtaining financial return; it is social/impact, because the decision to invest has the simultaneously aim of achieving social impact.

Impact investors are those who believe that however bigger the social impact of an organisation<sup>1</sup>, the more revenue and economic value that company will generate in the medium to long term. These investors recognize their organisations must adapt products to create social impact, as demanded from them by the market forces: consumers, staff and shareholders.

Social investment (or impact investment) isn't patronage, donation or assistance, but a set of essential tools to support organisations that create social impact. Social investment should never replace, but complement the others.

For over 12 months the Taskforce gathered on various occasions and in different formats, to

discuss the challenges and opportunities of promoting social investment in Portugal. The most notable result of the Portuguese Social Investment Taskforce was the report published and officially launched during an international conference at the Calouste Gulbenkian Foundation, the Social Innovation World Forum 2015.

The report entitled “A blueprint for Portugal’s emerging social investment market”<sup>2</sup>, summarizes the work process implemented by the Taskforce and presents five strategic recommendations. An action plan was made for each recommendation and set to be implemented in the short (1 year), medium (3 years) and long term (5 years).

In 2015, the Portuguese Social Investment Taskforce became part of the *Global Steering Group for Impact Investment*.<sup>3</sup> This group includes a representation of the G8 countries and other guest countries whose national social investment ecosystems are found to be at an advanced stage of development.

<sup>1</sup> — In this report, organisations include all kinds of legal entities, given they have the main goal of creating social impact. In other words, both businesses as well as social economy entities are included.

<sup>2</sup> — To consult the report or gather more information about the TF, please visit the initiative’s website: <http://grupodetrabalho.investimentosocial.pt/>

<sup>3</sup> — For more information, please visit the initiative’s website: <http://gsgii.org/>

The Portuguese Social Investment Taskforce was created in July 2014 through a joint initiative led by a group of entities from the social, public and private sectors. This Taskforce was the result of a combination of variables: the contribution of more than 20 national entities and financing from the European Commission as part of the EU Programme for Employment and Social Innovation.

Opening panel at the Demo Day of Montepio Social Tech, an acceleration program targeted at impact ventures focused on developing tech-based solutions for social issues.



## The progress of social investment in Portugal

Today Portugal is a benchmark country for social investment. This is essentially due to the flexible adoption of new financial instruments, such as Social Impact Bonds, and the pioneering spirit that has led to the use of 150 million euros in European funds to promote social investment, resulting in the *Portugal Inovação Social* (EMPIS) initiative.

Language session at SPEAK, an impact venture that promotes the inclusion of refugees and migrants through culture and language exchange.



Coding bootcamp by Academia de Código, an impact venture that fights unemployment and promotes digital literacy by teaching children and unemployed adults how to code.

In 2018, an entrepreneur presenting an effective solution for a social problem can more easily obtain investment and support for the business than in 2015. Impact startups like SPEAK, knok and Academia de Código, amongst others, have been leading the way.

A few social economy entities, that have been established and working for a few years now, are also approaching social investment as a complement to other financing tools. The Social Impact Bonds implemented by TESE (NGDO founded in 2002) and MDV (Private Social Solidarity Institution founded in 1977) inspire more and more entities to adopt these instruments.

There is an increasing collaborative spirit between sectors when it comes to solving social issues. Be it for solution complementarity, the need to pool more resources or summon skills, it is more and more common to find projects based on partnerships between organisations from the social, public and private sectors. The ONE.VALUE and GEOfundos platforms presented in this report are examples of this new approach.

There is however a long way to go and many aspects to improve and work on.

The involvement of investors and the private sector is still limited, leaving the need to mobilize more investment and skill sets from big companies, institutional investors, venture capitals and business angels. If this mobilization is success-

ful, we will have more and more market solutions contributing towards solving social issues in a sustainable manner.

The public sector, both central and locally, must go beyond the use of European funds, and internally adopt result oriented contracting practices while promoting higher levels of efficiency and effectiveness in existing social responses. For this to happen, a significant part of the Cooperation Agreements between Social Security and Private Social Solidarity Institutions (an annual amount of around 1,4 billion euros), must be allocated to projects financed and contracted in the light of duly substantiated results. This change will promote innovation in social responses, transparency and accountability, incentives for the creation of new solutions and the assurance that the financing is used on responses that actually work.

# Progress and monitoring of the five recommendations

- 1 / Demand
- 2 / Supply
- 3 / Public Sector
- 4 / Market Intelligence
- 5 / Intermediation

## 1 /

## Strengthen social organisations through capacity building programmes

This recommendation proposes improved access to capacity building initiatives and support services with intent to increase capacities in the management and impact areas. There are presently various initiatives taking place, mostly financed by philanthropists, companies, European funds and entities from the public sector, taking some of the burden off beneficiary organisations.



