



THE PORTUGUESE SOCIAL INVESTMENT ECOSYSTEM

SOCIAL ECONOMY TRANSNATIONAL NETWORK

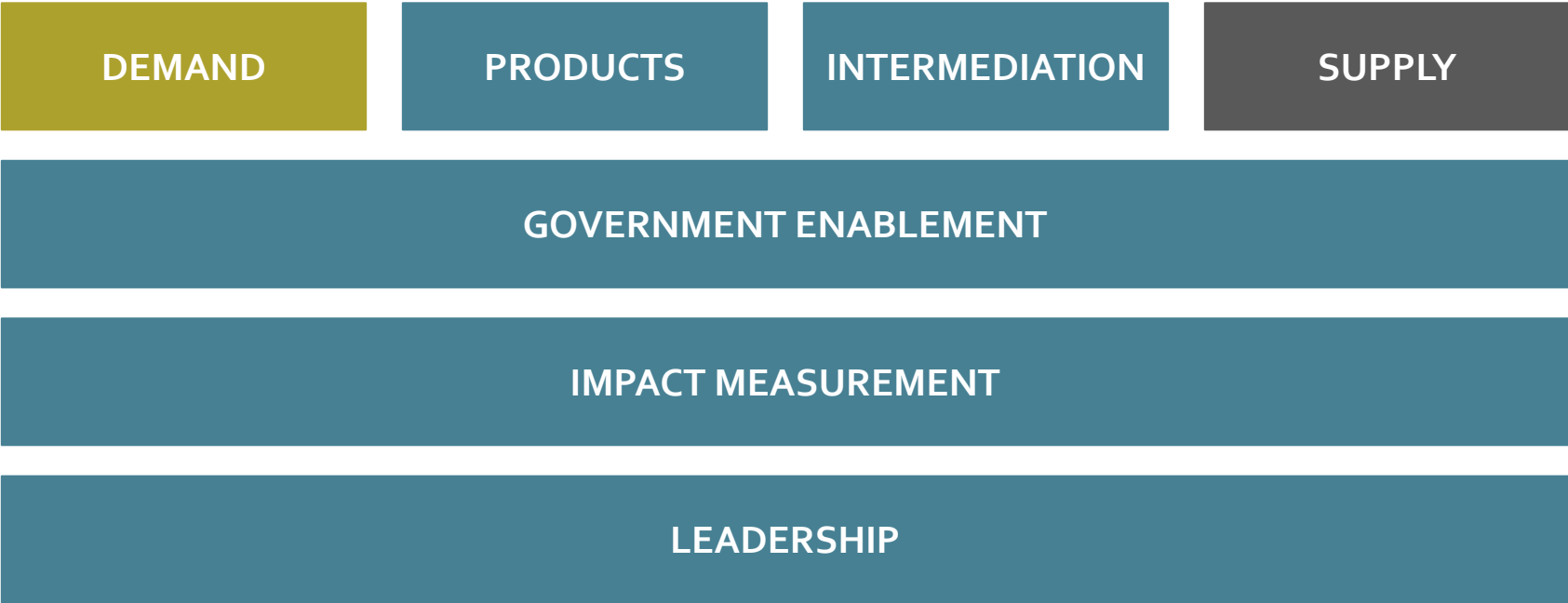
Warsaw, May 2016

António Miguel




antonio@ies-sbs.org.pt

PROVIDING A RATIONALE TO UNDERSTAND THE ECOSYSTEM

THE 7 ELEMENTS OF A ROBUST SOCIAL INVESTMENT MARKET



CAPTION:

-  Demand side of the market
-  Supply side of the market
-  Market infrastructure

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DEMAND

PRODUCTS

INTERMEDIATION

SUPPLY

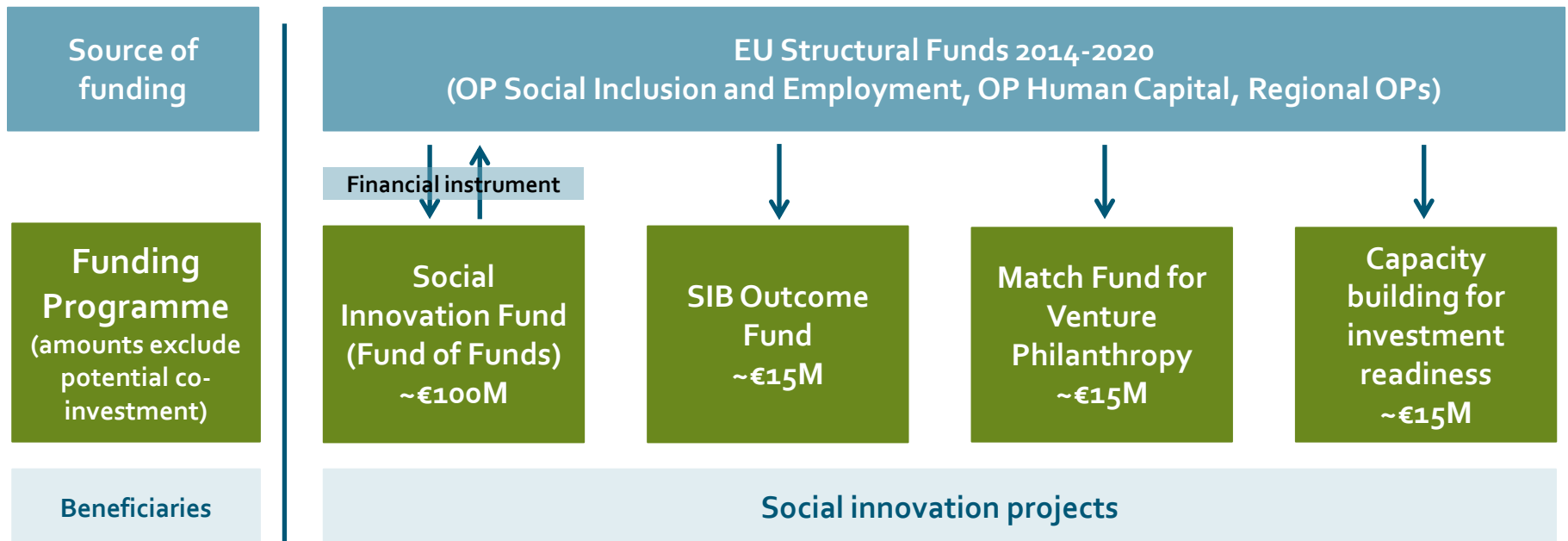
GOVERNMENT ENABLEMENT

IMPACT MEASUREMENT

LEADERSHIP

GOVERNMENT ENABLEMENT: THE FIRST STEP

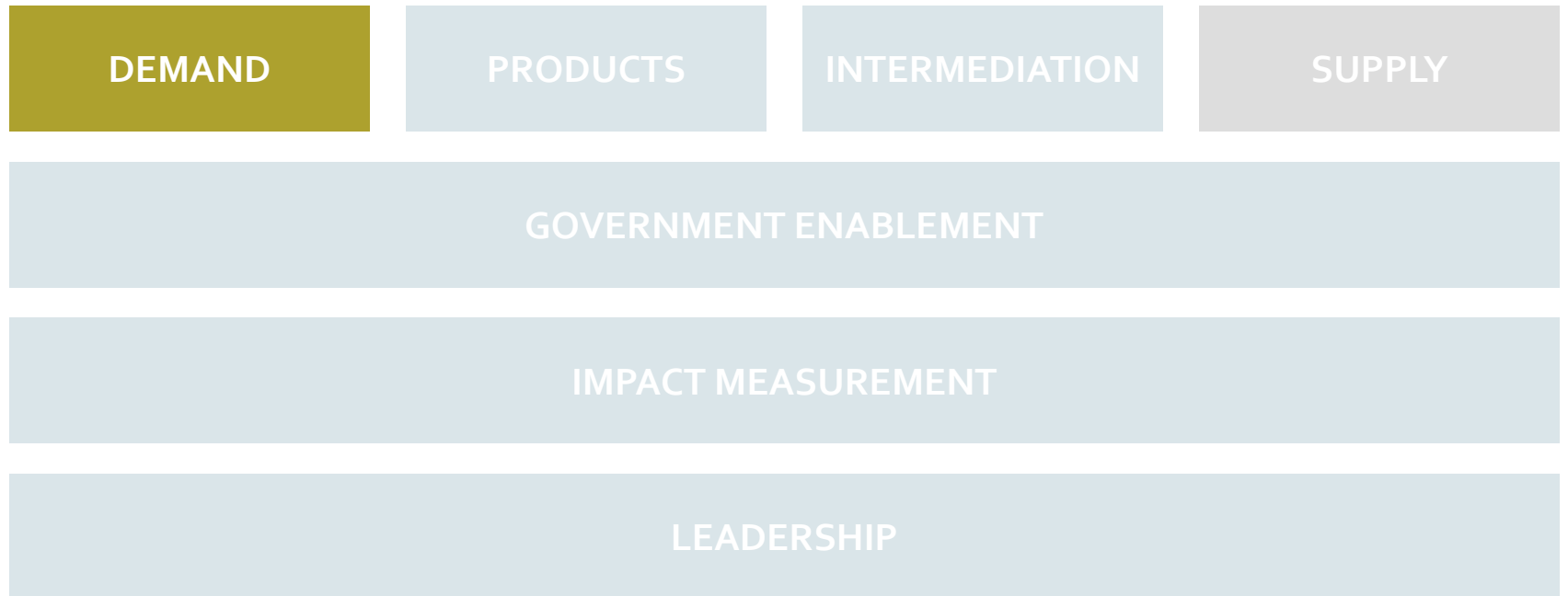
Portugal Inovação Social will have 100€ million to act as a wholesaler of the market and will channel funds through retail structures, acting as a Fund of Funds. These retail structures are able to attract private co-investors in order to leverage other sources of capital. 15€ million will be available to pay for outcomes in order to foster SIB. 30€ million will be available to build the pipeline and improve investment readiness of social organisations.



The guiding principles and strategic goals of Portugal Inovação Social aim at mobilising and foster cooperation within the ecosystem of social innovation and entrepreneurship in Portugal through a blended wholesaler / retail approach.