Demo Day of the third edition of Impact Generator – an acceleration program for impact ventures ran by MAZE – that took place in May 2018 at Calouste Gulbenkian Foundation.



Award session of BPI Solidário, a programme created in 2016, to complement the existing BPI Capacitar e BPI Seniores, and further support the most vulnerable groups.

## Recommendation 1 Progress to date

6 months > 1 year



Complied satisfactorily

### Actions Points

Promote the benefits of capacity building through (1) the knowledge and resource centres should list the services provided by specialist providers and how they can help improve organisations, and (2) mapping the impact, business and finance needs of social sector organisations.

### Main initiatives

Study promoted by the European Investment Bank, which identifies the main obstacles for organisations seeking financing.

This study was published in September 2017 and presented at the Incubadora Regional de Inovação Social (IRIS), in Amarante, Portugal.

The GEOfundos platform has a listing of capacity building services and their areas of expertise available for consultation.

6 months > 2 years



Complied satisfactorily

### Actions points

Provide social sector organisations access to funding to purchase capacity building support (impact and/or investment readiness).

### Main initiatives

Capacity building instrument developed by EMPIS supports organizations in strengthening their management skills and in becoming prepared to generate social impact and attract social investment.

Acceleration, capacitation building and incubation programs such as AMPLifica, IES Social Business School, Impact Generator, Impact Hub, Incubadora Regional de Inovação Social (IRIS), MAIS, Montepio Social Tech, Programa de Aceleração de Empresas Sociais (PAES).

There are also capacity building programmes focused on a given thematic area, as BPI Solidário. Only in 2017, it has given 9 million euros to organizations that support the most vulnerable groups.

1 year > 5 years



Partially complied

### Actions points

Create an accreditation system which measures the operational performance and impact of social.

### Main initiatives

The B Corp Certification assesses the effect of organisations' activities on all levels and analyses the connection between social and environmental performances with financial return. There are currently 13 B Corps in Portugal, including companies such as Abreu Advogados and Hovione.

## Introduce financial instruments suited to social organisations and social innovation

The need for financing amongst organizations with social missions in Portugal is estimated to be between 250 and 400 million euros<sup>4</sup>. For this amount to be supplied it is essential that organizations have access to financial instruments which are adequate to their needs and circumstances. This recommendation presents various financial instruments for organizations with social missions, including Social Impact Bonds, Revenue Participation Agreement, amongst others.

<sup>4</sup> – Calculations done by combining multiple sources, including: Conta Satélite para a Economia Social (Statistics Portugal), ex ante assessment conducted prior to the development of EMPIS.

Make sense, a community connects engaged citizens, passionate entrepreneurs and forward-looking organizations to solve social issues.



## Recommendation 2 Progress to date

6 months > 1 year



### Actions points

Launch pilot projects to test the applicability of Social Impact Bonds and Revenue Participation Agreements.

### Main initiatives

Launch 4 Social Impact Bonds (SIB) in Portugal.

No tests were applied to Revenue Participation Agreements, through which investors finance an organisation and obtain a refund using part of the annual profit (unlike a normal credit, which makes refunds over a fixed period of time (i.e.: monthly), whether the organisation has positive financial results or not).

In March 2018, the EMPIS Social Innovation Fund was approved, with € 55 million being split between two mechanisms: easier access to bank guarantees, which allows more credit granting on behalf of the participating banks; direct co-investment in organizations with social missions, mobilizing other private investors, through equity (for companies) and Revenue Participation Agreements.

6 months > 2 years



### Actions points

Create the legal framework that facilitates the adoption of innovative financial instruments.

### Main initiatives

EMPIS provides a framework that makes the use of Social Impact Bonds possible. However, it will be important to maintain this instrument's continuity after Portugal 2020, by enticing public entities to adopt it on a central and local (municipality) level.

There is still no legal framework for the creation of social companies, which as legal entities would have better access to equity instruments.

3 years > 5 years



### Actions points

Develop tax/fiscal incentives for social investment products.

### Main initiatives

From 2018, investments in SIB were acknowledged for tax purposes as an expenditure, with a mark-up of 30% on the amount invested. Besides this mark-up, investors can see their investment refunded (and registered as "revenue" for tax purposes in the same year), if social impact results are achieved. Portugal is the second country in the world to adopt SIB incentives.