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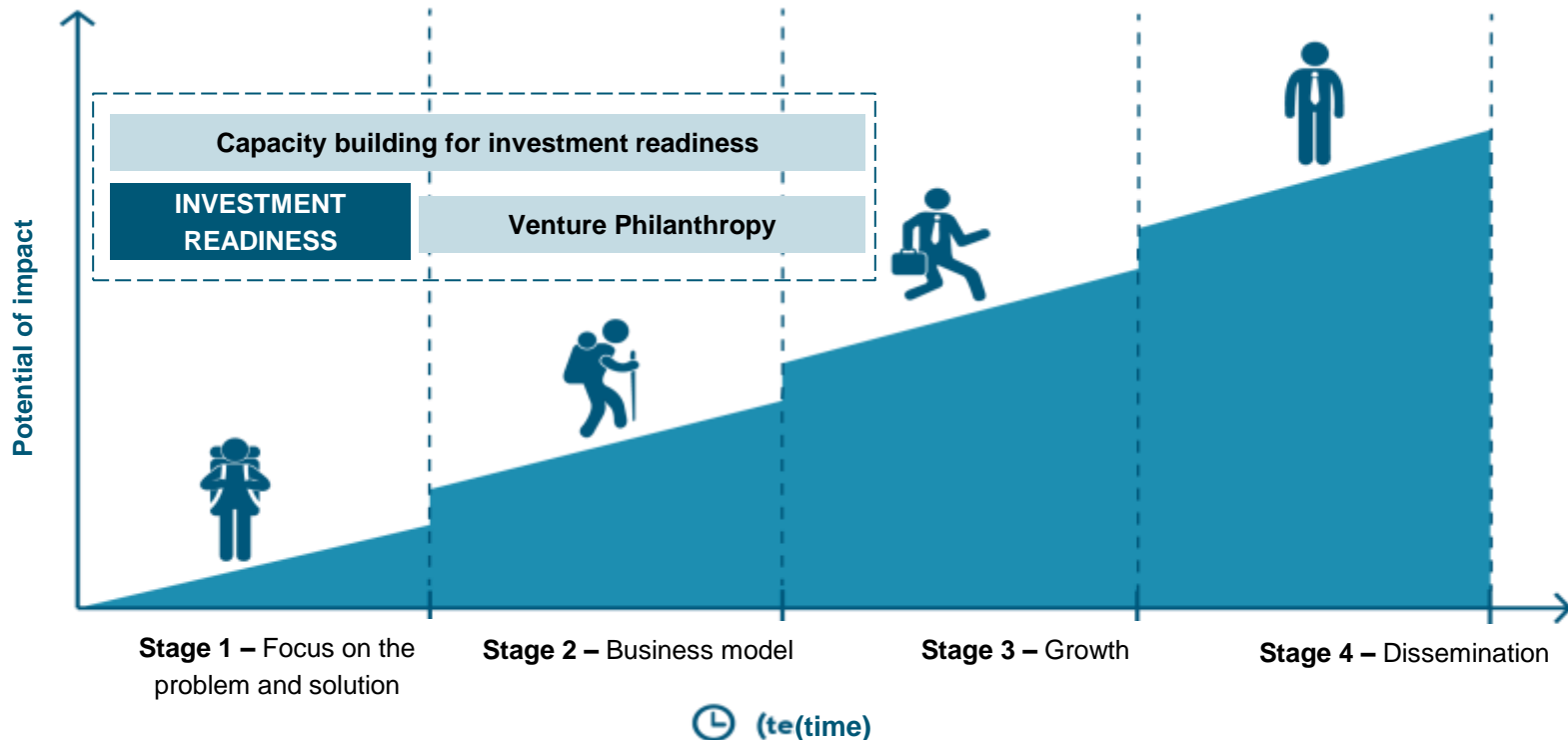
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STRENGTHENING DEMAND: INVESTMENT READINESS

This initiative will help social organizations becoming investment ready and scaling their impact, through (1) a capacity-building programme and (2) a venture philanthropy programme.

- (1) **Capacity-building programme** - making grants available to social organisations to enable support from specialist providers;
- (2) **Venture philanthropy programme** - providing match-funding to philanthropic organisations committed to adopting the venture philanthropy approach to grant making .



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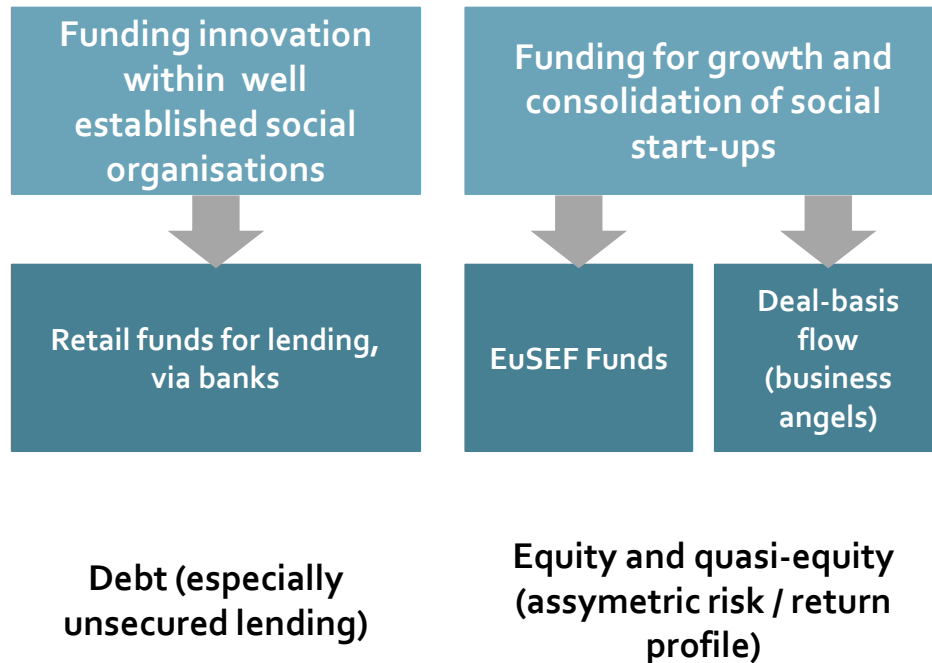
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DEVisING SUITABLE FINANCIAL PRODUCTS

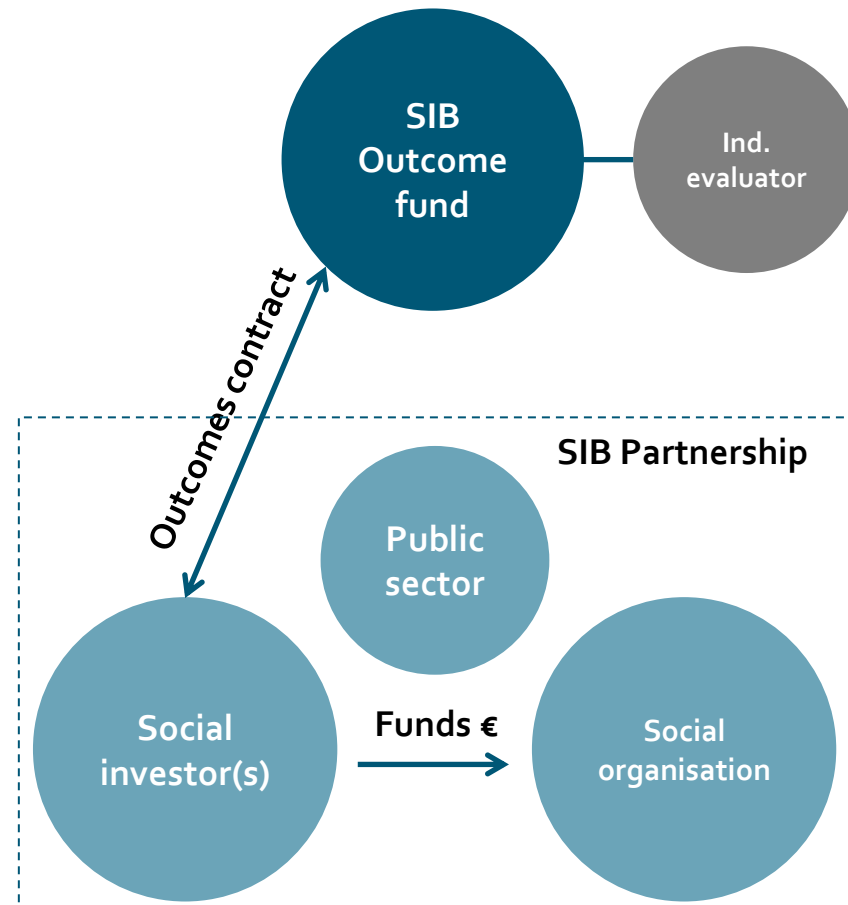
Fund of funds

This initiative will promote the use of **Revenue Participation Agreements** and **Unsecured Lending**, through a wholesale fund that will not only leverage new sources of capital but also through subordinated capital.



SIB Outcome fund

This initiative will act as the **outcome payer** in order to foster the adoption of outcome-based commissioning in Portugal.