There are still no fiscal incentives for other social investment instruments.

# 3 /

## Promote an outcomes-based culture in public services

In terms of outcomes-based contracting of social services there was little progress, limited to the testing and adoption of Social Impact Bonds. Since 2015, four Social Impact Bonds were launched. In the coming years, the focus must be focused on public sector capacity building for outcomes-based contracting in the post-Portugal 2020 period. Only this will allow a real and sustainable transformation of the way public social services are financed, promoting a higher level of efficiency, innovation and accountability.

Faz-te forward empowers youngsters to act as change agents for themselves and their communities. Portugal Inovação Social invested in this project through a Social Impact Bond.



## Recommendation 3 Progress to date

6 months > 1 year

 **Complied satisfactorily**

**Actions points**

Launch outcome-based pilot contracts.

**Main initiatives**

Launch of 4 SIB in Portugal within the following subject areas:

Education:  
Academia de Código Jr (Lisboa)

Employability:  
Faz-te Forward (Porto), Academia de Código Bootcamps (Fundão)

Children and youngsters at risk:  
Projeto Família (Porto)

SIBs implemented in Porto and Fundão were launched within the scope of the SIB instrument developed by EMPIS. At the beginning of 2018, EMPIS opened a new application period for education oriented SIB, having received 15 applications. The number of SIB in Portugal is expected to increase significantly in the next few years.

6 months > 2 years

 **Didn't comply**

**Actions points**

Train public sector procurement and finance teams within central and local government.

**Main initiatives**

No initiatives were registered for this action point.

The sustainability of instruments such as SIB and other outcomes-based contracting mechanisms depends on public sector teams possessing the tools and knowledge necessary to adopt such mechanisms, both local and centrally.

1 year > 5 years

 **Didn't comply**

**Actions points**

Develop a legal framework that enables outcome-based contracting for a wide range of social services.

**Main initiatives**

No initiatives were registered for this action point.

The sustainability of instruments such as SIB and other outcomes-based contracting mechanisms is dependent on a clear legal framework for this domain, which can be systematically adopted by public sector entities on a local (municipality) and central level.

## Academia de Código Júnior

### Subject area

Promotion of educational performance through computer programming lessons.

### Intervention

Weekly computer programming classes, offered at primary schools and within school hours in the presence of a head teacher.

### Outcomes metrics

Improvement of school performance in both Portuguese language and Mathematics (10%).  
Improvement of problem solving and logical thinking skills (10%).

### Investors

Calouste Gulbenkian Foundation

### Public sector entity

Lisbon City Council

### Context

Pilot project

Region  
Lisbon



### Number of participants

**65** primary school students

### Total cost (approx)

**125,000€**

### Inicial financing needs (approx)

**125,000€**

## Projeto Família

### Subject area

Preservation of children and youngsters at risk in a family environment.

### Intervention

6 week family intervention methodology, applied to families of children and youngsters at risk of being institutionalized, in order to build and develop their skills.

### Outcomes metrics

Preservation in family environment: 50%

### Investors

Calouste Gulbenkian Foundation  
Caixa Económica Montepio Geral

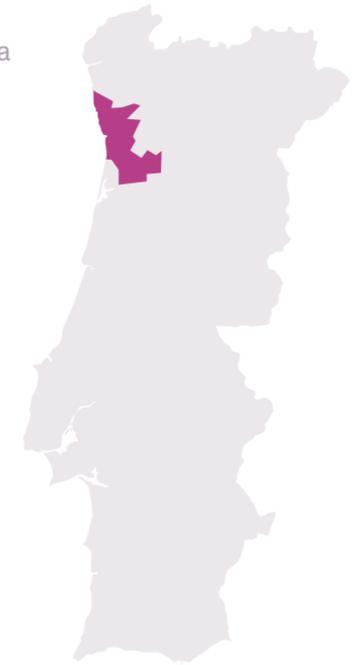
### Public sector entity

Social Security Institute

### Context

Portugal Inovação Social

Region  
Metropolitan Area  
of Porto



### Number of participants

**216** children and youngsters at risk

### Total cost (approx)

**435,000€**

### Inicial financing needs (approx)

**235,000€**

## Academia de Código Bootcamp

### Subject area

Integration of unemployed youngsters from any training area in the work market.

### Intervention

Intensive 14 week bootcamp for training in computer programming, answering the needs of local employers.