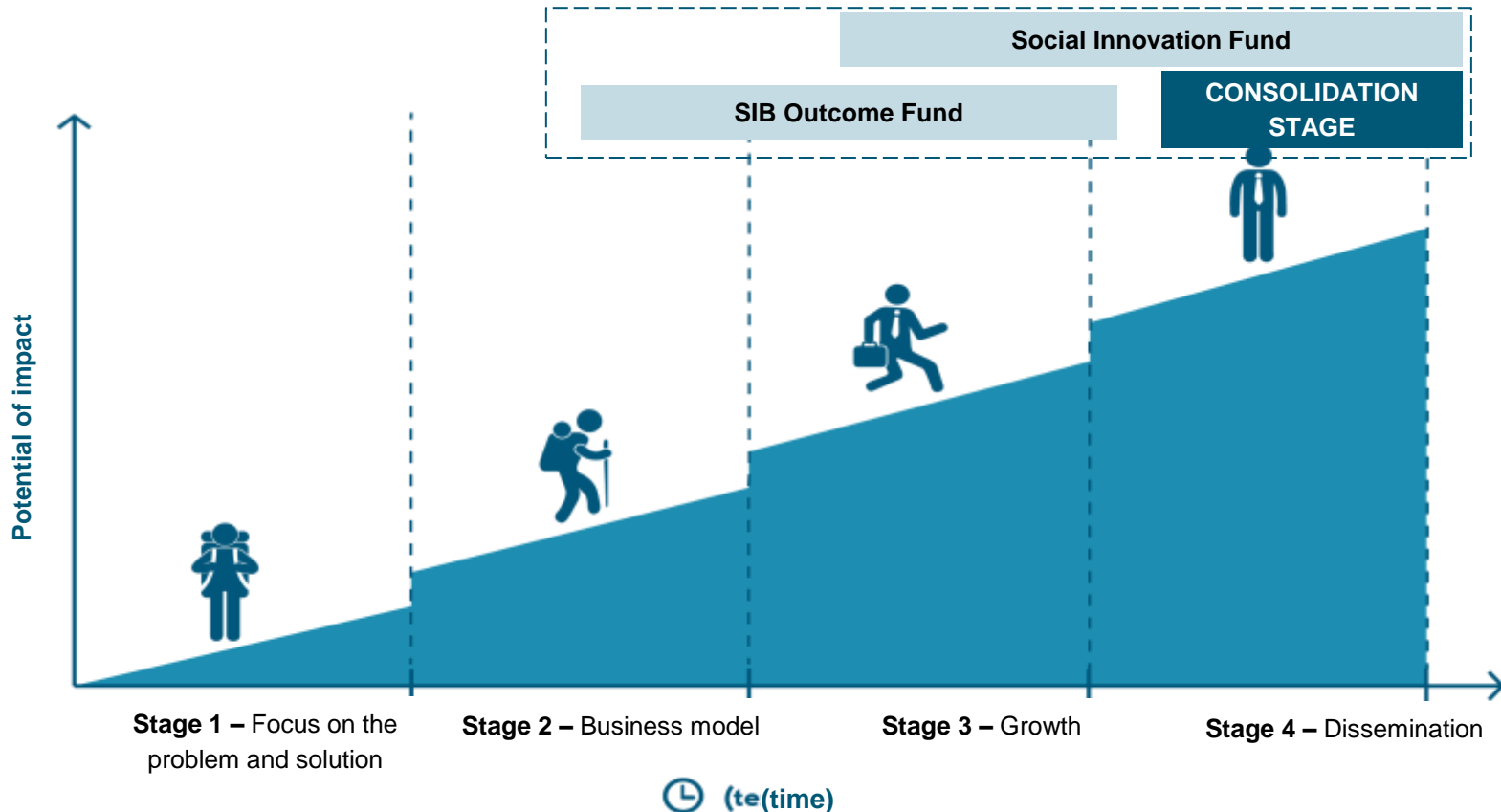
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PORTUGUESE SIB PILOT PROJECT OVERVIEW

SOCIAL ISSUE

- 1/4 students aged 8 are retained in the same school year;
- On average, each students costs approximately €4,000 to the Lisbon Council;
- Computer programming is an innovative approach to improve logical thinking;

The Lisbon council wants to test if computer programming improves school performance

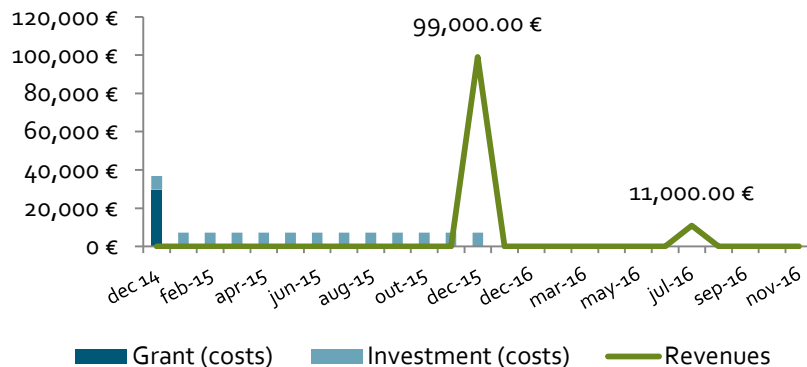
OUTCOMES METRICS

As agreed in contract, the outcomes of the intervention will be tested against two metrics:

Metric	Method	Baseline (a)	Payment (b)
Logical thinking skills	Raven Matrices	10%	90%
School performance	National exams	10%	10%

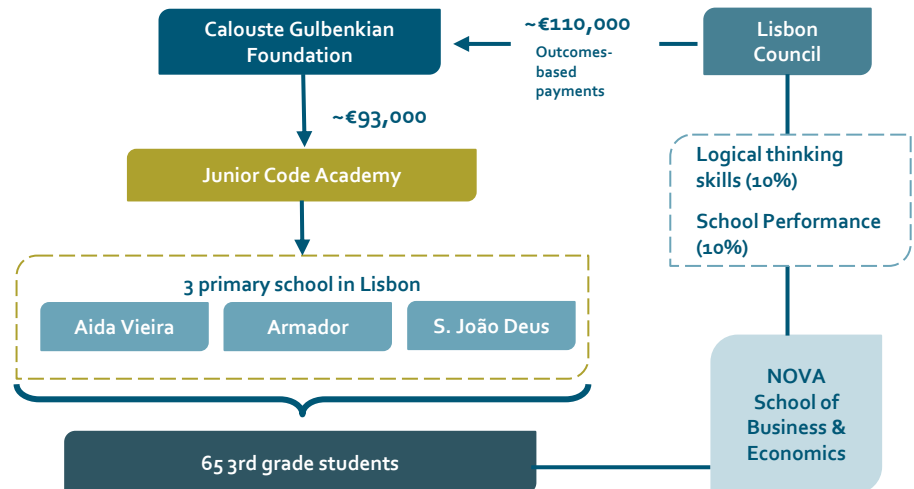
- (a) Performance of students will be compared to a control group
 (b) Payments will be made in proportion to outcomes achieved against the baseline

INVESTOR CASHFLOW



An upfront cost incurred by the investor is considered a donation (IT equipment). 1st metric measured in Dec 2015 and 2nd in June 2016.

STRUCTURE



PORTUGUESE SIB PILOT PROJECT - STRUCTURE

This project aims at creating evidence on the outcomes of adopting computer programming as a new teaching method, in order to inform public policy in the education field.

Initial SIB Pilot in 3 schools
2015

Building stronger evidence

Get key stakeholders to “buy in” the SIB model

Learn from an outcome-based contract environment

SIB programme in more schools in Lisbon
(~1,000 students)
2017

Cost savings profile is more robust

SIB dimension attractive for investors

Wider outreach and impact

Junior Code Academy is embeded in school curriculum in Portugal

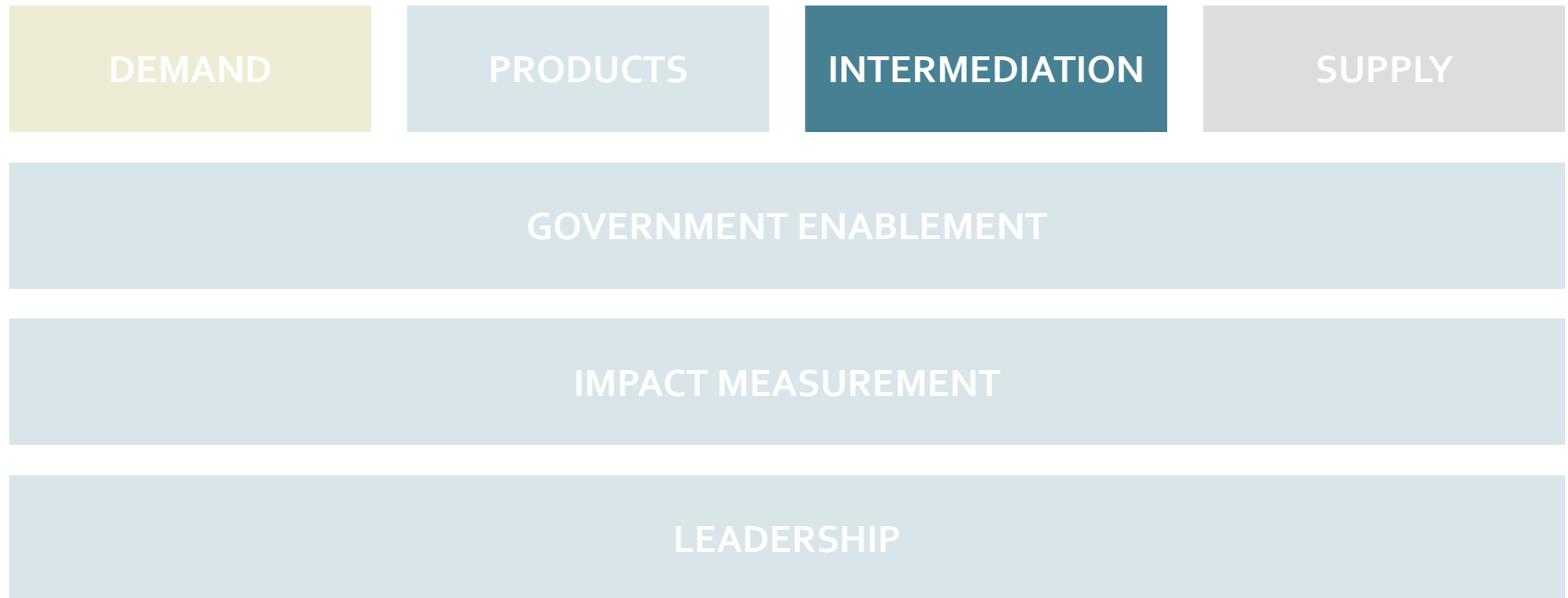
~400,000 students
Long-term

Influencing public policy in education

Expectation that public sector will internalise the teaching of computer programming based on evidence

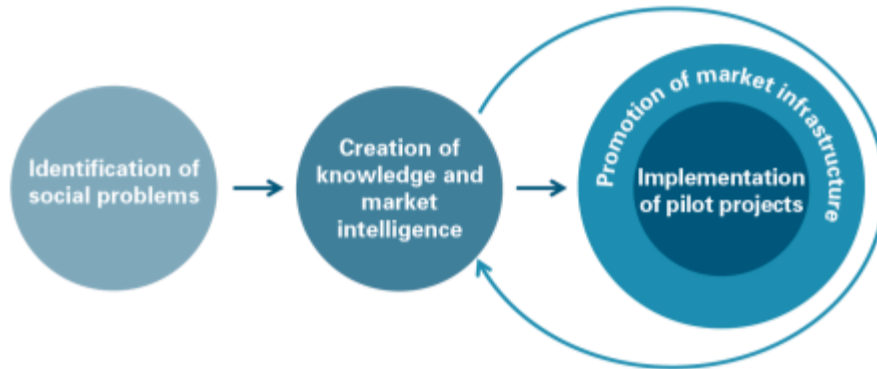
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INTERMEDIATION AS BEEN INSTRUMENTAL

The Social Investment Lab is social investment intermediary that brings together social organisations, investors and public sector towards finding innovative solutions for social problems, devising financing mechanisms that allows those solutions to be more effective and efficient.