### Outcomes metrics

Entry into the work market: 60%

**Region**  
Fundão



### Number of participants

**180** unemployed youngsters from the Centre region

### Total cost (approx)

**723,500€**

### Inicial financing needs (approx)

**245,000€**

### Investors

ASSOP - Associação Shared Services & Outsourcing Platform  
Calouste Gulbenkian Foundation

### Public sector entity

Institute of Employment and Vocational Training

### Context

Portugal Inovação Social

## Faz-Te Forward

### Subject area

Integration of youngsters in a vulnerable position within the work market

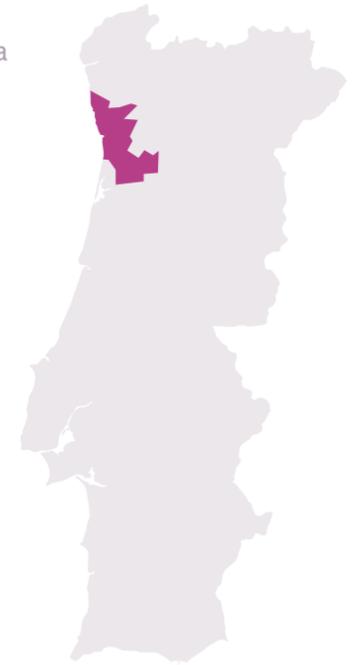
### Intervention

5 month programme for developing soft skills and support for job finding, based on certified mentorship and coaching.

### Outcomes metrics

Entry into the work market: 40%  
Preservation of employment during 6 months: 20%

**Region**  
Metropolitan Area of Porto



### Number of participants

**150** youngsters in a vulnerable situation

### Total cost (approx)

**450,000€**

### Inicial financing needs (approx)

**235,000€**

### Investors

Calouste Gulbenkian Foundation  
Deloitte

### Public sector entity

Institute of Employment and Vocational Training

### Context

Portugal Inovação Social

## 4 /

## Set up knowledge and resource centre

The social investment market is now more organized and cohesive than ever. Today more information is available and more initiatives promoted through partnerships are happening, often cross-sectoral. There is also a greater understanding of the concepts, language and approach being used. In coming years, the market must focus on building and collecting evidence from successful social problem-solving interventions and reference impact investment deals.



GEOfundos is the only online platform in Portugal that gathers all financing opportunities, both national and international, available to the social sector entities and projects.

## Recommendation 4 Progress to date

6 months > 1 year



Complied  
satisfactorily

### Actions points

- 1 / Develop a website that includes tools, examples and glossaries to help stakeholders engage in the market regularly.
- 2 / Collect information about 'what works' with an initial focus on two specific social issues that are key public policy priorities in Portugal (Taskforce suggestion: youth unemployment and education).

### Main initiatives

- 1 / GEOfundos, a platform that aggregates information about financing opportunities for Portuguese organisations and capacity building services. It's funded by an international Foundation and its replication is already being planned.
- 2 / ONE.VALUE, an online portal with over 90 unit cost indicators for social issues in Portugal. It convey useful information to structure Social Impact Bonds, by referencing public investment that is avoided (if the results are achieved).

1 year > 2 years



Complied  
satisfactorily

### Actions points

Create a network of practitioners to encourage knowledge sharing. The network should hold conferences and workshops as well as establish online forums to help people exchange ideas and share best-practice.

### Main initiatives

- Various formal and informal groups for experience and/or workspace sharing:
- ImpactHub
  - Grupo de Impacto
  - MakeSense Portugal
  - Alumni IES Social Business School Network

3 years > 5 years



Partially  
complied

### Actions points

Collect information about 'what works' 'what works' with an initial focus on two specific social issues that are key public policy priorities in Portugal (Taskforce suggestion: youth unemployment and education).

### Main initiatives

The *Accelerating Change for Social Inclusion* project, implemented by Stone Soup. An initiative that maps out interventions with evidence of proven outcomes and analyses the potential for replication and rescaling in other countries. The focus is on subject areas concerning children and youngsters at risk, long-term and youth unemployment.

## 5 /

## Promote specialist intermediaries to facilitate access to capital

We've been witnessing the appearance of new intermediary entities (also called service providers), in great part due to the opportunities of supporting organizations created through the EMPIS social investment capacity building instrument.

These intermediaries are spread all over the country, with a greater concentration in the North of the country and in Lisbon and the Tagus Valley. However, intermediaries specialized in social investment, who work with private investors, still haven't appeared in Portugal. This segment is almost inexistent, mostly due to the difficulty of mobilizing private investment towards social innovation in Portugal.

Maria Manuela Leitão Marques, portuguese Minister, speaking at Impact Hub Lisbon, an international network for entrepreneurship and social innovation.



## Recommendation 5 Progress to date

6 months > 1 year



Partially  
complied

### Actions points

Create programmes to help social sector organisations access and pay for intermediary support.

### Main initiatives

The EMPIS social investment capacity building program. This instrument offers financing that allows organizations to pay for capacity building services offered by intermediaries .

1 year > 2 years



Partially  
complied

### Actions points

Provide capital and capacity building support for intermediaries that either want to enter into the market or are at earlier stages of development.

### Main initiatives

Same as 6 months > 1 year.

## 26 Action priorities for 2020

The progress made in Portugal regarding social investment is undeniable.

In this sense, EMPIS' crucial role in boosting the Portuguese ecosystem, inviting all players to benefit from its instruments, is truly worthy of mention. Apart from implementation challenges associated to the pioneering use of European funds for social innovation, EMPIS has brought new opportunities and dynamism to this sector. Social entrepreneurs in Portugal now have access to privileged financing, in comparison to their European peers.

Stimulated by this progress, more and more companies, philanthropists and public sector entities strive to coordinate their efforts. Inter-sectoral partnerships have been appearing to support the growth of social entrepreneurship and innovation in our country. Good examples are the capacity building and acceleration initiatives providing support for the growth and development of organizations. There are resource centres available to all, informal discussion groups and online platforms promoting financing opportunities. The social impact community in Portugal is consolidating itself and is dynamic.

**A /**  
**Developing initiatives that attract more national or international private capital to the sector.**

The Taskforce's recommendations in this sense are clear: promote new financial instruments, with respective legal framework, and create fiscal incentives to allocate private capital to impact.

However, there is still a lot to do regarding the promotion of a higher level of efficiency in the Portuguese social investment ecosystem. According to the strategic plan designed by the Portuguese Social Investment Taskforce, the next three years should see a major focus on:

**B /**  
**Involve the public sector, both central and locally, in order to ensure outcomes-based service contracting**

The adoption of this type of contracting will lead to a healthy competition to find the most efficient solutions for the country's problems. The public sector's involvement will have to take place with central public support, but essentially focus on municipalities and local entities. There is more flexibility and autonomy on a local level to test new approaches and implement projects in touch with the beneficiaries' reality.

We are half way along a five year implementation strategy and stand before a point of inflexion. Without investment from the private sector and the local involvement of the public sector, this ecosystem will not achieve its maximum potential. This is the only way Portugal can find new and more effective solutions to the social problems it's facing. The challenge is ambitious, but equals the quality and commitment of all those who work for this cause on a daily basis.

This document was elaborated by the Calouste Gulbenkian and MAZE teams, having been discussed and validated within the scope of the Portuguese Social Innovation Taskforce.

[grupodetrabalho.investmentosocial.pt](http://grupodetrabalho.investmentosocial.pt)

#### **Calouste Gulbenkian Foundation**

Established in 1956 as a Portuguese foundation for the whole of humanity, the Foundation's original purpose focused on fostering knowledge and raising the quality of life of persons throughout the fields of the arts, charity, science and education. The Cohesion and Social Integration Programme is one of the strategic priorities of the foundation in the next five years with the goal of contributing towards a fairer society, with solidarity and commitment towards the most vulnerable groups in the population. To fulfil this goal, the foundation tests and implements innovative approaches responding to social challenges, deploying new tools for financing and managing social organisations.

[www.gulbenkian.pt](http://www.gulbenkian.pt)

#### **MAZE**

MAZE, former Social Investment Lab, was founded in 2013 by the Calouste Gulbenkian Foundation in partnership with IES Social Business School and Social Finance UK.

MAZE works alongside impact ventures and investors to scale effective solutions for social and environmental challenges.

Up until now, MAZE has launched four Social Impact Bonds, raised 3M EUR investment for impact ventures and launched three acceleration and investment readiness programmes in Lisbon and Porto.

MAZE is a result of Fundação Calouste Gulbenkian's vision set out in 2013: impact-driven organisations have access to adequate skills, capital and intelligence in order to deliver predictable and better outcomes. Since day one, MAZE is inspired and guided by Gulbenkian's infinite belief in human potential as a driver for positive change.

[www.maze-impact.com](http://www.maze-impact.com)



**In 2018 we celebrate the third anniversary of the public launch of the national strategy for investment and social innovation, based on a report entitled “A blueprint for Portugal’s emerging social investment market”. This strategy was presented by the Portuguese Social Investment Taskforce and represents a mid to long term path towards a dynamic social investment ecosystem, to be achieved in 2020.**



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