- First social finance intermediary in Portugal;
- Founded in October 2013 with the support of the Calouste Gulbenkian Foundation and Social Finance UK;
- 3 year grant to catalyse the market in Portugal;
- 5-people team, varied professional background.

KNOWLEDGE CREATION

- Producing monthly research notes on social investment related topics;
- Conducting modules and workshops for business schools;
- Supporting the development of academic research on the field.

CONSTRUCTION OF MARKET INFRASTRUCTURE

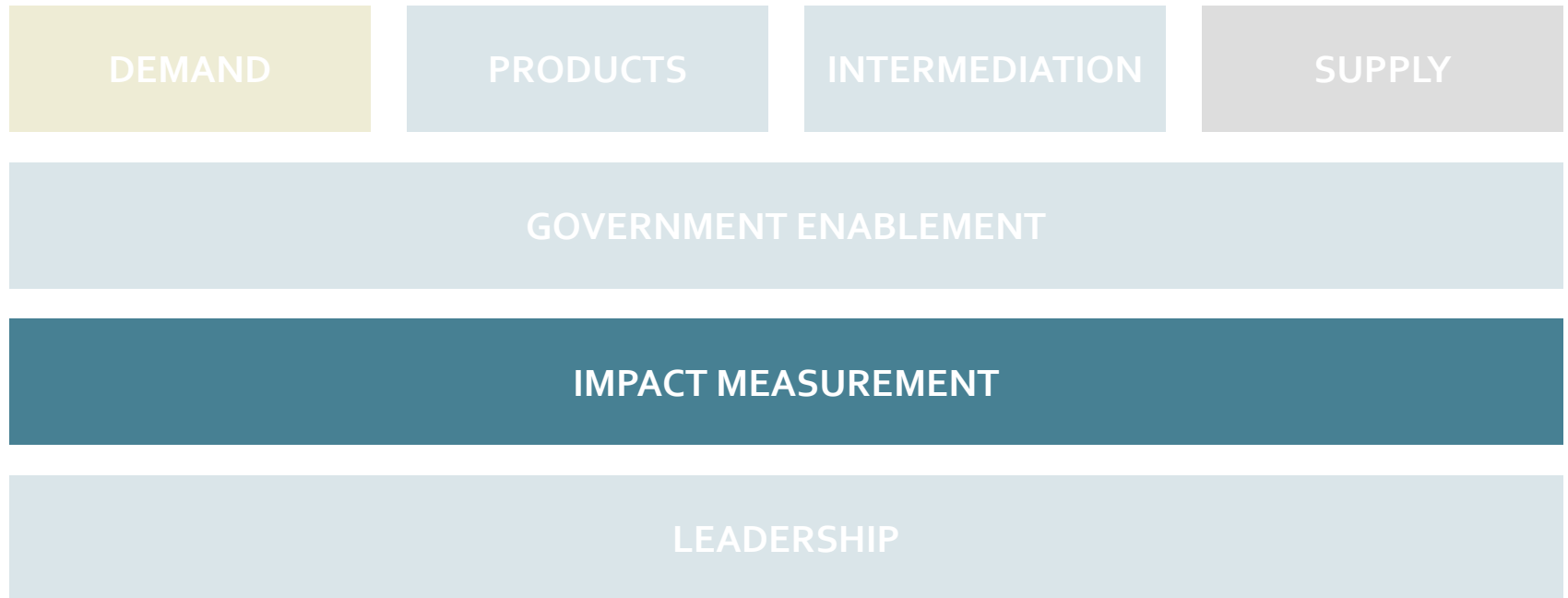
- Developing mechanisms to finance social innovation, such as social investment funds and social impact bonds;
- Capacity-building social initiatives or organizations towards impact and social investment.

PROMOTION OF PILOT PROJECTS

- Conducting feasibility studies on different fields;
- Providing management support services, such as building financial plans; implementing performance management systems; conducting operational due diligence processes.

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IMPACT MEASUREMENT: THE NEED FOR MARKET INTELLIGENCE


ONE.COST is a dataset of validated cost estimates derived from government spending on different social issues, such as health or crime. These costs are computed by aggregating costs that lay in different government departments and are presented in uncommon measurement units (e.g. the cost per student per day or the cost per inmate per year).

oneost

EXAMPLES OF UNIT COSTS OF SOCIAL ISSUES IN PORTUGAL

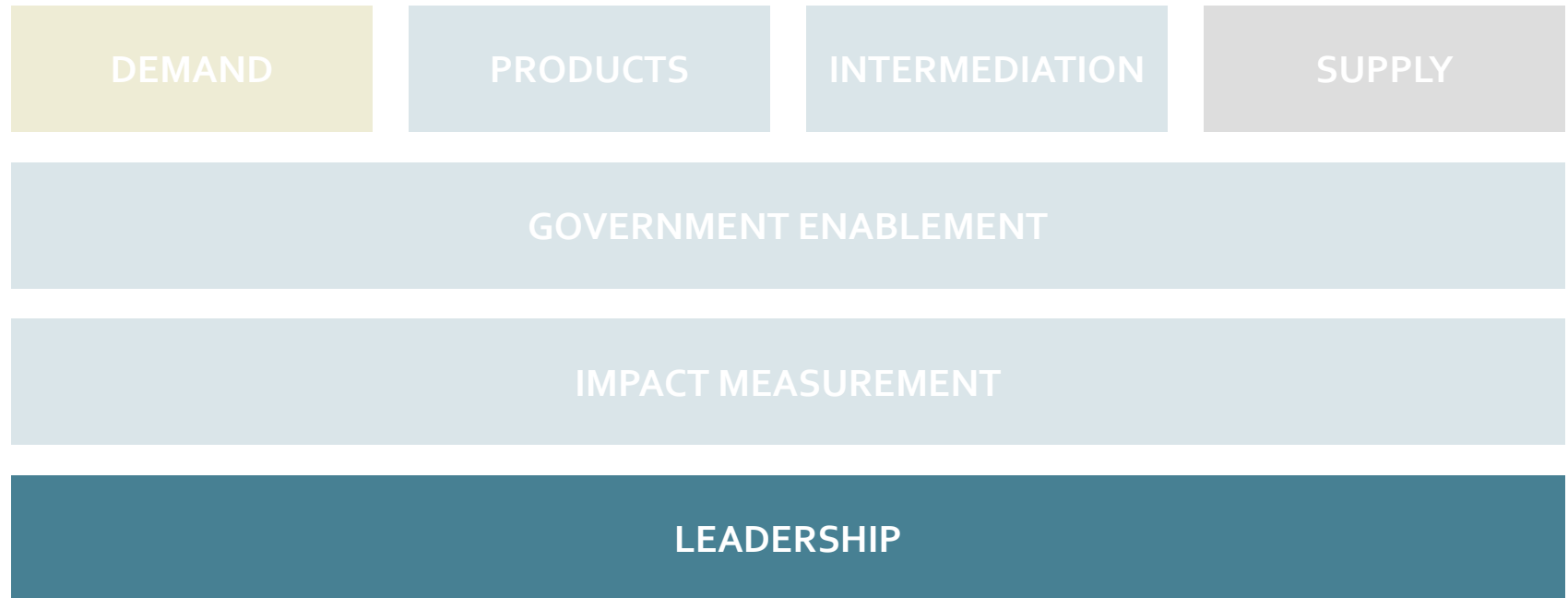
JUSTICE	EDUCATION	EDUCATION/EMPLOYMENT
14,600€/year PER INMATE	4,000€/year PER STUDENT	8,790€/year PER NEET
(Direcção Geral Reinserção E Serviços Prisionais, 2001)	(Tribunal de Contas, 2012)	(Eurofound, 2012)

ILUSTRATIVE EXAMPLE: CRIMINAL JUSTICE

Unit cost	Cost-bearer	Reliability score	Methodology	Update potential
5,000€ per year PER INMATE	Direcção Geral Reinserção Social (DGRS)	8.5 	DGRS Internal reporting	High Annual updates

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THOUGHT LEADERSHIP FROM CIVIL SOCIETY

The work of the Portuguese Social Investment Taskforce is promoted by a partnership between the Calouste Gulbenkian Foundation, Social Investment Lab and Social Finance, with the support of the European Commission. The Taskforce brings together key decision makers from the private, public and social sectors (Bank of Portugal, Presidency of the Republic, Financial Services Authority, among others).

JAN- FEB 2015

RESEARCH NOTES FOR EACH WORKING GROUP



- Case studies and best practices
- Application to the Portuguese context

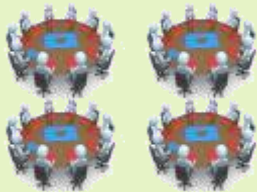
JUL 2014 – JUN 2015

TECHNICAL AND ADMIN SUPPORT



- Plenary sessions and individual sessions
- Workplan and objectives
- Support in the decision-making process

4 THEMATIC FOCUS GROUPS



- Themes: youth unemployment, social innovation in the public sector, financial mechanisms for social innovation, capacity-building for impact and investment readiness

MAY 2015

FIVE RECOMMENDATIONS THAT MIRROR THE KEY ELEMENTS OF A ROBUST SOCIAL INVESTMENT MARKET: (1) DEMAND, (2) SUPPLY, (3) PUBLIC SECTOR, (4) MARKET INTELLIGENCE AND (5) INTERMEDIATION.

JUNE 2015

FINAL REPORT



IMPLEMENTATION // MONITORING PROGRESS

- Transposal of EuSEF label with innovative features (non qualified investors)
- ONE.COST: database with per capita costs of social issues
- Outcomes Academy: capacity building within public sector for wider adoption of outcome-based commissioning



GLOBAL SOCIAL IMPACT INVESTMENT STEERING GROUP

Successor to and incorporating the work of the G8 Social Impact Investment Taskforce

<http://grupodetrabalho.investimentosocial.pt>

MAIN LEARNINGS TO DATE

- **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.
- **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.** Contrary to what we have seen in other countries, in Portugal, instruments like SIBs will be mostly used to create the evidence that does not exist amongst the social organizations. 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.



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